Financial statements

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Consolidated income statement

For the year ended 31 December 2015	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2015 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2014 £m
Revenue	2	**2,166.3**	**–**	**2,166.3**	2,093.3	–	2,093.3
Operating costs		**(1,822.9)**	**(626.9)**	**(2,449.8)**	(1,768.9)	(47.8)	(1,816.7)
Group operating profit/(loss)	2	**343.4**	**(626.9)**	**(283.5)**	324.4	(47.8)	276.6
Finance income	14	**1.0**	**–**	**1.0**	1.8	–	1.8
Finance expense	14	**(25.2)**	**–**	**(25.2)**	(26.0)	(0.2)	(26.2)
Net financing costs		**(24.2)**	**–**	**(24.2)**	(24.2)	(0.2)	(24.4)
Profit/(loss) before income tax		**319.2**	**(626.9)**	**(307.7)**	300.2	(48.0)	252.2
Income tax expense	6	**(77.5)**	**38.2**	**(39.3)**	(72.0)	10.2	(61.8)
Profit/(loss) for the year	2	**241.7**	**(588.7)**	**(347.0)**	228.2	(37.8)	190.4
Attributable to:							
Equity holders of the Company		**228.2**	**(588.7)**	**(360.5)**	214.1	(37.8)	176.3
Non-controlling interest	20	**13.5**	**–**	**13.5**	14.1	–	14.1
Profit/(loss) for the year		**241.7**	**(588.7)**	**(347.0)**	228.2	(37.8)	190.4
Earnings per share**							
Basic	7			**(224.2)p**			109.5p
Diluted	7			**(224.2)p**			108.8p

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

Consolidated statement of comprehensive income

For the year ended 31 December 2015	Notes	2015 £m	2014 £m
(Loss)/profit for the year	2	**(347.0)**	190.4
Other comprehensive income			
Remeasurements on defined benefit pension schemes	16	**(2.2)**	(12.9)
Income tax recognised in other comprehensive income	6	**–**	(0.1)
Items that will never be reclassified to profit or loss		**(2.2)**	(13.0)
Foreign exchange translation differences of foreign operations	14	**2.0**	31.9
Net exchange loss on hedges of net investments in foreign operations	14	**(33.1)**	(42.9)
Gain on fair value of cash flow hedges	14	**–**	0.2
Tax on items that are or may be reclassified subsequently to profit or loss	6	**3.0**	(7.8)
Items that are or may be reclassified subsequently to profit or loss		**(28.1)**	(18.6)
Total other comprehensive expense for the year		**(30.3)**	(31.6)
Total comprehensive income for the year		**(377.3)**	158.8
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**(391.8)**	144.0
Non-controlling interest	20	**14.5**	14.8
Total comprehensive income for the year		**(377.3)**	158.8

Financial statements
Consolidated statement of financial position

As at 31 December 2015	Notes	2015 £m	2014 £m
Assets			
Property, plant and equipment	8	**365.3**	363.3
Goodwill	9	**471.1**	779.9
Other intangible assets	9	**160.4**	174.9
Investments in associates		**0.3**	1.4
Deferred tax assets	6	**42.7**	24.6
Total non-current assets		**1,039.8**	1,344.1
Inventories		**16.1**	14.7
Trade and other receivables	11	**583.5**	526.5
Cash and cash equivalents	14	**116.0**	119.5
Current tax receivable		**15.6**	14.1
Total current assets		**731.2**	674.8
Total assets		**1,771.0**	2,018.9
Liabilities			
Interest bearing loans and borrowings	14	**(96.7)**	(89.8)
Current taxes payable		**(52.6)**	(53.4)
Trade and other payables	12	**(356.6)**	(301.8)
Provisions	13	**(30.7)**	(23.4)
Total current liabilities		**(536.6)**	(468.4)
Interest bearing loans and borrowings	14	**(794.7)**	(663.2)
Deferred tax liabilities	6	**(51.7)**	(35.2)
Net pension liabilities	16	**(26.9)**	(25.3)
Other payables	12	**(17.3)**	(16.1)
Provisions	13	**(4.4)**	(4.0)
Total non-current liabilities		**(895.0)**	(743.8)
Total liabilities		**(1,431.6)**	(1,212.2)
Net assets		**339.4**	806.7
Equity			
Share capital	15	**1.6**	1.6
Share premium		**257.8**	257.8
Other reserves		**(58.0)**	(25.9)
Retained earnings		**110.2**	547.1
Total equity attributable to equity holders of the Company		**311.6**	780.6
Non-controlling interest	20	**27.8**	26.1
Total equity		**339.4**	806.7

The financial statements on pages 90 to 132 were approved by the Board on 1 March 2016 and were signed on its behalf by:

ANDRE LACROIX
Chief Executive Officer

EDWARD LEIGH
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2015	Notes	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings* £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
		Attributable to equity holders of the Company							
				Other reserves					
At 1 January 2014		1.6	257.8	(20.6)	6.4	487.4	**732.6**	24.1	**756.7**
Total comprehensive income for the year									
Profit		–	–	–	–	176.3	**176.3**	14.1	**190.4**
Other comprehensive income		–	–	(11.7)	–	(20.6)	**(32.3)**	0.7	**(31.6)**
Total comprehensive income for the year		–	–	(11.7)	–	155.7	**144.0**	14.8	**158.8**
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	15	–	–	–	–	(75.5)	**(75.5)**	(12.8)	**(88.3)**
Purchase of own shares	15	–	–	–	–	(20.6)	**(20.6)**	–	**(20.6)**
Tax paid on share awards vested**		–	–	–	–	(6.8)	**(6.8)**	–	**(6.8)**
Equity-settled transactions	17	–	–	–	–	7.6	**7.6**	–	**7.6**
Income tax on equity-settled transactions	6	–	–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Total contributions by and distributions to the owners of the company		–	–	–	–	(96.0)	**(96.0)**	(12.8)	**(108.8)**
At 31 December 2014		**1.6**	**257.8**	**(32.3)**	**6.4**	**547.1**	**780.6**	**26.1**	**806.7**
At 1 January 2015		**1.6**	**257.8**	**(32.3)**	**6.4**	**547.1**	**780.6**	**26.1**	**806.7**
Total comprehensive income for the year									
(Loss)/profit		–	–	–	–	(360.5)	**(360.5)**	13.5	**(347.0)**
Other comprehensive income		–	–	(32.1)	–	0.8	**(31.3)**	1.0	**(30.3)**
Total comprehensive income for the year		–	–	(32.1)	–	(359.7)	**(391.8)**	14.5	**(377.3)**
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	15	–	–	–	–	(80.7)	**(80.7)**	(13.3)	**(94.0)**
Purchase of non-controlling interest		–	–	–	–	(0.7)	**(0.7)**	0.5	**(0.2)**
Purchase of own shares	15	–	–	–	–	(5.2)	**(5.2)**	–	**(5.2)**
Tax paid on share awards vested**	17	–	–	–	–	(3.0)	**(3.0)**	–	**(3.0)**
Equity-settled transactions	17	–	–	–	–	12.9	**12.9**	–	**12.9**
Income tax on equity-settled transactions	6	–	–	–	–	(0.5)	**(0.5)**	–	**(0.5)**
Total contributions by and distributions to the owners of the company		–	–	–	–	(77.2)	**(77.2)**	(12.8)	**(90.0)**
At 31 December 2015		**1.6**	**257.8**	**(64.4)**	**6.4**	**110.2**	**311.6**	**27.8**	**339.4**

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

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

Financial statements
Consolidated statement of cash flows

For the year ended 31 December 2015	Notes	2015 £m	2014 £m
Cash flows from operating activities			
(Loss)/profit for the year	2	**(347.0)**	190.4
Adjustments for:			
Depreciation charge	8	**75.1**	69.0
Amortisation of software	9	**10.1**	7.3
Amortisation of acquisition intangibles	9	**21.4**	20.8
Impairment of goodwill and other assets	8,9	**589.4**	–
Equity-settled transactions	17	**12.9**	7.6
Net financing costs	14	**24.2**	24.4
Income tax expense	6	**39.3**	61.8
Loss on disposal of property, plant, equipment and software		**0.2**	0.4
Operating cash flows before changes in working capital and operating provisions		**425.6**	381.7
Change in inventories		**(1.0)**	(2.1)
Change in trade and other receivables		**(10.8)**	(2.6)
Change in trade and other payables		**24.9**	8.8
Change in provisions		**6.4**	1.9
Special contributions into pension schemes	16	**(2.8)**	(0.9)
Cash generated from operations		**442.3**	386.8
Interest and other finance expense paid		**(26.4)**	(27.9)
Income taxes paid		**(70.8)**	(67.4)
Net cash flows generated from operating activities		**345.1**	291.5
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software		**1.3**	1.0
Interest received		**1.0**	1.8
Acquisition of subsidiaries, net of cash acquired	10	**(231.3)**	(40.2)
Consideration paid in respect of prior year acquisitions	13	**–**	(0.3)
Purchase of non-controlling interest	20	**(0.3)**	–
Sale of associate		**1.1**	–
Acquisition of property, plant, equipment and software	8,9	**(112.2)**	(109.5)
Net cash flows used in investing activities		**(340.4)**	(147.2)
Cash flows from financing activities			
Purchase of own shares	15	**(5.2)**	(20.6)
Tax paid on share awards vested		**(3.0)**	(6.8)
Drawdown of borrowings		**169.0**	103.8
Repayment of borrowings		**(63.5)**	(129.5)
Dividends paid to non-controlling interest	20	**(13.3)**	(12.8)
Equity dividends paid	15	**(80.7)**	(75.5)
Net cash flow used in financing activities		**3.3**	(141.4)
Net increase in cash and cash equivalents	14	**8.0**	2.9
Cash and cash equivalents at 1 January	14	**119.5**	116.4
Effect of exchange rate fluctuations on cash held	14	**(11.5)**	0.2
Cash and cash equivalents at 31 December	14	**116.0**	119.5

The notes on pages 95 to 132 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £23.4m for year ended 31 December 2015 (2014: £16.9m).

Notes to the financial statements

1 Significant accounting policies

BASIS OF PREPARATION

Accounting policies applicable to more than one section of the financial statements are shown below. Where accounting policies relate to a specific note in the financial statements, they are set out within that note, to provide readers of the financial statements with a more useful layout to the financial information presented.

Statement of compliance

Intertek Group plc is a company incorporated and domiciled in the UK.

The Group financial statements as at and for the year ended 31 December 2015 consolidate those of the Company and its subsidiaries (together referred to as the Group) and include the Group's interest in associates. The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group. The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 133 to 137.

IFRS's announced but not yet effective

The following IFRS's have been announced but are not yet effective in the preparation of these financial statements. Their adoption is not expected to have a material effect on the financial statements, unless otherwise indicated:

Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016).

Annual Improvements to IFRS's – 2012-2014 Cycle (effective 1 January 2016).

IFRS 15 Revenue from contracts with customers (effective 1 January 2018, not yet endorsed by the International Accounting Standards Board ('IASB')).

IFRS 16 Leases (effective 1 January 2019, not yet endorsed by the IASB) – management has not yet completed its analysis of this standard.

IFRS 9 Financial Instruments (not yet endorsed by the IASB) – management has not yet completed its analysis of this standard.

Measurement convention

The financial statements are prepared on the historical cost basis except as discussed in the relevant accounting policies.

Functional and presentation currency

These consolidated financial statements are presented in sterling, which is the Company's functional currency. All information presented in sterling has been rounded to the nearest £0.1m.

Changes in accounting policies

The accounting policies set out in these financial statements have been applied consistently to all years presented.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015 but do not have a significant effect on the consolidated financial statements of the Group.

Going concern

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

BASIS OF CONSOLIDATION

Subsidiaries

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

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

Transactions eliminated on consolidation

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

1 Significant accounting policies (continued)

FOREIGN CURRENCY

Foreign currency transactions

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

Foreign operations

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

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

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

	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
Value of £1	**31 Dec 2015**	**31 Dec 2014**	**2015**	**2014**
US dollar	**1.48**	1.55	**1.53**	1.65
Euro	**1.36**	1.28	**1.38**	1.24
Chinese renminbi	**9.61**	9.65	**9.62**	10.15
Hong Kong dollar	**11.48**	12.04	**11.87**	12.80
Australian dollar	**2.03**	1.91	**2.04**	1.83

USE OF JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Income tax

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

Deferred tax

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

Basis of consolidation

Judgement is applied when determining if the Group controls a subsidiary or associate. In assessing control, the Group considers whether it has power over the investee to affect the amount of investor returns; see page 95 'Basis of consolidation' policy.

