Valued Quality. Delivered.

Your global quality partner

Annual Report 2013

This PDF is designed to be used on a desktop. Please note that tablet and mobile users will experience reduced functionality.

Overview

Intertek at a glance

Your global quality partner

Who we are

Intertek provides quality and safety services to businesses across the globe. We help our customers improve their products, assets and processes to make them more successful in their chosen markets.

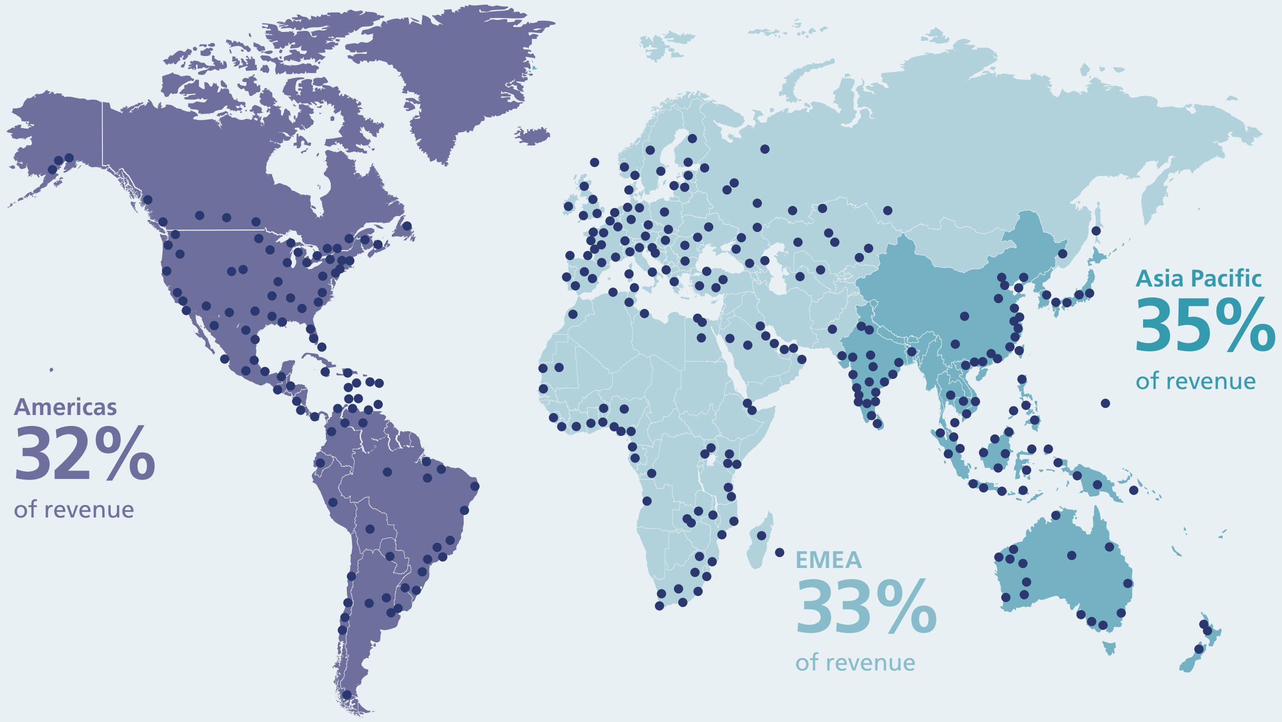
What we do

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

£2,184m
Group revenue

Where we operate

We have a network of more than 1,000 laboratories and offices and over 36,000 people in more than 100 countries.



How we are organised

Industry & Assurance

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

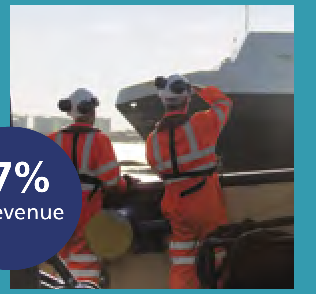
Key business lines
- Industry Services
- Business Assurance
- Food & Agriculture
- Exploration & Production

32% of revenue

Commodities

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

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



27% of revenue

Consumer Goods

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

Key business lines
- Softlines
- Toys & Hardlines
- Product Intelligence
- Auditing

17% of revenue

Commercial & Electrical

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

Key business lines
- Electrical
- Transportation Technologies
- Building Products
- Wireless

16% of revenue

Chemicals & Pharmaceuticals

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

Key business lines
- Chemicals & Pharma
- Health & Regulatory

8% of revenue

Some of our customers

- Abu Dhabi Gas Development Company Limited (Al Hosn Gas)
- ADM Rice
- Air Products
- Apache
- Auchan
- BASF
- Bechtel
- BHP Billiton
- BP
- Certified Automotive Parts Association
- Chevron
- China Petroleum Engineering & Construction Corp (CPECC)
- Cisco
- Disney
- Ericsson
- ExxonMobil
- Glencore Grain B.V., Rotterdam
- Haier
- IKEA
- Infineum
- Kohl's
- Levi Strauss & Co.
- LG
- Magellan Aerospace, North American Operations
- Marks & Spencer
- McDonald's Corporation
- Morgan Stanley
- Nestlé
- Odebrecht
- Omnicotton
- Panasonic
- Pasternak
- Petrobras
- Plexus
- Samsung
- Sasol
- Shell
- Total
- Trafigura
- Valero
- Vitol

Intertek is a leading quality solutions provider to industries worldwide.

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

www.intertek.com

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

Overview

Financial highlights

Good revenue and earnings per share progress in 2013

- Revenue up 6%
- Organic revenue[4] up 4%
- Adjusted operating profit[1] up 2%
- Adjusted operating margin[1] of 15.7%

Strong five year compound annual growth record

- Revenue up 15%
- Adjusted operating profit[1] up 13%
- Adjusted diluted EPS[1] up 14%
- Dividend per share[2] up 16%

2013

Revenue (£m) — **+6%**

	Revenue (£m)
2013	2,184
2012	2,054

Adjusted diluted EPS[1] (pence) — **+6%**

	Adjusted diluted EPS (pence)
2013	138.6
2012	131.2

Adjusted operating profit[1] (£m) — **+2%**

	Adjusted operating profit (£m)
2013	343
2012	335

Statutory diluted EPS[5] (pence) — **+15%**

	Statutory diluted EPS (pence)
2013	123.0
2012	106.7

Five year trend

Revenue (£m) — **+15%** CAGR[3]

	Revenue (£m)
2013	2,184
2012	2,054
2011	1,749
2010	1,374
2009	1,237

Adjusted diluted EPS[1] (pence) — **+14%** CAGR[3]

	Adjusted diluted EPS (pence)
2013	138.6
2012	131.2
2011	107.2
2010	89.4
2009	81.5

Adjusted operating profit (£m) — **+13%** CAGR[3]

Year	Adjusted operating profit (£m)
2013	343
2012	335
2011	281
2010	227
2009	209

Dividend per share[2] (pence) — **+16%** CAGR[3]

	Dividend per share (pence)
2013	46.0
2012	41.0
2011	33.7
2010	28.1
2009	25.5

1. Adjusted operating profit, adjusted operating margin and adjusted diluted earnings per share ('EPS') are stated before Separately Disclosed Items, which are described in note 3 to the financial statements.
2. Dividend per share for 2013 is based on the interim dividend paid of 15.0p (2012: 13.0p) plus the proposed final dividend of 31.0p (2012: 28.0p).
3. CAGR represents the five year compound annual growth rate.
4. Growth at constant exchange rates compares both 2013 and 2012 at the average exchange rates for 2013. Organic revenue excludes acquisitions and disposals in the past two years.
5. Statutory basic EPS increased 15% to 124.4p in 2013 (2012: 108.2p).

Overview

Chairman's statement

"We are a trusted adviser to our customers all over the world."

Sir David Reid
Chairman

Here at Intertek, our 36,000 employees, operating in over 100 countries, have a unique perspective on the challenges and opportunities arising out of the changing global economy. As trade patterns change, supply chains lengthen and emerging economies grow, we help our customers adapt to these shifting dynamics. Whether it is helping them understand local regulations, ensuring the quality of their products, assets and processes in their chosen markets, or working with them to enter new markets, we are a trusted adviser to our customers in over 1,000 locations worldwide.

Our customers range from multinationals, to governments and to small local operators, all of whom rely on the expertise that Intertek offers across a wide range of industries and geographies. We work closely with our customers to ensure we deliver a level of quality that is valued by them, every time.

Results

In 2013, the Group generated revenue of £2,184m, an increase of 6% over the prior year. Excluding acquisitions, revenue growth was 4% at constant exchange rates. Operating profit was £310m, up 9% over the prior year. Adjusted operating profit increased to £343m, up 2%, and our adjusted operating margin was 15.7%. Excluding acquisitions and disposals, adjusted operating profit was down 1%.

The operating results in 2013 reflected variable market conditions in our businesses and in the industries we serve. Strong progress in our emerging markets, including China and India, was partially offset by cyclical headwinds in a number of areas, most notably the minerals sector, our chemicals and pharmaceutical business in Europe, and in the USA. These cyclical market conditions impacted upon the Group's growth rate and its operating margin during the year.

Earnings and returns to shareholders

The Board continues to focus on Total Shareholder Returns through a combination of dividends and through investment in the business where the return is in excess of the Group's cost of capital. The share price increased 2% in the year, and the Group has delivered Total Shareholder Returns of 85% and 334% over a three and five year period respectively.

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

The Board has a progressive dividend policy, seeking to grow dividend per share in the medium-term in line with earnings per share whilst maintaining a minimum cover of 2.5. An interim dividend of 15.0p per share (2012: 13.0p) was paid to shareholders on 15 October 2013. The Directors will propose a final dividend of 31.0p per share at the Annual General Meeting which will make a full year dividend of 46.0p per share (2012: 41.0p), an increase of 12%.

The final dividend will be paid on 6 June 2014 for those shareholders on the register on 23 May 2014.

Basic earnings per share were 124.4p, up 15% over the prior year and adjusted diluted earnings per share were 138.6p, up 6%.

Cash flow and Investment

Intertek continues to generate good cash flow, with 2013 adjusted cash flow from operations of £394m, an increase of 14% on the prior year. The Group stepped up the level of investment in new laboratories, scientific and IT equipment in the year spending £145m, which represents 6.6% of total revenue (2012: £115m, 5.6%). These investments reflect the increasing opportunities to grow our services and maintain strong long-term value creation for our shareholders.

Acquisitions

This year the Group made some significant acquisitions, notably Global X-Ray & Testing Corporation ('GXT') and Architectural Testing, Inc. ('ATI') which expanded our service offering in key markets. In 2013 overall we made seven acquisitions for a purchase price, including debt, of £122m (2012: £46m). Further details are given in the Operating Review by division and in note 10 to the financial statements.

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

The Board

On 1 September 2013 we welcomed Dr. Mark Williams to the Board as Non-Executive Director. His extensive experience in the international oil and gas industry will benefit the Group going forward. Further details of his business experience can be found on page 39.

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

Sustainability

Intertek is committed to the highest standards of sustainable business practices, and we are mindful of the impact our operations have on our communities, employees, customers and the environment.

Across these areas, Intertek makes a significant contribution to improving the quality of our customers' goods, services and processes across multiple dimensions including; improving safety, reliability and durability, social responsibility, reducing environmental impact in production, packaging and operations, and assuring supply chains around the globe.

We have continued to develop our metrics around our impact on climate change. While some of our emissions relate to Intertek offices and operations, they also relate to the work we do for our clients, including the testing of fuels, the inspection of processes and products and the certification of consumer products or other equipment in line with agreed standards. As well as the Scope 1 and Scope 2 emissions figures quoted for the Top 25 countries in the 2012 Annual Report and Accounts, we have, for 2013, also collected Greenhouse Gas Emissions for the Group in line with the requirements of the Companies Act, see pages 34 and 35.

Within our own operations we are also focused on the health and safety of our employees. Given the varied nature of the roles of our employees, and the different environments in which they operate, we have robust health and safety policies in place to ensure staff welfare is always of utmost importance.

Integrity

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

The Group has robust ethical policies and control procedures to ensure that good business ethics are embedded throughout our organisation. Our performance against them is continually reviewed and the processes aligned with best practice. Our compliance initiatives include internal training and communications, independent internal and external auditing of both operating and financial procedures, whistle-blowing hotlines, external communication and collaboration with industry partners and customers.

Our disclosure on ethical compliance in 2013 can be viewed in the Sustainability and CSR report on page 33.

Our people

While Intertek has a unique history and heritage, it is our people who are responsible for the delivery of services to our customers. With over 36,000 employees across the globe, we have deep levels of expertise both geographically and across our business lines, provided by chemists, engineers, consultants, biologists, inspectors, geologists and auditors, amongst others.

With a strategy based on global business line development that is implemented at a country level, we are developing a pipeline of managers to lead the Group through its next phase of growth. The Intertek Executive Academy, introduced in 2012, is already developing the talent and capabilities of the next generation of leaders, with around 50 already enrolled in its 18 month programme. These have been selected from across the globe to help drive growth. We are also always on the lookout for new talented individuals, whether from progression, from acquisitions or externally. During the year the Group's workforce grew by over 1,900 people. We look forward to hearing their ideas and contributions to the Intertek growth agenda.

Following the success of the first global Group-wide employee engagement survey in 2012, we undertook another survey in 2013 to chart progress against the key opportunities identified. More information on these opportunities is available in the Sustainability and CSR report on page 32. Future surveys will be conducted on a periodic basis.

The Board extends its thanks to all of our employees for their hard work and endeavour in 2013 which has allowed the Group to achieve solid progress and lay foundations for continued success into the future.

Outlook

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

Sir David Reid
Chairman

Chief Executive Officer's review

"Intertek continued to deliver on its strategic priorities in 2013; investing in our services, our network, our thought leadership and most importantly our people."

Wolfhart Hauser
Chief Executive Officer

Intertek continued to deliver on its strategic priorities in 2013; investing in our services, our network, our thought leadership and most importantly our people to capture the opportunities arising from global trade and the development of our different markets.

The year in review

2013 saw a mixed set of results for the Group, with growth rates varying across our markets. We saw strong growth in China and India, particularly in textiles, while there was slower growth in the USA, Europe and the minerals sector. In response to these issues we undertook a restructuring exercise in 2012 and 2013 which sold or closed underperforming operations. Due to a longer than expected cyclical downturn in 2013 we have extended our restructuring programme into 2014.

We saw strong growth in emerging markets which now account for 38% of the total revenue, up from 36% in 2012, with China growing very well across most business lines, especially technical inspection of energy assets, testing of electricals, clothing and textiles. Clothing and textiles testing also grew strongly in India and Turkey. Slower revenue growth came mainly from our USA businesses where strong growth in oil cargo inspection and testing for the transport industry was masked by a decline in services for energy assets such as technical inspection and training. Europe had low overall growth with good growth from consumer products and food testing offset by decline in technical inspection of energy assets, chemical and pharmaceutical analysis and oil and agricultural cargo inspection work. Minerals testing declined sharply led by the downturn in exploration in Australia, South East Asia, Africa and Latin America.

Strategic alignment

As reported last year, we have increased our focus on the delivery of our strategy across our key business lines, supported by operational excellence delivered on a country basis. During the year we conducted a review of our strategy across the business lines and countries in which we operate, and prioritised future investment according to their long-term growth potential. We also identified new service offerings that will complement our existing services and help drive future growth.

Our mission and strategy

Our mission is 'to add value for our customers by helping them achieve their desired level of quality and safety for their products, assets and processes'.

We support the world's leading companies across their global supply chains and in each of the local markets in which they operate. Our local knowledge, combined with our global network and expertise, makes the difference for our customers as they strive for quality in an ever more competitive marketplace.

The market for quality

'Quality' is defined differently across the globe, based on the economic life cycle of each market and the changing demands of customers within that market. External factors such as regulatory changes and global macroeconomic trends also create pressure for improvements in quality across its many dimensions; from safety and performance through to integrity, desirability and sustainability.

As the emerging middle classes increase their demands for quality, particularly in countries such as China and India, there will be huge challenges, and significant opportunities, for companies that want to compete in those markets.

Each company we work with has their own definition of quality, being a set of internal and external standards that they look to deliver on a consistent basis to support their brand identities. We provide solutions that help them achieve these standards on a global basis.

Our customers

Intertek's customers range from multinational corporations to local businesses operating in small niche markets. We offer a range of services that meet the requirements of these businesses, and all sizes in-between.

Many of our customers rely on our employees for advice and guidance in meeting ever changing regulatory or standards requirements, including those necessary for exporting to international markets and trading with local and global partners. These prescribe minimum quality standards that must be met, and while we can test their products, the value we offer is in the advice and expertise we provide on how to meet and exceed these standards.

We can also help our customers with their internal processes, whether in the design and manufacturing of products, sourcing across the supply chain or in outsourcing non-core activities. Our range of testing, inspection and certification activities can help reduce time to market, reduce costs and increase efficiency.

Our success is based on our established processes and methodologies, combined with a network of experienced people who make it their goal to deliver for the client, every time, even as the competitive landscape shifts.

Evolving industries

As technology changes and new industries emerge, we are constantly innovating across our service offering to meet the needs of our customers. For instance, 2013 saw increased commercialisation of products utilising nanotechnology, which has applications across a wide range of industries, particularly the pharmaceutical industry.

We contributed to conferences, exhibitions and thought leadership papers across the world to demonstrate our skills at the forefront of technological innovation. This enables us to identify areas of growth and develop our service offering accordingly.

Expanding capabilities

One of the pillars of our strategy is to bring new services to our customers so that we can help deliver the many dimensions of quality that are important to them. This can range from reducing product defects, helping reduce production cycle times or reducing the environmental impact of a product, service or operation. Our aim is not only to support their existing activities, but also to be ready as the next generation of products and services are delivered. Through a combination of new service initiatives, organic investment and acquisitions, we continue to deepen our capabilities in each of our industries.

For example, in response to issues and questions around global supply chains in the food industry, and the provenance of ingredients being included in certain consumer products, we have partnered with the Institute of Food Technologies ('IFT') in its development of the Global Food Traceability Center in the USA which aims to provide unbiased, knowledgeable, scientific based advice to the global food industry.

We have also constructed new '4G' testing facilities in Taiwan to take advantage of future developments in the mobile phone industry within the region.

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

As well as investing organically, in 2013 the Group made a series of acquisitions to expand the services we can offer.

The Group made acquisitions in the strategically important area of non-destructive testing, to support the longer life cycles of existing infrastructure and the need for on-going preventative maintenance. The most significant of these acquisitions was Global X-Ray & Testing Corporation ('GXT'), a company providing services to the oil and gas industry in the USA that complements existing services being offered in this segment.

The Group also acquired Architectural Testing, Inc. ('ATI'), a building products testing and certification company in North America that will expand the range of services being offered by the Group in North America, but also help leverage this knowledge into growth markets overseas.

In addition to these, the Group also made a series of bolt-on acquisitions, including Melbourn Scientific Limited in the UK, which expanded our global analytical service offering to the pharmaceutical, biotech and healthcare industries. Our global network of consumer goods laboratories was expanded with the acquisition of E-TEST Laboratorio de Ensaios e Tecnologia Ltda. ('E-TEST'), a toy and consumer products testing laboratory in Brazil, and there were a series of smaller niche acquisitions in growing markets.

Going forward

With strategic priorities identified and embedded within the organisation, we expect the global strategy, implemented on a local level, to rapidly identify customer issues and deliver solutions. The industry growth drivers continue to provide the catalyst for change, which we expect to drive demand for our services in the future. I am confident that Intertek is well placed to benefit from good underlying growth in 2014 and beyond.

Wolfhart Hauser
Chief Executive Officer

Strategic report

Our industry

Intertek operates in the global 'quality' industry. We help our customers to improve their products, assets and processes and achieve their 'quality' goals.

Our customers are typically other businesses, including companies, governments and not-for-profit entities.

What is quality?

'Quality' can mean a number of different things depending on the viewpoint of our customer or the end user of a product or service. Quality can be defined as:

Safety

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

Sustainability

Improving the social, health and environmental impact of products and processes.

Performance

Optimising the technical output of products or processes.

Integrity

Ensuring the composition, reliability and durability of infrastructure, materials, commodities, components and systems.

Desirability

Producing more appealing products or materials, with new innovations to meet the preferences of multiple users.

What is driving growth?

The quality industry has a number of different growth drivers, some macroeconomic, and others unique to the challenges faced by our customers.

Growth drivers

Global trade and emerging market trade growth
The quality industry benefits from the growth in global trade, with increased shipments of commodities, materials and products resulting in the need for increased testing across the supply chain.

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

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

Industry consolidation
The industry is in a constant state of consolidation as companies that provide niche services are integrated into larger organisations that can deploy those services to a wider customer base.

Network/service expansion
As global trade has increased, and transport links have improved, the quality industry has expanded geographically at a rapid rate. Providing services to customers in new geographic locations, and in new industries, has helped drive growth.

Market drivers in the sectors where we operate

The growth drivers for the industry as a whole also include market drivers that impact the sectors in which we operate. Within these sectors our customers are being challenged across all aspects of their operations, with constant pressure to improve quality, reduce costs and differentiate their offering. This provides an opportunity for Intertek to support them in their operations, thereby driving growth in our business.

Customer market drivers	How we can help
Increased focus on global supply chains Our customers create products and infrastructure using suppliers and components across multiple countries as they seek to gain cost and strategic advantages. This strategy also increases risk, with provenance across the supply chain being an area of focus.	We help our clients gain assurance on quality along their supply chain to reduce the risk of product, brand and operational failures and to increase visibility and efficiency.
New product development Companies are constantly challenged to develop new products and technologies, to create new markets, increase sales and to respond to diverse end-user demands.	We develop methods to test the reliability and performance of new products, and consult on product design, development and production. We help protect brands, reduce costs and improve efficiency.
Energy growth and development Global demand for energy is driving increased development and trading of energy resources and infrastructure.	Our customers require more quality, safety and environmental assurance support in their expanding resource production and trading activities. Our services encompass both capital and operational maintenance expenditure across the entire asset life cycle.
Increased regulation Quality, safety and environmental regulations and industry standards continue to expand and change across companies and cultures.	Our experts advise clients on how to navigate new regulations to maintain compliance. They also help clients understand the complex rules around entry to new markets.
Local market development Consumers in developed economies trust brands and companies that perform and deliver products with consistent quality. Consumers in emerging markets are increasingly demanding higher levels of quality across a diverse range of criteria, creating new markets for local and international brands.	As end-user expectations of quality change, so we work with customers to develop solutions to enhance the quality they deliver to their end clients.
Brand promotion and protection Branding is an important means of differentiation for companies in a crowded marketplace. The development and promotion of these brands takes a significant investment, and there is ongoing effort to protect this investment over time.	Intertek can help brands achieve consistent quality across their offering by monitoring compliance with global standards, auditing supply chains and ensuring consumers receive a consistent brand experience.

Strategic report

Our strategy and business model

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

How do we respond to these opportunities?

At Intertek our business model is focused on supporting organisations' needs for quality as they arise in the context of global trade, targeting the testing, inspection and certification of goods, commodities and infrastructure along supply chains and across different markets.

While focusing on global trade, we deliver our services through a network of locations and employees who have in-depth knowledge of their local markets. We are organised into divisions and business lines, allowing a greater degree of specialisation amongst our employees and ensuring alignment with our customers.

Page 10 for our Strategy in action

Our strategy reflects our global focus and local delivery model, as we concentrate our efforts on the industries, locations and services most demanded by our customers.

Our plan	How we will achieve our aims	Principal risk
Leading positions in key industries	We are organised into business lines to reflect the needs of our customers, and concentrate on industry sectors where we have the critical size to hold leading positions and provide our customers with world-class services.	• Harm to the Group's reputation Please refer to page 14
Customer orientated relationships	We aim to create long-term partnerships with our customers to help them improve their competitive advantage. By investing in relationships for the long-term, we can deepen our understanding of their businesses.	• Key staff reliance Please refer to page 14
Global network	We have a global network of offices and labs that can react quickly to changes in global, interregional and local trade. The network allows us to deepen our position in established and growing markets, and help our customers with the flow of goods across boundaries.	• Political risk Please refer to page 14
Investing in our people	Our people are our core assets and are chosen for their technical expertise, their values and their understanding of local markets and culture. We provide training for personal growth and to ensure we continue to deliver expert services to our customers.	• Key staff reliance Please refer to page 14
Targeted acquisitions	We will achieve our strategic priorities through both organic investment, but also through targeted acquisitions. We acquire companies which provide access to new services, markets, technologies or skills that expand our service offering.	• Cyclical risk Please refer to page 16
Process efficiency	Process efficiency allows us to streamline core operations and provide more time for adding value for our customers. As global standards converge we adopt best practices wherever we find them in a relentless pursuit of process improvement.	• IT systems risk Please refer to page 16

Delivering on our strategy

In order to measure the financial impact of the Group's strategy, we use a variety of key performance indicators ('KPIs') to monitor the performance of the Group and operating divisions.

Our key performance indicators

During 2013 the Group reported solid financial results as the strength of its portfolio and strong structural growth drivers mitigated near-term cyclical weakness in some markets.

Revenue (£m)

+6.3%

2013	2,184
2012	2,054
2011	1,749

Revenue growth measures how well the Group is expanding its business. Growth of 6% includes the contribution made by seven acquisitions in 2013.

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

+4.3%

2013	2,140
2012	2,052

Organic revenue growth, 4% at constant exchange rates, excludes the distortion caused by the timing of acquisitions.

Adjusted operating profit[1] (£m)

+2.2%

2013	343
2012	335
2011	281

A measure of how well the Group is controlling costs. Adjusted operating profit grew 2% with mixed market conditions in key sectors and geographies.

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

(1.2)%

2013	333
2012	337

Measures profitability of the Group excluding acquisitions; down 1% at constant exchange rates, but in line with prior year at actual rates.

Adjusted operating margin[1] (%)

(60)bps

2013	15.7
2012	16.3
2011	16.1

Margin measures profitability as a proportion of revenue. Decreased in 2013 due to challenges in certain markets (see Financial review).

Adjusted cash flow from operations[1] (£m)

+14.2%

2013	394
2012	345
2011	315

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

Adjusted diluted earnings per share[1] (pence)

+5.6%

2013	138.6
2012	131.2
2011	107.2

A key measure of value creation for the Board. EPS increase of 6% reflects good underlying performance.

Dividend per share[2] (pence)

+12.2%

2013	46.0
2012	41.0
2011	33.7

Dividend per share measures returns provided to shareholders, and reflects strong underlying profitability and cash generation.

Return on invested capital (%)

(100)bps

2013	18.4
2012	19.4
2011	16.8

Measures how effectively the Group generates profit from its invested capital. Acquisitions reduce ROIC in the short term but drive long-term growth.

1. Adjusted operating profit, adjusted operating margin, adjusted cash flow from operations and adjusted diluted earnings per share ('EPS') are stated before Separately Disclosed Items, which are described in note 3 to the financial statements.
2. Dividend per share for 2013 is based on the interim dividend paid of 15.0p (2012: 13.0p) plus the proposed final dividend of 31.0p (2012: 28.0p).
3. Growth at constant exchange rates compares both 2013 and 2012 at the average exchange rates for 2013. Organic revenue excludes acquisitions and disposals in the past two years.

Strategic report

Strategy in action

Leading positions in key industries

Supporting growth of Chinese renewable energy

We were awarded an exclusive contract to supervise the manufacture of wind turbine towers in a number of locations across China, including the supervision, materials testing and non-destructive testing of projects covering 889 wind turbine towers.

889

wind turbine towers

Customer orientated relationships

App testing on any device, any network

The growth in smart phone usage has increased the number of applications ('apps') being developed across the associated platforms. These apps need rigorous testing across relevant software, hardware and carrier networks to ensure they work as intended. Through our website AppTestNow we provide customers with a network of professional testers available 24 hours a day, 7 days a week, who work with developers to get apps through the testing process and ready for download as quickly as possible.

24/7

professional testers available

Strategic report

Strategy in action

Global network

Supporting the shale oil and gas revolution

Intertek is expanding in its global shale expertise, investing in additional capacity across key regions in North America, including the Bakken, Eagle Ford, Permian Basin, Marcellus and Utica Shale Play regions. As American shale oil and gas production and transportation increases, Intertek's shale oil and gas testing, inspection, metering and engineering services provide crucial industry support for a wide range of exploration, production, transportation and environmental requirements.

Investing in our people

Developing potential

Most Intertek people come from a range of scientific and other professional and technical disciplines. They include technicians, engineers, chemists, biologists, consultants and geologists.

Our employees have access to training modules, covering safety, compliance, test methods, lab procedures and more. Since the Intertek Executive Academy was launched in 2012, around 50 senior managers have attended, with more than half of those progressing to higher or broader roles.

211,000

online training courses completed in 2013

Strategic report

Principal risks and uncertainties

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

Risk framework

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework which is described in the Corporate Governance Report on pages 40 to 55.