Intangible assets

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

Restructuring

In making a provision for restructuring, management has based its estimate of future costs on the specific circumstances of each local and regional restructuring plan, including estimated costs and timing of completion.

ESTIMATES

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

Claims

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

1 Significant accounting policies (continued)

Impairment of goodwill

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

Contingent consideration

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

Employee post-retirement benefit obligations

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

Recoverability of trade receivables

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

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

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

2 Operating segments and presentation of results

ACCOUNTING POLICY

Revenue

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

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

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

Payments received in advance from customers are recognised in deferred income where services have not yet been rendered.

OPERATING SEGMENTS

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

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The performance of the segments is assessed based on adjusted operating profit which is stated before Separately Disclosed Items. A reconciliation to operating profit by division and Group profit for the year is included overleaf.

2 Operating segments and presentation of results (continued)

Principal activities are as follows:

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

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

Chemicals & Pharmaceuticals – Serving a wide range of industries, including chemicals and refined products, pharmaceutical, healthcare and beauty, and automotive and aerospace, the division offers advanced laboratory measurement and expert consultancy related technical support services and sustainability solutions. It has an established track record of success in laboratory outsourcing with many large, internationally recognised companies. The division's world leading technical experts also support internal technical development. Our customers include leading brands and suppliers of products and R&D to the pharma industries, makers of healthcare and beauty products, and a wide range of industrial and consumer-facing corporations who use our expertise to help them develop the materials and chemicals of the future.

Commodities – Provides independent cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum, mining, minerals and biofuels industries. The division also provides services to governments and regulatory bodies to support trade activities that help the flow of goods across borders. Our customers are global and national commodities retailers, traders and storage companies, and government ministry clients in the Middle East, Africa and South America.

Industry & Assurance – Using in-depth knowledge of the oil, gas, nuclear, power, renewable energy, construction, food, chemical and agricultural industries, the division provides a diverse range of services to help customers optimise their assets and meet global quality standards for their products. Our services provide clients with independent verification of the integrity of new assets being constructed, and existing assets being maintained, with key services that include technical inspection, asset integrity management, analytical testing, and consulting and training services. The division also provides quality and safety services to the Food and Agri sectors, certification services, second-party supplier auditing, sustainability data verification and process performance analysis. Our customers include the owners, operators and developers of new and existing industrial infrastructure, global food and hospitality brands and their suppliers, and the world's agricultural trading companies and growers.

The results of these divisions for the year ended 31 December 2015 are shown below:

Year ended 31 December 2015

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit/(loss) £m
Consumer Goods	404.3	(11.9)	136.1	(6.3)	129.8
Commercial & Electrical	411.7	(25.2)	60.5	(10.2)	50.3
Chemicals & Pharmaceuticals	183.8	(5.0)	22.3	(2.8)	19.5
Commodities	554.8	(20.5)	79.1	(6.4)	72.7
Industry & Assurance	611.7	(13.4)	45.4	(601.2)	(555.8)
Total	**2,166.3**	**(76.0)**	**343.4**	**(626.9)**	**(283.5)**
Group operating profit/(loss)			**343.4**	**(626.9)**	**(283.5)**
Net financing costs			(24.2)	–	(24.2)
Profit/(loss) before income tax			**319.2**	**(626.9)**	**(307.7)**
Income tax expense			(77.5)	38.2	(39.3)
Profit/(loss) for the year			**241.7**	**(588.7)**	**(347.0)**

* Depreciation and software amortisation of £85.2m (2014: £76.3m) includes unallocated charges of £9.2m (2014: £6.6m).

2 Operating segments and presentation of results (continued)

Year ended 31 December 2014

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Consumer Goods	375.3	(11.3)	124.8	(2.4)	122.4
Commercial & Electrical	359.6	(21.4)	51.0	(5.6)	45.4
Chemicals & Pharmaceuticals	173.1	(4.9)	18.6	(6.9)	11.7
Commodities	542.4	(21.7)	65.5	(10.5)	55.0
Industry & Assurance	642.9	(10.4)	64.5	(22.4)	42.1
Total	2,093.3	(69.7)	324.4	(47.8)	276.6
Group operating profit			324.4	(47.8)	276.6
Net financing costs			(24.2)	(0.2)	(24.4)
Profit before income tax			300.2	(48.0)	252.2
Income tax expense			(72.0)	10.2	(61.8)
Profit for the year			228.2	(37.8)	190.4

GEOGRAPHIC SEGMENTS

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

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

	Revenue from external customers		Non-current assets	
	2015 £m	2014 £m	**2015 £m**	2014 £m
China (including Hong Kong)	**422.6**	389.6	**51.0**	48.9
Other	**358.6**	341.6	**93.3**	121.3
Total Asia Pacific	**781.2**	731.2	**144.3**	170.2
United States	**609.1**	541.5	**552.8**	590.3
Other	**154.9**	164.9	**53.0**	36.8
Total Americas	**764.0**	706.4	**605.8**	627.1
United Kingdom	**171.7**	179.9	**131.9**	384.5
Other	**449.4**	475.8	**132.3**	151.4
Total Europe, Middle East and Africa	**621.1**	655.7	**264.2**	535.9
Unallocated	**–**	–	**25.5**	10.9
Total	**2,166.3**	2,093.3	**1,039.8**	1,344.1

MAJOR CUSTOMERS

No revenue from any individual customer exceeded 10% of total Group revenue in 2014 or 2015.

3 Separately Disclosed Items

ACCOUNTING POLICY

Adjusted results

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

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

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

3 Separately Disclosed Items (continued)

SEPARATELY DISCLOSED ITEMS

The Separately Disclosed Items are described in the table below:

		2015 £m	2014 £m
Operating costs:			
Amortisation of acquisition intangibles	(a)	**(21.4)**	(20.8)
Acquisition costs	(b)	**(5.8)**	(3.5)
Restructuring costs	(c)	**(6.7)**	(23.5)
Impairment of goodwill and other assets	(d)	**(589.4)**	–
Material claims and settlements	(e)	**(3.6)**	–
Total operating costs		**(626.9)**	(47.8)
Net financing costs		**–**	(0.2)
Total before income tax		**(626.9)**	(48.0)
Income tax credit on Separately Disclosed Items		**38.2**	10.2
Total		**(588.7)**	(37.8)

(a) Of the amortisation of acquisition intangibles in the current year, £13.4m (2014: £13.3m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited ('Moody') in 2011.

(b) Acquisition costs comprise £5.2m (2014: £1.3m) for transaction costs in respect of current year acquisitions, and £0.6m in respect of prior years' acquisitions (2014: £2.2m).

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

(d) Impairment of goodwill and other assets of £589.4m (2014: £nil) comprises £577.3m for the Industry Services CGU (consisting of £481.4m relating to goodwill, £60.3m relating to the customer contracts and customer relationships and £35.6m relating to property, plant & equipment) and £12.1m in respect of computer software.

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

4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2015 £m	2014 £m
Employee costs	**956.2**	921.5
Depreciation and software amortisation	**85.2**	76.3
Impairment of goodwill and other assets	**589.4**	–
Other expenses	**819.0**	818.9
Total	**2,449.8**	1,816.7

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

	2015 £m	2014 £m
Included in profit for the year are the following expenses:		
Property rentals	**65.6**	59.2
Lease and hire charges – fixtures, fittings and equipment	**17.1**	15.2
Depreciation and software amortisation	**85.2**	76.3
Impairment of goodwill and other assets	**589.4**	–
Loss on disposal of property, fixtures, fittings, equipment and software	**0.2**	0.4
Auditor's remuneration:		
Audit of these financial statements	**0.5**	0.4
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**2.0**	1.9
Total audit fees payable pursuant to legislation	**2.5**	2.3
Taxation compliance services	**0.3**	0.3
Taxation advisory services	**0.1**	0.1
Other	**0.2**	0.2
Total	**3.1**	2.9

The auditors and their associates were paid £11,000 (2014: £16,000) in respect of the audit of Group pension schemes.

5 Employees

Total employee costs are shown below:

Employee costs	2015 £m	2014 £m
Wages and salaries	**814.3**	785.0
Equity-settled transactions	**12.9**	7.6
Social security costs	**89.4**	91.8
Pension costs (note 16)	**39.6**	37.1
Total employee costs	**956.2**	921.5

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

Average number of employees by division	2015	2014
Consumer Goods	**10,898**	10,789
Commercial & Electrical	**5,812**	5,442
Chemicals & Pharmaceuticals	**1,770**	1,745
Commodities	**9,879**	10,252
Industry & Assurance	**10,305**	9,690
Central	**271**	244
Total average number for the year ended 31 December	**38,935**	38,162
Total actual number at 31 December	**41,434**	38,407

The total remuneration of the Directors is shown below:

Directors' emoluments	2015 £m	2014 £m
Directors' remuneration	**4.6**	2.9
Amounts charged under the long-term incentive scheme	**–**	0.4
Company contributions to the defined contribution schemes	**0.2**	0.3
Total Directors' emoluments	**4.8**	3.6

6 Taxation

ACCOUNTING POLICY

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

Current tax

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

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

Deferred tax

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

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

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

6 Taxation (continued)

Deferred tax (continued)

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

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

TAX EXPENSE

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

The income tax expense for the loss before tax for the year ended 31 December 2015 is £39.3m (2014: £61.8m). The Group's consolidated effective tax rate for the year ended 31 December 2015 is (12.8)% (2014: 24.5%).

The income tax expense for the adjusted profit before tax for the year ended 31 December 2015 is £77.5m (2014: £72.0m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2015 is 24.3% (2014: 24.0%).

Differences between the consolidated effective tax rate of (12.8)% and notional statutory UK rate of 20.25% include, but are not limited to; the mix of profits, the effect of tax rates in foreign jurisdictions, non-deductible expenses, the effect of utilised tax losses and under/over provisions in previous periods.

The Group receives tax incentives in certain jurisdictions, resulting in a lower tax charge to the income statement. Without these incentives the adjusted effective tax rate would be 26.7% (2014: 27.1%). There is no guarantee that these reduced rates will continue to be applicable in future years (see note 22).

Following the acquisition of the US businesses, PSI and the MT Group (see note 10), our expectation is that our effective tax rate for the forthcoming year is likely to increase.

Tax charge

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

	2015 £m	**2014 £m**
Current tax charge for the period	**72.6**	65.1
Adjustments relating to prior year liabilities	**(2.6)**	–
Current tax	**70.0**	65.1
Deferred tax movement related to current year	**(35.1)**	(6.3)
Deferred tax movement related to prior year	**4.4**	3.0
Deferred tax movement	**(30.7)**	(3.3)
Total tax in income statement	**39.3**	61.8
Tax on adjusted result	**77.5**	72.0
Tax on Separately Disclosed Items	**(38.2)**	(10.2)
Total tax in income statement	**39.3**	61.8

Reconciliation of effective tax rate

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective tax rate of the Group on profit before taxation.

	2015 £m	**2014 £m**
(Loss)/profit before taxation	**(307.7)**	252.2
Notional tax charge at UK standard rate 20.25% (2014: 21.50%)	**(62.3)**	54.2
Differences in overseas tax rates	**(2.6)**	(5.6)
Tax on dividends	**7.0**	7.5
Non-deductible expenses	**3.5**	6.8
Tax exempt income	**(3.9)**	(6.7)
Impairment losses with no tax effect	**97.3**	–
Movement in unrecognised deferred tax	**0.5**	4.0
Adjustments in respect of prior years	**1.8**	3.0
Other*	**(2.0)**	(1.4)
Total tax in income statement	**39.3**	61.8

* The Other category contains R&D tax credits £0.9m (2014: £nil).

6 Taxation (continued)

Reconciliation of effective tax rate (continued)

During 2015, the UK Government announced a phased reduction in the main rate of corporation tax from 20% to 18% over a period of three years from 1 April 2017. The reduction in the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 was substantively enacted in October 2015.

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

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

	Before tax 2015 £m	**Tax credit 2015 £m**	**Net of tax 2015 £m**	Before tax 2014 £m	Tax charge 2014 £m	Net of tax 2014 £m
Foreign exchange translation differences of foreign operations	**2.0**	**–**	**2.0**	31.9	–	31.9
Net exchange (loss)/gain on hedges of net investments in foreign operations	**(33.1)**	**–**	**(33.1)**	(42.9)	–	(42.9)
Gain on fair value of cash flow hedges	**–**	**–**	**–**	0.2	–	0.2
Remeasurements on defined benefit pension schemes	**(2.2)**	**–**	**(2.2)**	(12.9)	(0.1)	(13.0)
Deferred tax assets recognised in other comprehensive income	**–**	**3.0**	**3.0**	–	(7.8)	(7.8)
Total other comprehensive income for the year	**(33.3)**	**3.0**	**(30.3)**	(23.7)	(7.9)	(31.6)

Income tax recognised directly in equity

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

	Before tax 2015 £m	**Tax charge 2015 £m**	**Net of tax 2015 £m**	Before tax 2014 £m	Tax credit 2014 £m	Net of tax 2014 £m
Equity-settled transactions	**12.9**	**(0.5)**	**12.4**	7.6	(0.7)	6.9

DEFERRED TAX

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2015 £m	Assets 2014 £m	**Liabilities 2015 £m**	Liabilities 2014 £m	**Net 2015 £m**	Net 2014 £m
Intangible assets	**0.4**	0.6	**(67.6)**	(51.2)	**(67.2)**	(50.6)
Property, fixtures, fittings and equipment	**19.1**	5.7	**(5.6)**	(3.3)	**13.5**	2.4
Pensions	**1.3**	1.0	**–**	–	**1.3**	1.0
Equity-settled transactions	**4.3**	4.6	**–**	–	**4.3**	4.6
Provisions and other temporary differences	**29.2**	32.2	**(1.9)**	(3.7)	**27.3**	28.5
Tax value of losses	**11.8**	3.5	**–**	–	**11.8**	3.5
Total	**66.1**	47.6	**(75.1)**	(58.2)	**(9.0)**	(10.6)
As shown on balance sheet:						
Deferred tax assets*					**42.7**	24.6
Deferred tax liabilities*					**(51.7)**	(35.2)
Total					**(9.0)**	(10.6)

* The deferred tax by category shown above is not netted off within companies or jurisdictions. The balance sheet shows the net position within companies or jurisdictions. The difference between the two asset and liability totals is £23.4m, but the net liability of £9.0m is the same in both cases.

6 Taxation (continued)

Movements in deferred tax temporary differences during the year

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

	1 January 2015 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2015 £m
Intangible assets	(50.6)	(3.0)	(26.2)	12.6	–	**(67.2)**
Property, fixtures, fittings and equipment	2.4	(0.7)	–	11.8	–	**13.5**
Pensions	1.0	–	–	0.3	–	**1.3**
Equity-settled transactions	4.6	0.1	–	(0.8)	0.4	**4.3**
Provisions and other temporary differences	28.5	0.6	–	(1.8)	–	**27.3**
Tax value of losses	3.5	(0.3)	–	8.6	–	**11.8**
Total	**(10.6)**	**(3.3)**	**(26.2)**	**30.7**	**0.4**	**(9.0)**

	1 January 2014 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2014 £m
Intangible assets	(51.4)	(2.2)	(0.1)	3.3	(0.2)	(50.6)
Property, fixtures, fittings and equipment	4.3	0.9	–	(2.8)	–	2.4
Pensions	0.9	–	–	0.2	(0.1)	1.0
Equity-settled transactions	6.8	–	–	(0.2)	(2.0)	4.6
Provisions and other temporary differences	23.7	1.4	–	3.4	–	28.5
Tax value of losses	9.9	(0.4)	–	(0.6)	(5.4)	3.5
Total	(5.8)	(0.3)	(0.1)	3.3	(7.7)	(10.6)

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the items shown below. The numbers shown are the gross temporary differences, and to calculate the potential deferred tax asset it is necessary to multiply these by the tax rates in each case:

	2015 £m	2014 £m
Property, fixtures, fittings and equipment	**46.4**	24.2
Pensions	**18.4**	19.2
Intangibles	**22.8**	–
Equity-settled transactions	**–**	0.5
Provisions and other temporary differences	**12.1**	21.9
Tax losses	**71.9**	67.4
Total	**171.6**	133.2

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

There is a temporary difference of £206.1m (2014: £214.6m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from, or sell, the associated subsidiaries in the foreseeable future.

7 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Basic loss per share in 2015 is therefore equal to diluted loss per share.

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

	2015 £m	2014 £m
(Loss)/profit attributable to ordinary shareholders	**(360.5)**	176.3
Separately Disclosed Items after tax (note 3)	**588.7**	37.8
Adjusted earnings	**228.2**	214.1
Number of shares (millions)		
Basic weighted average number of ordinary shares	**160.8**	161.0
Potentially dilutive share awards	**1.4**	1.1
Diluted weighted average number of shares	**162.2**	162.1
Basic (loss)/earnings per share	**(224.2)p**	109.5p
Potentially dilutive share awards	**–**	(0.7)p
Diluted (loss)/earnings per share	**(224.2)p**	108.8p
Adjusted basic earnings per share	**141.9p**	133.0p
Potentially dilutive share awards	**(1.2)p**	(0.9)p
Adjusted diluted earnings per share	**140.7p**	132.1p

8 Property, plant and equipment

ACCOUNTING POLICY

Property, plant and equipment

Owned assets

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

Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Where land and buildings are held under finance leases, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Other leases are operating leases

These leased assets are not recognised in the Group's statement of financial position.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Leased assets are depreciated over the shorter of the expected lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Freehold buildings and long leasehold buildings	50 years
Short leasehold buildings	Term of lease
Fixtures, fittings, plant and equipment	3 to 10 years

Depreciation methods, residual values and the useful lives of assets are reassessed at each reporting date.

Impairment

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the level of any impairment.

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 2014	67.7	680.1	747.8
Exchange adjustments	(0.7)	12.5	11.8
Additions	3.9	86.1	90.0
Impairments	–	(0.7)	(0.7)
Disposals	(0.2)	(13.4)	(13.6)
Transfer to assets held for resale	–	(1.2)	(1.2)
Businesses acquired (note 10)	–	3.4	3.4
At 31 December 2014	70.7	766.8	837.5
Depreciation			
At 1 January 2014	13.9	396.8	410.7
Exchange adjustments	(0.3)	7.9	7.6
Charge for the year	2.8	66.2	69.0
Impairments	–	(0.4)	(0.4)
Disposals	(0.1)	(12.1)	(12.2)
Transfer to assets held for resale	–	(0.5)	(0.5)
At 31 December 2014	16.3	457.9	474.2
Net book value at 31 December 2014	54.4	308.9	363.3
Cost			
At 1 January 2015	70.7	766.8	837.5
Exchange adjustments	3.2	(7.2)	(4.0)
Additions	2.1	93.3	95.4
Disposals	(0.4)	(14.6)	(15.0)
Businesses acquired (note 10)	6.8	13.9	20.7
At 31 December 2015	**82.4**	**852.2**	**934.6**
Depreciation			
At 1 January 2015	16.3	457.9	474.2
Exchange adjustments	0.5	(2.6)	(2.1)
Charge for the year	2.8	72.3	75.1
Impairments (note 9)	1.3	34.3	35.6
Disposals	(0.1)	(13.4)	(13.5)
At 31 December 2015	**20.8**	**548.5**	**569.3**
Net book value at 31 December 2015	**61.6**	**303.7**	**365.3**

Fixtures, fittings, plant and equipment include assets in the course of construction of £34.9m at 31 December 2015 (2014: £27.3m), mainly comprising laboratories under construction. These assets will not be depreciated until they are available for use.

The net book value of land and buildings comprised:

	2015 £m	2014 £m
Freehold	**55.5**	47.7
Long leasehold	**2.3**	2.3
Short leasehold	**3.8**	4.4
Total	**61.6**	54.4

8 Property, plant and equipment (continued)

Commitments

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the expected term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

At 31 December, the Group had future unprovided commitments under non-cancellable operating leases due as follows:

	Land and buildings 2015 £m	Other 2015 £m	Total 2015 £m	Land and buildings 2014 £m	Other 2014 £m	Total 2014 £m
Within one year	**51.5**	**5.0**	**56.5**	50.8	7.9	58.7
In the second to fifth years inclusive	**84.5**	**5.0**	**89.5**	85.3	5.5	90.8
Over five years	**62.6**	**–**	**62.6**	47.8	–	47.8
Total	**198.6**	**10.0**	**208.6**	183.9	13.4	197.3

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

Contracts for capital expenditure which are not provided in the financial statements amounted to £4.4m (2014: £6.2m).

9 Goodwill and other intangible assets

ACCOUNTING POLICY

Goodwill

Goodwill arises on the acquisition of businesses. Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets and liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units ('CGUs') and is not amortised but is tested annually for impairment.

Acquisitions on or after 1 January 2010

From 1 January 2010, the Group has prospectively applied IFRS 3 'Business Combinations (revised 2008)'.

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is obtained.

The Group measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Costs relating to acquisitions are shown in Separately Disclosed Items.

Any contingent consideration payable is recognised at fair value at the acquisition date with subsequent changes recognised in profit or loss.

If at the reporting date the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities can only be established provisionally, then these values are used. Adjustments to the fair values can be made within 12 months of the acquisition date and are taken as adjustments to goodwill.

Acquisitions between 1 January 2004 and 31 December 2009

For acquisitions between 1 January 2004 and 31 December 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

The Group has taken advantage of the exemption permitted by IFRS 1 and has not restated goodwill on acquisitions prior to 1 January 2004, the date of transition to IFRS. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the Group's previous accounting framework.

9 Goodwill and other intangible assets (continued)

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

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

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

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

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

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

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

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

9 Goodwill and other intangible assets (continued)

INTANGIBLES

The intangibles employed by the business are analysed below:

		Other intangible assets				
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total £m
Cost						
At 1 January 2014	750.4	220.8	7.9	16.7	78.2	323.6
Exchange adjustments	17.5	3.9	0.2	0.4	5.4	9.9
Additions	–	–	–	–	19.5	19.5
Disposals	–	–	–	–	(0.1)	(0.1)
Businesses acquired (note 10)	24.9	7.6	–	–	–	7.6
At 31 December 2014	792.8	232.3	8.1	17.1	103.0	360.5
Amortisation and impairment losses						
At 1 January 2014	13.6	101.8	7.2	15.5	28.6	153.1
Exchange adjustments	(0.7)	1.9	0.3	0.4	1.9	4.5
Charge for the year	–	20.3	0.2	0.3	7.3	28.1
Disposals	–	–	–	–	(0.1)	(0.1)
At 31 December 2014	12.9	124.0	7.7	16.2	37.7	185.6
Net book value at 31 December 2014	779.9	108.3	0.4	0.9	65.3	174.9
Cost						
At 1 January 2015	792.8	232.3	8.1	17.1	103.0	360.5
Exchange adjustments	14.6	3.7	0.2	0.4	4.9	9.2
Additions	–	–	–	–	16.8	16.8
Disposal	–	–	–	–	(0.1)	(0.1)
Businesses acquired (note 10)	157.9	59.8	–	5.7	1.4	66.9
At 31 December 2015	**965.3**	**295.8**	**8.3**	**23.2**	**126.0**	**453.3**
Amortisation and impairment losses						
At 1 January 2015	12.9	124.0	7.7	16.2	37.7	185.6
Exchange adjustments	(0.1)	1.4	0.2	0.4	1.5	3.5
Charge for the year	–	21.1	0.2	0.1	10.1	31.5
Disposal	–	–	–	–	(0.1)	(0.1)
Impairment	481.4	60.3	–	–	12.1	72.4
At 31 December 2015	**494.2**	**206.8**	**8.1**	**16.7**	**61.3**	**292.9**
Net book value at 31 December 2015	**471.1**	**89.0**	**0.2**	**6.5**	**64.7**	**160.4**

In accordance with accounting standards, an impairment of £577.3m against the Industry Services CGU has been allocated across the different asset classes of £481.4m to goodwill, £60.3m to intangible assets and £35.6m relating to property, plant and equipment (see note 8).

Other intangible assets

The other acquisition intangibles of £6.5m (2014: £0.9m) consist of covenants not to compete, know-how, trade names and guaranteed income. The average remaining amortisation period for customer relationships is seven years (2014: six years).

Computer software net book value of £64.7m at 31 December 2015 (2014: £65.3m) includes software in construction of £30.5m (2014: £35.5m).

Impairment review

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

Goodwill

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

	2015 £m	2014 £m
Commercial & Electrical	**141.3**	–
Industry & Assurance	**16.6**	24.9
At 31 December	**157.9**	24.9

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9 Goodwill and other intangible assets (continued)

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

	2015 £m	2014 £m
Industry Services	**13.2**	467.4
Exploration & Production	**3.5**	3.6
Business Assurance	**6.2**	3.1
Food & Agriculture Services	**17.8**	17.7
Cargo & Analytical Assessment	**17.2**	18.5
Government & Trade Services	**0.2**	0.2
Minerals	**45.3**	46.9
Softlines	**3.4**	3.5
Hardlines	**6.5**	7.5
Product Intelligence	**2.4**	2.6
Electrical & Wireless	**46.3**	43.0
Transportation Technologies	**12.2**	13.0
Building Products	**194.5**	52.4
Chemicals & Pharma/Health, Environmental & Regulatory	**102.4**	100.5
Net book value at 31 December*	**471.1**	779.9

* All goodwill is recorded in local currency. Additions during the year are converted at the exchange rate on the date of the transaction and the goodwill at the end of the year is stated at closing exchange rates.