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

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

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

Principal risks

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

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

Principal risk	Context	Associated strategic priorities	Possible impact	Mitigation
Operational				
Harm to the Group's reputation	The Group relies on its reputation to maintain and grow business. Adverse litigation, ethical breaches and operational failures have the potential to damage its reputation. There is also a risk that poor performance of services leads to a loss of confidence in the Group's standards and reputation for quality and safety service excellence.	• Leading positions in key industries Please refer to page 8	• Failure to meet financial performance and financial position expectations. • Exposure to material legal claims, associated costs and wasted management time. • Share price may fall. • Loss of existing or new business.	• Risk Management Framework and associated controls and assurance processes, including contractual review and liability caps where appropriate. • Quality Management Systems; adherence to these is regularly audited and reviewed by external parties, including accreditation bodies. • Code of Ethics which is communicated to all staff, who undergo regular training. • 'Whistle-blowing' programme, monitored by the Audit & Risk Committee, where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group. • Zero-tolerance policy with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf. • Media comments with regard to Group activities are centrally reviewed so that senior management can, where necessary, take appropriate action on a timely basis. • Relationship management and communication with external stakeholders.
Loss of accreditation leading to loss of business	The Group relies on being awarded and retaining appropriate accreditations and affiliations around the world in order to provide its certification services.	• Leading positions in key industries • Customer orientated relationships Please refer to page 8	• Loss of business in the relevant industry and damage to the Group's reputation.	• Quality assurance procedures and controls embedded in its operations to ensure that it holds and maintains the necessary accreditations and that the required operational standards are applied. • Operations are regularly subjected to audit and review by external parties including accreditation bodies, governments, trade affiliations, retailers, manufacturers and clients. • Accreditation is usually held at an industry, country or site level and loss of accreditation will not mean loss of accreditation across the Group.
Key staff reliance and depth of management	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.	• Investing in our people • Customer orientated relationships Please refer to page 8	• Reduced ability to compete effectively. • Increased recruitment costs. • Lose talent to competitors and lose market share.	• HR policies and systems. • Development and reward programme. • Succession planning. • Employee survey.
Political risk	The Group operates in over 100 countries including some where political instability can result in disruption to operations and the suspension, change or termination of contracts at short notice. The Group receives tax incentives in certain jurisdictions, resulting in a lower tax charge to the income statement. There is no guarantee that these reduced rates will continue to be applicable.	• Global network Please refer to page 8	• Reduction in opportunities in a particular geography. • Changes to terms of contracts. • Reduction or confiscation of Group assets, potentially without reasonable recompense; or increase in the Group's effective tax rate.	• Monitoring of any incidents of political or social unrest and taking mitigating action. • Operations across many industries and countries diversifies the risk profile of the Group. • The Group utilises internal and external expertise to keep abreast of tax and other legislations.

Strategic report

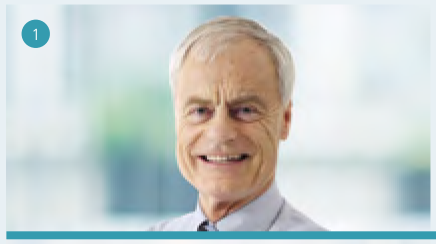
Principal risks and uncertainties continued

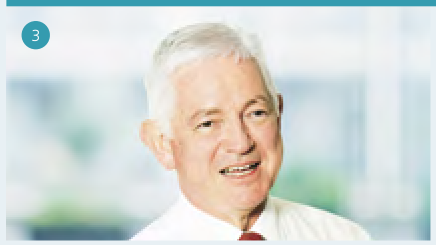
Principal risk	Context	Associated strategic priorities	Possible impact	Mitigation
Operational (continued)				
Cyclical risk	All businesses are subject to cycles, with supply and demand fluctuating for economic or other factors over time. During times of cyclical strength this can place the business under pressure to meet peaks in demand whilst maintaining quality standards, whilst in cyclical downturns there is a requirement to restructure the business.	• Leading positions in key industries • Global network • Targeted acquisitions Please refer to page 8	• A sustained downturn in the economic cycle can result in a lower return on invested capital, as revenue and margin levels come under pressure.	• The Group has a diversified service offering to a wide range of industries and geographies. This reduces the risk of a downturn in any one sector or region having a material impact on the long-term viability of the Group. Where a downturn does occur, the Group seeks to reduce, where possible, the cost base whilst retaining its core capability to take advantage of the cyclical upturn when it comes.
IT systems risk	The Group is dependent on IT systems for principal business processes. The failure of one of these systems can cause significant operational disruption and loss of revenue. Given the ongoing consolidation of the Group's IT systems and data management, this has been added as a new risk this year.	• Leading positions in key industries • Global network • Process efficiency Please refer to page 8	• Damage to reputation leading to loss of business and media attention. • Cost to rectify. • Loss of systems and data impacts the ability to perform services and earn revenue in an efficient manner.	• Information systems policy and governance structure. • Tested and constantly evolving disaster recovery and business continuity plans to minimise the impact if a failure does occur. • Internal and external audit testing.
Legal and Regulatory				
Claims	The Group is involved in claims where an event is found or is perceived to be caused by the negligence of the Group. It could subject the Group to claims for personal injury or property damage by customers, sub-contractors, employees or members of the public which could lead to the payment of damages and result in reputational damage which could in turn lead to a loss of business. There is a risk that a legal dispute could adversely affect the reputation of the Group and result in significant financial loss.	• Leading positions in key industries • Customer orientated relationships Please refer to page 8	• Financial impact (fines by regulators, suspension of accreditation, compensation). • Loss of business (contract termination). • Criminal and Civil Action. • Loss of reputation.	• Effective Quality Management Systems and assurance procedures and controls, including contractual review and liability caps where appropriate. • All significant incidents that could potentially result in a claim against the Group are immediately reported to compliance officers and logged in an incident database so that they can be properly managed. The Group Head of Legal reports any significant claims to the Audit & Risk Committee. External legal counsel is appointed if appropriate. • Crisis management policy in place. • Seeking contractual protection from loss where possible.
Bribery and corruption	The Group operates in countries which are recognised to have higher bribery and corruption risks.	• Global network Please refer to page 8	• Legal action and fines against the Group. • Debarment from being able to participate in tenders. • Loss of reputation. • Media activity.	• Code of Ethics and training, risk assessments, Audit & Risk Committee, whistle-blowing policy and policies and systems. • The Group employs local people in each country who are aware of local legal and regulatory compliance. There are also extensive internal compliance and audit systems to facilitate compliance. Expert advice is taken in areas where regulations are uncertain. • The Group continues to dedicate resources to ensure compliance with the UK Bribery Act and all other anti-bribery legislation.
Financial				
Financial irregularity risk	The Group could suffer financial loss either through misappropriation of assets or the misrepresentation of financial results.	• Leading positions in key industries Please refer to page 8	• Corresponding loss of value and reputation could result in funding being withdrawn or provided at higher interest rates, and negative market sentiment.	• The Group has financial and management controls in place to ensure that the Group's assets are protected from major financial risks. • A detailed system of financial reporting is in place to ensure that monthly financial results are thoroughly reviewed. The Group also operates a rigorous programme of internal audits and management reviews. Independent external auditors review the Group's half year results and audit the Group's annual financial statements.

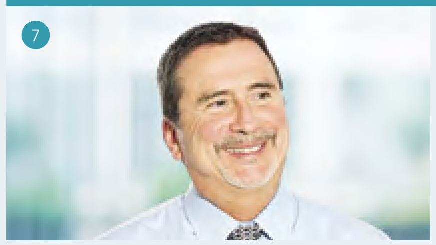
Strategic report

Intertek Executive Management Team

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







1 Wolfhart Hauser

Chief Executive Officer

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

2 Lloyd Pitchford

Chief Financial Officer

Joined Intertek in 2010. Appointed to the Board as Chief Financial Officer in April 2010. Lloyd Pitchford previously spent 10 years with BG Group plc in various operational and corporate finance roles in the UK and Middle East; the last five of which were as Group Financial Controller. He previously worked for Mobil Oil Corporation in various financial, commercial and management roles. Lloyd holds responsibility for Finance, Tax, Treasury, Audit, Investor Relations, Company Secretariat and IT, and for operations across the Indian Subcontinent.

3 Jonathan Lawrence

Group Vice President, Human Resources

Joined Intertek in 2005. Jonathan leads Human Resources as a member of the Group Executive. He also directs sustainability and internal communications across the Intertek Group. Before joining Intertek, Jonathan was a member of the Bureau Veritas Global Executive as Group Vice President Human Resources. Prior to moving into business services in the testing, inspection and certification sector, Jonathan held HR, Quality Management and operations roles in the automotive, chemicals and general manufacturing sectors, starting his career as a Chartered Engineer in the machinery industry. During his career he has been based in the UK, France and the USA.

4 Ann-Michele Bowlin

Chief Information Officer

Joined Intertek in 2009. Ann-Michele Bowlin was appointed Chief Information Officer in September 2010. Ann-Michele Bowlin joined as Group Vice President of Shared Services, to work with business and finance leaders to develop and deliver the Group shared services strategy. Ann-Michele previously held director level roles for Ernst & Young consulting with industries including oil & gas, manufacturing and services. Prior to this, she spent over 13 years in technology leadership positions.

5 Stefan Butz

Executive Vice President, Industry & Assurance, Chemicals & Pharmaceuticals

Joined Intertek in 2008. In addition to Industry & Assurance and Chemicals & Pharmaceuticals, Stefan Butz has responsibility for operations in Europe, FSU, Middle East and North Africa. Stefan joined Intertek from TÜV SÜD, where he held the position of CEO Americas, with an earlier role as Head of Corporate Development. Prior to this he was a Strategy Consultant with Accenture Germany.

6 Gregg Tiemann

Executive Vice President, Consumer Goods, Commercial & Electrical

Joined Intertek in 1993. In addition to Consumer Goods and Commercial & Electrical, Gregg is responsible for operations in North America, Hong Kong, Japan, Korea and Taiwan. Prior to assuming his current role, Gregg Tiemann was President of Intertek's Commercial & Electrical division in Europe and the Americas, having started as General Manager of the Los Angeles and Mexico City laboratories in 1993. Before joining Intertek, Gregg worked in sales and marketing for the software industry.

7 Jay Gutierrez

Executive Vice President, Commodities

Joined Intertek in 1997. In addition to Commodities, Jay is responsible for operations in Australasia, South East Asia, Latin America and the Caribbean and Sub Saharan Africa. Jay Gutierrez assumed his current role in January 2008, and added Government Services in January 2009 and Minerals in January 2011. Previously, he was Vice President for the Oil, Chemical and Agri division in the Americas. Jay has 30 years' experience in the cargo inspection and testing industry. Prior to joining Intertek he spent eight years as General Manager for a North American cargo inspection and testing company.

8 Julia Thomas

Vice President, Corporate Development

Joined Intertek in 2013. Julia Thomas has responsibility for the Group functions of Corporate Development and Group Marketing. Before joining Intertek, Julia spent 12 years in investment banking with J.P. Morgan Cazenove and Rothschild, focusing primarily on mergers & acquisitions.

Strategic report – Operating review

Industry & Assurance

Powering safer futures

Industry & Assurance division
Key business lines include Industry Services, Exploration & Production, Business Assurance and Food & Agriculture. These service a wide range of industries including oil, gas, nuclear, power, renewable energy, construction, food, chemical and agriculture.

Our services
- Asset integrity management
- Technical inspection
- Auditing
- Certification
- Consulting
- Training
- Staffing

Market drivers
Developing market energy demand, combined with maintenance expenditure to extend the lives of in-service assets, will continue to drive demand for services.

Financial highlights

Financial Highlights 2013	£m	Change at actual rates	Change at constant rates
Revenue	709.3	7%	7%
Adjusted operating profit	82.2	6%	7%
Adjusted operating margin	11.6%	0bps	0bps

Revenue – at actual rates (£m)

2013	709.3
2012	665.6

Employees

2013	8,972
2012	7,329

Promoting food safety
As South Africa's population continues to grow, Intertek, working alongside local communities and organisations, is helping to promote effective food safety systems including the launch of dedicated food safety training programmes and workshops.

Aiding development of Copenhagen's infrastructure
Intertek signed a contract to design, manufacture, install and commission a corrosion and stray current corrosion monitoring system for the Danish capital's metro extension project, Cityringen. This will assist with the effective running of the system, which is one of the largest underground rail construction projects in Europe.

Our performance in 2013
Total revenue was £709.3m, up 7% at both actual and constant exchange rates. Excluding acquisitions revenue growth was 4%. Total adjusted operating profit was £82.2m, up 6%. Excluding acquisitions adjusted operating profit was up 3% at constant exchange rates. The total adjusted operating margin remained constant at 11.6% at actual exchange rates. The organic adjusted operating margin at constant exchange rates decreased 20 basis points.

Revenue growth was driven by demand for Technical Inspection services in China, Brazil and the Middle East. Over the last few years, growth in global energy has driven increased new capital and production based spending on oil and gas projects, particularly by the integrated oil companies, supporting very high levels of Industry Services growth. During 2013, this high level of spending growth was moderated by discretionary spending mainly in the USA on energy sector plant and equipment and training contracts being deferred or ending, holding back the pace of growth for Intertek services. This softness will continue to affect Intertek in 2014, alongside the intentional reduction in some large low value contracts that account for approximately £30m of divisional revenue. Over the medium-term, growth in energy demand and related infrastructure especially from new sources and destinations will continue to drive demand for Intertek services.

Business Assurance grew well in the period particularly in North America with sector programmes in aerospace and automotive and new global accounts increasing revenue across the world.

Revenue from Food Services grew strongly in the UK and Europe as food contamination scares prompted increased demand for analytical testing and supply chain auditing. The Agriculture business grew well overall with particularly strong growth in Latin America and Canada partially offset by trade restrictions in some markets. Increased scrutiny over food and agricultural quality, variety and provenance will continue to support testing, inspection and supplier auditing for this business.

In 2013 Intertek acquired Global X-Ray & Testing Corporation ('GXT') for £44.9m, a USA based company that specialises in non-destructive testing services to the onshore and offshore oil and gas industry.

Three bolt-on acquisitions for a total consideration of £2.0m were also completed in this division in the year, two providing services to the food industry and one offering design services to manufacturing and industrial plants.

Commodities

Supporting global trade

Commodities division
Key business lines include Cargo, Analytical Assessment, Government & Trade Services and Minerals. These service a wide range of industries including petroleum, mining, minerals and biofuels.

Our services
- Analytical assessment
- Inspection
- Certification
- Consulting

Market drivers
As global trade continues to develop, we expect underlying demand for commodities to increase, with a resulting demand for testing and inspection services.

Financial highlights

Financial Highlights 2013	£m	Change at actual rates	Change at constant rates
Revenue	586.6	2%	3%
Adjusted operating profit	70.0	(9)%	(9)%
Adjusted operating margin	11.9%	(160)bps	(160)bps

Revenue – at actual rates (£m)

2013	586.6
2012	572.3

Employees

2013	10,239
2012	10,352

11 years of dedicated lab testing and support
Intertek provides outsourced laboratory services to the Sasol Wax Durban Supply Centre, and has operated there for over 11 years. To support Sasol, we analyse a wide range of petroleum-based waxes, synthetic waxes, paraffin waxes, petroleum jellies and other wax related products used in various industries.

Intertek is responsible for all in-process and final quality control and quality assurance checks. No product, either solid or liquid, is released without Intertek's certification, and our dedication to customer service exemplifies the true spirit of delivering a valued, quality service.

Our performance in 2013
Total revenue was £586.6m, up 2% at actual exchange rates, and 3% at constant exchange rates. Excluding acquisitions revenue growth was 2%. Total adjusted operating profit was £70.0m, down 9%. Excluding acquisitions adjusted operating profit was down 11% at constant exchange rates. The total adjusted operating margin decreased 160 basis points to 11.9% at actual exchange rates. The organic adjusted operating margin at constant exchange rates decreased 180 basis points.

Revenue growth was driven by oil cargo inspections globally, with the USA leading this growth with the expansion of shale oil extraction and rail transportation activities. This growth was offset by minerals experiencing a pronounced downturn in 2013, where lower commodity prices, especially gold, continue to deter exploration activity, particularly in Australia, Brazil and Africa. The reduced demand also put increased pressure on prices within laboratory based activities. The impact of the sharp fall in exploration was lessened by increased analysis of iron ore production and shipments led by demand from China.

Product Conformity Programmes in Government & Trade Services had flat revenue against the prior year, with the growth in the first half reversed in the second half following changes in a key customer programme that declined in value. This programme change will impact revenue by approximately £5m during 2014 alongside a continuing weak minerals market. Further investment in the North American shale regions will provide growth in this division, alongside increasing production, shipment and use for oil and petrochemicals in emerging and developed markets.

The margin decline in the year was first half weighted, mainly due to the minerals revenue decline, which moderated with cost reduction measures during the second half.

Strategic report – Operating review

Consumer Goods

Satisfying the demand for quality

Consumer Goods division

Key business lines include Softlines, Toys & Hardlines, Product Intelligence and Auditing. These service a wide range of industries including textiles, toys, footwear, hardlines and retail.

Our services

- Testing
- Inspection
- Certification
- Auditing
- Advisory services
- Quality assurance
- Hazardous substance testing

Market drivers

The expectations of consumers in developing markets will continue to drive the demand for higher quality products that are tested and certified by trusted companies such as Intertek.

Financial highlights

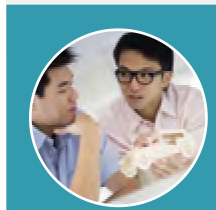
Financial Highlights 2013	£m	Change at actual rates	Change at constant rates
Revenue	381.3	11%	9%
Adjusted operating profit	124.5	10%	8%
Adjusted operating margin	32.7%	(10)bps	(20)bps

Revenue – at actual rates (£m)

2013	381.3
2012	343.4

Employees

2013	10,570
2012	10,047



Reaching new standards in toy testing

In this constantly evolving regulatory and safety environment for toys, we work with our customers through the design and development process for new toys to ensure they are compliant with regulations such as Toy Safety Standard ASTM F963-11 and U.S. Consumer Product Safety Commission ('CPSC') Testing and Certification rule 16 CFR 1107. Intertek also expanded capabilities to test to EN 71-3:2013 requirements under the new EU Toy Safety Directive prior to the July 2013 deadline. We use our comprehensive testing solutions and network of accredited third-party labs to ensure our customers meet all their regulatory requirements.

Our performance in 2013

Total revenue was £381.3m, up 11% at actual exchange rates and 9% at constant exchange rates. Excluding acquisitions and disposals revenue growth was 8% at constant exchange rates. Total adjusted operating profit was £124.5m, up 10%. Excluding acquisitions and disposals adjusted operating profit was up 7% at constant exchange rates. The total adjusted operating margin decreased 10 basis points to 32.7% at actual exchange rates. The organic adjusted operating margin at constant exchange rates decreased 50 basis points.

Demand for textiles and footwear testing continued to drive growth in the division, with China, India and Turkey all recording strong performance as a result of product testing for both exports and the domestic market. Sustainability issues are becoming increasingly important to global brands, and there has been an increase in factory audits for compliance with social and ethical standards. The increased safety requirements under the EU Toy Safety Directive came into force in July and provided additional revenue for the toys testing business as global manufacturers selling into the European market requested support to demonstrate compliance.

Intertek's extensive global network continues to provide opportunities to support global retailers as sourcing patterns shift to lower cost locations. Continued investment in the network and in expanding service offerings will provide ongoing growth opportunities.

The Group is investing in the development of additional value-added information services to our global clients. The investment in the Tradegood platform, where we help retail buyers identify verified manufacturers on our web based platform, continued during the year. Progress was made in building the customer base. Revenue growth in this new service was slower than original expectations and therefore the investment in growing the business adversely affected the divisional operating margin during the year. We remain committed to developing the platform and combining with new information based value-added services. Overall, Tradegood reported a loss of £5m during the year.

During 2013, Intertek acquired E-TEST Laboratorio de Ensaios e Tecnologia Ltda. ('E-TEST') for £6.6m, a toy and consumer products testing laboratory in Brazil, expanding the range of services provided to the South American market.

Commercial & Electrical

Supporting the technical revolution

Commercial & Electrical division

Key business lines include Electrical, Wireless, Transportation Technologies and Building Products. These service a wide range of industries including home appliances, consumer electronics, lighting, medical, building, industrial, heating, ventilation and air conditioning, information communication and technology, renewable energy and automotive.

Our services

- Safety testing
- Performance testing
- Certification
- Consulting

Market drivers

Continued technological innovation, demand for improved environmental credentials and tougher legislation will continue to drive demand for our services.

Financial highlights

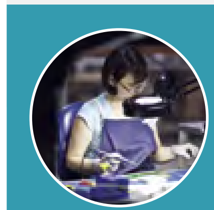
Financial Highlights 2013	£m	Change at actual rates	Change at constant rates
Revenue	338.4	6%	5%
Adjusted operating profit	49.3	(3)%	(5)%
Adjusted operating margin	14.6%	(130)bps	(140)bps

Revenue – at actual rates (£m)

2013	338.4
2012	318.2

Employees

2013	5,059
2012	4,092



At the centre of innovation

The launch of our first wireless technology testing lab in Taiwan supports testing in one of the wireless industry's most profitable marketplaces. Taiwan is at the centre of wireless innovation, and our new testing facilities enable us to provide in-country device testing and ultimately help clients release new technology into the global marketplace quickly and efficiently.

Our performance in 2013

Total revenue was £338.4m, up 6% at actual exchange rates and 5% at constant exchange rates. Revenue growth of 5% was wholly organic. Total adjusted operating profit was £49.3m, down 3%. Adjusted operating profit was down 5% at constant exchange rates. The total adjusted operating margin decreased 130 basis points to 14.6% at actual exchange rates. The adjusted operating margin at constant exchange rates decreased 140 basis points.

Commercial & Electrical performed well in the year with some strong growth areas partially offset by weakness in renewables markets generally, and in our Scandinavian operations. The growth in the year was wholly organic. There was strong performance in both developed markets, such as the USA and Canada, as well as in emerging markets in China and Taiwan across most business lines from building products, transportation technologies to electrical and telecoms. Areas such as '4G' testing grew strongly both in China as it moves up the value chain and in Taiwan following investments in new laboratory capacity. Growth in these areas was offset by weakness in renewables as governments reduced their support for the industry, in particular in our European operations, and weaker performance from medical devices following new regulations in the prior year.

Operating profit was impacted by the increased investment in new services resulting in increased depreciation, as new businesses continue to ramp up activity.

In December, Intertek closed the acquisition of Architectural Testing, Inc. ('ATI') for £57.6m, one of the largest building products testing and certification companies in North America. This opportunity allows further expansion into building products locations outside the USA.

Strategic report – Operating review

Chemicals & Pharmaceuticals

At the cutting edge of research

Chemicals & Pharmaceuticals division

Key business lines include Chemicals & Pharma and Health & Regulatory. These service a wide range of industries including aerospace, automotive, electronics, packaging, pharmaceutical, medical devices, biotechnology, personal care products and cosmetics.

Our services

- Testing
- Inspection
- Auditing
- Certification
- Consulting and regulatory support

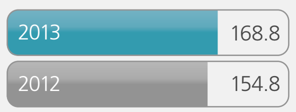
Market drivers

Cutting edge research continues to push boundaries in manufacturing and product development, where we provide support to manufacturers.

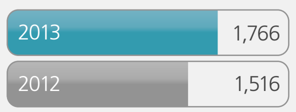
Financial highlights

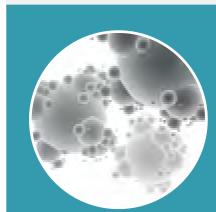
Financial Highlights 2013	£m	Change at actual rates	Change at constant rates
Revenue	168.8	9%	7%
Adjusted operating profit	16.6	(3)%	(5)%
Adjusted operating margin	9.8%	(120)bps	(120)bps

Revenue – at actual rates (£m)



Employees





Supporting next generation nanotechnology innovation

From novel food ingredients to drug delivery systems, nanotechnology is being viewed as the source of next generation chemical innovation. Intertek's chemical analysis, scientific and regulatory experts have helped clients to understand the chemical, physical and toxicological properties of their nanotech products, accelerating innovation and helping to ensure regulatory compliance and product safety.

Our performance in 2013

Total revenue was £168.8m, up 9% at actual exchange rates and 7% at constant exchange rates. Excluding acquisitions and disposals revenue growth was 2%. Total adjusted operating profit was £16.6m, down 3%. Excluding acquisitions and disposals adjusted operating profit was down 16% at constant exchange rates. The total adjusted operating margin decreased 120 basis points to 9.8% at actual exchange rates. The organic adjusted operating margin at constant exchange rates decreased 200 basis points.

Chemicals & Pharmaceuticals saw low organic revenue growth in the year. There was good growth in the automotive fuels and engines testing business in the USA, China and Germany and cosmetics testing in France. This was offset by difficult trading conditions in the rest of Europe as the volume of industrial chemicals and plastics quality assurance work from a number of key contracts declined due to customer restructuring and exit. This impacted the margin in the year. The division is undergoing restructuring including underperforming laboratory closures and disposals and although this also impacted the revenue growth, the lower cost base will benefit the margin going forward.

The long-term partnership with the Quality and Conformity Council of Abu Dhabi is progressing beyond advisory and consultancy and into operation of the laboratories in the Emirate. The revenue from this contract is expected to continue to increase as this partnership develops.

During 2013 Intertek acquired Melbourn Scientific Limited ('Melbourn') for £10.5m, which provides analytical and formulation services to the European pharmaceutical industry.

Strategic report

Financial review

"The Group reported solid progress against a backdrop of mixed market conditions, with an increase in adjusted diluted earnings per share of 6%."

Lloyd Pitchford
Chief Financial Officer

2013 performance highlights

Revenue up to £2,184m
+6%

Adjusted operating profit up to £343m
+2%

Adjusted diluted EPS
+6%

Dividend per share
+12%

Acquisitions
£122m

Organic investment spend
£145m

Adjusted cash from operations
+14%

Results for the year

Key financials	2013 £m	2012 £m
Revenue	**2,184.4**	2,054.3
Adjusted Group operating profit	**342.6**	335.1
Adjusted diluted EPS	**138.6p**	131.2p
Adjusted cash flow from operations	**394.1**	345.4
Dividends paid in the year	**69.4**	57.9

The Group reported solid progress against a backdrop of mixed market conditions, with an increase in adjusted diluted earnings per share of 6%. Strong progress in emerging markets was partially offset by cyclical weakness in some markets, particularly Minerals and in Europe. The Group continued to invest strongly organically and through acquisitions to support our long-term structural growth model.

Consolidated income statement commentary

Revenue for the year was £2,184m, up 6% (6% at constant exchange rates) driven by organic revenue growth of 5% (4% at constant exchange rates) contributed by all divisions.

The Group's adjusted operating profit was £343m, up 2% on the prior year (up 1% at constant exchange rates). The Group's total operating profit for the year was £310m, up 9%.

The adjusted operating margin was 15.7% compared with 16.3% in the prior year. Margin has been impacted by a cyclical but focused downturn in 2013 in the Minerals sector, against high volumes in 2011 and 2012, as well as slow growth in oil inspection related testing and chemicals and pharmaceuticals work in Europe. The Group's continued investment in new services also impacted margin as new laboratories came on line in North and Latin America, Asia and the Middle East. This was balanced by strong performance across emerging markets; in particular China, India and Asia generally, particularly in the Consumer Goods division.

Strategic report

Financial review continued

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

	Notes	Revenue 2013 £m	Revenue Change at actual rates %	Revenue Change at constant rates %	Adjusted operating profit 2013 £m	Adjusted operating profit Change at actual rates %	Adjusted operating profit Change at constant rates %
Industry & Assurance	2	**709.3**	6.6	6.8	**82.2**	6.2	6.9
Commodities	2	**586.6**	2.5	3.1	**70.0**	(9.3)	(9.0)
Consumer Goods	2	**381.3**	11.0	8.9	**124.5**	10.4	8.0
Commercial & Electrical	2	**338.4**	6.3	4.8	**49.3**	(2.6)	(4.6)
Chemicals & Pharmaceuticals	2	**168.8**	9.0	6.9	**16.6**	(2.9)	(4.6)
		2,184.4	6.3	5.8	**342.6**	2.2	1.3
Net financing costs	14				(27.7)	(3.7)	
Adjusted profit before income tax					**314.9**	**2.1**	
Income tax expense	6				(72.4)	9.8	
Adjusted profit for the year					**242.5**	**6.3**	
Adjusted diluted EPS	7				**138.6**	**5.6**	

Current year performance

Revenue (£m)

+6%

+6% at constant exchange rates
+4% organic[2] at constant exchange rates

Adjusted operating profit[1] (£m)

+2%

+1% at constant exchange rates
(1)% organic[2] at constant exchange rates

Adjusted diluted EPS[1] (pence)

+6%

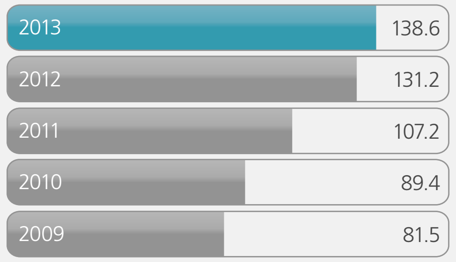
Dividend per share (pence)

+12%

Five year performance

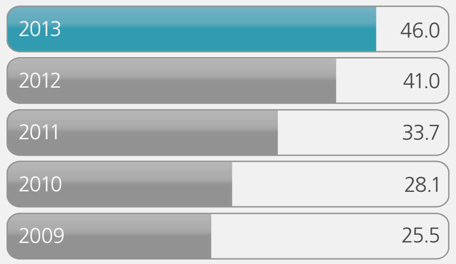
Adjusted diluted EPS[1] (pence)

+14%
CAGR[3]



Dividend per share (pence)

+16%
CAGR[3]



1. Presentation of results: To provide readers with a clear and consistent presentation of the underlying operating performance of the Group's business, the figures discussed in this review are presented before Separately Disclosed Items (see note 3 of the financial statements). A reconciliation between Adjusted operating profit and Profit for the year is set out in note 2 to the financial statements.
2. Organic growth excludes the results of acquisitions and disposals made in 2013 and 2012.
3. CAGR represents the five year compound annual growth rate.

Net interest charge

The Group had an adjusted net interest charge of £28m (2012: £27m) in the year. This comprised £5m (2012: £7m) of finance income and £33m (2012: £34m) of finance expense. The total interest charge included £0.5m related to Separately Disclosed Items.

Separately Disclosed Items ('SDIs')

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

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

SDIs	2013 £m	2012 £m
Operating costs:		
Amortisation of acquisition intangibles	**(22.5)**	(29.3)
Acquisition and integration costs	**(1.5)**	(5.5)
Project costs	**–**	(2.8)
Restructuring costs	**(8.8)**	(11.0)
Goodwill impairment	**–**	(3.2)
Gain on disposal of investments	**0.2**	–
Total operating costs	**(32.6)**	(51.8)

In 2013, the amortisation of acquisition intangibles was £23m (2012: £29m). This reduction is a result of certain intangibles becoming fully amortised in the year; most notably from the Moody International acquisition made in 2011. Acquisition and integration costs of £1.5m (2012: £5.5m) relate in 2013 wholly to professional fees incurred on acquisitions in the year.