Impairment review

In order to determine whether impairments are required, the Group estimates the recoverable amount of each operating segment or CGU. The calculation is based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a value in use which is the recoverable amount.

Key assumptions

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

The calculation of the value in use is sensitive to long-term growth rates and discount rates. Long-term growth rates predict growth beyond the Group's planning cycle, and range from 1.7% to 3.5% (2014: 2.5% to 4.5%). The higher long-term growth rates reflect the weighting of a CGU's operations within China. The discount rate for each CGU reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU. Discount rates ranged from 8.4% to 10.3% (2014: 9.1% to 12.7%).

Sensitivity analysis

None of the reasonable downside sensitivity scenarios on key assumptions would cause the carrying amount of each CGU to exceed its recoverable amount, with the exception of Industry Services. The sensitivities modelled by management include:

i) Assuming revenues decline each year by 1% in 2017 to 2020 from the 2016 budgeted revenues, with margins increasing with base assumptions.

ii) Assuming zero growth in operating profit margins in 2016 to 2020 with revenues increasing per base assumptions.

iii) Assuming an increase in the discount rates used by 1%.

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

Impairment

At 31 December 2015, before impairment testing, goodwill of £494.6m was allocated to the Industry Services CGU. The oil and gas sector in which this CGU operates has experienced a significant downturn with a material reduction in capital and operating expenditure by its main customers. As a result, the Group revised its cash flow forecasts for Industry Services and has therefore reduced the CGU value to its recoverable amount. This has resulted in an impairment loss against goodwill of £481.4m, against intangible assets of £60.3m and against property, plant and equipment of £35.6m, in total £577.3m.

10 Acquisitions

ACQUISITIONS IN 2015

On 23 November 2015, the Group completed the significant acquisition of Professional Service Industries, Inc., for a purchase price of £220.0m (£215.4m net of cash acquired), generating goodwill of £146.1m. PSI is a provider of industry-leading testing and assurance services to the commercial and civil construction markets and non-destructive testing for onshore pipelines in the USA.

On 3 February 2015, the Group acquired Adelaide Inspection Services Pty Ltd, an Australian-based business providing non-destructive testing and associated services to the power generation, construction, oil, gas and mining industries. On 10 September 2015, the Group acquired Dansk Institut for Certificering A/S, a Danish company that provides business assurance services to a wide range of industries including Hospitality, Transport and Food. On 8 October 2015, the Group acquired MT Group LLC and Materials Testing Lab, Inc, (together 'MT'), a leading provider in the US of materials testing and inspection services to the building industry. Cash consideration for these three acquisitions was £17.2m (£15.9m net of cash acquired) generating goodwill of £11.8m.

Provisional details of the net assets acquired and fair value adjustments are set out in the following tables. These analyses are provisional and amendments may be made to these figures in the 12 months following the date of acquisition.

Professional Service Industries, Inc.	2015		
Total	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	**15.9**	**3.8**	**19.7**
Goodwill	**108.1**	**38.0**	**146.1**
Other intangible assets	**66.1**	**0.1**	**66.2**
Trade and other receivables	**50.7**	**(0.8)**	**49.9**
Trade and other payables	**(24.6)**	**(2.7)**	**(27.3)**
Provisions for liabilities and charges	**–**	**(13.2)**	**(13.2)**
Deferred tax liabilities	**(26.8)**	**0.8**	**(26.0)**
Net assets acquired	**189.4**	**26.0**	**215.4**
Cash outflow (net of cash and debt assumed)			**215.4**
Contingent consideration			**–**
Total consideration			**215.4**

Other acquisitions	2015			2014		
Total	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	**1.0**	**–**	**1.0**	3.3	0.1	3.4
Goodwill	**–**	**11.8**	**11.8**	–	24.9	24.9
Other intangible assets	**–**	**0.7**	**0.7**	–	7.6	7.6
Inventories	**0.2**	**–**	**0.2**	0.3	(0.3)	–
Trade and other receivables	**4.8**	**–**	**4.8**	12.3	(3.5)	8.8
Trade and other payables	**(2.4)**	**–**	**(2.4)**	(3.4)	(1.0)	(4.4)
Deferred tax liabilities	**–**	**(0.2)**	**(0.2)**	–	(0.1)	(0.1)
Net assets acquired	**3.6**	**12.3**	**15.9**	12.5	27.7	40.2
Cash outflow (net of cash and debt assumed)			**15.9**			40.2
Contingent consideration			**–**			–
Total consideration			**15.9**			40.2

Goodwill and intangible assets

The total goodwill arising on acquisitions made during 2015 was £157.9m. There was no change to goodwill in respect of prior years' acquisitions. The goodwill arising represents the value of the assembled workforce and the benefits the Company expects to gain from increasing its presence in the relevant sectors in which the acquired businesses operate. The intangible assets of £66.9m primarily represent the value placed on customer relationships and the deferred tax thereon was £26.2m.

Consideration paid

The total cash consideration paid for the acquisitions in the year was £237.2m (2014: £43.1m). Including cash and debt acquired of £5.9m, the purchase price was £231.3m.

Contribution of acquisitions to revenue and profits

In total acquisitions made during 2015 contributed revenues of £26.8m and a net profit after tax of £2.0m from their respective dates of acquisition to 31 December 2015. The Group revenue and loss after tax for the year ended 31 December 2015 would have been £2,377.0m and £330.5m respectively if all the acquisitions were assumed to have been made on 1 January 2015.

11 Trade and other receivables

ACCOUNTING POLICY

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

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

The Group provides fully for all trade receivables over 12 months old as these are considered likely to be irrecoverable, and 25% of balances six to 12 months old. Where recovery is in doubt, a provision is made against the specific trade receivable until such time as the Group believes the amount to be irrecoverable. At that time the trade receivable is written off.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are analysed below:

	2015 £m	2014 £m
Trade receivables	**413.7**	368.1
Other receivables	**57.9**	60.0
Prepayments and accrued income	**111.8**	97.7
Fixed assets held for resale	**0.1**	0.7
Total trade and other receivables	**583.5**	526.5

Trade receivables are shown net of an allowance for impairment losses of £20.0m (2014: £18.3m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £6.9m (2014: £8.4m).

There is no material difference between the above amounts for trade and other receivables and their fair value, due to their short-term duration. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers who are internationally dispersed.

The ageing of trade receivables at the reporting date was as follows:

	2015 £m	2014 £m
Under 3 months	**342.0**	302.4
Between 3 and 6 months	**50.1**	46.9
Between 6 and 12 months	**26.5**	24.5
Over 12 months	**15.1**	12.6
Gross trade receivables	**433.7**	386.4
Allowance for impairment	**(20.0)**	(18.3)
Trade receivables, net of allowance	**413.7**	368.1

Included in trade receivables under three months of £342.0m (2014: £302.4m) are trade receivables of £185.1m (2014: £164.7m) which are not yet due for payment under the Group's standard terms and conditions of sale.

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

Impairment allowance for doubtful trade receivables	2015 £m	2014 £m
At 1 January	**18.3**	16.6
Exchange differences	**(0.7)**	0.3
Acquisitions	**1.6**	2.0
Cash recovered	**0.6**	(0.4)
Impairment loss recognised	**6.9**	4.6
Receivables written off	**(6.7)**	(4.8)
At 31 December	**20.0**	18.3

There were no material individual impairments of trade receivables.

12 Trade and other payables

ACCOUNTING POLICY

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

TRADE AND OTHER PAYABLES

Trade and other payables are analysed below:

	Current 2015 £m	Current 2014 £m	Non-current 2015 £m	Non-current 2014 £m
Trade payables	**64.7**	42.5	**–**	–
Other payables	**41.6**	33.0	**9.5**	9.1
Accruals and deferred income	**250.3**	226.3	**7.8**	7.0
Total trade and other payables	**356.6**	301.8	**17.3**	16.1

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

13 Provisions

ACCOUNTING POLICY

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

PROVISIONS

	Contingent consideration £m	Claims £m	Other £m	Total £m
At 1 January 2015	4.0	6.8	16.6	27.4
Exchange adjustments	(0.3)	0.2	(0.2)	(0.3)
Provided in the year:	–	0.9	10.5	11.4
in respect of current year acquisitions	–	13.2	–	13.2
in respect of prior year acquisitions	0.7	–	–	0.7
Released during the year	–	–	–	–
Utilised during the year	–	(2.6)	(14.7)	(17.3)
At 31 December 2015	**4.4**	**18.5**	**12.2**	**35.1**
Included in:				
Current liabilities	–	18.5	12.2	30.7
Non-current liabilities	4.4	–	–	4.4
At 31 December 2015	**4.4**	**18.5**	**12.2**	**35.1**

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

The provision for claims of £18.5m (2014: £6.8m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. The timing of the cash outflow relating to the provisions is uncertain, but is likely to be within one year. Details of contingent liabilities in respect of claims are set out in note 22.

The other provision of £12.2m (2014: £16.6m) includes restructuring provisions. The timing of the cash outflow is uncertain, but is likely to be within one year.

14 Borrowings and financial instruments

FINANCIAL INSTRUMENTS

Accounting policy

Net financing costs

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

Loans and receivables

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

Derivative financial instruments

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

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

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

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

Hedging

Hedge of monetary assets and liabilities

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

Hedge of net investment in a foreign operation

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

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

14 Borrowings and financial instruments (continued)

Impairment

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

Net financing costs

Net financing costs are shown below:

Recognised in income statement	2015 £m	2014 £m
Finance income		
Interest on bank balances	**1.0**	1.8
Total finance income	**1.0**	1.8
Finance expense		
Interest on borrowings	**(26.2)**	(26.7)
Net pension interest cost (note 16)	**(0.8)**	(0.5)
Foreign exchange differences on revaluation of net monetary assets and liabilities	**3.1**	2.5
Facility fees and other*	**(1.3)**	(1.5)
Total finance expense*	**(25.2)**	(26.2)
Net financing costs*	**(24.2)**	(24.4)

* Includes £nil (2014: £0.2m) relating to SDIs.

Recognised directly in other comprehensive income	2015 £m	2014 £m
Foreign exchange translation differences of foreign operations	**2.0**	31.9
Net exchange loss on hedges of net investment in foreign operations	**(33.1)**	(42.9)
Effective portion of changes in fair value of cash flow hedges	**–**	(0.1)
Gain on fair value of cash flow hedges	**–**	0.3
Finance expense recognised directly in other comprehensive income, net of tax	**(31.1)**	(10.8)
Attributable to:		
Equity holders of the Company	**(32.1)**	(11.5)
Non-controlling interest	**1.0**	0.7
Finance expense recognised directly in other comprehensive income, net of tax	**(31.1)**	(10.8)
Recognised in:		
Translation reserve and non-controlling interest	**(31.1)**	(11.0)
Retained earnings	**–**	0.2
Finance expense recognised directly in other comprehensive income, net of tax	**(31.1)**	(10.8)

14 Borrowings and financial instruments (continued)

Analysis of net debt

The components of net debt are outlined below:

	1 January 2015 £m	Cash flow £m	Exchange adjustments £m	31 December 2015 £m
Cash	119.5	8.0	(11.5)	**116.0**
Borrowings:				
Revolving credit facility US$800m 2020	(124.1)	(123.9)	(5.8)	(253.8)
Bilateral term loan facilities US$100m 2017	(25.8)	(39.8)	(1.9)	(67.5)
Bilateral term loan facilities US$60m 2016	(38.6)	–	(1.8)	(40.4)
Senior notes US$100m 2015	(64.4)	63.5	0.9	–
Senior notes US$75m 2016	(48.3)	–	(2.3)	(50.6)
Senior notes US$100m 2017	(64.4)	–	(3.0)	(67.4)
Senior notes US$20m 2019	(12.9)	–	(0.6)	(13.5)
Senior notes US$150m 2020	(96.7)	–	(4.5)	(101.2)
Senior notes US$15m 2021	(9.7)	–	(0.4)	(10.1)
Senior notes US$140m 2022	(90.2)	–	(4.3)	(94.5)
Senior notes US$40m 2023	(25.8)	–	(1.2)	(27.0)
Senior notes US$125m 2024	(80.6)	–	(3.8)	(84.4)
Senior notes US$40m 2025	(25.8)	–	(1.2)	(27.0)
Senior notes US$75m 2026	(48.3)	–	(2.3)	(50.6)
Other*	2.6	(6.2)	0.2	(3.4)
Total borrowings	(753.0)	(106.4)	(32.0)	**(891.4)**
Total net debt	(633.5)	(98.4)	(43.5)	**(775.4)**

* Other borrowings of £6.2m (2014: £0.7m) and facility fees.

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

14 Borrowings and financial instruments (continued)

Borrowings

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

	Current 2015 £m	Current 2014 £m	Non-current 2015 £m	Non-current 2014 £m
Senior term loans and notes	**90.5**	89.1	**794.7**	663.2
Other borrowings	**6.2**	0.7	**–**	–
Total borrowings	**96.7**	89.8	**794.7**	663.2

Analysis of debt	2015 £m	2014 £m
Debt falling due:		
In one year or less	**96.7**	89.8
Between one and two years	**134.2**	86.4
Between two and five years	**367.0**	199.9
Over five years	**293.5**	376.9
Total borrowings	**891.4**	753.0

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2015 were £286m (2014: £391m).

US$800m revolving credit facility

The Group's principal bank facility comprises a US$800m multi-currency revolving credit facility. In July 2015 the facility was extended to June 2020. The Group has the option to extend for a further year in 2016, subject to the agreement of lenders. Advances under the facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2015 were £253.8m (2014: £124.1m).

Bilateral term loan facility 1

On 21 December 2012 the Group signed a US$20m bilateral term loan which was increased on 4 April 2014 to US$40m. This facility was further increased in November 2015 to US$100m, and the maturity of this facility was also extended for two years to November 2017. Advances under this facility bear interest at a rate equal to LIBOR plus a margin depending on the Group's leverage. Drawings under this facility at 31 December 2015 were £67.5m (2014: £25.8m).

Bilateral term loan facility 2

On 21 December 2012 the Group signed a US$20m bilateral term loan which was increased on 4 April 2014 to US$60m. The extended maturity of this facility is March 2016. Advances under this facility bear interest at a rate equal to LIBOR plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2015 were £40.4m (2014: £38.6m).

Private placement bonds

In June 2008 the Group issued US$100m of senior notes. The notes, which were repaid on 26 June 2015, paid a fixed annual interest rate of 5.54%.

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

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

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

In February 2013 the Group issued US$80m of senior notes. These notes were issued in two tranches with US$40m repayable on 14 February 2023 at a fixed annual interest rate of 3.10% and US$40m repayable on 14 February 2025 at a fixed annual interest rate of 3.25%.

In July 2014 the Group issued US$110m of senior notes. These notes were issued in four tranches with US$15m repayable on 31 July 2021 at a fixed annual interest rate of 3.37%, US$20m repayable on 31 July 2024 at a fixed annual interest rate of 3.86%, US$60m repayable on 31 October 2026 at a fixed annual interest rate of 4.05% and US$15m repayable on 31 December 2026 at a fixed annual interest rate of 4.10%.

14 Borrowings and financial instruments (continued)

FINANCIAL RISKS

Details of the Group's treasury controls, exposures and the policies and processes for managing capital and credit, liquidity, interest rate and currency risk are set out below, and in the Strategic Report – Financial Review that starts on page 34.

Credit risk Exposure to credit risk

Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The Group monitors the creditworthiness of customers on an ongoing basis. The Group's credit risk is diversified due to the large number of entities, industries and regions that make up the Group's customer base.

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date this was as follows:

	2015 £m	2014 £m
Trade receivables, net of allowance (note 11)	**413.7**	368.1
Cash and cash equivalents	**116.0**	119.5
Total	**529.7**	487.6

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

	2015 £m	2014 £m
Asia Pacific	**111.5**	101.4
Americas	**160.2**	123.6
Europe, Middle East and Africa	**142.0**	143.1
Total	**413.7**	368.1

Counterparty risk

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

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

14 Borrowings and financial instruments (continued)

Liquidity risk

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

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

To ensure this policy is met, the Group monitors cash balances on a daily basis, projects cash requirements on a rolling basis and funds itself using debt instruments with a range of maturities.

The following are the contractual cash flows of financial liabilities/(assets) including interest (for floating rate instruments, interest payments are based on the interest rate at 31 December 2015):

2015	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
Non-derivative financial liabilities							
Senior term loans and notes	885.2	1,014.7	52.9	62.8	173.0	420.5	305.5
Other loans	6.2	6.2	–	6.2	–	–	–
Trade payables (note 12)	64.7	64.7	63.2	1.5	–	–	–
	956.1	1,085.6	116.1	70.5	173.0	420.5	305.5
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
Outflow	–	423.4	366.5	56.9	–	–	–
Inflow	(1.6)	(425.0)	(367.7)	(57.3)	–	–	–
	(1.6)	(1.6)	(1.2)	(0.4)	–	–	–
Total	**954.5**	**1,084.0**	**114.9**	**70.1**	**173.0**	**420.5**	**305.5**

2014	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
Non-derivative financial liabilities							
Senior term loans and notes	752.3	990.5	13.2	103.4	320.4	197.2	356.3
Other loans	0.7	0.7	–	0.7	–	–	–
Trade payables (note 12)	42.5	42.3	42.1	0.2	–	–	–
	795.5	1,033.5	55.3	104.3	320.4	197.2	356.3
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
Outflow	–	368.5	368.5	–	–	–	–
Inflow	(4.1)	(372.6)	(372.6)	–	–	–	–
	(4.1)	(4.1)	(4.1)	–	–	–	–
Total	791.4	1,029.4	51.2	104.3	320.4	197.2	356.3

Interest rate risk

The Group's objective is to manage the risk to the business from movements in interest rates, and to provide stability and predictability of the near term (12 month horizon) interest expense. Under the Group's Treasury policy, management may fix the interest rates on up to 80% of the Group's debt portfolio for the period of the current financial year. The Group's debt portfolio beyond this period is to be managed within the range of a 20%-60% fixed to floating rate ratio. To do this the Group uses hedging instruments where considered appropriate.

Sensitivity

At 31 December 2015, it is estimated that the impact on variable rate net debt of a general increase of 3% in interest rates would be a decrease in the Group's profit before tax of approximately £4.5m (2014: £6.0m). This analysis assumes all other variables remain constant.

14 Borrowings and financial instruments (continued)

Foreign currency risk

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

The net assets of foreign subsidiaries represent a significant portion of the Group's shareholders' funds and a substantial percentage of the Group's revenue and operating costs are incurred in currencies other than sterling. Because of the high proportion of international activity, the Group's profit is exposed to exchange rate fluctuations. Two types of risk arise as a result: (i) translation risk, that is, the risk of adverse currency fluctuations in the translation of foreign currency operations and foreign assets and liabilities into sterling and (ii) transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Group's commercial cash flows in various currencies.

The foreign currency profiles of cash, trade receivables and payables subject to translation risk and transaction risk, at the reporting date were as follows:

2015	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Euro £m	Other currencies £m
Cash	116.0	6.2	13.6	16.4	2.2	1.3	76.3
Trade receivables (note 11)	413.7	37.7	138.1	37.6	11.2	40.9	148.2
Trade payables (note 12)	64.7	11.0	15.3	9.0	2.1	8.8	18.5
2014							
Cash	119.5	12.8	7.9	25.3	2.4	4.6	66.5
Trade receivables (note 11)	368.1	39.7	98.1	36.0	10.3	37.5	146.5
Trade payables (note 12)	42.5	4.6	7.0	4.6	1.6	9.8	14.9

RECOGNISED ASSETS AND LIABILITIES

Changes in the fair value of forward foreign exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement.

HEDGE OF NET INVESTMENT IN FOREIGN SUBSIDIARIES

The Group's foreign currency denominated loans are designated as a hedge of the Group's investment in its respective subsidiaries. The carrying amount of these loans at 31 December 2015 was £885.2m (2014: £752.3m).

A foreign exchange loss of £33.1m (2014: loss £42.9m) was recognised in the translation reserve in equity on translation of these loans to sterling.

SENSITIVITY

It is estimated that a general increase of 10% in the value of sterling against the US dollar (the main currency impacting the Group) would have decreased the Group's profit before tax for 2015 by approximately £15.9m (2014: £15.2m). This analysis assumes all other variables remain constant.

FAIR VALUES

The table below sets out a comparison of the book values and corresponding fair values of all the Group's financial instruments by class.

	Book value 2015 £m	Fair value 2015 £m	Book value 2014 £m	Fair value 2014 £m
Financial assets				
Cash and cash equivalents	**116.0**	**116.0**	119.5	119.5
Trade receivables (note 11)	**413.7**	**413.7**	368.1	368.1
Forward exchange contracts*	**1.6**	**1.6**	4.1	4.1
Total financial assets	**531.3**	**531.3**	491.7	491.7
Financial liabilities				
Interest bearing loans and borrowings*	**891.4**	**900.6**	753.0	790.6
Trade payables (note 12)	**64.7**	**64.7**	42.5	42.5
Forward exchange contracts*	**–**	**–**	–	–
Total financial liabilities	**956.1**	**965.3**	795.5	833.1

* Interest bearing loans and borrowing, and derivative liabilities are categorised as Level 2 under which the fair value is measured using inputs other than quoted prices observable for the liability, either directly or indirectly.

15 Capital and reserves

ACCOUNTING POLICY

Dividends

Interim dividends are recognised as a movement in equity when they are paid. Final dividends are reported as a movement in equity in the year in which they are approved by the shareholders.

Own shares held by the Employee Share Ownership Trust ('ESOT')

Transactions of the Group sponsored ESOT are included in the Group financial statements. In particular, the Trust's purchases of shares in the Company are debited directly in equity to retained earnings.

Share capital

Group and Company	2015 Number	2015 £m	2014 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	**161,361,777**	**1.6**	1.6
Share options exercised	**–**	**–**	–
Share awards	**–**	**–**	–
Ordinary shares of 1p each at end of year	**161,361,777**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

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

During the year, all share options vesting were settled via the ESOT and as a result the Company issued nil (2014: nil) ordinary shares in respect of all share plans.

Purchase of own shares for trust

During the year ended 31 December 2015, the Company financed the purchase of 200,126 (2014: 705,537) of its own shares with an aggregate nominal value of £2,001 (2014: £7,055) for £5.2m (2014: £20.6m) which was charged to retained earnings in equity and was held by the ESOT. This trust is managed and controlled by an independent offshore trustee. During the year, 295,908 shares were utilised to satisfy the vesting of share awards and share options (note 17). At 31 December 2015, the ESOT held 514,938 shares (2014: 610,720 shares) with an aggregate nominal value of £5,149 (2014: £6,107). The associated cash outflow of £5.2m (2014: £20.6m) has been presented as a financing cash flow.

Dividends	2015 £m	2015 Pence per share	2014 £m	2014 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2013	**–**	**–**	49.9	31.0
Interim dividend for the year ended 31 December 2014	**–**	**–**	25.6	16.0
Final dividend for the year ended 31 December 2014	**53.3**	**33.1**	–	–
Interim dividend for the year ended 31 December 2015	**27.4**	**17.0**	–	–
Dividends paid	**80.7**	**50.1**	75.5	47.0

After the reporting date, the Directors proposed a final dividend of 35.3p per share in respect of the year ended 31 December 2015, which is expected to amount to £57.0m. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with IAS 10: Events after the reporting date, it has not been included as a liability in these financial statements. If approved, the final dividend will be paid to shareholders on 3 June 2016.

RESERVES

Translation reserve

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

Other

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

16 Employee benefits

ACCOUNTING POLICY

Pension schemes

Defined contribution plans

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

Defined benefit plans

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

The Group's net obligation in respect of material defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted.

In calculating the defined benefit deficit, the discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the Projected Unit credit method.

The increase in the present value of the liabilities expected to arise from the employees' services in the accounting period is charged to the operating profit in the income statement. The expected return on the schemes' assets and the interest on the present value of the schemes' liabilities, during the accounting period, are shown as finance income and finance expense respectively.

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are significant defined benefit schemes in the United Kingdom, Hong Kong and Switzerland. The United Kingdom and Hong Kong schemes are funded schemes, with assets held in separate trustee administered funds and the Switzerland scheme is an insured scheme. The schemes in the United Kingdom and Hong Kong were closed to new entrants in 2002 and 2000, respectively. Other funded defined benefit schemes are not considered to be material and are therefore accounted for as if they were defined contribution schemes.

The Group recognises all actuarial remeasurements in each year in equity through the consolidated statement of comprehensive income.