Restructuring costs

In 2012, the Group started a comprehensive review of its portfolio to identify businesses, locations and services which were underperforming or non-strategic. Actions included business closures, asset write-downs and redundancies. The programme continued in 2013 with the cumulative cost of the restructuring activities in 2012 and 2013 being £23m, of which £9m has been recorded in 2013; as a result of the restructuring, three businesses have been sold and 11 locations have been closed, with particular focus on Europe. Following further cyclical weakness in certain businesses, the Group expects to record further restructuring expense during 2014. None of the disposals or closures were classified as discontinued activities.

Tax

The Group effective tax rate on adjusted profit before income tax was 23.0% (2012: 26.0%). The global nature of the Group means that the Group's exposure to income tax needs to be managed across a large number of fiscal regimes. The Group's goal is to efficiently manage its tax affairs whilst fulfilling its responsibilities to the countries in which it operates.
The statutory tax charge, including the impact of SDIs, of £65m (2012: £68m), equates to an effective rate of 23.0% (2012: 26.7%) and the cash tax on adjusted results is 25.7% (2012: 23.5%). The tax rate includes a one off recognition of deferred tax assets in certain countries. The underlying tax rate excluding this recognition was 24.7%.

Earnings per share

The Group delivered adjusted diluted earnings per share ('EPS') of 138.6p, an increase of 6%. Diluted EPS after SDIs rose 15% to 123.0p per share, and basic EPS rose 15% to 124.4p.

Dividend

The Board recommends a full year dividend of 46.0p per share, an increase of 12%. This recommendation reflects the Group's significant growth prospects, strong financial position and the Board's confidence in the Group's structural growth drivers into the future.

The full year dividend of 46.0p represents a total cost of £74.2m or 33% of adjusted profit attributable to shareholders of the Group for 2013 (2012: £65.9m and 31%). The dividend is covered 3.0 times by earnings (2012: 3.2 times), based on adjusted diluted earnings per share divided by dividend per share.

Key performance indicators

The Group uses a variety of key performance indicators ('KPIs') to monitor the financial performance of the Group and operating divisions. These metrics are disclosed on page 9.

The rate of return on invested capital ('ROIC') measures the efficiency of Group investments. This is a key measure to assess the efficiency of investment decisions and is also an important criteria in the decision making process when projects are competing for limited funds. ROIC in 2013 was 18% (2012: 19%), falling in 2013 because acquisitions were made towards the end of the year. On a proforma basis (including annualised results for these acquisitions) ROIC would be 19%.

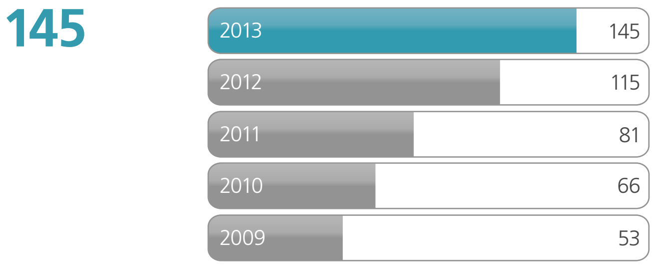
Strategic report

Financial review continued

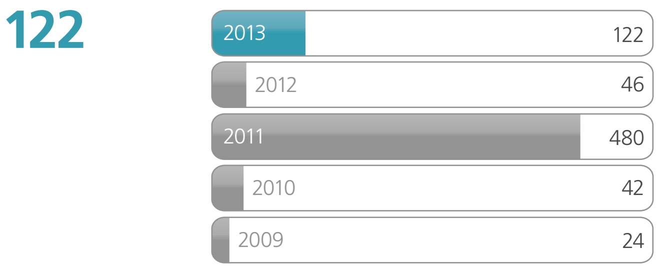
Acquisitions and investment

The Group's strategy is to invest both organically and by acquiring complementary businesses, enabling it to take advantage of the strong long-term structural growth drivers in the industry and continually offer the latest technologies and services in the locations demanded by clients. The chart below shows the extent of the Group's investment in 2013:

Organic capital investment (£m)



Acquisition purchase price (£m)



Acquisitions

The Group made seven acquisitions in the year, with a purchase price, including debt, of £122m, the larger ones being detailed below:

In March 2013, the Group acquired E-TEST Laboratorio de Ensaios e Tecnologia Ltda. ('E-TEST') for £6.6m, a toy and consumer products testing laboratory based in Brazil.

In July 2013, the Group acquired Melbourn Scientific Limited ('Melbourn') for £10.5m, a UK based provider of high-quality cGMP analytical and formulation services to the pharmaceutical, biotech and healthcare industries.

In October 2013, the Group acquired Global X-Ray & Testing Corporation ('GXT') for £44.9m, a USA based NDT services company providing services to the onshore and offshore oil and gas industry.

In December 2013, the Group acquired Architectural Testing, Inc. ('ATI') for £57.6m, a leading building products testing, inspection and certification agency in North America.

These acquisitions provide valuable additional service lines and new geographic locations for the Group, and will help drive profitable revenue growth. The two more significant acquisitions, GXT and ATI, are in the strategically important areas of non-destructive testing and building products testing, where the Group sees good growth opportunities.

Organic investment

The Group also invested £145m (2012: £115m) organically on the latest technology in new laboratories, capital equipment and other facilities. This investment represented 6.6% of revenue (2012: 5.6%) which was an increase on the prior year as the Group continues to invest in new countries, facilities and services, with a focus on transportation technology services, electrical and textiles. Key new facilities include laboratories in Taiwan (wireless), Ghana and Australia (cargo and minerals) and Bangladesh (textiles).

Cash flow and net debt

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

Cash conversion	2013 £m	2012 £m	Change %
Cash flow from operations	**378.6**	332.6	14
Add back: cash flow relating to SDIs	**15.5**	12.8	
Adjusted cash flow from operations	**394.1**	345.4	14

The components of cash flow from operations are summarised below:

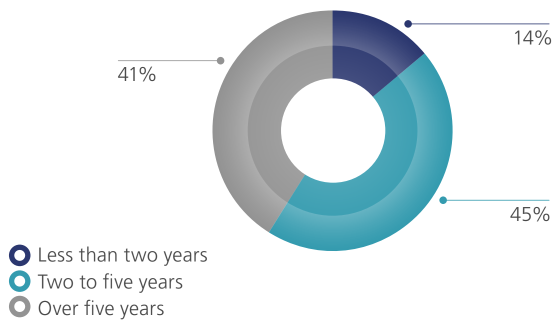
Cash flow summary	2013 £m	2012 £m
Group operating profit	**310.0**	283.3
Depreciation, amortisation, equity settled transactions and loss on disposals	**104.9**	106.6
Movement in working capital and provisions	**(36.3)**	(57.3)
Adjusted cash generated from operations	**378.6**	332.6
Adjusted cash generated from operations to Group operating profit	**122%**	117%

Net debt

Net debt has increased from £551m at 31 December 2012 to £618m at 31 December 2013 principally as a result of drawdowns to fund the larger acquisitions of GXT and ATI, partially offset by good cash generation in the business.

In the year, the Group drew on facilities it had in place at 31 December 2012, including two bilateral term loan facilities of US$20m each, and US$80m of senior notes drawn in February 2013. The Group has a well balanced loan portfolio with a maturity profile as shown below, to enable the funding of future growth opportunities.

Group's facilities and borrowings



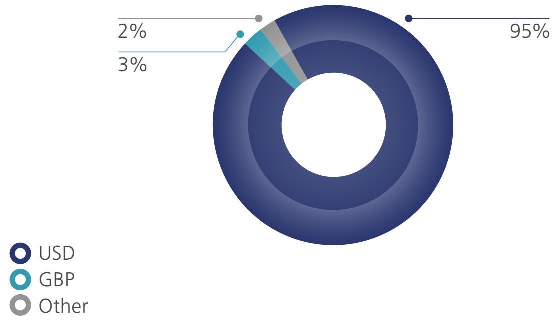
Under existing facilities the Group has available debt headroom of £175m at 31 December 2013. The components of net debt at 31 December 2013 are outlined below:

	1 January 2013 £m	Cash flow £m	Exchange adjustments £m	31 December 2013 £m
Cash	166.5	(45.4)	(4.7)	**116.4**
Borrowings	(717.2)	(35.3)	17.9	**(734.6)**
Total net debt	**(550.7)**	**(80.7)**	**13.2**	**(618.2)**

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

The Group borrows primarily in US dollars and any currency translation exposures on the borrowings are offset by the currency translation on the US dollar overseas assets of the Group. The composition of the Group's gross borrowings in 2013, analysed by currency is as follows:

Currency of borrowings (excluding swaps)



Foreign currency movements

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

At constant exchange rates, revenue grew 6% (actual exchange rates 6%) and adjusted operating profit grew 1% (actual exchange rates 2%).

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

	Statement of financial position rates		Income statement rates	
Value of £1	2013	2012	2013	2012
US dollar	**1.65**	1.61	**1.56**	1.59
Euro	**1.20**	1.22	**1.18**	1.23
Chinese renminbi	**10.06**	10.12	**9.68**	10.01
Hong Kong dollar	**12.78**	14.46	**12.12**	12.31
Australian dollar	**1.86**	1.55	**1.62**	1.53

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.

Strategic report

Sustainability and CSR

Our mission is to add value for our customers by helping them achieve their desired level of quality and safety for their products, assets and processes; to protect their brands and enable their success in the global marketplace.

At Intertek, 'quality' is our way of defining the safety, sustainability, performance, functionality, integrity or desirability of a product, asset or process; and the need for quality arises at many separate and interrelated points across a customer's organisation.

The global marketplace is becoming increasingly challenging for all of us. By 2050 the global population is estimated to reach over 9 billion, putting the world's water, food and energy sources – and climate – under severe strain. Intertek is helping its customers to address these global challenges.

We provide a range of services that span the entire water life cycle. We conduct environmental impact assessment and modelling studies for desalination plants to provide vital drinking water, assess reservoir quality and measure the impact of treated discharged wastewater.

Our comprehensive evaluations of food production, quality management systems, testing programmes, factory environment and product and process controls, positions us to certify the entire food supply chain. We enable developing nations to increase their global food exports and help reduce the incidence rates of food-borne diseases, such as salmonella and E-coli.

Our support to the world's energy industries covers a broad range of logistics, testing, inspection, certification and consulting expertise, helping them to run their operations efficiently and safely. We are also a world leader in the renewable energy sector, providing testing and inspection of biofuels, photovoltaics (solar panels), wind turbines, lithium batteries and charging systems for electric vehicles.

In our own operations, during 2013, we established an improved process for collecting Greenhouse Gas ('GHG') emissions data for all our sites worldwide and also increased the boundary of both our Scope 1 and Scope 2 emissions data, further details of which can be found on pages 34 and 35.

We remain committed to reducing our own ecological footprint and will continue to drive environmental initiatives throughout our operations. This report details our current sustainability and Corporate Social Responsibility ('CSR') performance and shows how our people, through the work they do every day, are helping to create a healthier, safer and better quality of life for all.

Wolfhart Hauser
Chief Executive Officer

In this section

Our business
How we are making a positive contribution to the planet through our work for clients.
See pages 31 and 32

Intertek people
Our commitment to the welfare and development of our people.
See pages 32 to 34

Our environment
Taking responsibility for our impact on the environment.
See pages 34 and 35

Our communities
Giving back to the communities touched by our business.
See pages 36 and 37

Our business

By helping companies to produce greener, safer products and services and to operate in a more sustainable way, Intertek makes a substantial positive impact on the planet and human well-being.

Contributing to industry standards

Intertek employs hundreds of regulatory experts across the world, helping companies in highly regulated industries to achieve global, regional and local compliance. We help our customers to effectively comply with complex global regulations, such as the EU REACH (Registration, Evaluation, and Authorisation of Chemical Substances – EC1907/2006), food contact materials and new chemical notifications and biocides (active ingredients and formulations). Our experts work actively on international and national committees, such as the International Consumer Products Health and Safety Organisation, International Federation of Inspection Agencies, International Standards Organisation and the International Association for Food Protection.

Supporting ethical supply chains

In recent years, consumers have become increasingly interested in the social and environmental aspects involved in the development of what they purchase and demand products that have been sustainably and ethically sourced and manufactured. We support our clients in monitoring their suppliers with Social Responsibility Audits and Workplace Conditions Assessment to prohibit the use of forced or child labour, discrimination or harassment, as well as assessing physical facilities of the unit, such as health and safety, chemical products, systems management and environment.

Intertek's Ethical Sourcing Forum is a unique industry event that brings together members of the global sustainability community to address emerging supply chain challenges. Utilising Intertek's industry experts and thousands of reports collected over many years of Corporate Responsibility and ESG (Environmental, Social & Governance) supplier audits, the event provides companies with the business intelligence and data they need to make informed decisions on their increasingly offshore, outsourced supply chains.

Ensuring safety and quality in a developing world

The rise in middle class consumers in the growth economies has resulted in a broader variety of products entering the marketplace and a greater demand for quality. Developed nations have for some time required exporters to obtain a Certificate of Conformity before shipping in order to clear customs, which has unintentionally led to unsafe and unreliable products being forced into emerging economies. However, Intertek has helped to eliminate this situation. As more developing nations have implemented and enacted mandatory legislation for imported goods, Intertek Conformity Assessment Programmes ensure that poor quality and sub-standard products cannot be imported and so are eliminated from the national market.

In March, Intertek was awarded a Certificate of Merit by the World Customs Organisation, in recognition of the inspection and training work we do for the Mozambican Revenue Authority to ensure the quality and safety of goods being exported to Mozambique. In June, Shanghai CIQ (Customs, Immigration & Quarantine) published its satisfaction index of local certification bodies. The index was compiled following a survey of 454 certified companies by the Shanghai Academy of Social Sciences. The survey made a comprehensive assessment of 20 certification bodies (15 of them foreign-invested) in areas such as credibility, service standard and impartial operation. Intertek tops the list of 'foreign-invested' and is ranked number two out of all 20 (the first being Shanghai Academy of Environmental Sciences).

Providing innovative solutions to today's global needs

Intertek's history dates back over 130 years to some of the world's early pioneers in scientific innovation and trade. Thomas Edison, inventor of the first electric light bulb, established the Lamp Testing Bureau, later named the Electrical Testing Laboratories, which is the 'ETL' mark that Intertek applies today. That spirit of innovation continues. In Germany, Intertek's Transportation Technologies business has provided electric vehicle charging stations as part of the eE-Tour Allgäu project (efficient electric mobility and tourism in the Allgäu region) being run by partners from business and academia. To date, the project has enabled more than 50 different electric vehicles to be made available to tourists and residents to hire or borrow at various rental stations in the Allgäu region. Trials are also being conducted for potential applications of electric vehicles for everyday use by companies and community schemes in the region.

With food traceability becoming increasingly important across the global supply chain, Intertek's Food Services business is demonstrating its commitment to the challenges faced by the industry through becoming a founding sponsor of a Global Food Traceability Centre which is run in partnership with the Institute of Food Technologists ('IFT'). The Centre provides unbiased, knowledgeable and scientific-based advice to the global food industry, providing insight and understanding into food traceability. The IFT will act as a central point where industry, academic, and government experts can work together with consumer groups to conduct research, discuss challenges, adopt best practices and implement practical traceability solutions.

Intertek is also an approved Certification Body for the Roundtable of Sustainable Palm Oil ('RSPO') – Supply Chain Certification. Palm oil is the most widely used vegetable oil and is a common ingredient in many foodstuffs and personal care products. Oil palms can only be cultivated in tropical areas and increasing demand due to population growth is putting pressure on local environments and ecosystems. Intertek's RSPO Supply Chain Certification ensures traceability along all stages of the agri-food value chain including refining, trading, manufacturing and distribution of palm oil products.

Strategic report

Sustainability and CSR continued

In the field of medicine, Intertek provides a wide range of analytical and testing services to address the issues of quality, purity, stability and chemical problem solving in the development of in vitro diagnostic devices and reagents. In vitro devices are used to perform tests on samples, such as blood, urine and human tissue, to help detect infection, diagnose a medical condition, prevent disease or monitor drug therapies. Better targeted diagnostics can lead to better treatment decisions and therapies. During 2013, Intertek launched a new testing panel that can identify the early signs of osteoporosis (low bone density). Conventional technology, such as bone mineral density scans, only enables us to diagnose osteoporosis after it has developed; whereas Intertek's testing panel only needs 2ml of blood to test three key indicators in order to diagnose osteoporosis early and monitor the effectiveness of treatment.

Offering vital support in the development of alternative energy resources

As demand for clean and renewable energy continues to grow significantly, Intertek is able to provide the most comprehensive testing, certification and consulting expertise in the industry. Our services include testing of solar panels and wind turbines, wave and tidal consultancy, and biomass and biofuels testing and inspection. In 2013, Intertek was proud to receive the ProCana Brasil 'Prêmio MasterCana Award' for expert services to the biofuels industry in Brazil for the second year in a row. This prestigious award recognises the important role Intertek has played since 1998 in supporting the large and growing Brazilian biofuels industry.

Stewardship and governance

Intertek is committed to building a sustainable business. Its Board of Directors oversees and is responsible for the Group's strategy, performance and risk management (see pages 41 to 47). The Board acknowledges the importance of diversity in the boardroom as a driver of good governance. As at 31 December 2013, the Board's composition was 20% female and 80% male and for the senior leadership group (314 people at the end of 2013), 20% female and 80% male. To read more about our Board Diversity see page 45.

Sustainability and CSR are integrated into Intertek through policy distribution. Our operations and support functions are responsible for identifying and evaluating risks applicable to their areas of the business and the design and operation of suitable internal controls (see 'Principal Risks' on pages 14 to 17). The Board has overall accountability for Intertek's sustainability and CSR, with Group-wide strategy and implementation being the responsibility of the Group Vice President of Human Resources.

Intertek people

Intertek is a diverse company of more than 36,000 employees, operating in over 100 countries. As a global company, we enable our people to share their skills and knowledge across geographical, cultural and technical borders. We have a strong emphasis on professional collaboration, training and development and this, together with the strength of our collective leadership, ensures that our people remain inspired to deliver world-leading quality solutions. Intertek is committed to maintaining high standards of fairness, respect and safety and adheres to the principles of the UN's Convention on Human Rights and the International Labour Organisation's core conventions.

Employee survey 2013

The results of our 2012 employee engagement survey showed us that there were three particular areas where we needed to increase our attention globally: Organisation Direction (clarity of strategy, our progress and future direction), Social and Environmental Responsibility, and Performance Management and Rewards. From this, we took a number of initiatives to make positive changes in these areas and this has resulted in a positive improvement across all categories in our 2013 engagement survey. The results of our 2013 global employee survey show that overall engagement is up 2% on the previous year.

Areas making most progress are:

- people: opportunities for personal development; training to improve skills in the current job; receiving on-going feedback;
- process: respecting safety rules; having the tools to collaborate and to do the job; improving process efficiency; processes which help provide good customer service; co-operation across the business; and
- society: management support to diversity; social responsibility in the community.

Areas that are improving but need continued focus are:

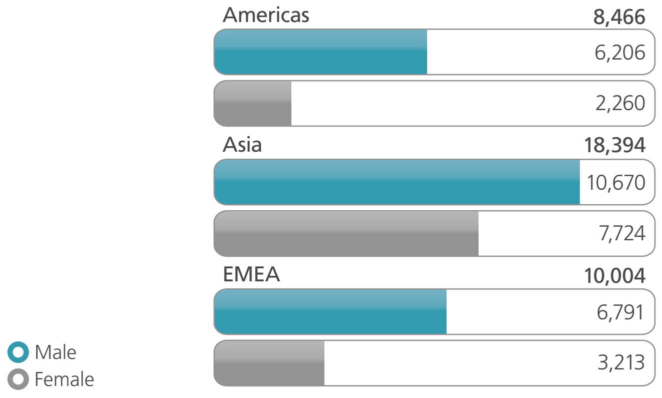
- ensuring employees can speak up and challenge traditions;
- clarifying the business strategy and values;
- better co-operation between businesses and sharing best practices; and
- better communications – keeping employees informed and taking their opinions into account.

Areas that are still in need of attention are:

- information, resources and feedback to develop as a professional; and
- benefits, recognition, equity of rewards.

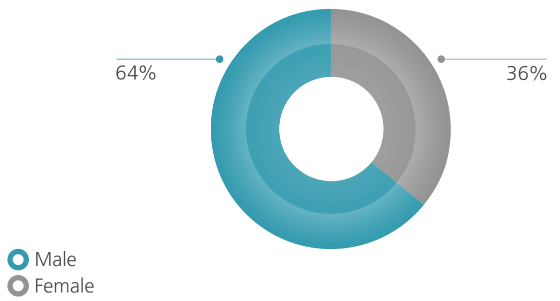
We will continue with the global and local activities implemented as a response to the surveys.

Male : Female by region



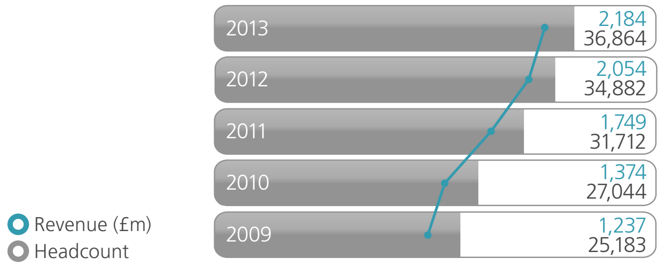
At 31 December 2013 Intertek employed 36,864 people, an increase of 5.7% over the previous year.

Intertek total workforce – gender breakdown



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

Revenue and headcount



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

Investing in our people

During 2013, we further extended our online training programmes to a total of 26,000 employees in 61 countries, providing access to more than 280 internally-developed courses, webinars, assessments and instructor-led training. To date, more than 211,000 online courses have been completed by over 16,500 people.

A sustainable executive talent pipeline is paramount to meeting our near-term and future strategic goals. The Intertek Executive Academy was established in 2012 to enhance our leadership pool for future business needs and growth and prepare Intertek leaders to deliver our strategy. Those invited to participate are already established and proven managers from across the Group and the Academy gives participants the opportunity to enhance their leadership skills and to grow with Intertek over the coming years. Throughout the programme participants are supported by coaching from both in-house and external mentors.

In China Intertek has, for the sixth year in a row, been voted as one of the '100 Best HRM Companies' in a survey initiated by 51job.com – the most influential HR services provider and social media recruitment platform in China. Intertek is the only testing, inspection, certification ('TIC') company that has been consecutively credited since the event first took place in 2008. China is the largest employing country in Intertek, with 8,800 people.

Professional conduct

Intertek is committed to maintaining the total confidence of its customers and shareholders. One of the Group's primary business objectives is to ensure both compliance with local, national and international laws, and the accuracy and validity of reports and certificates that it provides to customers.

The foundations of our Compliance Policy rest with our employees, each of whom must sign the Company's Code of Ethics, confirming acceptance of the high standards expected of them in all business dealings. The Code requires that employees act with integrity and in an open, honest, ethical and socially responsible manner. The Code of Ethics is supported by regular in-service training, advice on ethical issues and well-publicised internal telephone hotlines, allowing protected reporting of concerns regarding non-compliance. Intertek has a strict policy of zero-tolerance regarding breaches of compliance policy.

During 2013 there were 15 reports of non-compliance which were substantiated claims requiring remedial action. Reports of non-compliance are closely monitored and the Audit & Risk Committee periodically reviews the outcomes of the hotline and compliance reports on behalf of the Board.

Strategic report

Sustainability and CSR continued

Health & Safety

Intertek is committed to the safety and welfare of its employees, clients and third parties connected with its business. We aim to provide a safe working environment and ensure that our employees have the information and resources to perform their duties safely.

However, although we achieved a reduction in lost time injuries and medical treatment injuries, we are very saddened to report that two employee fatalities occurred during early 2013, while working on client sites. One was a consequence of a terrorist attack on an oil installation in Algeria, the other an explosion during pressure tests in China.

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

We are committed to maintaining high standards of health and safety and complying with relevant local legislation and guidelines wherever we operate. We continually seek to minimise risk to our employees, clients and others who may be affected by our operations, and our procedures are regularly monitored by our compliance team to ensure that they are being properly applied in practice.

	2013	2012	2011
Occupational fatalities	2	1	3
Lost time injuries rate*	0.34	0.43	n/a
Medical treatment injuries rate*	0.36	0.38	n/a

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

This year Intertek has focused on better reporting and analysis of 'hazardous near miss' incidents. From this, we can prevent a recurrence, identify any weaknesses in operational procedures and potentially reveal patterns from which lessons can be learned. Further training for managers and supervisors has taken place throughout the year to help them understand their health, safety & environment ('HSE') responsibilities and to help improve stewardship of HSE issues.

Our environment

The work Intertek performs for its clients helps to reduce harm to the environment and contributes to tackling climate change. Within our own operations, controls are in place to minimise our impact on the environment through reducing energy consumption in our buildings and facilities, utilising renewable sources of energy, implementing 'green' waste management practices, minimising business travel, carbon offsetting and operating quality management systems. To support this effort, our Environmental Policy is implemented through country management, to ensure compliance with local guidelines and regulations.

For 2013, Intertek's electricity consumption was reported to be 260,081 MWh (7.06 MWh per employee) and gas consumption was reported to be 96,835 MWh (2.63 MWh per employee).

In 2012, Intertek reported the Greenhouse Gas ('GHG') emissions of its largest 25 countries by headcount. For 2013, Intertek has increased its GHG emissions reporting to include all Intertek operations worldwide. Intertek has also increased the boundary of Scope 1 and Scope 2 GHG emissions. Scope 1 emissions now report beyond gas consumption to include fuel testing, fuel consumption, and the operation of vehicles (known as 'the combustion of fuels'). There is also 'Outside of Scopes' in the table on page 35 to fully account for GHG emissions created by the combustion of fuels with a biogenic content. Scope 1 emissions also cover the operation of facilities which includes fugitive emissions, use of fire extinguishers, release of refrigerants and coolants and nitrous oxide. The Scope 2 emissions boundary now includes heat and steam generation and steam import as well as electricity consumption. Scope 1 emissions created by flammability testing are omitted from reporting this year, as a reasonable way of accurately calculating emissions from this source has not yet been determined. The levels of GHG emissions have been calculated using the guidelines of the GHG protocol and DEFRA and relate to the reporting period 1 October 2012 to 30 September 2013.

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

$CO_{2}e$[1] emissions from activities for which Intertek is responsible include:

		GHG Emissions (tonnes of CO_2e)[1]
Scope 1	the combustion of fuel	60,674
	operation of facilities	5,924
Scope 2	purchase of electricity, heat or steam	145,048
Outside of Scopes		491
Total emissions		212,137

Intensity ratios

2013	CO_2e per employee[2]	5.75
	CO_2e per employee in top 25 countries[3]	4.88
2012	CO_2e per employee in top 25 countries[3]	4.32

1. CO_2e – Carbon dioxide equivalent.
2. GHG emissions from the expanded boundary of emission sources include fuel testing, fuel consumption, use of fire extinguishers, release of refrigerants and coolants, nitrous oxide usage, steam and heat co-generation and steam import, in addition to electricity and gas consumption.
3. Not including GHG emissions derived from sources other than gas and electricity consumption to allow a year-on-year comparison.

In order to report GHG results covering all of Intertek's operations globally, actual data was compiled for most major countries, operations and sites, with figures extrapolated where necessary to cover some sites that were not able to provide data. Extrapolation was based on the number of employees at each site and was undertaken for electricity and gas use, but not for minor contributions such as fugitive emissions. Where sites provided data covering only part of the year, figures were extrapolated linearly to cover the full year.

In relation to Intertek's Scope 3 emissions (indirect GHG emissions from sources not owned or directly controlled by Intertek but which relate to our activities), many sites operate recycling schemes which reduce waste going to landfill. Recycling waste has also proven to reduce costs and GHG emissions. For example, at our site in Kentwood, Michigan, USA, wooden pallets, cardboard and high volume plastics were removed from the general waste stream and recycled, resulting in significant cost savings. At some Intertek sites in France, we use a bicycle courier service to deliver letters and packages – a carbon-free and more cost-effective solution than motorised services. There is also a commitment to reducing our travel emissions via third parties through utilising our in-house video and web technology for meetings.

Better reporting

More detailed data collection has permitted the identification of Intertek sites with relatively high energy consumption and GHG emissions, where smart metering and energy auditing can be introduced. This detailed analysis enables more informed decision making to reduce energy consumption and GHG emissions and supports our efforts for continuous improvement.

Standards

Many Intertek sites are certified to ISO 14001. This environmental management system supports the continuous improvement of energy consumption and waste and water management, helping to reduce the impact of risk to the environment, control costs and improve environmental performance.

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

Communication

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

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

Strategic report

Our communities

Our employees' cultural values and relationships within the communities in which they live and work is important to them, to our business and to our clients. Here are just some examples of how our people helped their local communities during 2013.

EMEA

UK
Employees c.2,300

Intertek received the 'Local Impact Award' from Business in the Community, a UK business-led charity of which Intertek is a member. The charity's President is HRH The Prince of Wales. The Award was in recognition of Intertek's work in the South East community as part of the 'Leatherhead Hub', which enables local businesses in Leatherhead, in the UK, to take collaborative action on key social issues.

Netherlands
Employees c.480

Intertek's lab in Geleen welcomed over 1,600 members of the public through its doors as part of 'Dag van de Chemie' (National Chemistry Day). Visitors were shown the production process of articles used by consumers every day and given information about careers in chemistry and the safety procedures in place at local chemical plants.

Americas

USA
Employees c.5,200

Employees continued their support of Habitat for Humanity's goal to eliminate housing poverty by taking part in a number of home-building projects throughout the year, including 'Women Build' and 'A Brush with Kindness'.

Brazil
Employees c.730

Intertek sponsored the production of a booklet to support a programme in Sao Paulo that educates young people about road safety, environmental awareness and the dangers of drugs. The booklet was distributed to over 1,000 children and used as a teaching aid in schools.

Asia

China
Employees c.8,800

Intertek's Medical Diagnostic Testing Centre in Shanghai provided free blood sugar tests to more than 400 elderly people across five communities, enabling early detection of diabetes. The incidence rate of diabetes among adults in China is 9.7%, affecting nearly 10 million people.