In June 2011, the International Accounting Standards Board issued revisions to IAS 19 Employee Benefits ('IAS 19') that provide changes in the recognition, presentation and disclosure of post-employment benefits. The Group has adopted the revised accounting standard from 1 January 2013.

TOTAL PENSION COST

The total pension cost included in operating profit for the Group was:

	2015 £m	2014 £m
Defined contribution schemes	**(36.3)**	(34.3)
Defined benefit schemes – current service cost and administration expenses	**(3.3)**	(2.8)
Pension cost included in operating profit (note 5)	**(39.6)**	(37.1)

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom ('United Kingdom Scheme') was carried out as at 1 April 2013, and for accounting purposes has been updated to 31 December 2015 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2013, for local accounting purposes but this has been updated to 31 December 2015 for IAS 19 purposes. The Swiss scheme was actuarially valued for IAS 19 purposes at 31 December 2013 and for accounting purposes has been updated to 31 December 2015 for IAS 19 purposes. The average duration of the schemes are 20 years, 10 years and 15 years for the United Kingdom, Hong Kong and Switzerland schemes respectively.

16 Employee benefits (continued)

DEFINED BENEFIT SCHEMES

The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2015 £m	2014 £m
Current service cost	**(2.9)**	(2.6)
Scheme administration expenses	**(0.4)**	(0.2)
Net pension interest cost (note 14)	**(0.8)**	(0.5)
Total charge	**(4.1)**	(3.3)

The current service cost and scheme administration expenses are included in operating costs in the income statement and pension interest cost and interest income are included in net financing costs.

Included in Other Comprehensive Income:

	2015 £m	2014 £m
Remeasurements arising from:		
Demographic assumptions	**0.7**	(0.3)
Financial assumptions	**(0.5)**	(14.1)
Experience adjustment	**(0.5)**	(1.2)
Asset valuation	**(1.6)**	3.1
Other	**(0.3)**	(0.4)
Total	**(2.2)**	(12.9)

Company contributions

The Company assessed the triennial actuarial valuation and its impact on the scheme funding plan in 2016 and future years. In 2016 the Group expects to make normal contributions of £0.6m (2015: £1.3m) and a special contribution of £2.8m (2015: £2.8m) to the United Kingdom scheme. The next triennial valuation is due to take place as at 1 April 2016.

The Hong Kong scheme has an annual actuarial valuation, identifying the funding requirements for 2016.

Pension liability for defined benefit schemes

The amounts recognised in the statement of financial position for defined benefit schemes were as follows:

	United Kingdom Scheme £m	Hong Kong Scheme £m	Switzerland Scheme £m	Total £m
Fair value of scheme assets	89.4	17.6	13.9	120.9
Present value of funded defined benefit obligations	(107.8)	(22.7)	(17.3)	(147.8)
Deficit in schemes	**(18.4)**	**(5.1)**	**(3.4)**	**(26.9)**

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

	2015 £m	2014 £m
Fair value of scheme assets at 1 January	**120.1**	113.3
Interest income	**3.7**	4.4
Normal contributions by the employer	**1.6**	1.7
Special contributions by the employer	**2.8**	0.9
Contributions by scheme participants	**0.5**	0.7
Benefits paid	**(7.5)**	(4.4)
Effect of exchange rate changes on overseas schemes	**1.5**	0.4
Remeasurements	**(1.6)**	3.1
Scheme administration expenses	**(0.4)**	–
Contribution to fund scheme administration expenses	**0.2**	–
Fair value of scheme assets at 31 December	**120.9**	120.1

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16 Employee benefits (continued)

ASSET ALLOCATION:

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2015 the invested assets of the United Kingdom Scheme totalled £89.4m (2014: £87.8m) and of the Hong Kong Scheme totalled £17.6m (2014: £18.0m) broken down as follows:

	United Kingdom Scheme		Hong Kong Scheme	
Asset class	2015 £m	2014 £m	2015 £m	2014 £m
Equities	**41.8**	45.7	**11.3**	11.5
Property	**8.4**	1.5	**–**	–
Bonds	**–**	14.8	**6.2**	6.2
Absolute Return Fund*	**23.0**	17.1	**–**	–
Liability Driven Investment**	**13.0**	2.8	**–**	–
Cash	**3.2**	5.9	**0.1**	0.3
Total	**89.4**	87.8	**17.6**	18.0

* The Absolute Return Fund aims to provide positive investment returns in all conditions over the medium to long-term. The investment managers have a wide investment remit and look to exploit market inefficiencies through active allocation to a diverse range of market positions. The Fund uses a combination of traditional assets and investment strategies based on derivatives and is able to take long and short-term positions in markets.

** The LDI Fund provides the hedge against adverse movements in inflation and interest rates. It seeks to match the sensitivity of the Scheme's liability cash flow to changes in interest rates and inflation; it is invested in gilts, swaps, futures, repo contracts and money market instruments.

The United Kingdom Scheme had bank account assets of £0.1m as at 31 December 2015 (2014: £0.2m).

All unvested assets of the United Kingdom and Hong Kong Schemes are unquoted. The Switzerland Scheme is fully insured therefore there are no invested assets.

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

	2015 £m	2014 £m
Defined benefit obligations at 1 January	**145.4**	126.4
Current service cost	**2.9**	2.6
Interest cost	**4.5**	4.9
Contributions by scheme participants	**0.5**	0.7
Benefits paid	**(7.5)**	(4.4)
Effect of exchange rate changes on overseas schemes	**1.7**	(0.4)
Remeasurements	**0.3**	15.6
Defined benefit obligations at 31 December	**147.8**	145.4

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Switzerland Scheme	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Discount rate	**3.7**	3.6	**1.6**	1.9	**0.8**	1.5
Inflation rate (based on CPI)	**2.5**	2.3	**n/a**	n/a	**n/a**	n/a
Rate of salary increases	**3.3**	3.1	**4.0**	4.0	**1.0**	1.0
Rate of pension increases:						
CPI subject to a maximum of 5% p.a.	**2.5**	2.3	**n/a**	n/a	**n/a**	n/a
Increases subject to a maximum of 2.5% p.a.	**1.9**	1.9	**n/a**	n/a	**n/a**	n/a

The retirement arrangement in Hong Kong pays a lump sum to members instead of a pension and the Switzerland Scheme is an insured plan.

16 Employee benefits (continued)

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Hong Kong Scheme*		Switzerland Scheme	
	2015	2014	**2015**	2014	**2015**	2014
Male aged 40	**47.2**	47.0	**n/a**	n/a	**41.6**	41.6
Male aged 65	**22.2**	22.2	**n/a**	n/a	**18.9**	18.9
Female aged 40	**49.1**	49.0	**n/a**	n/a	**44.6**	44.6
Female aged 65	**24.5**	24.4	**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 2015 and 2014 for the United Kingdom Scheme are the S1PA projected by year of birth, based on the CMI 2013 mortality projection model with a 1.25% long-term annual rate for future improvements. For the Switzerland Scheme, the mortality table adopted for both 2015 and 2014 is the BVG 2010, an industry standard in Switzerland which is based on statistical evidence of major Switzerland pension funds.

SENSITIVITY ANALYSIS

The table below sets out the sensitivity on the United Kingdom and Hong Kong pension assets and liabilities as at 31 December 2015 of the two main assumptions:

	UK Scheme		Hong Kong Scheme	
Change in assumptions	**Liabilities £m**	**Increase/ (decrease) in deficit £m**	**Liabilities £m**	**Increase/ (decrease) in deficit £m**
No change	107.8	–	22.7	–
0.25% rise in discount rate	102.0	(5.8)	22.2	(0.5)
0.25% fall in discount rate	113.7	5.9	23.3	0.6
0.25% rise in inflation	110.6	2.8	22.7	–
0.25% fall in inflation	104.8	(3.0)	22.7	–

The United Kingdom Scheme is also subject to the mortality assumption. If the mortality tables used are rated up/down one year, the value placed on the liabilities increases by £3.0m and decreases by £2.9m respectively.

FUNDING ARRANGEMENTS

United Kingdom Scheme

The trustees use the Projected Unit credit method with a three-year control period. Currently the scheme members pay contributions at the rate of 8.5% of salary. The employer pays contributions of 16.4% of salary, plus £0.2m per year to fund scheme expenses, and is due to make an additional contribution of £2.8m in 2016 to reduce the deficit disclosed by the 2013 valuation.

Hong Kong Scheme

The Trustees use the Attained Age funding method. The last actuarial valuation was as at 31 December 2013. Scheme members do not contribute to the scheme. The employer pays contributions of 8.5% of salaries including 0.6% in respect of scheme expenses.

Funding Risks

The main risks for the Schemes are:

Investment return risk:	If the assets underperform the returns assumed in setting the funding targets then additional contributions may be required at subsequent valuations.
Investment matching risk:	The Schemes invest significantly in equities, whereas the funding targets are closely related to the returns on bonds. If equities fall in value relative to the matching asset of bonds, additional contributions may be required.
Longevity risk:	If future improvements in longevity exceed the assumptions made for Scheme funding then additional contributions may be required.

Role of Third Parties

The United Kingdom Scheme is managed by Trustees on behalf of its members. The Trustees take advice from appropriate third parties including investment advisors, actuaries and lawyers as necessary.

FINANCIAL STATEMENTS

17 Share schemes

ACCOUNTING POLICY

Share-based payment transactions

The share-based compensation plans operated by the Group allow employees to acquire shares of the Company. The fair value of the employee services, received in exchange for the grant of share options or shares, is measured at the grant date and is recognised as an expense with a corresponding increase in equity. The charge is calculated using the Monte Carlo method and expensed to the income statement over the vesting period of the relevant award. The charge for the share options and for the Share Awards is adjusted to reflect expected and actual levels of vesting for service conditions. The expense of the Performance Awards (previously Matching Awards) is calculated using the Black-Scholes method and is adjusted for the probability of EPS performance conditions being achieved.

The Group has taken advantage of the provisions of IFRS 1: First-time Adoption of International Financial Reporting Standards, and has recognised an expense only in respect of share options and awards granted since 7 November 2002.

SHARE OPTION SCHEMES

The Company established a share option scheme for senior management in March 1997. The maximum number of options that can be granted under the scheme have been allocated and that scheme has been discontinued. In May 2002, the Intertek Group plc 2002 Share Option Plan ('2002 Plan') and the Intertek Group plc 2002 Approved Share Option Plan ('Approved Plan') were established for employees to be granted share options at the discretion of the Remuneration Committee. These plans have also been discontinued and the last grants under these plans were made in September 2005.

The number and weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
At beginning of year	**778p**	**44,286**	710p	86,917
Exercised	**778p**	**(26,008)**	646p	(38,067)
Forfeited	**762p**	**(18,278)**	612p	(4,564)
Outstanding options at end of year	**–**	**–**	778p	44,286
Exercisable at end of year	**–**	**–**	778p	44,286

The weighted average share price of the Company at the date of exercise of share options was 2,501p (2014: 2,944p). There were no options outstanding at the year end.

Share Plans

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

	2015			2014		
Outstanding Awards	Deferred Share Awards	LTIP Share Awards	Total awards	Deferred Share Awards	LTIP Share Awards	Total awards
At beginning of year	**851,376**	**649,280**	**1,500,656**	999,279	713,329	1,712,608
Granted*	**408,958**	**455,806**	**864,764**	264,520	312,189	576,709
Vested**	**(334,269)**	**(54,511)**	**(388,780)**	(352,482)	(227,457)	(579,939)
Forfeited	**(26,551)**	**(171,084)**	**(197,635)**	(59,941)	(148,781)	(208,722)
At end of year	**899,514**	**879,491**	**1,779,005**	851,376	649,280	1,500,656

* Includes 3,798 Deferred Share Awards (2014: 2,459) and 3,026 LTIP Share awards (2014: 3,223) granted in respect of dividend accruals.
** Of the 388,780 awards vested in 2015, nil were satisfied by the issue of shares and 295,908 by the transfer of shares from the ESOT (see note 15). The balance of 92,872 awards represented a tax liability of £3.0m which was settled in cash on behalf of employees by the Group, of which £1.8m was settled by the Company.

Deferred Share Plan

On 9 March 2015 the Remuneration Committee approved the adoption of the Intertek Deferred Share Plan (the 'DSP'). Awards may be granted under the DSP to employees of the Group (other than the executive directors of the Company) selected by the Remuneration Committee over existing, issued ordinary shares of the Company only. The DSP was adopted primarily to allow for the deferral of a proportion of selected employees annual bonus into shares in the Company, but may also be used for the grant of other awards (such as incentive awards and buy-out awards for key employees) in circumstances that the Remuneration Committee deems appropriate. The initial award under the DSP had a two-year vesting period; any subsequent awards will normally have a three-year vesting period. Awards may be made subject to performance conditions and are subject to normal good and bad leaver provisions and malus and clawback.

17 Share schemes (continued)

Outstanding Awards	2015 Deferred Share Awards	2015 Total awards
At beginning of year	–	–
Granted*	**101,886**	**101,886**
Vested	–	–
Forfeited	–	–
At end of year	**101,886**	**101,886**

* Includes 659 Share Awards (2014: nil) granted in respect of dividend accruals.

Mirror Share Awards

On 20 May 2015, André Lacroix was granted conditional rights to acquire 183,149 shares under a one-off arrangement as a condition of his recruitment as CEO of the Company. The award comprised two parts, tranche A and B, with tranche A vesting on 20 May 2016 and tranche B vesting on 20 May 2017. None vested or lapsed in 2015. Further details are shown in the Remuneration Report on pages 63 to 77.

Equity-settled transactions

During the year ended 31 December 2015, the Group recognised an expense of £12.9m (2014: £7.6m). The fair values and the assumptions used in their calculations are set out below:

	Awards					
	Deferred Share Awards	Share Awards	Performance Awards EPS element	Performance Awards TSR element	Share Awards*	Performance Awards TSR element
Year shares awarded	**2015**	**2015**	**2015**	**2015**	2014	2014
Fair value at measurement date (pence)	**2,570**	**2,570**	**2,394**	**1,317**	3,046	1,633
Share price (pence)	**2,570**	**2,570**	**2,394**	**2,394**	3,046	3,046
Expected volatility	**n/a**	**n/a**	**n/a**	**21.0%**	n/a	20.5%
Risk free interest rate	**n/a**	**n/a**	**n/a**	**0.9%**	n/a	1.0%
Time to maturity (years)	**2**	**3**	**3**	**3**	3	3

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

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information.

All Share Awards are granted under a service condition. Such condition is not taken into account in the fair value measurement at grant date. The Performance Awards (TSR element) are granted under a performance related market condition and as a result this condition is taken into account in the fair value measurement at grant date.

18 Subsequent events

ACQUISITIONS SUBSEQUENT TO THE BALANCE SHEET DATE

On 8 January 2016 the Group completed the acquisition of Food International Trust ('FIT-Italia'), an Italian-based provider of food quality and safety services to the retail and agricultural sectors.

19 Capital management

The Directors determine the appropriate capital structure of Intertek; specifically how much capital is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities. These activities include ongoing operations as well as acquisitions as described in note 10.

The Group's policy is to maintain a robust capital base (including cash and debt) to ensure the market and key stakeholders retain confidence in the capital profile. Debt capital is monitored by Group Treasury assessing the liquidity buffer on a short and longer-term basis as discussed in note 14.

The Group uses key performance indicators, including return on invested capital and adjusted diluted earnings per share to monitor the capital position of the Group to ensure it is being utilised effectively.

The dividend policy also forms part of the Board's capital management policy, and the Board ensures there is appropriate earnings cover for the dividend proposed at both the interim and year end.

20 Non-controlling interest

ACCOUNTING POLICY

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions.

NON-CONTROLLING INTEREST

An analysis of the movement in non-controlling interest is shown below:

	2015 £m	2014 £m
At 1 January	**26.1**	24.1
Exchange adjustments	**1.0**	0.7
Share of profit for the year	**13.5**	14.1
Dividends paid to non-controlling interest	**(13.3)**	(12.8)
Purchase of non-controlling interest	**0.5**	–
At 31 December	**27.8**	26.1

21 Related parties

IDENTITY OF RELATED PARTIES

The Group has a related party relationship with its key management.

Transactions between the Company and its subsidiaries and between subsidiaries have been eliminated on consolidation and are not discussed in this note.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation, including the Group's Directors, is shown in the table below:

	2015 £m	2014 £m
Short-term benefits	**6.9**	5.8
Post-employment benefits	**0.5**	0.4
Equity-settled transactions	**1.1**	2.0
Total	**8.5**	8.2

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans is shown in the audited part of the Remuneration report.

Apart from the above, no member of key management had a personal interest in any business transactions of the Group.

22 Contingent liabilities

	2015 £m	2014 £m
Guarantees, letters of credit and performance bonds	**23.6**	24.3

LITIGATION

The Group is involved in various claims and lawsuits incidental to the ordinary course of its business, including claims for damages, negligence and commercial disputes regarding inspection and testing, and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business. The Group maintains appropriate insurance cover to provide protection from the small number of significant claims it is subject to from time to time.

TAX

The Group operates in more than 100 countries and is subject to a wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. In some jurisdictions the Group receives tax incentives (see note 6) which are subject to renewal and review and reduce the amount of tax payable. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in these financial statements.

23 Principal Group companies

The principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group have been shown below. All the subsidiaries shown were consolidated with Intertek Group plc as at 31 December 2015. Unless otherwise stated, these entities are wholly-owned subsidiaries.

Company name	Country of Incorporation and principal place of operation	Activity
Intertek Testing Services Shenzhen Limited	China	Trading
Intertek Testing Services Limited Shanghai (iii)	China	Trading
Intertek USA Inc.	USA	Trading
Intertek Testing Services NA Inc.	USA	Trading
Intertek Testing Services Holdings Limited (i)	England	Holding
Intertek Finance plc	England	Finance
Intertek Testing Services Hong Kong Limited	Hong Kong	Trading
Testing Holdings USA Inc.	USA	Holding
Intertek USD Finance Limited	England	Finance
Intertek Holdings Limited (i)	England	Finance
Labtest Hong Kong Ltd	Hong Kong	Trading
Intertek Technical Services Inc. (ii)	USA	Trading
RCG-Moody International Limited	England	Holding

(i) Directly owned by Intertek Group plc
(ii) Ownership held in Ordinary and Preference shares
(iii) Equity shareholding 85%, Company controlled by the Group based on management's assessment

GROUP COMPANIES

In accordance with section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation and the effective percentage of equity owned, as at 31 December 2015 are disclosed. The above principal subsidiaries have not been duplicated in the list below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by Intertek Group plc.

FULLY OWNED SUBSIDIARIES

0949491 B.C. Limited (Canada)
4th Strand, LLC (United States)
Adelaide Inspection Services Pty Limited (Australia)
Ageus Solutions Inc. (Canada)
Alta Analytical Laboratory, Inc. (i) (United States)
Amtac Certification Services Limited (England)
Architectural Testing Canada, Inc. (Canada)
Architectural Testing Holdings, Inc. (United States)
Architectural Testing, Inc. (United States)
Atlantic Verification Cape (Proprietary) Limited (South Africa)
BiDiagnostics Holding AB (Sweden)
Caleb Brett Ecuador S.A. (Ecuador)
Cantox US Inc. (United States)
Capcis Limited (England)
Center for the Evaluation of Clean Energy Technology, Inc. (United States)
Charon Insurance Limited (Bermuda)
Electrical Mechanical Instrument Services (UK) Limited (Scotland)
Entela-Taiwan, Inc. (United States)
Esperanza Guernsey Holdings Ltd. (Guernsey)
Esperanza International Services (Southern Africa) (Pty.) Limited (South Africa)
Four Front Research (India) Pvt Limited (ii) (India)
Gellatly Hankey Marine Services (M) Sdn Bhd (Malaysia)
Genalysis Laboratory Services Pty Limited (v) (Australia)
Geotechnical Services Pty Limited (Australia)
Global X-Ray & Testing Corporation (United States)
Global X-Ray Holdings, Inc. (iv) (United States)
Hawks Acquisition Holding, Inc (United States)
Hi-Tech Holdings, Inc. (United States)
Hi-Tech Testing Service, Inc. (United States)
H.P. White Laboratory Inc. (United States)
Industry Services, US Construction (i) (United States)
Inspection Services (US), LLC (United States)
Inteco Group Services Limited (i) (British Virgin Islands)
International Cargo Services, Inc. (i) (United States)
International Inspection Services Limited (Isle of Man)
Intertek (KG) Limited Liability Company (ii) (Kyrgyzstan)
Intertek (Mauritius) Limited (Mauritius)
Intertek (Schweiz) AG (Switzerland)
Intertek Academy A/S (Denmark)
Intertek Argentina Certificaciones S.A. (iii) (Argentina)
Intertek Aruba N.V. (Aruba)
Intertek Asset Integrity Management, Inc. (United States)
Intertek ATI SRL (Romania)
Intertek Australia Holdings Pty Limited (Australia)
Intertek Azeri Limited (Azerbaijan)
Intertek BA EOOD (Bulgaria)
Intertek Bangladesh Limited (Bangladesh)
Intertek Belgium NV (Belgium)
Intertek Burkina Faso Ltd Sarl (i) (Burkina Faso)
Intertek C&T Australia Holdings PTY Ltd (i) (Australia)
Intertek C&T Australia Pty Ltd (i) (Australia)
Intertek Caleb Brett (Uruguay) S.A. (Uruguay)
Intertek Caleb Brett Chile S.A. (Chile)
Intertek Caleb Brett Colombia S.A. (Colombia)
Intertek Caleb Brett El Salvador S.A. de C.V. (El Salvador)
Intertek Caleb Brett Germany GmbH (Germany)
Intertek Caleb Brett Panama, Inc. (i) (Panama)
Intertek Caleb Brett Venezuela C.A. (Venezuela)
Intertek Capacitacion Chile Spa (Chile)
Intertek Capital Resources Limited (England)
Intertek Certification AB (Sweden)

23 Principal Group companies (continued)

Intertek Certification AS (Norway)
Intertek Certification France (France)
Intertek Certification GmbH (Germany)
Intertek Certification International Sdn. Bhd. (Malaysia)
Intertek Certification Japan Limited (Japan)
Intertek Certification Limited (England)
Intertek Ceska Republika, s.r.o. (ii) (Czech Republic)
Intertek Commodities Botswana (Proprietary) Limited (Botswana)
Intertek Commodities Mozambique Lda (Mozambique)
Intertek Consulting & Training (UK) Limited (Scotland)
Intertek Consulting & Training (USA), Inc. (United States)
Intertek Consulting & Training Colombia Limitada (Colombia)
Intertek Consulting & Training Egypt (Egypt)
Intertek Consulting AB (Sweden)
Intertek Consumer Goods GmbH (Germany)
Intertek Curacao N.V (Curacao)
Intertek de Guatemala SA (Guatemala)
Intertek de Nicaragua S.A. (Nicaragua)
Intertek Denmark A/S (Denmark)
Intertek Deutschland GmbH (Germany)
Intertek DIC A/S (Denmark)
Intertek Egypt for Testing Services (Egypt)
Intertek Engineering Service Shanghai Limited (China)
Intertek Engineering Services (Wuhu) Ltd (China)
Intertek Estonia OÜ (Estonia)
Intertek Evaluate AB (Sweden)
Intertek Finance Ireland (Ireland)
Intertek Finance No. 2 Ltd (England)
Intertek Finland OY (Finland)
Intertek Fisheries Certification Limited (England)
Intertek Food Services GmbH (Germany)
Intertek France (France)
Intertek Fujairah FZC (United Arab Emirates)
Intertek Genalysis (Zambia) Limited (Zambia)
Intertek Genalysis Madagascar SA (Madagascar)
Intertek Genalysis SI Ltd (Solomon Islands)
Intertek Ghana Limited (Ghana)
Intertek Global (Iraq) Limited (i) (England)
Intertek Global International LLC (Qatar)
Intertek Global Limited (Jersey)
Intertek Health Sciences Inc. (Canada)
Intertek Holding Deutschland GmbH (Germany)
Intertek Holdings France (France)
Intertek Holdings Italia SRL (Italy)
Intertek Holdings Nederland B.V. (Netherlands)
Intertek Holdings Norge AS (Norway)
Intertek Hungary Kft. (Hungary)
Intertek Ibérica Spain S.L. (Spain)
Intertek India Private Limited (India)
Intertek Industrial Services GmbH (Germany)
Intertek Industry and Certification Services (Thailand) Limited. (Thailand)
Intertek Industry Services (PTY) LTD (South Africa)
Intertek Industry Services (S) Pte Ltd (Singapore)
Intertek Industry Services Brasil Ltda (Brazil)
Intertek Industry Services Colombia Limited (Colombia)
Intertek Industry Services Japan Limited (Japan)
Intertek Industry Services Romania Srl (Romania)
Intertek Industry WLL (Bahrain)
Intertek Inspection Services Ltd (Canada)
Intertek Inspection Services Scandinavia AS (Norway)
Intertek Inspection Services UK Limited (England)
Intertek Insurance Surveyors and Loss Assessors Private Limited (India)
Intertek International France (France)
Intertek International Guinee S.A.R.L. (Guinea)
Intertek International Inc. (United States)
Intertek International Kazakhstan, LLC (Kazakhstan)
Intertek International Limited (England)
Intertek International LLC (Uzbekistan)
Intertek International Ltd Egypt (Egypt)
Intertek International Nederland BV (Netherlands)
Intertek International Niger SARL (Niger)
Intertek International Suriname N.V. (Suriname)
Intertek International Tanzania Limited (United Republic of Tanzania)
Intertek Italia SpA (Italy)
Intertek Japan K.K. (Japan)
Intertek Kalite Servisleri Limited Sirketi (Turkey)
Intertek Korea Industry Service Ltd (Republic of Korea)
Intertek Labtest S.A.R.L (Morocco)
Intertek Ltd (Bahamas)
Intertek Luxembourg S.a.r.l (Luxembourg)
Intertek Management Services (Australia) Pty Ltd (Australia)
Intertek Med SARL AU (Morocco)
Intertek Medical Diagnostic Testing Centre (Shanghai) Co. Ltd (China)
Intertek Minerales Services SARL (Guinea)
Intertek Minerals Limited (Ghana)
Intertek Myanmar Limited (Myanmar)
Intertek Nederland B.V. (Netherlands)
Intertek Nominees Limited (England)
Intertek Overseas Holdings Limited (England)
Intertek Overseas Holdings, Eritrea Limited (Eritrea)
Intertek Pakistan (Private) Limited (Pakistan)
Intertek Poland sp.z o.o. (Poland)
Intertek Poland-Certification Sp. z.o.o (Poland)
Intertek Polychemlab B.V. (Netherlands)
Intertek Portugal Unipessoal Lda (Portugal)
Intertek Quality Services Ltd (i) (England)
Intertek Resource Solutions (Trinidad) Limited (Trinidad and Tobago)
Intertek Resource Solutions, Inc. (United States)
Intertek Rus CJSC (Russia)
Intertek S.R.O (Czech Republic)
Intertek Saudi Arabia Limited (England)
Intertek Saudi Arabia Limited (Saudi Arabia)
Intertek ScanBi Diagnostics AB (Sweden)
Intertek Secretaries Limited (i) (England)
Intertek Semko AB (Sweden)
Intertek Services (Pty) Ltd (South Africa)
Intertek Servicios C.A. (i) (Venezuela)
Intertek Settlements Limited (i) (England)
Intertek Statius N.V. (Saint Martin)
Intertek Surveying Services (USA) LLC (United States)
Intertek Surveying Services UK Limited (Scotland)
Intertek Tajikistan, LLC (ii) (Tajikistan)
Intertek Technical Inspections Canada Inc. (iii) (Canada)
Intertek Technical Services PTY Limited (Australia)
Intertek Testing & Certification Limited (England)