Hong Kong
Employees c.1,500

In support of the Red Cross, more than 100 Intertek employees gave blood on a donation day at Intertek's Hong Kong office. Staff also took part in many community projects throughout the year, including visiting elderly residents in care homes, donating document storage facilities for the HK Society for the Blind and providing cleaning, toys and food for 23 families through the Ronald McDonald House Charity.

Taiwan
Employees c.700

Over 550 Intertek employees participated in a volunteer programme to help conserve the valuable wetland environment of the Guandu Nature Park and 50 employees took part in the Taipei Marathon, raising over TWD$40,000 (£8,500) for children's charities.

Thailand
Employees c.600

Intertek and its employees supported the Wat Samko elementary school in Ang Thong Province by donating stationery, library books, used computers and printers and providing 12 scholarships for disadvantaged students. Employees also raised THB57,095 (£1,140) for the school and gave computer skills training to the students.

Australia
Employees c.770

Through numerous fundraising events, employees donated more than AUS$6,500 (£3,500) for national cancer charities and the Children's Medical Research Institute and raised AUS$2,300 (£1,240) for those affected by Typhoon Haiyan in the Philippines.

New Zealand
Employees c.40

Employees volunteered at the Te Rangimarie Hospice in New Plymouth, NZ and took part in the Living Legends Community Conservation Tree Planting project.

Employee numbers as at 31 December 2013.

Directors' report – Governance

Board of Directors

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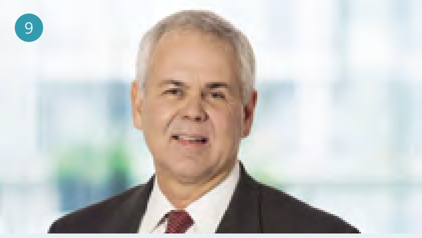
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Nomination Committee
Audit & Risk Committee
Remuneration Committee

1 Sir David Reid
Chairman
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. In 2012 he was appointed a member of the Global Senior Advisory Board of the investment bank Jefferies International Limited. Sir David is Chairman of the charity Whizz-Kidz. He was formerly the Senior Independent Non-Executive Director of Reed Elsevier Group PLC, Chairman of Kwik-Fit Group Ltd, Non-Executive Director at Greenalls Group Plc (now De Vere Group), Legal & General Group Plc and Westbury plc. In November 2010 he was appointed a member of the Prime Minister's Business Ambassadors Network.

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

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

4 Edward Astle
Non-Executive Director
Appointed to the Board as a Non-Executive Director in September 2009. Until July 2013, he was Pro Rector (Enterprise) at Imperial College London where he had overseen the university's relationships with industry, and led business development opportunities in the UK and internationally. Edward was an Executive Director of National Grid plc from 2001 to 2008, a Managing Director at the BICC Group from 1997 to 1999 and an Executive and Regional Director at Cable & Wireless plc from 1989 to 1997. Previously he held senior business strategy positions in the UK and France. He is a member of the BT Equality of Access Board and Vice Chair of the Shannon Trust.

5 Alan Brown
Non-Executive Director
Appointed to the Board as a Non-Executive Director in April 2011. He was Chief Executive Officer of Rentokil Initial plc for five and a half years until October 2013 during a period of considerable transformation for the business. Prior to this, Alan spent 25 years at Unilever PLC where he rose through a variety of finance roles in the UK and Europe and then general management in Taiwan and China. His last four years were as CEO of Unilever China. Following this, Alan returned to the UK as Chief Financial Officer at Imperial Chemical Industries PLC taking a leading role in the divestment of the company.

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

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

8 Michael Wareing CMG
Senior Independent Non-Executive Director
Appointed to the Board as a Non-Executive Director in April 2011. He has major international and board level knowledge. He is currently Senior Independent Non-Executive Director and Audit Committee Chairman at Cobham plc and a Non-Executive Director and Audit Committee Chairman at Wolseley plc. He is the Economic Development Adviser to the Government of Afghanistan and was previously the Prime Minister's Special Envoy for reconstruction in Iraq from 2007 to 2009. He had an extensive global career at KPMG and was their International Chief Executive Officer from 2005 to 2009.

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

10 Lena Wilson
Non-Executive Director
Appointed to the Board as a Non-Executive Director in July 2012. She is currently Chief Executive Officer and Board Member 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. Before that, Lena was a Senior Advisor to The World Bank in Washington DC on private sector development for developing countries. Lena is a member of the University of Strathclyde's Business School Advisory Board, and an Ambassador for the Prince & Princess of Wales Hospice and the Royal Edinburgh Military Tattoo. She served on the Board of the Prince's Scottish Youth Business Trust for 10 years as well as numerous business, arts, culture and sport organisations.

Directors' report – Governance

Corporate governance

Contents

"Maintaining and promoting the highest standards of corporate governance remains central to my role as Chairman."

Dear Shareholder,
I am pleased to present Intertek's Corporate Governance Report for the year ended 31 December 2013.

At Intertek good corporate governance is essential for the operation and management of the business, and we have continued to strengthen our corporate governance framework during this period. This Report contains further detail on how the governance processes support the delivery of our strategy and business goals.

The development and delivery of the Group's strategy continues to be a key focus of the Board, and is included on the Board's annual schedule of business.

In September 2013, Mark Williams was appointed to the Board as an additional Non-Executive Director. Mark brings a wealth of experience from his business roles in the oil and gas industry. He also brings a new perspective to the Board from his business experience in the United States, and adds insight into a growing part of our business related to testing in the gas, oil and petrochemical industry. I am very pleased to say that Mark is already making valuable contributions to the Group.

The Nomination Committee has been very busy this year and has continued to review our internal talent pool and has focused on senior management succession planning.

Further information on the work of the Nomination Committee during the year is set out on page 54.

We have, as part of our annual programme, reviewed and strengthened our Core Controls Framework to reflect our business needs. It is important for our business to ensure that our risk and assurance programme is robust and that we have the appropriate processes and governance in place.

I am committed to ensuring that the Board continues to provide strong leadership, and has the necessary skills, experience and diversity needed to create success. We recognise the benefits of a diverse Board, and support the recommendations made by Lord Davies of Abersoch in his report issued in 2011 on 'Women on Boards'. The benefits of having a diverse Board, including cultural, gender, skills, and regional and industry experience diversity are clear. During the year, the Board adopted a Diversity Policy, which is available on the Company's website.

Maintaining and promoting the highest standards of corporate governance remains central to my role as Chairman, and I am pleased to endorse the following Corporate Governance Report on behalf of the Board.

Sir David Reid
Chairman

Compliance with the UK Corporate Governance Code

The Board is required to report on the operations of the Company by reference to the UK Corporate Governance Codes published in May 2010 and September 2012 (together the 'Code'), which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. A copy of the Code is available from the UK Financial Reporting Council at www.frc.org.uk

Throughout the year ended 31 December 2013, the Company applied all of the principles, and complied with each of the provisions, set out in sections A to E of the Code. Overleaf is an overview of the Company's compliance with the Code, which should be read in conjunction with the adjoining Corporate Governance Report.

A fuller explanation of our compliance with the Code is set out on the Company's website.

Directors' report – Governance

Corporate governance continued

Compliance with the UK Corporate Governance Code

A brief summary of our compliance with the Code is set out below.

A. Leadership	A.1 **The Board's role**	The Board meets formally on a regular basis in order to review the Company's performance and strategy against set objectives. There is a clear schedule of matters reserved for the Board as further described on page 44.
	A.2 **A clear division of responsibilities**	The Company has both a Chairman, who is responsible for the leadership and effectiveness of the Board, and a Chief Executive Officer, who is responsible for leading the day-to-day management of the Company within the strategy set by the Board.
	A.3 **Role of the Chairman**	The Chairman sets the agendas and timetables for Board meetings and facilitates open and constructive dialogue during the meetings.
	A.4 **Role of the Non-Executive Directors**	The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors' views. They are responsible for determining the levels of remuneration of Executive Directors and have a prime role in appointing Executive Directors and in succession planning.
B. Effectiveness	B.1 **Board composition**	The composition of the Board is reviewed regularly by the Nomination Committee to ensure that there is an appropriate mix of skills, experiences, gender and other qualities.
	B.2 **Board appointments**	The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the appointment undertaken during the year and succession planning can be found on page 54.
	B.3 **Time commitments**	The time commitments of Non-Executive Directors are defined on appointment and regularly evaluated. In practice, the time commitments go beyond those set out in the Letters of Appointment. The Board gives consideration to new directorships which may impact on existing time commitments.
	B.4 **Training and development**	A comprehensive induction programme is in place for all new Directors. The Chairman reviews each of the Non-Executive Directors' training needs, and tailored programmes are in place to meet these needs.
	B.5 **Provision of information and support**	The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.
	B.6 **Board and Committee performance evaluation**	An internally facilitated evaluation was undertaken during 2013 and is described on pages 46 and 47. The Board undertakes an independent third party facilitated evaluation at least every three years and the last external evaluation was conducted during 2012.
	B.7 **Re-election of Directors**	All Directors were subject to shareholder re-election or election at the 2013 Annual General Meeting ('AGM'), as will be the case at the 2014 AGM.
C. Accountability	C.1 **Financial and business reporting**	The Annual Report and Accounts sets out details of the performance of the Company, its financial results, the business model and strategy, and the risks and uncertainties relating to the Company's future prospects.
	C.2 **Risk management and internal control systems**	The Board sets the Company's risk appetite and annually reviews the effectiveness of the Company's risk management and internal control systems. The activities of the Audit & Risk Committee, which assists the Board with its responsibilities in relation to risk setting and management, are set out on page 49.
	C.3 **Role and responsibilities of the Audit & Risk Committee**	The Board has delegated a number of responsibilities to the Audit & Risk Committee, which has oversight of the risk management framework on behalf of the Board. The Chairman of the Committee provides regular reports to the Board.
D. Remuneration	D.1 **Levels and elements of remuneration**	The levels of remuneration of Directors, and how the Company promotes an alignment of interests between Directors and shareholders by linking reward to performance, are explained in the Directors' Remuneration Report on pages 56 to 69.
	D.2 **Development of remuneration policy and packages**	The activities of the Remuneration Committee and the way in which it sets executive remuneration are set out in the Directors' Remuneration Report on pages 56 to 69.
E. Relations with shareholders	E.1 **Shareholder engagement and dialogue**	The Board seeks to engage actively with both institutional and retail shareholders. Details of the shareholder engagement programme are set out on page 55.
	E.2 **Constructive use of the Annual General Meeting**	The Board values the AGM as an important opportunity to engage with shareholders. Attendees at the AGM have the opportunity to put questions to the Board and to speak to individual Directors following the formal business of the meeting.

Directors' report – Governance

Corporate governance continued

Leadership

Board of Directors

The Board is committed to good corporate governance and is aware of its responsibility to be accountable to shareholders, and to demonstrate that the Company is properly governed and delivers its strategy. There is a schedule of matters that are specifically reserved for the Board, which includes consideration and approval of:

- the Company's overall strategy, medium-term plans and annual budgets;
- financial statements;
- dividend policy, recommendation of any final dividend and declaration of interim dividends;
- major acquisitions;
- major changes to the Group's capital structure;
- the Group's corporate governance arrangements;
- the appointment and removal of Directors and the Company Secretary; and
- major changes to accounting policies or practices.

The Board has delegated certain responsibilities through an Authorities Matrix, which is regularly reviewed and was updated during 2013 to keep pace with dynamic business needs.

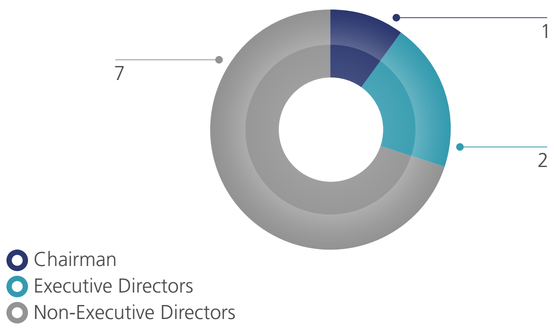
The overall powers of Directors are set out in the Company's Articles of Association, which are available on the Company's website, and may be amended by special resolution of the shareholders. The Board may exercise all powers conferred on it by the Articles, in accordance with the Companies Act 2006 and other applicable legislation.

The Board has ultimate responsibility for the management, strategic direction and performance of the Group. There is a clear division of responsibility between the Board and the executive responsibility for running the Company's business. The Board also monitors risks, financial performance and internal controls. The materials for Board meetings are supplied in a timely manner and in a quality way that helps the Board discharge its duties.

Board composition

The Board consists of 10 Directors (the Chairman, seven independent Non-Executive Directors and two Executive Directors). The Company Secretary is available to advise the Chairman and the Board on all governance matters. All Directors also have access to independent advice at the Company's expense. Biographical details of individual Directors, including their Committee memberships, are set out on pages 38 and 39.

Chairman, Executive and Non-Executive Directors



Role of the Chairman and the Chief Executive Officer

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, and these responsibilities have been formalised in writing. The Chairman, Sir David Reid, is responsible for the leadership and governance of the Board. He is also responsible for creating the conditions for overall Board and individual Director effectiveness. The Chairman also meets with major shareholders on a regular basis, and is available to all shareholders at the Company's AGM. On his appointment, the Chairman was deemed independent by the Board.

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

Non-Executive Directors

The Company's Non-Executive Directors provide a strong, independent and external insight to the Board's proceedings, and bring with them a wealth of experience and knowledge from other business sectors and industries. The Letters of Appointment of the Non-Executive Directors, as well as the service agreements of Executive Directors, are available for inspection at the Company's registered office and at the AGM.

Senior Independent Director

The Board has appointed Michael Wareing as the Company's Senior Independent Director. In addition to his responsibilities as a Non-Executive Director, he is responsible for leading the Directors' review of the Chairman's performance, and holding discussions with the other Non-Executive Directors and external auditors without management present. In addition, the Senior Independent Director is available to major shareholders who feel that they are unable to raise issues through the usual channels of the Chairman, Chief Executive Officer or the Chief Financial Officer.

Company Secretary

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

Board meetings

Board meetings are scheduled in advance, and during 2013 the Board met seven times. Directors are expected to attend all Board meetings and relevant Committee meetings. A schedule of Directors' attendance at Board meetings during the year is set out below. Details of the Directors' Committee attendance are set out in their separate reports.

	Eligible to attend	Attendance
Sir David Reid Chairman	7	7
Wolfhart Hauser Chief Executive Officer	7	7
Lloyd Pitchford Chief Financial Officer	7	7
Edward Astle Independent Non-Executive Director	7	7
Alan Brown Independent Non-Executive Director	7	7
Christopher Knight Independent Non-Executive Director	7	7
Louise Makin Independent Non-Executive Director	7	7
Michael Wareing Senior Independent Non-Executive Director	7	6[1]
Mark Williams (appointed 1 September 2013) Independent Non-Executive Director	3	3
Lena Wilson Independent Non-Executive Director	7	7

1. Michael Wareing was unable to attend one meeting due to illness.

Board balance and independence

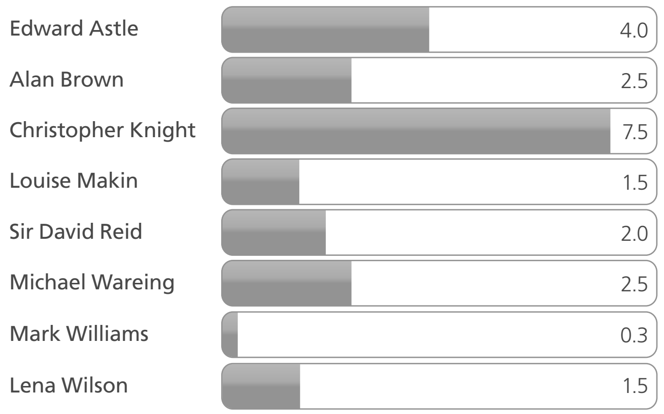
The Board comprises an appropriate balance of Executive Directors and independent Non-Executive Directors.

Sir David Reid, the Chairman, met the independence criteria upon appointment to the Board, and as prescribed by the Code.

There is a process in place for the appointment of new Directors, and during the year, Mark Williams was appointed as an additional Non-Executive Director. Further details on this are included within the Nomination Committee report on page 54.

The Board has determined that each Non-Executive Director is independent in accordance with the Code criteria. The length of service of each of the Non-Executive Directors is set out below:

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



Directors' conflicts of interests

All Directors have a duty under the Companies Act 2006 to avoid conflicts of interests and to disclose any outside appointments. The Board has a formal system to deal with conflicts of Directors' interests. Directors are requested to complete a questionnaire each year to ensure that any potential conflicts are disclosed and to identify any new potential conflicts of interests. The Directors are advised of the process for dealing with conflicts of interests upon appointment and they are reminded of this obligation at subsequent Board meetings.

Any authorised decisions are reviewed on an annual basis or when a new Director is appointed, or if a new potential conflict arises. The conflicts register is maintained by the Company Secretary, and is reviewed annually by the Board. Directors abstain from voting when there is a vote to approve their own reported conflicts. In 2013 this process operated effectively.

Diversity

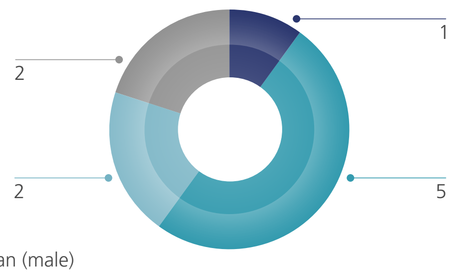
The Board has endorsed the recommendations made by Lord Davies of Abersoch in his report issued in 2011 on "Women on Boards"; recognises the benefits of having a diverse Board; and is committed to achieving a Board which includes and makes the best use of differences in culture, gender, skills, background, regional and industry experience, as well as other qualities. All of these factors are considered by the Nomination Committee in determining the composition of the Board. The Company has already made significant progress towards achieving Lord Davies' recommendations.

The Board's Diversity Policy can be found on the Company's website.

Directors' report – Governance

Corporate governance continued

Board diversity by gender



Chairman (male)
Non-Executive Directors (male)
Non-Executive Directors (female)
Executive Directors (male)

Effectiveness

Board activity during the year

During the year, in addition to its regular business, the Board considered the following matters:

- Group strategy;
- 2014 annual business budget;
- full year results and half year results, Annual Report and related announcements;
- acquisitions;
- key governance matters;
- risk and internal controls;
- people matters;
- significant capital expenditure and material contracts;
- dividend policy; and
- tax and treasury policies.

The Board also received regular updates in respect of business performance, market activity, legal matters, risk, health & safety, analysts' forecasts and other business information.

Non-Executive Directors are given the opportunity to visit key sites and operations. During the year, a number of site visits were organised for Non-Executive Directors, including key operational sites in China.

Strategy setting

During the year, the Board devoted additional time to review the business plans and the development of the Company's strategic direction. As part of this process, the senior management team and the Board held a number of off-site meetings to focus on strategic opportunities and conducted reviews on key areas of business.

Board visit to China

In October the Board visited the Intertek business in China, which provided an excellent opportunity for the Directors to meet local management and to visit a number of key facilities. There was also time for interaction between the Board and the management in an informal setting. The local management team presented about their business in China, the local market and the drivers of the local operations and businesses.

Board development

All new Directors receive a comprehensive induction programme tailored to meet their needs. The induction programme is managed by the Chairman and the Company Secretary. As part of the programme, briefings are provided from senior management including updates on key business matters, internal audit activities, Group risks, and management processes and procedures. On-going development is provided to all Directors. In particular the Board was briefed on the following key areas during 2013:

- company law, corporate governance, changes to financial reporting, remuneration reporting and other key developments;
- health & safety; and
- financial reporting processes.

All Directors have access to advice and information from the Company Secretary. In addition, all Directors are entitled to request and obtain independent legal advice to assist in the fulfilment of their duties at the expense of the Company. The Company has also granted an indemnity to the extent permitted by law to each of the Directors and to the Company Secretary, and holds an insurance policy for Directors' and Officers' liability insurance to the extent permitted by law.

Performance evaluation

The Board conducts a formal review of its performance each year. During the year under review, and with support of the Company Secretary, the Board evaluated its effectiveness using an internally facilitated questionnaire and a series of one-to-one interviews between each Director and the Chairman. Responses to the questionnaire were collated and the output was used by the Chairman in his individual meetings with Directors.

The areas considered during the evaluation were:

- Board composition and diversity;
- Board performance;
- Information and Board agendas;
- Board expertise;
- Risk management oversight; and
- Senior management succession planning.

The results of the evaluation were considered by the Board at its meeting in January 2014. No significant issues were highlighted, and the review clearly indicated that the Board continues to work efficiently and effectively, and that the contribution and commitment of each Director, and their interaction with each other, is well developed. As a result of the evaluation, the Board agreed to focus more time on:

- people capability, talent mapping and succession planning at future Board meetings to ensure that the Group's talent pool continues to match the requirements and aspirations of the Group;
- operational transformation and productivity across all business lines;
- customer relations and development including customer satisfaction with operational delivery; and
- health & safety policies, frameworks and reporting.

As part of the evaluation process, the Chief Executive Officer carried out a performance review of the Chief Financial Officer. In addition, the Directors, led by the Senior Independent Director, conducted a performance review of the Chairman. The Board has confirmed that the contribution of each of the Directors continues to be effective and recommends that shareholders should be supportive of their election or re-election to the Board. The Board will continue to review its procedures, effectiveness and development during the year ahead, and the Chairman will use the output of the most recent Board evaluation in his individual meetings with Directors during the year.

In 2012, the performance evaluation of the Board and its Committees was facilitated by Consilium, an independent external third party firm. The Board plans to conduct a further externally facilitated evaluation in 2015.

Governance Framework

The Group's governance and decision-making framework is set out below. The responsibilities, activities and membership of each of the Board's principal Committees are set out within the Committee reports on pages 49 to 69.

Board Committees
Operational Committees

Board Committees

The Board operates the following three principal Committees to oversee the workings of the Group:

- Audit & Risk Committee;
- Nomination Committee; and
- Remuneration Committee.

Information relating to the composition and workings of each of these Committees is set out within the following Committee reports.

Directors' report – Governance

Corporate governance continued

Operational Committees

Executive Management Team

The Executive Management Team comprises the Executive Directors, the senior Vice-Presidents and other senior management. It meets regularly to discuss and decide business and operational issues. Biographical details of the Executive Management Team are set out on pages 18 and 19.

Investment Committee

A key component of the Group's Governance Framework is the Investment Committee, which is regulated by its own Terms of Reference. The Investment Committee monitors capital expenditure and investments as defined in the Authorities Matrix. In particular, the Committee:

- reviews all expenditure and contracts;
- conducts post investment appraisals;
- approves tenders and bids; and
- reviews the Authorities Matrix and any changes.

During 2013, the Investment Committee established Regional Investment Committees to review and approve proposals for their regions in accordance with their respective Terms of Reference. The following table shows the Investment Committee Structure. The matters decided at Regional Investment Committee meetings are recorded, and are made available to the Group Investment Committee.

Risk Control and Assurance Committee ('RCA')

This Committee has the remit of overseeing the development of the internal control framework. Its work covers:

- reviewing risk registers and risk management procedures;
- monitoring issues; and
- providing a conduit of information to senior management.

In 2013, the Committee comprised the Chief Financial Officer, Company Secretary, Chief Information Officer, Executive Vice President Human Resources, Group Financial Controller, Head of Legal and Head of Internal Audit. The Committee meets on a quarterly basis.

Each operating division and support function is responsible for the identification and evaluation of significant risks applicable to that area of business, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and are reviewed by the RCA. The risks may be associated with a variety of internal or external factors including control breakdowns, disruption of information systems, litigation, loss of key facilities, retention of key staff, competition, natural catastrophes and regulatory requirements. Operation of the controls is designed to minimise the occurrence of risk or its consequences.

Audit & Risk Committee

"The Committee is a vital component of the Group's overall Governance and control structure."

Dear Shareholder,

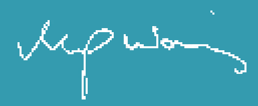
I am pleased to present the report for the Committee and to have welcomed Lena Wilson to the Committee during the year. Lena brings with her a wealth of experience and she has already made valuable contributions since joining the Committee.

The Committee's main duty is to provide governance and assurance oversight on internal controls, management of risk, review of the Annual Report and Accounts, Half Year Financial Statements and to monitor the effectiveness of the external and internal audit process.

Our meetings are also joined by key people within the business, who are not formal Committee members. During the year they have included the Chairman of the Group, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the Head of Legal, the Head of Internal Audit and the audit partner from KPMG Audit Plc, the Company's auditors.

The following information provides detail about the business covered and the operation of the Committee.

I will be available at the forthcoming Annual General Meeting to answer any questions about the Committee and its activity.



Michael Wareing
Chairman of the Audit & Risk Committee

Membership and attendance

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

	Eligible to attend	Attendance
Michael Wareing (Committee Chairman)	5	4[1]
Edward Astle	5	5
Christopher Knight	5	5
Lena Wilson (appointed to the Committee on 1 September 2013)	2	2

1. Michael Wareing was unable to attend one meeting due to illness.

Throughout 2013, the composition of the Committee was in compliance with the UK Corporate Governance Code (the 'Code'). Michael Wareing, Edward Astle and Christopher Knight all have recent and relevant financial experience, as detailed in their biographies on pages 38 and 39. Lena Wilson was appointed to the Committee from 1 September 2013.

All of the Committee members are considered to be independent in accordance with the Code criteria.

New Committee members receive an appropriate induction, consisting of the Company's financial and operational risks. New Committee members also have access to senior operational staff and the Group's internal and external auditors.

The business of the Committee is linked to the Group's financial calendar of events and the timetable for the annual audit. At the invitation of the Committee, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the Head of Legal, the Head of Internal Audit and the external auditor attended all meetings.

The terms of reference of the Committee are available on the Company's website.

Directors' report – Governance

Corporate governance continued

Role and activity of the Committee

The Committee is authorised by the Board to review the effectiveness of the Company's financial reporting and internal controls together with procedures for the identification, assessment and reporting of key risks. A summary of the key matters considered by the Committee during 2013 is set out below:

Audit & Risk Committee agenda items 2013	Feb	May	Jul	Sep	Nov
Group risk register			●		●
Risk management strategy					●
Compliance and operational risk	●	●	●		●
Corporate governance controls sign-off	●				
Fair, balanced and understandable assurance	●				
Group-wide finance transformation				●	
Full year Report					
Management highlights	●				
KPMG highlights	●				
Annual Report 2012	●				
Annual results announcement	●				
Letter of representation to the auditors	●				
Non-audit fees review of policy, spend and budget	●				
Going concern assessment	●				
Half year Results					
Management highlights			●		
KPMG review report			●		
Letter of representation to the auditors			●		
Update on principal risks & uncertainties			●		
Draft half year results			●		
Update on non-audit fees			●		
Internal audit					
2014 audit plan					●
Review of audit charter					●
Internal audit report	●	●	●		●
Internal audit effectiveness		●			
KPMG Audit matters					
Audit fee proposal year end 31/12/2013			●		
Audit strategy & plan year end 31/12/2013			●		
KPMG effectiveness		●			
Engagement letter			●		
External audit – update on strategy and new audit pro forma					●
Other matters					
IT security & cyber-risk					●
Key claims report	●	●			●
Key litigation level			●		
Overview of internal control environment	●				
Operational risk review – electrical				●	
Presentation on China				●	

External audit

The Committee monitors the relationship with the external auditors, including any non-audit services. It also seeks to ensure that there is continued independence and objectivity of the external auditor. The Committee discusses any fees paid to KPMG Audit Plc ('KPMG') for non-audit work and the reasons why they were appointed for such work. During the year, KPMG met with the members of the Committee without any Executive Directors being present.

Financial statements and financial issues

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 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.

The main issues reviewed in the year ended 31 December 2013 were as follows:

- the Committee reviewed and challenged the provisions held with respect to claims, ensuring the provisions were appropriate. Although there are very few significant legal claims, the provisions for legal risks are reviewed to ensure that they reflect any changes arising in respect of the claims due to the judgmental nature of the provisioning process; and
- the Committee reviewed the calculation of the effective tax rate for the year, including the impact of deferred tax balances and the valuation of current tax liabilities, ensuring the rate was appropriate.

During the year, the Committee also considered the following issues:

- the presentation of the Group's restructuring programme in 2013, ensuring that the costs had been recorded appropriately; and
- the classification of Separately Disclosed Items to ensure the adjusted operating profit provides a clear and consistent view of the underlying performance of the Group.

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

Effectiveness of external audit

The Company has used KPMG as its auditors since it was listed in 1996. During the year, and at the request of the Committee, KPMG provided an update on their work and re-submitted a formal request for re-appointment. In order to assess the effectiveness of the audit, the Committee considered the feedback provided through an internal questionnaire that had been circulated by the Company to those within Intertek who were involved in the audit process. The questions asked about resources, the audit timetable and other information deemed necessary to make an assessment.

The Committee makes a recommendation, through the Board, to shareholders to consider at the Annual General Meeting ('AGM'), on the appointment, re-appointment or removal of the external auditors. Following the internal review, and having reviewed the performance of the external auditor, the Committee has recommended to the Board a resolution to re-appoint KPMG as the external auditor. The Board has accepted the recommendation and agreed that the resolution be included in the Notice of the 2014 AGM.

KPMG has been the Company's external auditor since its demerger from Inchcape in 1996 (17 years). Whilst the Group has not formally tendered the audit since then, the Committee undertakes an annual review of the independence, objectivity and effectiveness of the audit firm in considering whether to recommend the re-appointment of the external auditors at the AGM. The Committee has also been monitoring and, through its Chairman, contributing to the debate on external audit tendering. The Committee has noted the changes to the UK Corporate Governance Code introduced by the FRC in September 2012 and, in particular, the requirement contained in the Guidance on Audit Committees to put the external audit contract out to tender at least every ten years. The new Code became effective for the Company on 15 September 2013. The Committee has also considered the subsequent proposals of both the UK Competition Commission and the European Commission. The Committee will continue to monitor developments in this area. Stephen Wardell was appointed as Group Audit Partner in 2011, and under the requirement to rotate this position every 5 years, is due to rotate off the Company's audit after completing the 31 December 2016 financial year end audit engagement.

Subject to the continued satisfactory performance of KPMG and the outcome of the final regulatory rules, it is our current intention to tender the external audit prior to 31 December 2017 financial year end.

Non-audit work

It is a key requirement that the external auditors remain independent to avoid being compromised when reporting. In particular, the Company has a list of services that the auditors may not provide. The Committee reviews the framework of restrictions on audit services and makes sure that it reflects best practice and any current legislation.

The award of any non-audit work requires pre-clearance by the Committee and can only be for specified matters. The Committee is provided with reports of all non-audit work and a full breakdown of non-audit fees incurred. A summary of the fees paid for non-audit work is set out in the note to the Financial Statements on page 86 – see the table below.

Auditor fee breakdown	2013 £m	2012 £m
Total audit fee	**2.1**	2.0
Total non-audit fee	**0.7**	0.9
% of non-audit to total	**33%**	45%

Committee effectiveness

During the year, the Committee conducted an internally facilitated review of its effectiveness. The results of the review were considered and it was agreed that the Committee continued to operate effectively, and that it provided strong support for the Board.

In addition, and as part of the Committee's role in understanding how the Group operates, the Committee received reports around financial controls and other matters from the Chief Financial Officers in China and the UK, and the Head of the Finance Transformation programme regarding the work of the Shared Service Centre.

Internal control and risk management

During 2013, following the restructuring of Intertek's management teams across relevant business lines and country management teams, the organisation of the Legal, Risk Management and Compliance Teams was restructured along the same lines.

The risk register process follows the global organisation, and risk registers are produced for each business line and then consolidated at Group level. The time commitment and breadth of data gathering in completing the risk registers have been expanded. This has helped to validate the previous process and no significant changes were made to the Group Risk Register.

We have implemented a verification programme to check that all the statements made in the Annual Report and Accounts are accurate and the verification files for this process have been prepared and presented to the Committee. 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.

Directors' report – Governance

Corporate governance continued

Any material breaches of the Group's systems of internal and risk management controls that are identified by the Group's control review procedures are reported to the Committee and corrective action is taken.

The Audit & Risk Committee endeavours to ensure that the Group has in place the most appropriate and effective controls, checks, systems, and risk management techniques so as to be in line with best practice. The control environment within the Group is further strengthened by two internal Committees.

The Risk Control and Assurance Committee ('RCA') has the remit of overseeing the development of the internal control framework, reviewing risk registers and risk management procedures, monitoring issues, and providing a conduit of information to senior management.

During the year, the RCA reviewed:

- the Company's health & safety programme;
- the risk management strategy;
- whistle-blowing mechanisms;
- key policies;
- data security, protection and new policies on Information, Security and Global Data Protection;
- the Core Controls Framework;
- verification of sign-offs;
- divisional input into the Group Risk Registers; and
- the Code of Ethics.

In addition, it created a sub Committee to cover the subjects of quality, health & safety and the environment. Details of the membership of the RCA are on page 48.

An Investment Committee ('IC') is in place with the remit of reviewing and approving material expenditure and other key actions throughout the business within certain limits as outlined in the Board Approval Matrix. Further information on the membership and remit of the IC is on page 48.

Audit and Risk Strategy

The Audit and Risk Strategy was presented to the Committee during the year. This was then presented to the Board for discussion and approval. The strategy has focused on ensuring that the programme is annually strengthened and enhanced to reflect the size and global reach of the Intertek Group.

Training

The Group has a programme of training and on-line courses for compliance matters, covering topics such as health & safety, anti-bribery, and integrity. The Compliance Code and the Code of Ethics are available on the Group's website. The Group has a zero-tolerance policy to all bribery. Every employee is required to sign a zero-tolerance document confirming their understanding that any breaches of the Group's Code of Ethics will result in disciplinary action that may include summary dismissal. Each year as part of the appraisal process every employee is asked to confirm their understanding of and adherence to the Code of Ethics. Looking forward, we are in the process of reviewing our Code of Ethics to reinforce the Intertek Compliance principles in respect of integrity, conflicts of interest, confidentiality, anti-bribery and fair marketing. We are also looking to strengthen our approach to protecting our environment.

Confidential hotlines

The Group runs a system of confidential telephone hotlines for which there is a programme in place to streamline to one provider. These confidential hotlines, along with email and web addresses, enable staff or third parties to report anonymously any perceived inaccurate or unethical working practices. This underpins the ethics programme and also helps the business protect itself against any unethical behaviour. All reports are investigated thoroughly with action taken as appropriate. Reports of significant matters raised on the hotlines are also provided to the Committee, if appropriate. Detailed statistics about such issues are provided to each meeting of the Committee. Reports are made of resolutions for all matters together with information about any employees who have left the Group due to wrong-doing.

Internal controls and reporting

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

Internal Audit

As part of its annual programme, the Committee reviewed the Group internal audit function and considered findings from Internal Audit as part of its programme of reviews. Reports from the internal audit function to the Committee included reference to the Group risk management systems, findings from reviews in particular countries and the annual plan of Internal Audit. The annual plan of action for Internal Audit is set by the Committee. In addition, management provided presentations on their risk mitigations approach.

Quality assurance audits

The Company carries out quality assurance audits in its business lines and divisions, and the findings are reported to divisional management. Each business line has at least one compliance officer who undertakes investigations of issues that arise either from quality assurance audits or from other sources, such as routine compliance questions.

As part of our quality assurance and assessments, internal quality audits are undertaken. Reports of significant findings are presented to the Committee which monitors and reviews the effectiveness of the internal audit function. The Internal Audit department was awarded ISO 9001 accreditation in 2003 which was successfully renewed for a further three years in 2009 and more recently in 2012. An external accreditation body conducts surveillance audits of the Internal Audit department every year, and conducts a more detailed review every three years.

Priorities for 2014

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

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

Going concern

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

Directors' report – Governance

Corporate governance continued

Nomination Committee

"The Committee understands the importance of a strong, well-balanced and diverse Board."

Membership and attendance of the Nomination Committee

Membership and attendance at meetings during the year was as follows:	Eligible to attend	Attendance
Sir David Reid (Committee Chairman)	5	5
Edward Astle	5	5
Christopher Knight	5	5
Michael Wareing	5	5

The role of the Committee

The primary role of the Committee is to ensure that there is an appropriate procedure for the appointment of new Directors to the Board. The Committee also considers senior management succession planning and reviews the balance and composition of the Board.

The Committee maintains oversight of the size, structure, balance of skills, knowledge and diversity, including gender diversity of the Board when considering suitable candidates. Other functions include understanding the role and leadership needs that are required by the business, and to review talent to ensure that the Company maintains the ability to be able to compete and win further market share. The terms of reference of the Committee are reviewed on a regular basis and have been approved by the Board.

The terms of reference of the Nomination Committee are available on the Company's website.

The activity of the Committee

During the year, the Committee conducted a search for an additional member of the Board. The Committee used an external search consultant to identify suitable candidates for a new Non-Executive Director. The shortlisted candidates were then considered by the Committee based on industry knowledge and experience, and in line with the existing Board composition. The Committee recommended the appointment of Mark Williams to the Board.

Following the appointment of Mark Williams as a Non-Executive Director, the Committee believes that the current composition represents a strong, well-balanced and diverse Board, with the necessary skills and experience to manage and develop the Company, and recommends that each of the Directors be elected or re-elected at the forthcoming Annual General Meeting ('AGM').

The Committee has also spent time considering senior management succession planning during the year.

As Chairman of the Committee, I will be available at the AGM to answer questions about the work of the Committee during the year.

Sir David Reid
Chairman of the Nomination Committee

Remuneration Committee

Membership and attendance of the Remuneration Committee

Membership and attendance at meetings during the year was as follows:	Eligible to attend	Attendance
Christopher Knight (Committee Chairman)	9	9
Alan Brown	9	9
Louise Makin	9	9

The role of the Committee

The main purpose of the Committee is to determine the Company's policy on the remuneration of the Chairman, the Executive Directors and Senior Directors.

The activity of the Committee

During the year the Committee met nine times to consider the remuneration policy and reward strategy. The report of the Remuneration Committee can be found on page 56.

The terms of reference of the Remuneration Committee are available on the Company's website.

Relationship with shareholders

Shareholder engagement

The views and opinions of our shareholders are important to the Company and there is an ongoing shareholder engagement programme for major shareholders. The Chairman met with five institutions during the year, and eight other institutions were invited to meet with the Chairman as part of the engagement programme. The eight institutions confirmed that a meeting was not required on this occasion. In addition, the Company consulted with its major shareholders on the proposed new remuneration policy.

The engagement programme is run by the Head of Investor Relations, and this includes road-shows, presentations and briefings. Feedback from investors is provided to the Board by our Brokers and the Head of Investor Relations. The Chairman and the Senior Independent Director are available to meet with shareholders.

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

Annual General Meeting

The Annual General Meeting will be held on 16 May 2014 in the Park Room at the Westbury Hotel, Bond Street, Mayfair, London W1S 2YF. There will be an opportunity for shareholders to ask questions of the Chairman and the other Directors, including the Chairmen of the Audit & Risk Committee, the Nomination Committee, and the Remuneration Committee. The Notice of Annual General Meeting is provided to shareholders by e-communications or by post.

The Notice is available on the Company's website.

Directors' report – Governance

Remuneration report

"During the year the Committee gave detailed consideration to the structure of our remuneration plans."

Dear Shareholder,
During 2013, the Remuneration Committee (the 'Committee') has continued to ensure that our remuneration arrangements for senior executives are aligned with and support our goals, and that the resulting rewards are appropriate for a business of our scale and complexity, and fair in the context of our performance and the external environment.

Our financial results in 2013, whilst broadly in line with our competitors, did not reach the level we set ourselves. This is a reflection of the global economic environment in which recovery is firmer in some regions and sectors than others. Payment under our annual incentives reflects this performance.

Taking a longer term perspective, however, the Group has continued to make strong progress against its strategic agenda and in building secure foundations for future growth. This is reflected in our share price and therefore our long-term incentive plans ('LTIPs') which are driven by relative shareholder returns. Indeed, readers of this report will note that the large majority of executive remuneration over recent years is directly attributable to the significant growth in shareholder wealth which has been achieved under the leadership of the current executive team.

During the course of the year, the Committee gave detailed consideration to the structure of our executive remuneration plans. These have been in place for some years and we regard them as having been successful in retaining and motivating the executives who have delivered a strong record of growth. Following its review and discussions with major shareholders, the Committee decided to propose changes to the arrangements for 2014 onwards. These proposals sever the link between the outcome of the annual incentive and the size of the long-term incentive grant, which has been in place at Intertek for some time; they also rebalance the executives' remuneration towards the long-term and, for Executive Directors, increase the requirement to hold shares after they have vested. They are set out in detail in our Policy Report and the resolution to amend the rules of the LTIP, both of which will be subject to shareholders' vote at the Annual General Meeting ('AGM').

This is the first year in which we are formally required to report on remuneration under the new format required by Government legislation (although we adopted many aspects of the changes in last year's report, in advance of the formal requirement). This year's report on remuneration comprises two parts: the Directors' Remuneration Policy Report which sets out our policy on Directors' pay and which will be subject to a binding shareholder vote; and the Annual Report on Remuneration, which provides details of the remuneration earned by Directors in the past financial year and the way in which we propose to operate in the coming year, and will be subject to an advisory vote.

I hope you will be supportive of the two resolutions and approve the Directors' Remuneration Report at this year's AGM.

Yours sincerely,

Christopher Knight
Chairman of the Remuneration Committee

The elements specifically required to be audited within the shaded sections of pages 59 to 69, have been audited by KPMG Audit Plc in compliance with the requirements of the Regulations.

Directors' Remuneration Policy Report

Consistent with the new legislation, the policy described in the Directors' Remuneration Policy Report will be put to a binding vote at the AGM. The policy will be effective from the date of shareholder approval.

Policy overview

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

Our remuneration strategy is to:

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

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

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

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

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

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

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

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

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

Directors' report – Governance

Remuneration report continued

Summary of the remuneration policy for Directors

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

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	To attract and retain high performing Executive Directors to lead the Group.	The Committee reviews salaries annually, taking account of the scale of responsibilities, the individual's experience and performance. Whilst the Committee takes benchmarking information into account, its decisions are based primarily on the performance of the individual concerned against the above factors to ensure that there is no unjustified upward ratchet in base salary.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including development in role, change in responsibility and/or variance to market levels of remuneration.	Individual performance is taken into account when salary levels are reviewed.
Benefits	To provide competitive benefits to ensure the well-being of employees.	Benefits include annual medicals, life assurance cover of four times base salary, allowances in lieu of a company car or other benefits and private medical insurance.	The total value of these benefits will not exceed 12% of salary.	n/a
Pension	To provide competitive retirement benefits.	Directors can elect to join the Company's defined contribution pension scheme, receive pension contributions into their personal pension plan or receive a cash sum in lieu of pension contributions.	Up to 30% of salary.	n/a
Annual Incentive Plan ('AIP')	To drive and recognise annual performance against targets which are a mix of business and personal objectives.	50% paid in cash and 50% deferred into shares which will vest after a period of three years subject to continued employment. Targets are reviewed each year and are a balanced set of measures designed to be challenging. Not pensionable. Clawback provisions apply.	For 2014, maximum 230% of salary for the CEO and 200% of salary for the CFO. For 2015 onwards, up to 200% of salary for all Executive Directors. The Committee has the ability to reduce bonus payments if it believes that short-term performance has been achieved at the expense of the Group's long-term future success. The Committee can adjust upwards the bonus outturn (up to the maximum set out above) to recognise very exceptional circumstances or to recognise that circumstances have occurred which were beyond the direct responsibility of the executive and the executive has managed and mitigated the impact of any loss.	The majority of the annual bonus will be subject to Group financial measures and no more than 20% of the bonus will be subject to personal performance measures. The stretch targets, when met, reward exceptional achievement and contribution. The minimum is zero.
Long Term Incentive Plan ('LTIP')	To retain and reward Executive Directors for the delivery of long-term performance. To support the continuity of the leadership of the business. To provide long-term alignment of executives' interests with shareholders by linking rewards to Intertek's performance.	Annual grant of conditional shares which vest after three years, subject to Company performance and continued employment. The shares will also be subject to a six-month holding period after vesting. Accrued dividends during the vesting period to be paid in cash or shares at vesting, to the extent that shares vest.	Up to 250% of salary.	LTIP awards are subject to performance conditions based on Earning Per Share ('EPS') growth and relative Total Shareholder Return ('TSR'). At least a quarter of each award will be based on each of these measures. 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets. Awards under the TSR element of the LTIP are also subject to the satisfaction of a financial underpin.
Share ownership guidelines	To increase alignment between executives and shareholders.	Executive Directors are required to retain any vested shares (net of tax) under the Group's share plans until the guideline is met. The guideline must be met within five years of appointment.	CEO: 200% of salary. CFO: 150% of salary.	n/a
Non-Executive Directors' fees	To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees.	Fees are paid mostly in cash, with 10% of fees paid in the form of shares. Fees are determined based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. No other benefits are provided, other than to the Chairman, who receives a car allowance of £25,000 per annum.	As for the Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including change in responsibility and/or variance to market levels of remuneration.	n/a

Selection of performance metrics

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

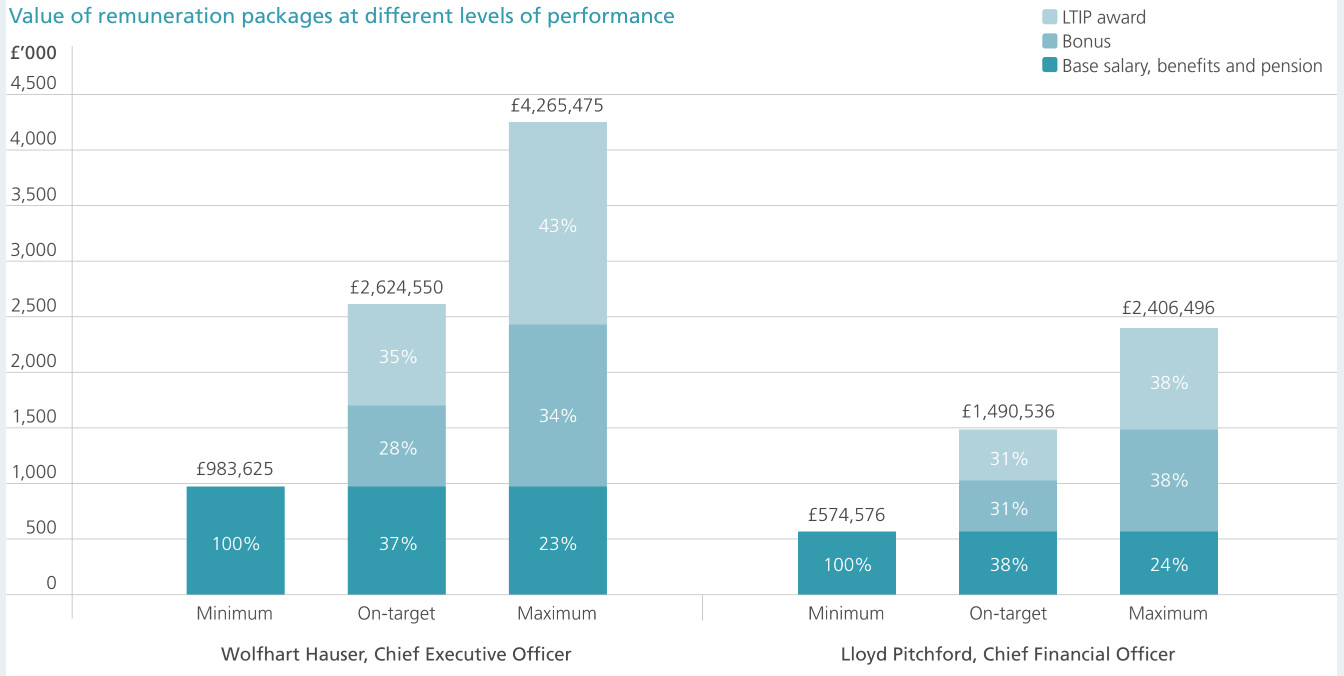
The LTIP is based on EPS growth and TSR performance. EPS is a measure of the Group's overall financial success and TSR provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding scale of challenging performance targets is set for each measure. The Committee reviews the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant. The Committee reserves the discretion to set different targets for future awards, without consulting with shareholders, providing that, in the opinion of the Committee, the new targets are no less challenging in light of the circumstances at the time than those used previously. The targets for awards granted under this remuneration policy are set out in the Annual Remuneration Report.

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

Remuneration scenarios for Executive Directors

The charts below illustrate how the Executive Directors' remuneration packages vary at different levels of performance under the ongoing policy, which will apply in 2014 for the CFO and 2015 for the CEO:

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 2014.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2013.
3. The value of pension receivable by the CEO and CFO in 2014 is taken to be 25% of salary and 20% of salary respectively.
4. The on-target level of bonus is taken to be 50% of the maximum bonus opportunity.
5. The on-target level of the LTIP is taken to be 50% of the face value of the award at grant.
6. Share price movement and dividend accrual have not been incorporated into the values shown above.

Directors' report – Governance

Remuneration report continued

Approach to recruitment and promotions

The remuneration package for a new Executive Director – base salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment. The Committee may set the base salary at a value to reflect the calibre, experience and earnings potential of a candidate, subject to the Committee's judgement that the level of remuneration is in the Company's best interest. In addition, the Committee may offer additional cash and/or share-based elements to take account of remuneration relinquished when leaving the former employer when it considers these to be in the best interests of the Company (and therefore shareholders). Any such awards would reflect the nature, time horizons and performance requirements attaching to the remuneration it is intended to replace.

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

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

Service contracts for Executive Directors

The service agreements of the Executive Directors are not fixed-term and are terminable by either the Company or the Director on 12 months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary (and for the CFO, pension contributions) in lieu of 12 months' notice. In calculating the amount payable to a Director on termination of employment, the Board would take into account the commercial interests of the Company and apply usual common law and contractual principles. The service contracts are available for inspection at the Company's registered office.

The Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice. In summary, the contractual provisions are:

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

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

The default treatment under the 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, 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.

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 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.

Legacy arrangements

For avoidance of doubt, in approving this Directors' Remuneration Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting of past share awards) that have been disclosed to and approved by shareholders in previous Remuneration Reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Annual Report on Remuneration

Membership of the Remuneration Committee

During 2013 the Committee comprised the following independent Non-Executive Directors:

Name	Eligible to attend	Attendance
Christopher Knight (Committee Chairman)	9	9
Alan Brown	9	9
Louise Makin	9	9

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

Advisors

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

During 2013, the Committee received advice on remuneration matters from New Bridge Street ('NBS'), a trading name of Aon plc, which provided no other services to the Committee during the year under review. NBS is a member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Committee took independent advice on UK pension matters from Premier Pensions Management Limited ('PPM'). During 2013, PPM's associate company provided additional Financial Conduct Authority ('FCA')-regulated services in respect of UK pension and employee matters.

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

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

The fees paid to NBS for providing advice in relation to executive remuneration over the financial year under review were £115,400. The fees paid to PPM for providing advice on UK pension matters were £2,548. The fees paid to A&O for providing advice in relation to the proposed changes to the 2011 LTIP rules were £2,500.

External appointments

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

Wolfhart Hauser was appointed as a Non-Executive Director of Reed Elsevier PLC and Reed Elsevier NV in April 2013. His earnings for this appointment during 2013, which he retained, were £65,058.

Statement of shareholder voting

At the 2013 Annual General Meeting, a resolution was proposed to shareholders to approve the Directors' Remuneration Report for the year ended 31 December 2012. This resolution received the following votes from shareholders:

	2013 AGM	
Votes cast in favour	107,843,138	97.81%
Votes cast against	2,415,665	2.19%
Total votes cast	110,258,803	100%
Votes withheld	4,443,362	

During the year, the Committee consulted the Company's major shareholders on the proposal to make amendments to the structure of the short- and long-term incentive arrangements. Shareholders that were consulted were supportive of the proposed changes and the Group's remuneration structures for senior executives in general.

Directors' report – Governance

Remuneration report continued

Directors' remuneration earned in 2013

The table below summarises Directors' remuneration received in 2013 and the prior year for comparison.

		Base salary or fees £'000	Benefits[1] £'000	Pension[2] £'000	Annual bonus[3] £'000	Long-term incentives[4] £'000	Other £'000	Total £'000
Executive Directors								
Wolfhart Hauser	2013	**709**	**72**	**177**	**639**	**1,644**	**–**	**3,241**
	2012	687	72	172	1,444	2,923	–	5,298
Lloyd Pitchford	2013	**445**	**25**	**89**	**305**	**825**	**–**	**1,689**
	2012	427	25	85	724	553	–	1,814
Non-Executive Directors								
Edward Astle	2013	**69**	**–**	**–**	**–**	**–**	**–**	**69**
	2012	64	–	–	–	–	–	64
Alan Brown	2013	**64**	**–**	**–**	**–**	**–**	**–**	**64**
	2012	60	–	–	–	–	–	60
Christopher Knight	2013	**83**	**–**	**–**	**–**	**–**	**–**	**83**
	2012	75	–	–	–	–	–	75
Louise Makin[5]	2013	**64**	**–**	**–**	**–**	**–**	**–**	**64**
	2012	30	–	–	–	–	–	30
Sir David Reid	2013	**315**	**25**	**–**	**–**	**–**	**–**	**340**
	2012	300	25	–	–	–	–	325
Michael Wareing	2013	**90**	**–**	**–**	**–**	**–**	**–**	**90**
	2012	85	–	–	–	–	–	85
Mark Williams[6]	2013	**16**	**–**	**–**	**–**	**–**	**–**	**16**
	2012	–	–	–	–	–	–	–
Lena Wilson[5]	2013	**75**	**–**	**–**	**–**	**–**	**–**	**75**
	2012	28	–	–	–	–	–	28

1. Benefits include allowances in lieu of company car, annual medicals, life assurance and private medical insurance. With respect to the Non-Executive Directors, other than Sir David Reid, who receives a car allowance of £25,000 per annum, no other benefits are provided.
2. Pension contributions were made into the executives' personal schemes.
3. This relates to the payment of the annual bonus and LTIP Share Award for the year ended 31 December 2013. Further details of this payment are set out on the following pages.
4. This relates to the vesting of the 2011 LTIP award. The performance period for this award ended on 31 December 2013.
5. Appointed 1 July 2012.
6. Appointed 1 September 2013.

Annual bonus

The annual bonus for the 2013 financial year was based on performance against adjusted EPS growth, adjusted operating profit growth, cash conversion, return on invested capital and general contribution. Performance against the financial targets is set out below:

Financial Measures	% Weighting	Target	Actual	% Achieved	% Weighted Achievement
Adjusted diluted EPS growth[1]	50%	141.0p	137.0p	33%	17%
Adjusted operating profit growth[1]	25%	£366.8m	£339.4m	13%	3%
Operating cash flow % of adjusted operating profit[1]	15%	80.0%	74.0%	17%	3%
Return on invested capital	10%	19.9%	18.4%	0%	0%
Total	**100%**				**23%**

1. Calculated using constant 2012 exchange rates.

General Contribution is a qualitative award taking into account the overall personal contribution of the executive to developing the strategy for the Group, ensuring sustainability, team building and leadership. The Remuneration Committee decided that the outcome for the General Contribution proportion of bonus for both Executive Directors was 80%.

The combined bonus outturn for both the financial and general contribution elements is as follows:

	Financial targets		General contribution		Total	
	Maximum % of salary	Actual % of salary	Maximum % of salary	Actual % of salary	Maximum % of salary	Actual % of salary
Wolfhart Hauser	104%	24%	26%	21%	130%	45%
Lloyd Pitchford	80%	18%	20%	16%	100%	34%

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

	Payable in cash £	Share Award £	Performance Shares Award £
Wolfhart Hauser	319,605	319,605	639,210
Lloyd Pitchford	152,660	152,660	305,320

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

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

Directors' report – Governance

Remuneration report continued

Vesting of LTIP awards

The LTIP award granted on 8 March 2011 is based on performance for the three-year period ended 31 December 2013. The performance conditions attached to this award and actual performance against these conditions is as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual performance	Vesting level
Earnings Per Share	Annualised fully diluted, adjusted EPS growth, calculated on the basis of foreign exchange rates adopted at the start of the performance cycle	11%	20%	15.6%	63.6%
Total Shareholder Return	Relative TSR performance against the FTSE 51 – 150 (excluding banks and investment trusts)	Median	Upper quartile	Above upper quartile[1]	100.0%
Total vesting					**81.8%**

1. TSR performance calculation was calculated by NBS; Intertek was ranked 16th of the 89 members of the comparator group of companies.

The LTIP awards granted on 8 March 2011 to the Executive Directors are as follows:

Executive Director	Number of shares at grant	Number of shares to lapse	Number of shares to vest[1]	Estimated value[2] £
Wolfhart Hauser	63,876	11,626	52,250	1,643,613
Lloyd Pitchford	32,068	5,837	26,231	825,141
Total vesting				**2,468,754**

1. The 2011 award did not include any accrual of dividends paid and payable during the vesting period.
2. The estimated value of the vested shares is based on the average share price during the three months to 31 December 2013 (3145.67p). These shares will vest on the third anniversary of grant, subject to continued employment.

LTIP awards granted during the year

The following performance awards were granted to the Executive Directors on 5 March 2013:

	Type of award	Basis of award granted	Share price at date of grant	Number of shares over which award was granted	Face value of award £'000	% of face value that would vest at threshold performance	Vesting determined by performance over
Wolfhart Hauser	Performance Awards	200% of salary	£34.40	41,378	1,423	25%	Three years to 31 December 2015
Lloyd Pitchford	Performance Awards	166% of salary	£34.40	21,616	744	25%	

Share plan awards

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

	Type of Award	31 December 2012 Number of shares	Granted in 2013 Number of shares	Award price[1] £	Vested in 2013 Number of shares	Lapsed in 2013 Number of shares	31 December 2013 Number of shares	Date of vesting
Wolfhart Hauser								
2010	Deferred	43,316	–	13.332	43,316[2]	–	–	March 2013
	Matching	86,632		13.332	86,632[2]	–	–	
2011	Share	31,938	–	18.986	–	–	**31,938[4]**	March 2014
	Performance	63,876	–	18.986	–	–	**63,876[4]**	
2012	Share	28,696[5]	–	23.24	–	–	**28,696**	March 2015
	Performance	57,392[5]	–	23.24	–	–	**57,392**	
2013	Share	–	20,689[6]	33.528	–	–	**20,689**	March 2016
	Performance	–	41,378[6]	33.528	–	–	**41,378**	
Total		311,850	62,067		129,948	–	**243,969**	
Lloyd Pitchford								
2010	Deferred	8,313	–	14.434	8,313[3]	–	–	May 2013
	Matching	16,626	–	14.434	16,626[3]	–	–	
2011	Share	16,034	–	18.986	–	–	**16,034[4]**	March 2014
	Performance	32,068	–	18.986	–	–	**32,068[4]**	
2012	Share	14,248[5]	–	23.24	–	–	**14,248**	March 2015
	Performance	28,496[5]	–	23.24	–	–	**28,496**	
2013	Share	–	10,808[6]	33.528	–	–	**10,808**	March 2016
	Performance	–	21,616[6]	33.528	–	–	**21,616**	
Total		115,785	32,424		24,939	–	**123,270**	

1. Awards made are based on a share price obtained by averaging the closing share prices for the five dealing days before the date of grant.
2. Awards vested on 8 April 2013, on which date the closing market price of shares was £33.74 having been granted on 8 March 2010 on which date the closing market price was £13.33. Details of the performance conditions are set out in last year's remuneration report.
3. Awards vested on 20 May 2013, on which date the closing market price of shares was £32.94 having been granted on 20 May 2010 on which date the closing market price was £14.43. Details of the performance conditions are set out in last year's remuneration report.
4. Awards will vest on 8 March 2014, subject to continued employment, having been granted on 8 March 2011 on which date the closing market price was £19.55. Details of the performance conditions are set out above.
5. Awards will vest on 6 March 2015, subject to performance and continued employment, having been granted on 6 March 2012 on which date the closing market price was £22.62. 50% of awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 6% per annum and the upper target at 16% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
6. Awards will vest on 5 March 2016, subject to performance and continued employment, having been granted on 5 March 2013 on which date the closing market price was £34.40. Details of the performance conditions are set out above.

Directors' report – Governance

Remuneration report continued

Directors' interests in ordinary shares

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

	Beneficially owned at 31 December 2012 or on appointment	Beneficially owned at 31 December 2013 or on appointment	Outstanding LTIP Performance Awards	Outstanding LTIP Share Awards/ Deferred Bonus	Shareholding as a % of salary[2]	Shareholding requirement met?
Wolfhart Hauser	120,906	145,777	162,646	81,323	641	Yes
Lloyd Pitchford	26,939	37,156	82,180	41,090	263	Yes
Edward Astle	878	1,032	–	–	n/a	n/a
Alan Brown	1,044	1,198	–	–	n/a	n/a
Christopher Knight	7,231	7,406	–	–	n/a	n/a
Louise Makin	–	154	–	–	n/a	n/a
Sir David Reid	707	1,214	–	–	n/a	n/a
Michael Wareing	3,235	3,396	–	–	n/a	n/a
Mark Williams[1]	–	–	–	–	n/a	n/a
Lena Wilson	–	154	–	–	n/a	n/a

1. At date of appointment (appointed 1 September 2013).
2. Based on a share price of £31.48 as at 31 December 2013.

No changes in the above Directors' interests have taken place between 31 December 2013 and the date of this report.

Payments to past Directors

No payments were made to past Executive Directors during the year ended 31 December 2013.

Payments for loss of office

No payments were made in respect of loss of office during the year ended 31 December 2013.

Percentage change in remuneration levels

The table below shows the movement in salary, benefits and annual bonus for the CEO between the 2012 and 2013 financial years, compared to that for the average UK employee.

	Salary	Benefits	Bonus
Chief Executive Officer	3%	0%	(56)%
Average pay based on Intertek's UK employees	3%	5.7%	(55)%

Relative importance of the spend on pay

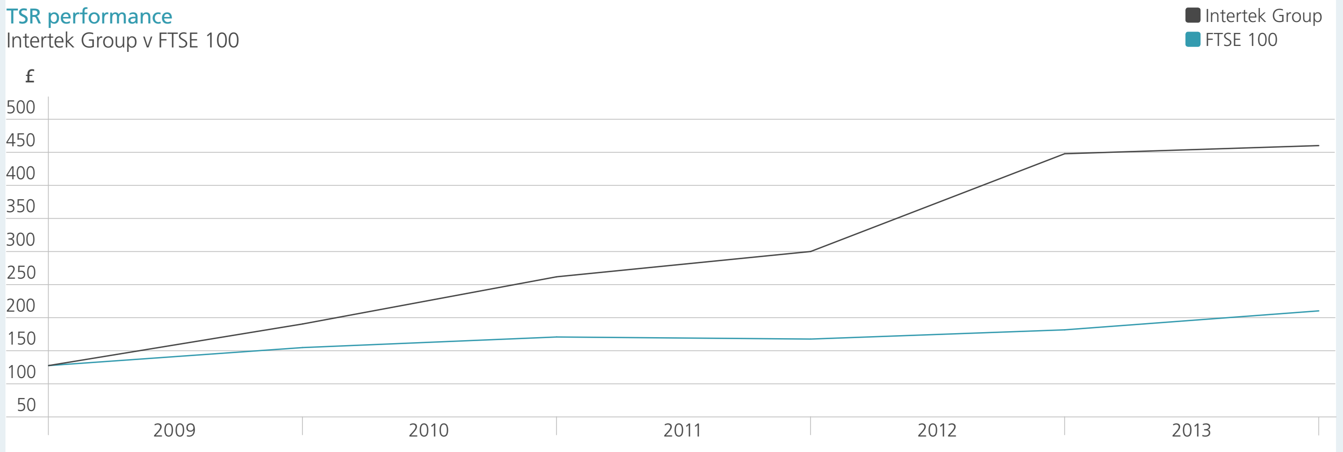
The table below shows the movement in spend on staff costs between the 2012 and 2013 financial years, compared to dividends.

	2013 £m	2012 £m	% change
Staff costs	958.7	862.6	11%
Dividends	74.2	66.1	12%

Performance graph and CEO pay

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

TSR performance
Intertek Group v FTSE 100



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

	Year ended 31 December				
	2009	2010	2011	2012	2013
Total remuneration £'000	2,451	3,164	4,554	5,298	3,241
Annual bonus (%)	100	96.6	92.3	83.1	34.6
LTIP vesting (%)	100	100	100	100	81.8

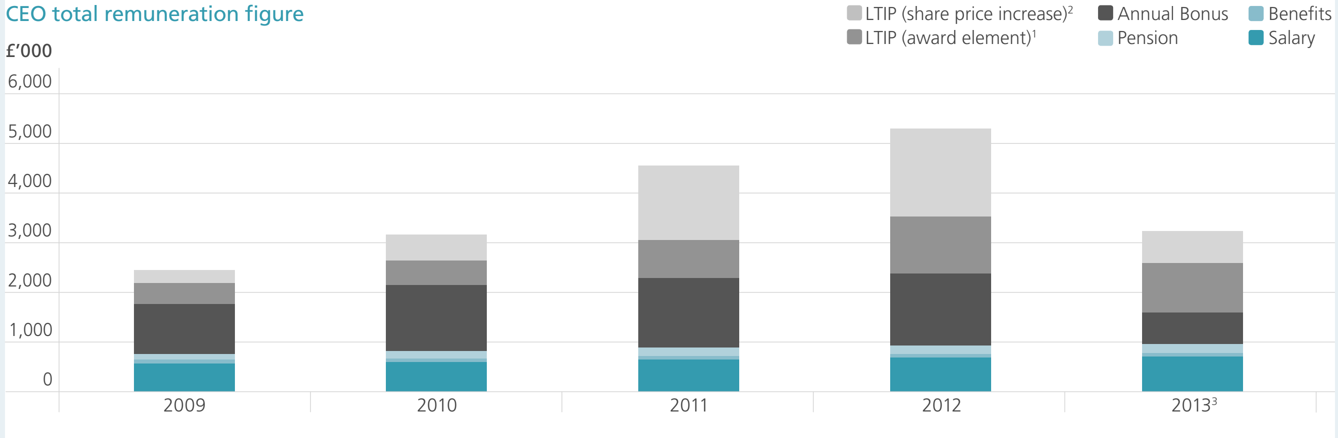
Directors' report – Governance

Remuneration report continued

CEO total remuneration

The graph below show the total remuneration of the CEO over the 5 year period from 2009 to 2013.

CEO total remuneration figure



1. LTIP (award element) shows the proportion of the vested LTIP value which is based on the share price on award date.
2. LTIP (share price increase) shows the proportion of the vested LTIP value which resulted from share price gain over the performance period.
3. The LTIP element of the 2013 total remuneration figure is modelled using the average share price during the three months to 31 December 2013.

The impact of share price on the value of the CEO's LTIP award

The table below shows the change in share price from the date of award to the vesting of performance shares for the 2009 to 2013 financial years.

	LTIP award share price	LTIP vesting share price	Share price change over the performance period
2009	9.166	14.98	63.4%
2010	9.150	19.13	109.1%
2011	8.342	24.55	194.3%
2012	13.332	33.74	153.1%
2013	18.986	31.46[1]	65.7%

1. The value shown for the 2013 vesting share price is the average price during the three months to 31 December 2013.

Remuneration decisions taken in respect of the financial year ending 31 December 2014

Base salary

Salaries for the Executive Directors will be increased in 2014, with effect from 1 April 2014 (see the table below). Applying the remuneration policy, the Committee considered that the performance of the individuals, taken in conjunction with the continuing growth and financial success of the Group, justified the increases. The Executive Directors' salaries are:

	Base salary from 1 April 2013 £'000	Base salary from 1 April 2014 £'000	% increase
Wolfhart Hauser	**715**	729	2
Lloyd Pitchford	**449**	458	2

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

Annual bonus and LTIP awards to be granted in 2014

For 2014, the annual bonus opportunity expressed as a percentage of base salary will remain at 230% for the CEO and 200% for the CFO salary. The annual bonus will continue to be based against EPS growth (40%), operating profit growth (20%), cash conversion (12%), ROIC (8%) and personal contribution (20%). The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. Full retrospective disclosure of the targets and performance against them will be seen in next year's Annual Remuneration Report.

For 2014, the LTIP opportunity for both the CEO and the CFO will be 200% of salary, and subject to the following two performance conditions:

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS growth	6%	14%	Final year of the performance period i.e. 2016
Relative TSR vs the FTSE 31 – 130	Median	Upper quartile	Final three months of the performance period i.e. three months to 31 December 2016

Non-Executive Directors' fees

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

	2013 £'000	2014 £'000
Board membership		
Chairman	**320**	320
Non-Executive Director	**58**	58
Senior Independent Non-Executive Director	**12**	12
Committee membership		
Chairman Audit & Risk Committee	**20**	20
Chairman Remuneration Committee	**15**	15
Chairman Nomination Committee	**–**	–
Member Audit & Risk Committee	**10**	10
Member Remuneration Committee	**7.5**	7.5
Member Nomination Committee	**2.5**	2.5

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

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report, including both the Directors' Remuneration Policy Report and Annual Remuneration Report, was approved by the Board on 28 February 2014.

Christopher Knight
Chairman of the Remuneration Committee

Directors' report – Governance

Other statutory information

In accordance with the requirements of the Companies Act 2006 (the 'Act') and UK Listing Authority Disclosure and Transparency Rules, the following section describes the matters that are required for inclusion in the Directors' Report.

Directors

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

Sir David Reid	Chairman
Wolfhart Hauser	Chief Executive Officer
Lloyd Pitchford	Chief Financial Officer
Edward Astle	Non-Executive Director
Alan Brown	Non-Executive Director
Christopher Knight	Non-Executive Director
Louise Makin	Non-Executive Director
Michael Wareing	Non-Executive Director
Mark Williams	Non-Executive Director (appointed 1 September 2013)
Lena Wilson	Non-Executive Director

The biographies of the Directors at the date of this Report are set out on pages 38 and 39. The Company's Articles of Association contain provisions relating to the retirement, election and re-election of Directors but, in accordance with best practice, all Directors will stand for election or re-election at the Annual General Meeting ('AGM').

Directors' powers and Articles of Association

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

Directors' interests

Other than employment contracts, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' service contracts and the Directors' interests in the shares and share awards of the Company, in respect of which transactions are notifiable to the Company under the UK Listing Authority Disclosure and Transparency Rule 3.1.2 are disclosed in the Remuneration Report on pages 56 to 69.

Directors' indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions (as defined by section 234 of the Act), were in force during the course of the financial year ended 31 December 2013, for the benefit of the Directors and, at the date of this Report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Dividend

The Directors are recommending a final dividend of 31.0p per ordinary share (2012: 28.0p) making a full year dividend of 46.0p per ordinary share (2012: 41.0p) which will, if approved at the AGM, be paid on 6 June 2014 to shareholders on the register at close of business on 23 May 2014.

Share capital

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

The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and exercise voting rights. A waiver of dividend exists in respect of 323,739 shares held by the Intertek Group Employee Share Ownership Trust at 31 December 2013. There are no restrictions on the transfer of ordinary shares in the Company.

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

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

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

Allotment of shares

At the AGM held in 2013 the shareholders generally and unconditionally authorised the Directors to allot relevant securities up to approximately two-thirds of the nominal amount of issued share capital. It is the Directors' intention to seek renewal of this authority in line with guidance issued by the Association of British Insurers. The resolution will be set out in the Notice of AGM.

In addition, at the AGM in 2013 the Directors were empowered by the shareholders to allot equity securities, up to 5% of the Company's issued share capital, for cash under section 570 of the Act. It is intended that this authority be renewed, up to 5%, at the forthcoming AGM.

Purchase of own shares

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

Significant relationships

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

Social and community issues

We encourage our local managers to foster community links appropriate to the businesses they manage. Further details are given in our Sustainability and CSR Report on pages 30 to 37.

Employees

The Group offers equal opportunities to all employees and applicants regardless of race, creed, sex, ethnic origin, age or disability. Disabled persons are considered for employment where they have appropriate skills and abilities to perform a job. Employees who become disabled during their working lives will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining.

Material interests in shares

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

- BlackRock Inc. gave notice on 12 December 2013 that they had an indirect interest on 10 December 2013 in less than 5% of the ordinary shares in issue at that date.
- Capital Research and Management Company gave notice on 17 May 2013 that they had an indirect interest on 16 May 2013 in 9,473,059 ordinary shares, representing 6.00% of the ordinary shares in issue at that date.
- Credit Suisse Group AG gave notice on 11 October 2013 that they had an indirect interest on 9 October 2013 in 8,245,135 ordinary shares, representing 5.11% of the ordinary shares in issue at that date.
- Legal & General Group plc gave notice on 4 June 2013 that they had an indirect interest on 3 June 2013 in 4,847,796 ordinary shares, representing less than 3% of the ordinary shares in issue on that date.
- Marathon Asset Management LLP gave notice on 31 January 2014 that they had an indirect interest on 31 July 2013 in less than 5% of the voting rights in respect of ordinary shares in issue on that date.
- Morgan Stanley Investment Management Inc gave notice on 16 September 2013 that they had an indirect interest on 12 September 2013 in 8,135,786 ordinary shares, representing 5.04% of the ordinary shares in issue at that date.

Political donations

At the AGM in 2013, the shareholders passed a resolution, on a precautionary basis, to authorise the Company to make donations to EU political organisations and to incur EU political expenditure (as such terms are defined in the Act) not exceeding £90,000. During the year the Group did not make any political donations (2012: £nil). It is the Company's policy not, directly or through any subsidiary, to make what are commonly regarded as donations to any political party. However, at the forthcoming AGM of the Company, shareholders' approval will again be sought to authorise the Group to make political donations and/or incur political expenditure (as such terms are defined in Sections 362 to 379 of the Act). Further details of this will be contained in the Notice of AGM.

Auditors

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

Annual General Meeting

The Notice convening the AGM, to be held on 16 May 2014, is available for download from the Company's website. The Notice details the business to be conducted at the meeting and includes information concerning the deadlines for submitting proxy forms and in relation to voting rights.

Statement of disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report – Governance

Statement of Directors' responsibilities

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

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

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a 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 38 and 39, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Company's 2013 Annual Report & Accounts, taken as a whole, presents a fair, balanced and understandable assessment of the Company's position and prospects, and provides information necessary for shareholders to assess the Company's performance, business model and overall strategy.

The Directors' Report comprising pages 38 to 72 and the Group Strategic Report comprising pages 4 to 37 have been approved by the Board and signed on its behalf by:

Wolfhart Hauser
Chief Executive Officer

28 February 2014

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

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Intertek Group plc for the year ended 31 December 2013 set out on pages 76 to 120. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Completeness and valuation of the customer claims provision (£9.7m):

Refer to page 49 (Audit & Risk Committee Report), page 82 (accounting policy) and page 99 (financial disclosures).

The risk – The completeness and valuation of the customer claims provision, as a result of the impact that a material customer claim could have on the Group's financial position.

Our response – Our audit procedures included, among others, contacting all lawyers that the Group has engaged with, in respect of key claims, in the last 24 months, assessing whether all potential exposures have been identified based on the opinion of the relevant external lawyers; testing the Group's controls over the collation and monitoring of the claims from management from across the Group locations; and, based on all the information collated, assessing the assumptions made by the Directors of the Group in calculating the provision. We also assessed the adequacy of the Group's related disclosures in notes 13 and 22.

Valuation of current tax and deferred tax balances, and impact on the income tax expense (Net current tax liability £41.4m. Net deferred tax liability £5.8m):

Refer to page 49 (Audit & Risk Committee Report), page 82 (accounting policy) and pages 87 to 90 (financial disclosures).

The risk – The tax charge 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. The related deferred tax assets and liabilities require judgement in determining the amounts to be recognised, with consideration required to be given to the timing and level of future taxable income.

Our response – Our audit procedures included, among others, using our own tax specialists, in the UK, USA and China, to assist us in assessing and challenging the assumptions and judgements made by the Directors of the Group; checking the accuracy of the computation of local income tax amounts; and assessment of specific local tax issues. In assessing the Directors' assumptions, we have used both our own tax specialists' knowledge of recent tax cases and, where available, external data on the pattern of recent local tax settlements. In assessing the level of deferred tax asset balances recognised in the statement of financial position we compared the assumptions used in respect of future taxable income to the Group's long-term forecasts for the relevant countries. We challenged the Group's long-term forecasts by evaluating the assumptions and methodologies used by the Group. In particular, we considered the assumptions relating to the forecast revenue growth and profit margins in the relevant countries using externally derived data and our own assessments in relation to key inputs. We also assessed the adequacy of the Group's related disclosures in Note 6.

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

The materiality for the Group financial statements as a whole was set at £16.5m. This has been determined with reference to a benchmark of Group profit before tax, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 5.2% of adjusted Group profit before tax, as disclosed on the face of the income statement, and 5.9% of unadjusted Group profit before tax.

We agreed with the Audit & Risk Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £1m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by audit teams in the following countries; Australia, Azerbaijan, Bangladesh, Brazil, China, France, Hong Kong, India, Indonesia, Malaysia, Netherlands, Philippines, Singapore, South Korea, Taiwan, United Arab Emirates, and Vietnam; and the Group auditors performed audits for Group reporting purposes in the UK. These audits were all performed to local materiality levels, which ranged from £0.1m to £2.4m. Specified audit procedures were performed by overseas auditors in respect of the key USA units. In addition, the Group auditors performed specified audit procedures over certain finance and holding units, as well as certain 2013 acquisitions, in the following countries; Australia, China, France, Hong Kong, UK, US. The reporting included the key units in all of the countries identified as being considered material to the Group as set out in note 2.

Directors' report – Governance

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

Detailed instructions were sent to all the auditors in these locations, including the Shared Service Centre in India. These instructions covered the significant audit areas that should be covered (which included the relevant risks of material misstatement detailed on page 73) and set out the information required to be reported back to the Group audit team. Telephone meetings were held with the auditors at the most significant of these locations and the Group audit team visited the following locations during the year: UK, US, China, Hong Kong and India.

The Group is characterised by a diverse geographic footprint, represented by a large number of medium and small sized operations. These Group reporting procedures covered 70% of total Group revenue; 70% of Group profit before tax; and 73% of Group total assets. The remaining 30% of Group revenue, 30% of Group profit before tax and 27% of Group total assets is represented by 284 reporting units, none of which represented more than 1.2% of total Group Revenue, 1.7% of Group profit before tax, or 1.0% of Group total assets individually. We consider the aggregate risk when performing our audit planning and during our final analytical procedures over the Group financial statements. Local statutory audits are performed over 54 of these reporting units, but generally these are completed after the date of this report.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit & Risk Committee Report does not appropriately address matters communicated by us to the Audit & Risk Committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 53, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 41 to 43, relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 72, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

Chartered Accountants
15 Canada Square
London E14 5GL
28 February 2014

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Consolidated income statement

For the year ended 31 December 2013	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2013 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2012 £m
Revenue	2	**2,184.4**	**–**	**2,184.4**	2,054.3	–	2,054.3
Operating costs		**(1,841.8)**	**(32.6)**	**(1,874.4)**	(1,719.2)	(51.8)	(1,771.0)
Group operating profit	2	**342.6**	**(32.6)**	**310.0**	335.1	(51.8)	283.3
Finance income	14	**5.3**	**–**	**5.3**	7.5	–	7.5
Finance expense	14	**(33.0)**	**(0.5)**	**(33.5)**	(34.2)	–	(34.2)
Net financing costs		**(27.7)**	**(0.5)**	**(28.2)**	(26.7)	–	(26.7)
Profit before income tax		**314.9**	**(33.1)**	**281.8**	308.4	(51.8)	256.6
Income tax expense	6	**(72.4)**	**7.6**	**(64.8)**	(80.3)	11.9	(68.4)
Profit for the year	2	**242.5**	**(25.5)**	**217.0**	228.1	(39.9)	188.2
Attributable to:							
Equity holders of the Company		**226.0**	**(25.5)**	**200.5**	213.7	(39.9)	173.8
Non-controlling interest	20	**16.5**	**–**	**16.5**	14.4	–	14.4
Profit for the year		**242.5**	**(25.5)**	**217.0**	228.1	(39.9)	188.2
Earnings per share**							
Basic	7			**124.4p**			108.2p
Diluted	7			**123.0p**			106.7p

* 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 2013	Notes	2013 £m	2012 £m
Profit for the year	2	**217.0**	188.2
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension schemes	16	**5.2**	(6.5)
Income tax recognised in other comprehensive income	6	**(0.9)**	0.1
Items that will never be reclassified to profit or loss		**4.3**	(6.4)
Foreign exchange translation differences of foreign operations	14	**(48.9)**	(37.2)
Net exchange gain on hedges of net investments in foreign operations	14	**16.7**	25.4
Loss on fair value of cash flow hedges	14	**(0.2)**	(0.3)
Tax on items that are or may be reclassified subsequently to profit or loss	6	**5.1**	1.4
Items that are or may be reclassified subsequently to profit or loss		**(27.3)**	(10.7)
Total other comprehensive expense for the year		**(23.0)**	(17.1)
Total comprehensive income for the year		**194.0**	171.1
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**178.9**	157.2
Non-controlling interest	20	**15.1**	13.9
Total comprehensive income for the year		**194.0**	171.1

Financial statements

Consolidated statement of financial position

As at 31 December 2013	Notes	2013 £m	2012 £m
Assets			
Property, plant and equipment	8	**337.1**	302.1
Goodwill	9	**736.8**	668.5
Other intangible assets	9	**170.5**	154.5
Investments in associates		**1.4**	0.7
Deferred tax assets	6	**28.3**	28.3
Total non-current assets		**1,274.1**	1,154.1
Inventories		**12.2**	12.3
Trade and other receivables	11	**510.9**	502.4
Cash and cash equivalents	14	**116.4**	166.5
Current tax receivable		**16.5**	–
Total current assets		**656.0**	681.2
Total assets		**1,930.1**	1,835.3
Liabilities			
Interest bearing loans and borrowings	14	**(15.4)**	(0.8)
Current taxes payable		**(57.9)**	(54.2)
Trade and other payables	12	**(304.6)**	(324.3)
Provisions	13	**(22.0)**	(26.8)
Total current liabilities		**(399.9)**	(406.1)
Interest bearing loans and borrowings	14	**(719.2)**	(716.4)
Deferred tax liabilities	6	**(34.1)**	(32.8)
Net pension liabilities	16	**(13.1)**	(17.0)
Other payables	12	**(4.7)**	(6.2)
Provisions	13	**(2.4)**	(1.9)
Total non-current liabilities		**(773.5)**	(774.3)
Total liabilities		**(1,173.4)**	(1,180.4)
Net assets		**756.7**	654.9
Equity			
Share capital	15	**1.6**	1.6
Share premium		**257.8**	257.4
Other reserves		**(14.2)**	16.6
Retained earnings		**487.4**	354.0
Total equity attributable to equity holders of the Company		**732.6**	629.6
Non-controlling interest	20	**24.1**	25.3
Total equity		**756.7**	654.9

The financial statements on pages 76 to 116 were approved by the Board on 28 February 2014 and were signed on its behalf by:

Wolfhart Hauser
Director

Lloyd Pitchford
Director

Consolidated statement of changes in equity

		Attributable to equity holders of the Company							
				Other reserves					
For the year ended 31 December 2013	Notes	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings* £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2012		1.6	256.7	21.5	6.4	236.3	**522.5**	24.0	**546.5**
Comprehensive income for the year		–	–	(11.3)	–	168.5	**157.2**	13.9	**171.1**
Dividends paid	15	–	–	–	–	(57.9)	**(57.9)**	(12.6)	**(70.5)**
Issue of shares	15	–	0.7	–	–	–	**0.7**	–	**0.7**
Purchase of own shares	15	–	–	–	–	(0.8)	**(0.8)**	–	**(0.8)**
Tax paid on share awards vested		–	–	–	–	(5.8)	**(5.8)**	–	**(5.8)**
Equity-settled transactions	17	–	–	–	–	10.4	**10.4**	–	**10.4**
Income tax on equity-settled transactions	6	–	–	–	–	3.3	**3.3**	–	**3.3**
At 31 December 2012		**1.6**	**257.4**	**10.2**	**6.4**	**354.0**	**629.6**	**25.3**	**654.9**
At 1 January 2013		1.6	257.4	10.2	6.4	354.0	**629.6**	25.3	**654.9**
Comprehensive income for the year		–	–	(30.8)	–	209.7	**178.9**	15.1	**194.0**
Dividends paid	15	–	–	–	–	(69.4)	**(69.4)**	(14.4)	**(83.8)**
Issue of shares	15	–	0.4	–	–	–	**0.4**	–	**0.4**
Purchase of own shares	15	–	–	–	–	(9.1)	**(9.1)**	–	**(9.1)**
Purchase of non-controlling interest	20	–	–	–	–	(1.9)	**(1.9)**	(1.9)	**(3.8)**
Tax paid on share awards vested		–	–	–	–	(7.6)	**(7.6)**	–	**(7.6)**
Equity-settled transactions	17	–	–	–	–	10.9	**10.9**	–	**10.9**
Income tax on equity-settled transactions	6	–	–	–	–	0.8	**0.8**	–	**0.8**
At 31 December 2013		**1.6**	**257.8**	**(20.6)**	**6.4**	**487.4**	**732.6**	**24.1**	**756.7**

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

Consolidated statement of cash flows

For the year ended 31 December 2013	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Profit for the year	2	**217.0**	188.2
Adjustments for:			
Depreciation charge	8	**65.7**	59.8
Amortisation of software	9	**5.2**	3.8
Amortisation of acquisition intangibles and impairment of goodwill	9	**22.5**	32.5
Equity-settled transactions	17	**10.9**	10.4
Net financing costs	14	**28.2**	26.7
Income tax expense	6	**64.8**	68.4
Loss on disposal of property, plant, equipment and software		**0.6**	0.1
Operating cash flows before changes in working capital and operating provisions		**414.9**	389.9
Change in inventories		**(0.1)**	–
Change in trade and other receivables		**(16.9)**	(65.9)
Change in trade and other payables		**(15.0)**	2.2
Change in provisions		**(4.3)**	7.0
Special contributions into pension schemes	16	**–**	(0.6)
Cash generated from operations		**378.6**	332.6
Interest and other finance expense paid		**(28.5)**	(26.5)
Income taxes paid		**(80.9)**	(72.6)
Net cash flows generated from operating activities		**269.2**	233.5
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software		**4.6**	1.7
Interest received		**1.6**	2.3
Acquisition of subsidiaries, net of cash acquired	10	**(108.1)**	(39.6)
Consideration paid in respect of prior year acquisitions	12	**(0.2)**	(0.6)
Purchase of non-controlling interest	20	**(1.9)**	–
Purchase of associate		**(1.0)**	–
Acquisition of property, plant, equipment and software	8,9	**(144.8)**	(115.0)
Net cash flows used in investing activities		**(249.8)**	(151.2)
Cash flows from financing activities			
Proceeds from the issue of share capital	15	**0.4**	0.7
Purchase of own shares	15	**(9.1)**	(0.8)
Tax paid on share awards vested		**(7.6)**	(5.8)
Drawdown of borrowings		**77.4**	201.3
Repayment of borrowings		**(42.1)**	(217.5)
Dividends paid to non-controlling interest	20	**(14.4)**	(12.6)
Equity dividends paid	15	**(69.4)**	(57.9)
Net cash flow used in financing activities		**(64.8)**	(92.6)
Net decrease in cash and cash equivalents	14	**(45.4)**	(10.3)
Cash and cash equivalents at 1 January	14	**166.5**	181.9
Effect of exchange rate fluctuations on cash held	14	**(4.7)**	(5.1)
Cash and cash equivalents at 31 December	14	**116.4**	166.5

The notes on pages 81 to 116 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £15.5m for year ended 31 December 2013 (2012: £12.8m).

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 2013 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 117 to 120.

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 2013 but do not have a significant effect on the consolidated financial statements of the Group.

Going concern

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

Basis of consolidation

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

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

Financial statements

Notes to the financial statements continued

1 Significant accounting policies (continued)

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

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

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

	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
Value of £1	31 Dec 2013	31 Dec 2012	2013	2012
US dollar	**1.65**	1.61	**1.56**	1.59
Euro	**1.20**	1.22	**1.18**	1.23
Chinese renminbi	**10.06**	10.12	**9.68**	10.01
Hong Kong dollar	**12.78**	12.46	**12.12**	12.31
Australian dollar	**1.86**	1.55	**1.62**	1.53

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

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

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

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

Basis of consolidation
Judgement is applied when determining if the Group 'controls' a subsidiary or associate. In assessing control, the Group considers whether it has power over the investee to affect the amount of investor returns; see page 81 'Basis of consolidation' policy.

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

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

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

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

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

1 Significant accounting policies (continued)

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

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

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

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

2 Operating segments and presentation of results

Accounting policy

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

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

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

Operating segments
The Group is organised into business lines, which are the Group's operating segments. These operating segments are aggregated into the five divisions, which are the Group's reportable segments and are reported to the CEO, the chief operating decision maker. The five divisions, each of which offer services to different industries and are managed separately, are: Industry & Assurance; Commodities; Consumer Goods; Commercial & Electrical and Chemicals & Pharmaceuticals. The costs of the corporate head office and other costs which are not controlled by the five divisions are allocated appropriately.

Inter-segment pricing is determined on an arm's length basis. There is no significant seasonality in the Group's operations.

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

Principal activities are as follows:

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

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

Financial statements

Notes to the financial statements continued

2 Operating segments and presentation of results (continued)

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

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

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

The results of these divisions for the year ended 31 December 2013 are shown below:

Year ended 31 December 2013

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

* Depreciation and software amortisation of £70.9m (2012: £63.6m) includes unallocated charges of £5.8m (2012: £3.3m).

Year ended 31 December 2012

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

2 Operating segments and presentation of results (continued)

Geographic segments

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

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

	Revenue from external customers		Non-current assets	
	2013 £m	2012 £m	2013 £m	2012* £m
China (including Hong Kong)	**397.2**	353.4	**41.8**	40.0
Australia	**100.1**	112.7	**64.2**	77.9
Other	**272.5**	264.4	**53.4**	47.2
Total Asia Pacific	**769.8**	730.5	**159.4**	165.1
United States	**529.3**	514.4	**520.9**	407.4
Other	**175.1**	161.0	**32.4**	27.6
Total Americas	**704.4**	675.4	**553.3**	435.0
United Kingdom	**190.1**	171.5	**406.0**	390.5
Other	**520.1**	476.9	**148.2**	162.4
Total Europe, Middle East and Africa	**710.2**	648.4	**554.2**	552.9
Unallocated	**–**	–	**7.2**	1.1
Total	**2,184.4**	2,054.3	**1,274.1**	1,154.1

* 2012 non-current assets have been restated to reflect a reallocation and an updated shared asset allocation methodology.

Major customers

No revenue from any individual customer exceeded 10% of total Group revenue in 2012 or 2013.

3 Separately Disclosed Items

Accounting policy

Adjusted results

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

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

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

Financial statements

Notes to the financial statements continued

3 Separately Disclosed Items (continued)

Separately Disclosed Items

The Separately Disclosed Items are described in the table below:

		2013 £m	2012 £m
Operating costs:			
Amortisation of acquisition intangibles	(a)	(22.5)	(29.3)
Acquisition and integration costs	(b)	(1.5)	(5.5)
Project costs	(c)	–	(2.8)
Restructuring costs	(d)	(8.8)	(11.0)
Goodwill impairment	(e)	–	(3.2)
Gain on disposal of investment in associates		0.2	–
Total operating costs		(32.6)	(51.8)
Net financing costs		(0.5)	–
Total before income tax		(33.1)	(51.8)
Income tax credit on Separately Disclosed Items		7.6	11.9
Total		(25.5)	(39.9)

(a) Of the amortisation of acquisition intangibles in the current year, £15.6m (2012: £19.7m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited ('Moody') in 2011.
(b) Acquisition and integration costs comprise £1.5m (2012: £1.8m) for transaction costs in respect of acquisitions and £nil (2012: £3.7m) in respect of integration costs.
(c) Project costs relate to the Group's Business Process Outsourcing initiative, which concluded during 2012.
(d) Restructuring costs relate to asset write-offs and staff redundancies in certain regions in which the Group operates.
(e) Goodwill impairment relates to the disposal of certain operations in Europe.

4 Expenses and auditor's remuneration

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

	2013 £m	2012 £m
Included in profit for the year are the following expenses:		
Property rentals	57.6	48.1
Lease and hire charges – fixtures, fittings and equipment	16.3	14.6
Depreciation and software amortisation	70.9	63.6
Loss on disposal of property, fixtures, fittings, equipment and software	0.6	0.1
Auditor's remuneration:		
Audit of these financial statements	0.4	0.4
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	1.7	1.6
Total audit fees payable pursuant to legislation	2.1	2.0
Taxation compliance services	0.4	0.4
Taxation advisory services	0.1	0.2
Other	0.2	0.3
Total	2.8	2.9

The auditors and their associates were paid £15,000 (2012: £15,000) in respect of the audit of Group pension schemes.

5 Employees

Total employee costs are shown below:

Employee costs	2013 £m	2012 £m
Wages and salaries	818.9	739.8
Equity-settled transactions	10.9	10.4
Social security costs	92.3	79.8
Pension costs (note 16)	36.6	32.6
Total employee costs	958.7	862.6

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

Average number of employees by division	2013	2012
Industry & Assurance	8,668	7,313
Commodities	10,268	10,524
Consumer Goods	10,409	9,880
Commercial & Electrical	4,853	4,184
Chemicals & Pharmaceuticals	1,719	1,586
Central	257	260
Total average number for the year ended 31 December	36,174	33,747
Total actual number at 31 December	36,864	34,882

6 Taxation

Accounting policy

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

Current tax

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

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

Deferred tax

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

- initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries, branches, associates and interest in joint ventures, the reversal of which is under the control of the Group and where it is probable that the difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date, for the periods when the asset is realised or the liability is settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

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

Financial statements

Notes to the financial statements continued

6 Taxation (continued)

Tax expense

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

The income tax expense for the profit before tax for the year end 31 December 2013 is £64.8m (2012: £68.4m). The Group's consolidated effective tax rate for the year ended 31 December 2013 is 23.0% (2012: 26.7%).

The income tax expense for the adjusted profit before tax for the year ended 31 December 2013 is £72.4m (2012: £80.3m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2013 is 23.0% (2012: 26.0%).

Differences between the consolidated effective tax rate of 23.0% and the notional statutory UK rate of 23.25% 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 25.4% (2012: 28.0%). There is no guarantee that these reduced rates will continue to be applicable in future years (see note 22).

Tax charge

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

	2013 £m	2012 £m
Current tax charge for the period	69.7	81.9
Adjustments relating to prior year liabilities	(3.1)	2.0
Current tax	66.6	83.9
Deferred tax movement	(1.8)	(15.5)
Total tax in income statement	64.8	68.4
Tax on adjusted result	72.4	80.3
Tax on Separately Disclosed Items	(7.6)	(11.9)
Total tax in income statement	64.8	68.4

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.

	2013 £m	2012 £m
Profit before taxation	281.8	256.6
Notional tax charge at UK standard rate 23.25% (2012: 24.5%)	65.5	62.8
Differences in overseas tax rates	(6.5)	(3.5)
Tax on dividends	4.6	4.3
Non-deductible expenses	9.0	10.9
Tax exempt income	(4.2)	(3.4)
Recognition of previously unrecognised deferred tax	–	(0.6)
Adjustments in respect of prior years	(1.7)	(0.9)
Other	(1.9)	(1.2)
Total tax in income statement	64.8	68.4

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

6 Taxation (continued)

Income tax recognised in other comprehensive income ('OCI')

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

	Before tax 2013 £m	Tax credit 2013 £m	Net of tax 2013 £m	Before tax 2012 £m	Tax credit 2012 £m	Net of tax 2012 £m
Foreign exchange translation differences of foreign operations	(48.9)	–	(48.9)	(37.2)	–	(37.2)
Net exchange gain on hedges of net investments in foreign operations	16.7	–	16.7	25.4	–	25.4
Net change in fair value of cash flow hedges transferred to profit or loss	(0.2)	–	(0.2)	(0.3)	–	(0.3)
Actuarial gains and losses on defined benefit pension schemes	5.2	(0.9)	4.3	(6.5)	0.1	(6.4)
Deferred tax assets recognised in other comprehensive income	–	5.1	5.1	–	1.4	1.4
Total other comprehensive income for the year	(27.2)	4.2	(23.0)	(18.6)	1.5	(17.1)

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 2013 £m	Tax credit 2013 £m	Net of tax 2013 £m	Before tax 2012 £m	Tax credit 2012 £m	Net of tax 2012 £m
Equity-settled transactions	10.9	0.8	11.7	10.4	3.3	13.7

Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2013 £m	Assets 2012 £m	Liabilities 2013 £m	Liabilities 2012 £m	Net 2013 £m	Net 2012 £m
Intangible assets	0.8	0.5	(52.2)	(52.1)	(51.4)	(51.6)
Property, fixtures, fittings and equipment	8.6	4.4	(4.3)	(1.7)	4.3	2.7
Pensions	0.9	1.5	–	–	0.9	1.5
Equity-settled transactions	6.8	4.9	–	–	6.8	4.9
Provisions and other temporary differences	25.6	28.4	(1.9)	(0.6)	23.7	27.8
Tax value of losses	9.9	10.2	–	–	9.9	10.2
Total	52.6	49.9	(58.4)	(54.4)	(5.8)	(4.5)
As shown on balance sheet:						
Deferred tax assets*					28.3	28.3
Deferred tax liabilities*					(34.1)	(32.8)
Total					(5.8)	(4.5)

* 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 £24.3m, but the net liability of £5.8m is the same in both cases.

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Notes to the financial statements continued

6 Taxation (continued)

Movements in deferred tax temporary differences during the year

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

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

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

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:

	2013 £m	2012 £m
Property, fixtures, fittings and equipment	**9.1**	31.5
Pensions	**8.8**	6.8
Equity-settled transactions	**3.2**	7.7
Provisions and other temporary differences	**22.7**	13.1
Tax losses	**31.1**	41.0
Total	**74.9**	100.1

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

There is a temporary difference of £192.7m (2012: £188.7m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from or sell the associated subsidiaries in the foreseeable future.

7 Earnings per ordinary share

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

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

	2013 £m	2012 £m
Profit attributable to ordinary shareholders	**200.5**	173.8
Separately Disclosed Items after tax (note 3)	**25.5**	39.9
Adjusted earnings	**226.0**	213.7
Number of shares (millions)		
Basic weighted average number of ordinary shares	**161.2**	160.6
Potentially dilutive share awards	**1.9**	2.3
Diluted weighted average number of shares	**163.1**	162.9
Basic earnings per share	**124.4p**	108.2p
Potentially dilutive share awards	**(1.4)p**	(1.5)p
Diluted earnings per share	**123.0p**	106.7p
Adjusted basic earnings per share	**140.2p**	133.1p
Potentially dilutive share awards	**(1.6)p**	(1.9)p
Adjusted diluted earnings per share	**138.6p**	131.2p

8 Property, plant and equipment

Accounting policy

Property, plant and equipment

Owned assets

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

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.

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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 2012	57.7	543.8	601.5
Exchange adjustments	(1.9)	(18.4)	(20.3)
Additions	5.1	96.2	101.3
Disposals	(1.0)	(9.9)	(10.9)
Businesses acquired (note 10)	3.0	4.5	7.5
At 31 December 2012	62.9	616.2	679.1
Depreciation			
At 1 January 2012	11.1	325.4	336.5
Exchange adjustments	(0.5)	(9.7)	(10.2)
Charge for the year	2.3	57.5	59.8
Disposals	(0.2)	(8.9)	(9.1)
At 31 December 2012	12.7	364.3	377.0
Net book value at 31 December 2012	50.2	251.9	302.1
Cost			
At 1 January 2013	62.9	616.2	679.1
Exchange adjustments	(3.5)	(34.3)	(37.8)
Additions	8.6	104.8	113.4
Disposals	(0.9)	(17.1)	(18.0)
Businesses acquired (note 10)	0.6	10.5	11.1
At 31 December 2013	**67.7**	**680.1**	**747.8**
Depreciation			
At 1 January 2013	12.7	364.3	377.0
Exchange adjustments	(0.7)	(18.5)	(19.2)
Charge for the year	2.6	63.1	65.7
Disposals	(0.7)	(12.1)	(12.8)
At 31 December 2013	**13.9**	**396.8**	**410.7**
Net book value at 31 December 2013	**53.8**	**283.3**	**337.1**

Fixtures, fittings, plant and equipment include assets in the course of construction of £24.4m at 31 December 2013 (2012: £21.6m), 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:

	2013 £m	2012 £m
Freehold	**49.2**	45.1
Long leasehold	**2.6**	2.5
Short leasehold	**2.0**	2.6
Total	**53.8**	50.2

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 2013 £m	Other 2013 £m	Total 2013 £m	Land and buildings 2012 £m	Other 2012 £m	Total 2012 £m
Within one year	**64.7**	**5.9**	**70.6**	42.2	7.2	49.4
In the second to fifth years inclusive	**66.8**	**5.9**	**72.7**	73.0	5.8	78.8
Over five years	**37.9**	**–**	**37.9**	45.6	0.1	45.7
Total	**169.4**	**11.8**	**181.2**	160.8	13.1	173.9

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 £9.1m (2012: £6.3m).

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.

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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
Licences	Contractual life
Covenants not to compete	Contractual life

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

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

Any impairment is recognised in the income statement. Impairment is determined for goodwill by assessing the recoverable amount of each asset or group of assets ('cash generating unit' or 'CGU') to which the goodwill relates. A CGU represents an asset grouping at the lowest level for which there are separately identifiable cash flows.

The recoverable amount of an asset or a CGU is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimation process is complex due to the inherent risks and uncertainties and if different estimates were used this could materially change the projected value of the cash flows. An impairment loss in respect of goodwill is not reversed.

9 Goodwill and other intangible assets (continued)

Intangibles
The intangibles employed by the business are analysed below:

		Other intangible assets				
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total £m
Cost						
At 1 January 2012	651.0	205.5	8.3	17.1	37.0	267.9
Exchange adjustments	(6.8)	(2.8)	(0.2)	(0.4)	(1.5)	(4.9)
Additions	–	–	–	–	13.7	13.7
Businesses acquired (note 10)	41.1	6.7	–	–	–	6.7
At 31 December 2012	685.3	209.4	8.1	16.7	49.2	283.4
Amortisation and impairment losses						
At 1 January 2012	14.0	56.6	6.3	14.4	21.1	98.4
Exchange adjustments	(0.4)	(1.2)	(0.2)	(0.4)	(0.8)	(2.6)
Charge for the year	–	27.7	0.7	0.9	3.8	33.1
Impairment	3.2	–	–	–	–	–
At 31 December 2012	16.8	83.1	6.8	14.9	24.1	128.9
Net book value at 31 December 2012	668.5	126.3	1.3	1.8	25.1	154.5
Cost						
At 1 January 2013	685.3	209.4	8.1	16.7	49.2	283.4
Exchange adjustments	(25.7)	(3.3)	(0.2)	–	(2.4)	(5.9)
Additions	–	–	–	–	31.4	31.4
Disposals	(3.1)	(0.8)	–	–	–	(0.8)
Businesses acquired (note 10)	93.9	15.5	–	–	–	15.5
At 31 December 2013	**750.4**	**220.8**	**7.9**	**16.7**	**78.2**	**323.6**
Amortisation and impairment losses						
At 1 January 2013	16.8	83.1	6.8	14.9	24.1	128.9
Exchange adjustments	(0.1)	(2.6)	(0.2)	–	(0.7)	(3.5)
Charge for the year	–	21.3	0.6	0.6	5.2	27.7
Impairment	–	–	–	–	–	–
Disposal	(3.1)	–	–	–	–	–
At 31 December 2013	**13.6**	**101.8**	**7.2**	**15.5**	**28.6**	**153.1**
Net book value at 31 December 2013	**736.8**	**119.0**	**0.7**	**1.2**	**49.6**	**170.5**

The other acquisition intangibles of £1.2m (2012: £1.8m) consist of covenants not to compete, know-how and guaranteed income. The average remaining amortisation period for customer relationships is seven years (2012: eight years).

Computer software net book value of £49.6m at 31 December 2013 (2012: £25.1m) includes software in construction of £28.0m (2012: £12.8m).

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9 Goodwill and other intangible assets (continued)

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

	2013 £m	2012 £m
Industry & Assurance	33.2	30.5
Commodities	–	6.1
Consumer Goods	5.0	3.4
Commercial & Electrical	48.3	–
Chemicals & Pharmaceuticals	7.4	1.1
At 31 December	93.9	41.1

The total carrying amount of goodwill by reportable segment is as follows, which is also used for the disclosure of the Group's impairment review:

	2013 £m	2012 £m
Industry & Assurance	454.6	433.2
Commodities	66.6	73.9
Consumer Goods	14.0	9.8
Commercial & Electrical	103.3	59.0
Chemicals & Pharmaceuticals	98.3	92.6
Net book value at 31 December*	736.8	668.5

* 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, which are then disclosed by reportable segment. The calculation is based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a value in use which is the recoverable amount.

Key assumptions

The key assumptions include the rate of revenue and profit growth within each of the territories and business lines in which the Group operates. These are based on the Group's approved budget and plan. The long-term growth rate is also key since it is used in the perpetuity calculations. Finally, the discount rate used to bring the cash flow back to a present value varies depending on the location of the operation and the nature of the operations. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The calculation of the value in use is sensitive to long-term growth rates and discount rates. Long-term growth rates predict growth beyond the Group's planning cycle, and range from 2.1% to 3.5% (2012: 2.5% to 3.9%). The discount rate for each CGU reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU. Discount rates ranged from 10.1% to 13.4% (2012: 8.5% to 11.1%).

Sensitivity analysis

None of the reasonable downside sensitivity scenarios carried out by management on key assumptions would cause the carrying amount of each reporting segment to exceed its recoverable amount. These sensitivities include:

(i) Assuming revenues decline each year by 1% in 2015 to 2017 from the 2014 budgeted revenues, with margins increasing with base assumptions, all reportable segments continue to show sufficient headroom.
(ii) Assuming zero growth in operating profit margins in 2014 to 2017, with revenues increasing per base assumptions, all reportable segments continue to show sufficient headroom.
(iii) Assuming an increase in the discount rates used by 1%, all reportable segments continue to show sufficient headroom.

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

10 Acquisitions

Acquisitions in 2013

During the year, the Group acquired a number of companies as set out below.

Date	Company	Investment value £m	Business	Country	Percentage acquired %	Goodwill arising £m
4 March 2013	E-TEST Laboratorio de Ensaios e Tecnologia Ltda.	6.6	Consumer Goods	Brazil	85	5.0
4 July 2013	Melbourn Scientific Limited	10.5	Chemicals & Pharma	UK	100	7.4
4 October 2013	Global X-Ray & Testing Corporation	36.5	Industry & Assurance	USA	100	32.0
24 December 2013	Architectural Testing, Inc.	52.9	Commercial & Electrical	USA	100	48.3
	Other	2.0	Industry & Assurance		100	1.2
Total		108.5				93.9

Including debt assumed, the purchase price of these acquisitions totals £121.7m.

In the prior year, the Group acquired six companies.

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

	2013			2012		
Total	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	11.1	–	11.1	7.5	–	7.5
Goodwill	–	93.9	93.9	–	30.9	30.9
Other intangible assets	–	15.5	15.5	–	6.7	6.7
Inventories	0.3	–	0.3	0.3	–	0.3
Trade and other receivables	13.7	(0.5)	13.2	6.0		6.0
Trade and other payables	(17.8)	(1.1)	(18.9)	(6.9)	–	(6.9)
Provisions for liabilities and charges	–	(0.6)	(0.6)	(0.3)	–	(0.3)
Corporation tax payable	–	–	–	(0.7)	–	(0.7)
Deferred tax liabilities	(1.5)	(4.5)	(6.0)	–	(2.1)	(2.1)
Net assets acquired	5.8	102.7	108.5	5.9	35.5	41.4
Cash outflow (net of cash acquired)			108.1			39.6
Contingent consideration			0.4			1.8
Total consideration			108.5			41.4

Goodwill

The total goodwill arising on acquisitions made during 2013 was £93.9m. There was an increase of £nil to goodwill in respect of prior years' acquisitions.

The goodwill arising is chiefly attributable to the technical excellence on analytical and formulation services to the pharmaceutical industry ('Melbourn'), staff expertise and operational synergies in offshore and onshore non-destructive testing within the Industry and Assurance division ('GXT') and the expansion of building products development and assessment ('ATI').

The goodwill on other acquisitions is mainly related to the significant value placed on the technical knowledge, experience and abilities of employees of the companies acquired, along with the future operational synergies anticipated as a result of these acquisitions.

Consideration paid

The total cash consideration paid for the acquisitions in the year was £108.1m (2012: £39.6m).

Contribution of acquisitions to revenue and profits

In total the acquisitions made during 2013 contributed revenues of £14.3m and profit after tax of £2.7m from their respective dates of acquisition to 31 December 2013.

The Group revenue and profit after tax for the year ended 31 December 2013 would have been £2,235.0m and £221.2m respectively if all the acquisitions were assumed to have been made on 1 January 2013.

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11 Trade and other receivables

Accounting policy

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost).

Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. Based on historic default rates, reflecting the track record of payments by the Group's customers, the Group believes that no impairment allowance is necessary in respect of trade receivables which are less than six months outstanding, unless there are specific circumstances such as the bankruptcy of a customer which would render the trade receivable irrecoverable.

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

Trade and other receivables

Trade and other receivables are analysed below:

	2013 £m	2012 £m
Trade receivables	358.5	362.2
Other receivables	65.4	52.8
Prepayments and accrued income	87.0	87.4
Total trade and other receivables	**510.9**	502.4

Trade receivables are shown net of an allowance for impairment losses of £16.6m (2012: £16.7m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £6.6m (2012: £4.2m).

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:

	2013 £m	2012 £m
Under 3 months	307.3	306.4
Between 3 and 6 months	39.4	39.7
Between 6 and 12 months	18.9	20.3
Over 12 months	9.5	12.5
Gross trade receivables	**375.1**	378.9
Allowance for impairment	(16.6)	(16.7)
Trade receivables, net of allowance	**358.5**	362.2

Included in trade receivables under three months of £307.3m (2012: £306.4m) are trade receivables of £170.1m (2012: £163.5m) which are not yet due for payment under the Group's standard terms and conditions of sale.

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

Impairment allowance for doubtful trade receivables	2013 £m	2012 £m
At 1 January	16.7	15.4
Exchange differences	(0.9)	0.6
Acquisitions	0.5	–
Cash recovered	(0.6)	(0.5)
Impairment loss recognised	6.6	4.2
Receivables written off	(5.7)	(3.0)
At 31 December	**16.6**	16.7

There were no material individual impairments of trade receivables.

12 Trade and other payables

Accounting policy

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

Trade and other payables

Trade and other payables are analysed below:

	Current 2013 £m	Current 2012 £m	Non-current 2013 £m	Non-current 2012 £m
Trade payables	48.2	50.1	–	–
Other payables*	40.9	57.3	–	–
Accruals and deferred income	215.5	216.9	4.7	6.2
Total trade and other payables	**304.6**	324.3	**4.7**	6.2

* Other payables include £nil (2012: £0.2m) of deferred consideration in respect of acquisitions.

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

13 Provisions

Accounting policy

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

Provisions

	Contingent consideration £m	Claims £m	Other £m	Total £m
At 1 January 2013	3.3	8.6	16.8	28.7
Exchange adjustments	0.1	(0.1)	–	–
Provided in the year:	–	6.3	14.5	20.8
in respect of prior year acquisitions	0.5	–	–	0.5
in respect of current year acquisitions	0.4	0.6	–	1.0
Released during the year	(1.2)	(0.4)	(3.2)	(4.8)
Utilised during the year	–	(5.3)	(16.5)	(21.8)
At 31 December 2013	**3.1**	**9.7**	**11.6**	**24.4**
Included in:				
Current liabilities	0.7	9.7	11.6	22.0
Non-current liabilities	2.4	–	–	2.4
At 31 December 2013	**3.1**	**9.7**	**11.6**	**24.4**

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

The provision for claims of £9.7m (2012: £8.6m) 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 £11.6m (2012: £16.8m) includes restructuring provisions. The timing of the cash outflow is uncertain but is likely to be within one year.

Financial statements

Notes to the financial statements continued

14 Borrowings and financial instruments

Financial instruments

Accounting policy

Net financing costs

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

Loans and receivables

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

Derivative financial instruments

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

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

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

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

Hedging

Hedge of monetary assets and liabilities

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

Hedge of net investment in a foreign operation

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

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

14 Borrowings and financial instruments (continued)

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Net financing costs

Net financing costs are shown below:

Recognised in income statement	2013 £m	2012 £m
Finance income		
Interest on bank balances	**1.5**	2.7
Pension interest (note 16)	**3.8**	4.8
Total finance income	**5.3**	7.5
Finance expense		
Interest on borrowings	**(26.0)**	(25.9)
Pension interest (note 16)	**(4.3)**	(4.2)
Foreign exchange differences on revaluation of net monetary assets and liabilities	**(1.7)**	(2.7)
Facility fees and other*	**(1.5)**	(1.4)
Total finance expense	**(33.5)**	(34.2)
Net financing costs	**(28.2)**	(26.7)

* Includes £0.5m (2012: £nil) relating to SDIs.

Recognised directly in other comprehensive income	2013 £m	2012 £m
Foreign exchange translation differences of foreign operations	**(48.9)**	(37.2)
Net exchange gain on hedges of net investment in foreign operations	**16.7**	25.4
Effective portion of changes in fair value of cash flow hedges	**(0.3)**	(0.5)
Net change in fair value of cash flow hedges transferred to profit or loss	**0.1**	0.2
Finance expense recognised directly in other comprehensive income, net of tax	**(32.4)**	(12.1)
Attributable to:		
Equity holders of the Company	**(31.0)**	(11.6)
Non-controlling interest	**(1.4)**	(0.5)
Finance expense recognised directly in other comprehensive income, net of tax	**(32.4)**	(12.1)
Recognised in:		
Translation reserve and non-controlling interest	**(32.2)**	(11.8)
Retained earnings	**(0.2)**	(0.3)
Finance expense recognised directly in other comprehensive income, net of tax	**(32.4)**	(12.1)

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Notes to the financial statements continued

14 Borrowings and financial instruments (continued)

Analysis of net debt

The components of net debt are outlined below:

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

* Other borrowings of £0.9m (2012: £0.8m) and facility fees.

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

14 Borrowings and financial instruments (continued)

Borrowings

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

	Current 2013 £m	Current 2012 £m	Non-current 2013 £m	Non-current 2012 £m
Senior term loans and notes	**14.5**	–	**719.2**	716.4
Other borrowings	**0.9**	0.8	**–**	–
Total borrowings	**15.4**	0.8	**719.2**	716.4

Analysis of debt	2013 £m	2012 £m
Debt falling due:		
In one year or less	**15.4**	0.8
Between one and two years	**84.3**	15.0
Between two and five years	**334.8**	443.4
Over five years	**300.1**	258.0
Total borrowings	**734.6**	717.2

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2013 were £175m (2012: £164m).

US$600m revolving credit facility

The Group's principal bank facility comprises a US$600m multi-currency revolving credit facility signed in February 2011 and available to 31 March 2016. Advances under the 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 2013 were £191.7m (2012: £235.5m).

Bilateral multi-currency facility

In December 2010 the Group signed a multi-currency facility available to March 2016. The facility comprises a £30m multi-currency revolver facility and a €12m multi-currency term loan facility. Drawings under these facilities at 31 December 2013 were £37.3m (2012: £38.3m).

Bilateral term loan facility 1

On 21 December 2012 the Group signed a US$20m bilateral term loan available to March 2015. Advances under this facility bear interest at a rate equal to LIBOR plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2013 were £12.1m (2012: £nil).

Bilateral term loan facility 2

On 21 December 2012 the Group signed a US$20m bilateral term loan available to December 2015. Advances under this facility bear interest at a rate equal to LIBOR plus a margin depending on the Group's leverage. Drawings under this facility at 31 December 2013 were £12.1m (2012: £nil).

Private placement bonds

In June 2008 the Group issued US$100m of senior notes. The notes are repayable on 26 June 2015 and pay a fixed annual interest rate of 5.54%.

In December 2008 the Group issued US$100m of senior notes. These notes were issued in two tranches with US$25m repayable on 21 January 2014 at a fixed annual interest rate of 7.5% and US$75m repayable on 10 June 2016 at a fixed annual interest rate of 8.0%.

In December 2010 the Group issued US$250m of senior notes. These notes were issued in two tranches with US$100m repayable on 15 December 2017 at a fixed annual interest rate of 3.2% and US$150m repayable on 15 December 2020 at a fixed annual interest rate of 3.91%.

In October 2011 the Group issued US$265m of senior notes. These notes were issued in three tranches with US$20m repayable on 18 January 2019 at a fixed annual interest rate of 3.0%, US$140m repayable on 18 January 2022 at a fixed annual interest rate of 3.75% and US$105m repayable on 18 January 2024 at a fixed annual interest rate of 3.85%.

Financial statements

Notes to the financial statements continued

14 Borrowings and financial instruments (continued)

In February 2013 the Group issued a further 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%.

Financial risks

Details of the Group's treasury controls, exposures and the policies and processes for managing capital and credit, liquidity, interest rate and currency risk are set out below and in the Directors' Report – Financial Review that starts on page 25.

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:

	2013 £m	2012 £m
Trade receivables, net of allowance (note 11)	**358.5**	362.2
Cash and cash equivalents	**116.4**	166.5
Total	**474.9**	528.7

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

	2013 £m	2012 £m
Asia Pacific	**97.1**	109.0
Americas	**107.7**	113.4
Europe, Middle East and Africa	**153.7**	139.8
Total	**358.5**	362.2

Counterparty risk

Cash and cash equivalents and available borrowing facilities are at risk in the event that the counterparty is not able to meet its obligations in regards to the cash held or facilities available to the Group. The Group also enters into transactions with counterparties in relation to derivative financial instruments. If the counterparty was not able to meet its obligations, the Group may be exposed to additional foreign currency or interest rate risk.

The Group, wherever possible, enters into arrangements with counterparties who have robust credit standing, which the Group defines as a financial institution with a credit rating of at least A-. The Group has existing banking relationships with a number of 'relationship banks' that meet this criterion, and seeks to use their services wherever possible while avoiding excessive concentration of credit risk. Given the diverse geographic nature of the Group's activities, it is not always possible to use a relationship bank. Therefore the Group has set limits on the level of deposits to be held at non-relationship banks to minimise the risk to the Group. It is also Group policy to remit any excess funds from local entities back to Intertek Group Treasury in the UK. Given the controls in place, and based on a current assessment of our banking relationships, management does not expect any counterparty to fail to meet its obligations.

14 Borrowings and financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as and when they fall due. The Group's policy is to:

- ensure sufficient liquidity is available to Group companies in the amounts, currencies and locations required to support the Group's operations;
- ensure the Group has adequate available sources of funding to protect against unforeseen internal and external events; and
- avoid excess liquidity which restricts growth and impacts the cost of financing.

To ensure this policy is met, the Group monitors cash balances on a daily basis, projects cash requirements on a rolling basis and funds itself using debt instruments with a range of maturities.

The following are the contractual cash flows of financial liabilities including interest (for floating rate instruments, interest payments are based on the interest rate at 31 December 2013):

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

2012	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
Non-derivative financial liabilities							
Senior term loans and notes	716.4	868.1	18.8	5.7	40.0	499.8	303.8
Other loans	0.8	0.8	–	0.8	–	–	–
Trade payables (note 12)	46.2	46.2	43.3	2.9	–	–	–
	763.4	915.1	62.1	9.4	40.0	499.8	303.8
Derivative financial liabilities							
Forward exchange contracts:							
Outflow	1.0	122.9	120.9	2.0	–	–	–
Inflow	–	(121.9)	(119.9)	(2.0)	–	–	–
	1.0	1.0	1.0	–	–	–	–
Total	764.4	916.1	63.1	9.4	40.0	499.8	303.8

Interest rate risk

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

Sensitivity

At 31 December 2013, it is estimated that the impact on variable rate net debt of a general increase of 3% in interest rates would be a decrease in the Group's profit before tax of approximately £4.2m (2012: £5.1m). 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.

Financial statements

Notes to the financial statements continued

14 Borrowings and financial instruments (continued)

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

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

2013	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Euro £m	Other currencies £m
Cash	**116.4**	**8.5**	**17.8**	**29.3**	**3.1**	**4.8**	**52.9**
Trade receivables (note 11)	**358.5**	**52.4**	**94.3**	**34.5**	**9.2**	**39.3**	**128.8**
Trade payables (note 12)	**48.2**	**6.1**	**9.5**	**2.6**	**2.2**	**10.0**	**17.8**
2012							
Cash	166.5	17.1	24.8	55.3	3.3	6.3	59.7
Trade receivables (note 11)	362.2	44.7	93.4	33.1	9.2	39.4	142.4
Trade payables (note 12)	46.2	6.0	8.5	4.0	1.9	10.1	15.7

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 2013 was £717.5m (2012: £707.7m).

A foreign exchange gain of £16.7m (2012: £25.4m) 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 2013 by approximately £16.6m (2012: £15.4m). 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 2013 £m	Fair value 2013 £m	Book value 2012 £m	Fair value 2012 £m
Financial assets				
Cash and cash equivalents	**116.4**	**116.4**	166.5	166.5
Trade receivables (note 11)	**358.5**	**358.5**	362.2	362.2
Total financial assets	**474.9**	**474.9**	528.7	528.7
Financial liabilities				
Interest bearing loans and borrowings	**734.6**	**740.2**	717.2	751.5
Trade payables (note 12)	**48.2**	**48.2**	46.2	46.2
Total financial liabilities	**782.8**	**788.4**	763.4	797.7

The major methods and assumptions used in estimating the fair values of the Group's financial instruments are summarised below.

Interest bearing loans and borrowings

The fair value of the floating interest bearing loans and borrowings is equal to the book value, since the floating interest rates were reset just prior to the year end. The fair value of the fixed interest bearing loans and borrowings has been calculated based on the present value of future principal and interest cash flows discounted at the market rate at the reporting date.

Trade receivables and payables

For trade receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All others are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

15 Capital and reserves

Accounting policy

Dividends

Interim dividends are recognised as a movement in equity when they are paid. Final dividends are reported as a movement in equity in the year in which they are approved by the shareholders.

Own shares held by the Employee 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	2013 Number	2013 £m	2012 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	**160,807,503**	**1.6**	1.6
Share options exercised (note 17)	**70,009**	**–**	–
Share awards (note 17)	**484,265**	**–**	–
Ordinary shares of 1p each at end of year	**161,361,777**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

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

During the year, the Company issued 70,009 (2012: 116,161) ordinary shares in respect of the share options exercised, for consideration of £0.4m (2012: £0.7m) settled in cash and issued 484,265 (2012: 530,377) shares under the Intertek 2011 Long Term Incentive Plan for £nil consideration.

Purchase of own shares for trust

During the year ended 31 December 2013, the Company financed the purchase of 300,000 (2012: 27,500) of its own shares with an aggregate nominal value of £3,000 (2012: £275) for £9.1m (2012: £0.8m) 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, 1,015 shares were utilised to satisfy the vesting of share awards (note 17). At 31 December 2013, the ESOT held 323,739 shares (2012: 24,754 shares) with an aggregate nominal value of £3,237 (2012: £247). The associated cash out flow of £9.1m (2012: £0.8m) has been presented as a financing cash flow.

Dividends	2013 £m	2013 Pence per share	2012 £m	2012 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2011	**–**	**–**	37.0	23.0
Interim dividend for the year ended 31 December 2012	**–**	**–**	20.9	13.0
Final dividend for the year ended 31 December 2012	**45.2**	**28.0**	–	–
Interim dividend for the year ended 31 December 2013	**24.2**	**15.0**	–	–
Dividends paid	**69.4**	**43.0**	57.9	36.0

After the reporting date, the Directors proposed a final dividend of 31.0p per share in respect of the year ended 31 December 2013, which is expected to amount to £50.0m. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with IAS 10: Events after the reporting date, it has not been included as a liability in these financial statements. If approved, the final dividend will be paid to shareholders on 6 June 2014.

Reserves

Translation reserve

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

Hedging reserve

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

Other

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

Financial statements

Notes to the financial statements continued

16 Employee benefits

Accounting policy

Pension schemes

Defined contribution plans

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

Defined benefit plans

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

The Group's net obligation in respect of material defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. Any unrecognised past service costs are recognised immediately and the fair value of any plan assets are deducted.

In calculating the defined benefit deficit, the discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the Projected Unit credit method.

The increase in the present value of the liabilities expected to arise from the employees' services in the accounting period is charged to the operating profit in the income statement. The expected return on the schemes' assets and the interest on the present value of the schemes' liabilities, during the accounting period, are shown as finance income and finance expense respectively.

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are significant defined benefit schemes in the United Kingdom, Hong Kong and Switzerland. The United Kingdom and Hong Kong schemes are funded schemes, with assets held in separate trustee administered funds and the Swiss 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 gains and losses 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 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. The new standard does not have a material impact on the Group financial statements, and therefore the prior year amounts have not been restated.

Total pension cost

The total pension cost included in operating profit for the Group was:

	2013 £m	2012 £m
Defined contribution schemes	**(33.6)**	(29.9)
Defined benefit schemes – current service cost and administration expenses	**(3.0)**	(2.7)
Pension cost included in operating profit (note 5)	**(36.6)**	(32.6)

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom ('United Kingdom Scheme') was carried out as at 1 April 2013, and for accounting purposes has been updated to 31 December 2013 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2012, for local accounting purposes but this has been updated to 31 December 2013 for IAS 19 purposes. The Swiss scheme was actuarially valued for IAS 19 purposes at 31 December 2013. The average duration of the schemes are 20 years, 10 years and 10 years for the UK, Hong Kong and Switzerland schemes respectively.

16 Employee benefits (continued)

Defined benefit schemes

The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2013 £m	2012 £m
Current service cost	**(2.8)**	(2.5)
Scheme administration expenses	**(0.2)**	(0.2)
Interest income (note 14)	**3.8**	4.8
Pension interest cost (note 14)	**(4.3)**	(4.2)
Total charge	**(3.5)**	(2.1)

The current service cost is 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:

	2013 £m	2012 £m
Actuarial gain/(loss) arising from:		
Demographic assumptions	**(1.1)**	(10.3)
Financial assumptions	**(0.8)**	–
Experience adjustment	**(0.9)**	(0.3)
Asset valuation	**8.0**	4.1
Effect of movements in exchange rates	**0.6**	0.3
Merger of Group scheme	**(0.4)**	–
Other	**(0.2)**	(0.3)
Total	**5.2**	(6.5)

Company contributions

The Company is currently assessing the triennial actuarial valuation and its impact on the scheme funding plan in 2014 and future years. Pending the outcome of this assessment, in 2014 the Group expects to make normal contributions of £2.4m (2013: £2.0m) and a special contribution of £0.9m (2013: £nil) to the UK pension scheme.

Pension liability for defined benefit schemes

The amounts recognised in the statement of financial position for defined benefit schemes were as follows:

	United Kingdom Scheme £m	Hong Kong Scheme £m	Switzerland Scheme £m	Total £m
Fair value of scheme assets	82.2	16.1	15.0	113.3
Present value of funded defined benefit obligations	(91.0)	(19.0)	(16.4)	(126.4)
Deficit in schemes	**(8.8)**	**(2.9)**	**(1.4)**	**(13.1)**

Financial statements

Notes to the financial statements continued

16 Employee benefits (continued)

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

	2013 £m	2012 £m
Fair value of scheme assets at 1 January	104.6	96.7
Interest Income	3.8	4.8
Normal contributions by the employer	2.0	2.0
Special contributions by the employer	–	0.6
Contributions by scheme participants	0.6	0.7
Benefits paid	(6.6)	(3.6)
Effect of exchange rate changes on overseas schemes	(0.4)	(0.7)
Actuarial gains	8.0	4.1
Merger of Group scheme	1.3	–
Fair value of scheme assets at 31 December	113.3	104.6

Asset Allocation:

United Kingdom Scheme

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2013 the invested assets of the Scheme totalled £82.0m broken down as follows:

Asset Class	2013 £m	2012 £m
UK Equities	22.2	19.1
Overseas Equities	22.2	21.4
Property	1.2	–
Corporate Bonds	12.2	12.0
Absolute Return Fund*	16.2	15.1
Liability Driven Investment**	2.1	2.0
Cash	5.9	5.5
Total	82.0	75.1

* The Absolute Return Fund aims to provide positive investment returns in all conditions over the medium to long-term. The investment managers have a wide investment remit and look to exploit market inefficiencies through active allocation to a diverse range of market positions. The Fund uses a combination of traditional assets and investment strategies based on derivatives and is able to take long and short-term positions in markets.

** The LDI Fund provides the hedge against adverse movements in inflation and interest rates. It seeks to match the sensitivity of the Scheme's liability cash flow to changes in interest rates and inflation; it is invested in gilts, swaps, futures, repo contracts and money market instruments.

The Intertek Pension Scheme had bank account assets of £0.2m as at 31 December 2013.

16 Employee benefits (continued)

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

	2013 £m	2012 £m
Defined benefit obligations at 1 January	121.6	108.0
Current service cost	3.0	2.7
Interest cost	4.3	4.2
Contributions by scheme participants	0.6	0.7
Benefits paid	(6.6)	(3.6)
Effect of exchange rate changes on overseas schemes	(1.0)	(1.0)
Actuarial losses	2.8	10.6
Merger of Group scheme	1.7	–
Defined benefit obligations at 31 December	126.4	121.6

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Switzerland Scheme	
	2013 %	2012 %	2013 %	2012 %	2013 %	2012 %
Discount rate	4.5	4.5	2.4	0.7	2.3	2.0
Inflation rate (based on CPI)	2.7	2.2	n/a	n/a	0.0	0.0
Rate of salary increases	3.5	3.0	4.0	4.0	1.5	1.5
Rate of pension increases:						
CPI subject to a maximum of 5% p.a	2.7	2.2	n/a	n/a	n/a	n/a
Increases subject to a maximum of 2.5% p.a	2.0	1.8	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.

The assumption for the annualised expected return on scheme assets in 2013 represents the discount rate in accordance with IAS19(R) which was effective from 1 January 2013.

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Hong Kong Scheme*		Switzerland Scheme	
	2013	2012	2013	2012	2013	2012
Male aged 40	46.9	46.7	n/a	n/a	41.6	41.6
Male aged 65	22.1	21.2	n/a	n/a	18.9	18.9
Female aged 40	48.9	48.9	n/a	n/a	44.6	44.6
Female aged 65	24.3	23.8	n/a	n/a	21.4	21.4

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

The table above shows, for the United Kingdom Scheme, the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The mortality tables adopted in both 2013 and 2012 for the United Kingdom Scheme are the S1PA projected by year of birth, with an allowance for the medium cohort effect and a minimum improvement of 1%. For the Switzerland Scheme, the mortality table adopted for both 2013 and 2012 is the BVG 2010, an industry standard in Switzerland which is based on statistical evidence of major Switzerland pension funds.

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Notes to the financial statements continued

16 Employee benefits (continued)

Sensitivity analysis

The table below sets out the sensitivity on the UK and Hong Kong pension assets and liabilities as at 31 December 2013 of the two main assumptions:

Change in assumptions	Liabilities £m	Assets £m	Deficit £m	Increase/ (decrease) in deficit £m
No change	(110.0)	98.3	(11.7)	–
0.25% rise in discount rate	(105.1)	98.3	(6.8)	(4.9)
0.25% fall in discount rate	(115.0)	98.3	(16.7)	5.0
0.25% rise in inflation	(112.2)	98.3	(13.9)	2.2
0.25% fall in inflation	(107.7)	98.3	(9.4)	(2.3)

The UK scheme is also subject to the mortality assumption. If the mortality tables used are rated down one year/rated up one year, the value placed on the liabilities increases/decreases by £2.5m and (£2.4m) 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 14% of salary, plus £0.2m per year to fund scheme expenses, and is due to make an additional contribution of £0.9m in 2014 to reduce the deficit disclosed by the 2010 valuation.

Intertek Hong Kong Retirement Scheme

The Trustees use the Attained Age funding method. The last actuarial valuation was as at 31 December 2012. Scheme members do not contribute to the scheme. The employer pays contributions of 10.0% 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 UK pension scheme is managed by Trustees on behalf of its members. The Trustees take advice from appropriate third parties including investment advisors, actuaries and lawyers as necessary.

17 Share schemes

Accounting policy

Share-based payment transactions

The share-based compensation plans operated by the Group allow employees to acquire shares of the Company. The fair value of the employee services, received in exchange for the grant of share options or shares, is measured at the grant date and is recognised as an expense with a corresponding increase in equity. The charge is calculated using the Monte Carlo method and expensed to the income statement over the vesting period of the relevant award. The charge for the share options and for the Share Awards is adjusted to reflect expected and actual levels of vesting for service conditions. The expense of the Performance Awards (previously Matching Awards), is also adjusted for the probability of performance conditions being achieved.

The Group has taken advantage of the provisions of IFRS 1: First-time Adoption of International Financial Reporting Standards, and has recognised an expense only in respect of share options and awards granted since 7 November 2002.

Share option schemes

The Company established a share option scheme for senior management in March 1997. The maximum number of options that can be granted under the scheme have been allocated and that scheme has been discontinued. In May 2002, the Intertek Group plc 2002 Share Option Plan ('2002 Plan') and the Intertek Group plc 2002 Approved Share Option Plan ('Approved Plan') were established for employees to be granted share options at the discretion of the Remuneration Committee. These plans have also been discontinued and the last grants under these plans were made in September 2005.

The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
At beginning of year	656p	162,740	628p	285,264
Exercised	598p	(70,009)	594p	(116,161)
Forfeited	548p	(5,814)	533p	(6,363)
Outstanding options at end of year	710p	86,917	656p	162,740
Exercisable at end of year	710p	86,917	656p	162,740

The weighted average share price of the Company at the date of exercise of share options was 3,249p (2012: 2,532p). The options outstanding at the year end have an exercise price in the range of 359p to 778p and a weighted average contractual life of 1.0 year.

The outstanding options at 31 December 2013 are exercisable as follows:

Option Scheme	Number of options outstanding	Exercise price per share	Exercisable between	
2002 Plan	22,603	523.5p	7 April 2007	7 April 2014
	61,312	778.0p	7 April 2008	7 April 2015
	83,915			
Approved Plan	496	523.5p	7 April 2007	7 April 2014
	2,506	778.0p	7 April 2008	7 April 2015
	3,002			
Total	**86,917**			

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Notes to the financial statements continued

17 Share schemes (continued)

Share Plans

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

	2013			2012		
Outstanding Awards	Share Awards	Performance Awards	Total awards	Share Awards	Performance Awards	Total awards
At beginning of year	**1,168,317**	**860,557**	**2,028,874**	1,540,375	1,112,018	2,652,393
Granted*	**285,807**	**181,770**	**467,577**	388,195	278,009	666,204
Vested**	**(423,418)**	**(296,110)**	**(719,528)**	(704,005)	(488,400)	(1,192,405)
Forfeited	**(31,427)**	**(32,888)**	**(64,315)**	(56,248)	(41,070)	(97,318)
At end of year	**999,279**	**713,329**	**1,712,608**	1,168,317	860,557	2,028,874

* Includes 3,535 Share Awards (2012: 4,767) and 2,325 Performance Awards (2012: 3,642) granted in respect of dividend accruals.
** Of the 719,528 awards vested in 2013, 484,265 were satisfied by the issue of shares and 1,015 by the transfer of shares from the ESOT (see note 15). The balance of 234,248 awards represented a tax liability of £7.6m which was settled in cash by the Group, of which £7.3m was settled by the Company.

Equity-settled transactions

During the year ended 31 December 2013, the Group recognised an expense of £10.9m (2012: £10.4m). The fair values and the assumptions used in their calculations are set out below:

	Awards					
	Share Awards*	Performance Awards TSR element	Share Awards*	Performance Awards TSR element	Share Awards*	Matching Awards
Year shares awarded	**2013****	**2013****	2012**	2012**	2011	2011
Fair value at measurement date (pence)	**3,440**	**1,945**	2,262	1,299	1,872	1,253
Share price (pence)	**3,440**	**3,440**	2,262	2,262	1,955	1,955
Expected volatility	**n/a**	**23.4%**	n/a	25.2%	n/a	30.8%
Dividend yield	**0%**	**0%**	0%	0%	1.4%	1.4%
Risk free interest rate	**n/a**	**0.4%**	n/a	0.5%	n/a	1.4%
Time to maturity (years)	**3**	**3**	3	3	3	3

* The fair values and assumptions are also the same for the EPS element of the Performance Awards.
** The 2013 and 2012 grants accrue dividends.

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information.

All Share Awards are granted under a service condition. Such condition is not taken into account in the fair value measurement at grant date. The Performance Awards (TSR element) are granted under a performance related market condition and as a result this condition is taken into account in the fair value measurement at grant date.

18 Subsequent events

No post balance sheet events were identified between 31 December 2013 and the date of signing this report.

19 Capital management

The Directors determine the appropriate capital structure of Intertek; specifically how much capital is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities. These activities include ongoing operations as well as acquisitions as described in note 10.

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 KPIs, including return on invested capital and adjusted diluted earnings per share to monitor the capital position of the Group to ensure it is being utilised effectively.

The dividend policy also forms part of the Board's capital management policy, and the Board ensures there is appropriate earnings cover for the dividend proposed at both the interim and year end.

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:

	2013 £m	2012 £m
At 1 January	**25.3**	24.0
Exchange adjustments	**(1.4)**	(0.5)
Share of profit for the year	**16.5**	14.4
Dividends paid to non-controlling interest	**(14.4)**	(12.6)
Purchase of non-controlling interest	**(1.9)**	–
At 31 December	**24.1**	25.3

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:

	2013 £m	2012 £m
Short-term benefits	**4.7**	5.9
Post-employment benefits	**0.4**	0.4
Equity-settled transactions	**2.8**	2.0
Total	**7.9**	8.3

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans is shown in the audited part of the Remuneration Report.

Apart from the above, no member of key management had a personal interest in any business transactions of the Group.

Notes to the financial statements continued

22 Contingent liabilities

	2013 £m	2012 £m
Guarantees, letters of credit and performance bonds	**16.1**	12.0

Litigation

The Group is involved in various claims and lawsuits incidental to the ordinary course of its business, including claims for damages, negligence and commercial disputes regarding inspection and testing, and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business. The Group maintains appropriate insurance cover to provide protection from the small number of significant claims it is subject to from time-to-time.

Tax

The Group operates in more than 100 countries and is subject to a wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. In some jurisdictions the Group receives tax incentives which are subject to renewal and review and reduce the amount of tax payable. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in these financial statements. In addition, the Group benefits from tax incentives which are subject to renewal and review.

23 Principal subsidiary undertakings

As permitted by Section 410 (1) of the Companies Act 2006, only the principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group in 2013 and 2012 have been shown below. A full list of subsidiaries will be attached to the Company's next Annual Return filed with the Registrar of Companies. All the subsidiaries shown were consolidated at 31 December 2013.

			Percentage of ordinary shares held in 2013 and 2012	
Company name	**Country of incorporation**	**Activity**	**Group**	**Company**
Intertek Testing Services Shenzhen Ltd	China	Trading	100	–
Intertek Testing Services Ltd Shanghai	China	Trading	85	–
Intertek USA Inc	USA	Trading	100	–
Intertek Testing Services NA Inc	USA	Trading	100	–
Intertek Testing Services Holdings Limited	England	Holding	100	100
Intertek Finance plc	England	Finance	100	–
Intertek Testing Services Hong Kong Ltd	Hong Kong	Trading	100	–
Testing Holdings USA Inc	USA	Holding	100	–
Intertek USD Finance Ltd	England	Finance	100	–
Intertek Holdings Limited	England	Holding	100	100
Labtest Hong Kong Ltd	Hong Kong	Trading	100	–
Intertek Overseas Holdings Limited	England	Holding	100	–
Intertek Holdings Nederland B.V.	Netherlands	Holding	100	–
Intertek Group plc	England	Finance	100	100
RCG Moody International Limited	England	Holding	100	–

Intertek Group plc Company balance sheet

As at 31 December 2013	Notes	2013 £m	2012 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**301.2**	297.8
Current assets			
Debtors due after more than one year	(e)	**171.3**	60.2
Debtors due within one year		**11.4**	7.1
		182.7	67.3
Cash at bank and in hand		**0.3**	3.2
		183.0	70.5
Creditors due within one year			
Other creditors		**(7.2)**	(9.0)
Net current assets		**175.8**	61.5
Total assets less current liabilities		**477.0**	359.3
Net assets		**477.0**	359.3
Capital and reserves			
Called up share capital	(f)	**1.6**	1.6
Share premium	(f)	**257.8**	257.4
Profit and loss account	(f)	**217.6**	100.3
Shareholders' funds		**477.0**	359.3

The financial statements on pages 117 to 120 were approved by the Board on 28 February 2014 and were signed on its behalf by:

Wolfhart Hauser
Director

Lloyd Pitchford
Director

Financial statements

Notes to the Company financial statements

(a) Accounting policies – Company

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

Basis of preparation

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

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

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

Foreign currencies

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

Taxation

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

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

Dividends on shares presented within shareholders' funds

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

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

Investments in subsidiaries

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

Intercompany financial guarantees

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

Share-based payments

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

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

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

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

(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:

	2013 £m	2012 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	45.2	37.0
Interim dividends paid in respect of the current year	24.2	20.9
Aggregate amount of dividends paid in the financial year	69.4	57.9

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2013 is £nil (2012: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2013 is £50.0m (2012: £45.2m).

(d) Investment in subsidiary undertakings

	2013 £m	2012 £m
Cost and net book value		
At 1 January	297.8	305.1
Additions due to share-based payments	10.9	10.4
Recharges of share-based payments to subsidiaries	(7.5)	(17.7)
At 31 December	301.2	297.8

The Company has granted options over its own shares and made Share Awards to the employees of its direct and indirectly-owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £10.9m (2012: £10.4m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had three direct subsidiary undertakings at 31 December 2013; Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, are incorporated in the United Kingdom and registered in England and Wales, and Intertek Luxembourg S.a.r.l., incorporated in Luxembourg. All interests are in the ordinary share capital and all are wholly owned. In the opinion of the Directors, the value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

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

(e) Debtors due after more than one year

	2013 £m	2012 £m
Amounts owed by Group undertakings	171.3	60.2

The amounts owed by Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

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Notes to the Company financial statements continued

(f) Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Profit and loss £m	Total £m
At 1 January 2012	1.6	256.7	102.7	361.0
Profit for the financial year	–	–	51.3	51.3
Dividends paid	–	–	(57.9)	(57.9)
Credit in relation to share-based payments	–	–	10.4	10.4
Tax paid on share awards vesting	–	–	(5.4)	(5.4)
Purchase of own shares	–	–	(0.8)	(0.8)
Shares issued	–	0.7	–	0.7
At 31 December 2012	1.6	257.4	100.3	359.3
Profit for the financial year	–	–	192.2	192.2
Dividends paid	–	–	(69.4)	(69.4)
Credit in relation to share-based payments	–	–	10.9	10.9
Tax paid on share awards vesting	–	–	(7.3)	(7.3)
Purchase of own shares	–	–	(9.1)	(9.1)
Shares issued	–	0.4	–	0.4
At 31 December 2013	**1.6**	**257.8**	**217.6**	**477.0**

Details of share capital are set out in note 15 and details of share-based payments are set out in note 17 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the financial year, before dividends paid to shareholders of £69.4m (2012: £57.9m), was £192.2m (2012: £51.3m) which was mainly in respect of dividends received from subsidiaries.

The Group settled in cash the tax element of the share awards vested in March 2013 amounting to £7.6m of which the Company settled £7.3m (2012: £5.4m).

During the year ended 31 December 2013, the Company purchased, through its Employee Benefit Trust, 300,000 (2012: 27,500) of its own shares with an aggregate nominal value of £3,000 (2012: £275) for £9.1m (2012: £0.8m) which was charged to profit and loss in equity.

(g) Related party transactions

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

(h) Contingent liabilities

The Company is a member of a group of UK companies that are part of a composite banking cross guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool, guaranteeing the total gross liability position of the pool which was £16.1m at 31 December 2013 (2012: £22.7m).

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

(i) Post balance sheet events

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

Other

Shareholder and corporate information

Shareholders' enquiries

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

Electronic shareholder communications

Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by email each time the Company distributes documents, instead of receiving a paper version of such documents. Registering for electronic communication is very straightforward and can be done via Shareview, www.shareview.co.uk. Shareview is Equiniti's suite of online services that helps shareholders to manage their holdings and gives access to a wide range of useful information.

There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any documents in the future, you may do so by contacting the Registrar by email or by post.

The facility also allows shareholders to view their holding details, submit a proxy vote for shareholder meetings, complete a change of address and provide dividend mandates online. Shareholders can also find out what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers.

ShareGift

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

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

Share price information

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

Financial calendar

Financial year end	31 December 2013
Results announced	3 March 2014
Annual General Meeting	16 May 2014
Ex-dividend date for final dividend	21 May 2014
Record date for final dividend	23 May 2014
Final dividend payable	6 June 2014
Interim results announced	4 August 2014
Ex-dividend date for interim dividend	1 October 2014
Record date for interim dividend	3 October 2014
Interim dividend payable	14 October 2014

All future dates are indicative and subject to change.

Investor relations

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

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ISIN: GB0031638363

London Stock Exchange
Support Services
FTSE 100
Symbol: ITRK

Other

Global Reporting Initiative Index

Profile disclosures		Inclusion	Location	Comments
1	**Strategy & analysis**			
1.1	Statement from the most senior decision-maker of the organisation	✔	p. 4 and 5	
2	**Organisational profile**			
2.1	Name of the organisation	✔	Intertek at a glance	
2.2	Primary brands, products, and/or services	✔	Intertek at a glance	
2.3	Operational structure of the organisation, including main divisions	✔	Intertek at a glance	
2.4	Location of organisation's headquarters	✔	p. 121	
2.5	Number of countries where the organisation operates	✔	Intertek at a glance	
2.6	Nature of ownership and legal form	✔	p. 81	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	✔	Intertek at a glance	
2.8	Scale of the reporting organisation	✔	Intertek at a glance	
2.9	Significant changes during the reporting period regarding size, structure or ownership	✔	p. 2 and 3	Operating Review, no significant changes to report
2.10	Awards received in the reporting period	✔	p. 32 and 36	
3	**Report parameters**			
3.1	Reporting period	✔	–	1 January – 31 December 2013
3.2	Date of most recent previous report	✔	–	2012 Annual Report
3.3	Reporting cycle	✔	–	Annual
3.4	Contact point for questions regarding the report or its contents	✔	p. 121	
3.5	Process for defining report content	✔	p. 72	
3.6	Boundary of the report	✔	p. 116	
3.7	Limitations on the scope or boundary of the report	✔	p. 81	
3.8	Basis for reporting on joint ventures, subsidiaries and other entities	✔	p. 81	
3.10	Re-statements of information provided in earlier reports	✔	N/A	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	✔	N/A	
3.12	GRI Content Index	✔	p. 122 and 123	GRI Content Index
4	**Governance, commitments and engagement**			
4.1	Governance structure of the organisation, including committees under the highest governance body	✔	p. 41 to 48	Corporate Governance Report
4.2	Independence of the Chair of the highest governance body	✔	p. 45	Board balance and independence
4.3	Details of the organisation's unitary board structure, if applicable	✔	p. 44 and 45	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	✔	p. 32 and 55	
4.14	List of stakeholder groups engaged by the organisation	✔	Intertek at a glance p. 2 to 5 and 43	
4.15	Basis for identification and selection of stakeholders with whom to engage	✔	p. 6 to 8, 14 to 17	Underpinned by business model, strategy and risk management

Performance indicators		Inclusion	Location	Comments
EC1	Direct economic value generated and distributed	✔	p. 76 to 120	
EC3	Coverage of the organisation's defined benefit plan obligations	✔	p. 108 to 112	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant level of the organisation	P	p. 32	Description of employment policies and practices
EN3	Direct energy consumption by primary energy source	✔	p. 35	
EN4	Indirect energy consumption by primary source	✔	p. 35	
EN5	Energy saved due to conversation and efficiency improvements	P	p. 35	Description of activities undertaken
EN6	Initiatives to provide energy efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	P	p. 34 and 35	Description of some of the services provided to clients
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	P	p. 35	Description of some of the initiatives undertaken in reporting period
EN16	Total direct and indirect greenhouse gas emissions by weight	✔	p. 35	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	P	p. 35	Some initiatives identified
HR4	Total number of incidents of discrimination and corrective actions taken	P	p. 32	Description of employment policies and practices
LA1	Total workforce by employment type, employment contract and region	P	p. 33	Data exists on number of employees by global region
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	✔	–	Minimum notice periods, where applicable, are governed by local law
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	✔	p. 34	Data on rates of injuries and work-related fatalities
LA11	Programs for skills management and lifelong learning that support the continued employability of employees assist them in managing career endings	P	p. 33	Number of courses and number of courses undertaken by employees
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group and minority group membership	P	p. 32, 38 to 48	
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	P	p. 36 to 37	Description of activities undertaken
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	✔	p. 33	
SO4	Actions taken in response to incidents of corruption	✔	p. 33	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	✔	p. 71	'Political Donations'

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

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