23 Principal Group companies (continued)

Intertek Testing and Inspection Services UK Limited (England)
Intertek Testing Management Limited (England)
Intertek Testing Services (Australia) Pty Limited (Australia)
Intertek Testing Services (Cambodia) Company Limited (Cambodia)
Intertek Testing Services (East Africa) Pty Limited (South Africa)
Intertek Testing Services (Fiji) Limited (Fiji)
Intertek Testing Services (Guangzhou) Ltd (China)
Intertek Testing Services (ITS) Canada Ltd. (Canada)
Intertek Testing Services (Japan) K. K. (Japan)
Intertek Testing Services (NZ) Limited (New Zealand)
Intertek Testing Services (Shanghai FTZ) Co., Ltd (China)
Intertek Testing Services (Singapore) Pte Ltd. (Singapore)
Intertek Testing Services (Thailand) Limited (Thailand)
Intertek Testing Services Argentina S.A. (Argentina)
Intertek Testing Services Bolivia S.A. (Bolivia)
Intertek Testing Services Caleb Brett Egypt Limited (England)
Intertek Testing Services Center (Russia)
Intertek Testing Services Chongqing Co. Limited (China)
Intertek Testing Services de Honduras, S.A. (Honduras)
Intertek Testing Services De Mexico, S.A. De C.V. (iii) (Mexico)
Intertek Testing Services Environmental Laboratories Inc. (i) (United States)
Intertek Testing Services International (Hong Kong) Limited (Hong Kong)
Intertek Testing Services International AB (i) (Sweden)
Intertek Testing Services Korea Limited (Republic of Korea)
Intertek Testing Services NA Limited (Canada)
Intertek Testing Services NA Sweden AB (i) (Sweden)
Intertek Testing Services Namibia (Proprietary) Limited (Namibia)
Intertek Testing Services Pacific Limited (Hong Kong)
Intertek Testing Services Peru S.A. (Peru)
Intertek Testing Services Philippines, Inc. (Philippines)
Intertek Testing Services Taiwan Limited (Taiwan)
Intertek Testing Services Tianjin Limited (China)
Intertek Torton Limited (Hong Kong)
Intertek Training Malaysia Sdn. Bhd. (Malaysia)
Intertek Trinidad Limited (Trinidad and Tobago)
Intertek UK Holdings Limited (England)
Intertek Ukraine (Ukraine)
Intertek USA Finance LLC (United States)
Intertek Vietnam Limited (Vietnam)
Intertek West Africa SARL (Cote d'Ivoire)
Intertek West Lab AS (Norway)
Intertek Genalysis (South Africa) Pty Limited (South Africa)
ITS (PNG) Limited (Papua New Guinea)
ITS Hong Kong NA, Limited (i) (Hong Kong)
ITS Labtest Bangladesh Limited (Bangladesh)
ITS Testing Holdings Canada Limited (Canada)
ITS Testing Services (UK) Limited (England)
Labtest International Inc. (United States)
Labtest (South Africa) (Proprietary) Ltd (ii) (South Africa)
Labtest Portugal-Testes Laboratoriais, Unipessoal Lda. (Portugal)
Lintec Testing Services Limited (England)
Louisiana Grain Services, Inc. (i) (United States)
Mace Land Company, Inc. (United States)
Management & Industrial Consultancy (i) (Egypt)
Management Systems International Limited (i) (England)
Material Testing Lab Inc (United States)
Materials Testing & Inspection Services Limited (England)
McPhar Geoservices (Philippines) Inc. (i) (Philippines)
Melbourn Scientific Limited (England)
Metoc Limited (England)
Midwest Engineering Services, Inc. (United States)
Moody Algerie SARL (Algeria)
Moody Energy Technical Service Co Ltd (China)
Moody International (Holdings) Limited (England)
Moody International (India) Private Limited (India)
Moody International (Malaysia) Sdn Bhd (Malaysia)
Moody International (Russia) Limited (England)
Moody International Angola Ltda (Angola)
Moody International Certification India Limited (India)
Moody International de Argentina SA (Argentina)
Moody International Holdings LLC (United States)
Moody International LLC (i) (Ukraine)
Moody International Philippines Inc. (Philippines)
Moody International Scandinavia AB (Sweden)
Moody Shanghai Consulting Ltd (China)
Moody United Certification Limited (China)
MT Group LLC (United States)
MT Operating of New Jersey LLC (United States)
MT Operating of New York LLC (United States)
NDT Services Limited (England)
Northern Territory Environmental Laboratories Pty Ltd (Australia)
OY Intertek Trading Limited (ii) (Finland)
Paulsen & Bayes-Davy Ltd (Hong Kong)
Petroleum Services of Union Lab Sdn Bhd (Malaysia)
Pittsburgh Testing Laboratory, Inc (United States)
Professional Service Industries Holding, Inc. (United States)
Professional Service Industries (Canada), Inc. (Canada)
Professional Service Industries, Inc. (United States)
PSI Acquisitions, Inc. (United States)
PT. Moody Technical Services (Indonesia)
PT. RCG Moody (Indonesia)
RCG Moody International Uruguay S.A. (Uruguay)
S.A.R.L. Intertek OCA France (France)
Schindler & Associates (L.C.) (i) (United States)
Shanghai Orient Intertek Testing Services Company Limited (China)
Shanghai Tianxiao Investment Consultancy Company Limited (China)
Technical Company for Testing and Conformity Services & Systems LLC (Iraq)
Testing Holdings Sweden AB (Sweden)
Tradegood Singapore Pte. Ltd. (Singapore)
Tradegood WFOE – Beijing Rui Gu Information Consultancy Company Ltd (China)
Tradegood.com International Limited (Hong Kong)
UAB Intertek Lithuania (Lithuania)
Utah Inspection, L.L.C. (United States)
Van Sluys & Bayet NV (Belgium)
Western X-Ray Service, L.L.C. (United States)
White Land Company, Inc. (United States)
Wilson Inspection X-Ray Services, Inc. (United States)
Wisco SE Asia PTE Limited (i) (Singapore)
Yickson Enterprises Limited (Hong Kong)
Youngever Holdings Limited (British Virgin Islands)

23 Principal Group companies (continued)

SUBSIDIARIES WHERE THE EFFECTIVE INTEREST IS LESS THAN 100%

Hi-Cad de Mexico SA de CV (i) (Mexico, 98%)
International Inspection Services LLC (Oman, 70%)
Intertek Angola LDA (Angola, 99%)
Intertek do Brasil Inspecoes Ltda (Brazil, 99%)
Intertek Engineering Service Shanghai Limited (China, 90%)
Intertek Laboratorios (Brazil, 85%)
Intertek Testing Services (South Africa) (Proprietary) Limited (South Africa, 75%)
Intertek Testing Services Nigeria Limited (Nigeria, 60%)
ITS (Subic Bay), Inc. (Philippines, 99%)
ITS Testing Services (M) Sdn Bhd (Malaysia, 74%)
Laboratory Services International Rotterdam B.V. (Netherlands, 75%)
Lynx Diagnostics Inc. (vii) (Canada, 50%)
Moody International Certification Limited (i) (Latvia, 40%)
Moody International Holdings Chile Ltda (Chile, 99%)
Moody International Lanka (Private) Ltd. (Sri Lanka, 99.90%)
PT Citrabuana Indoloka (vii) (Indonesia, 50%)
RCG Moody International de Venezuela S.A. (Venezuela, 99.03%)
Shanghai Moody Management & Technical Services Co. Ltd (China, 90%)

JOINT VENTURES

Caleb Brett Abu Dhabi LLC (United Arab Emirates, 49%)
Euro Mechanical Instrument Services LLC (United Arab Emirates, 49%)
Intertek (Qeshm Island) Limited (Iran, 51%)
Intertek ETL SEMKO KOREA Limited (Republic of Korea, 90%)
Intertek Industry Services (PTY) LTD (Cote d'Ivoire, 34%)
Intertek Kimsco Co. Ltd. (vii) (Republic of Korea, 50%)
Intertek Lanka (Private) Limited (Sri Lanka, 69%)
Intertek Libya Technical Services and Consultations Company Spa (Libya, 65%)
Intertek Robotic Laboratories Pty Limited (vii) (Australia, 50%)
Intertek Test Hizmetleri Anonim Sirketi (Turkey, 89.97%)
Intertek Testing Services (Hangzhou) Limited (China, 70%)
Intertek Testing Services Wuxi Ltd (China, 70%)
Intertek-Motabaqah Testing (Saudi Arabia, 51%)
ITS Caleb Brett Deniz Survey A S (vii) (Turkey, 50%)
ITS Testing Services Holdings (M) Sdn Bhd (Malaysia, 49%)
Moody International Bangladesh Limited (Bangladesh, 99.98%)
Moody International Certification Ltd (Malta) (Malta, 40%)
PT. Intertek Utama Services (vii) (Indonesia, 50%)
Qatar Calibration Services LLC (Qatar, 49%)
Shenzhen Moody Quality Management (China, 55%)
Societe Tunisienne d'Inspection Caleb Brett SARL (Tunisia, 51%)
UzIntertek Testing Services LLC (Uzbekistan, 51%)

ASSOCIATES

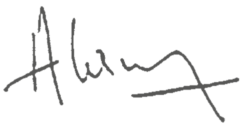
Intertek Riyadh Geotechnique and Foundations Laboratory (Saudi Arabia, 51%)
Decernis LLC (United States, 20%)

(i) Dormant Company.
(ii) In Liquidation.
(iii) Ownership held in class of A shares and B shares.
(iv) Ownership held in class of A shares and E shares.
(v) Ownership held in ordinary and preference shares.
(vi) Shares held in Class A, B, C, D, E and F.
(vii) Intertek shares joint control over the company under a shareholders' agreement, and its rights to the profit, assets and liabilities of the company are dependent on the performance of the group's brands rather than the effective equity ownership of the company.

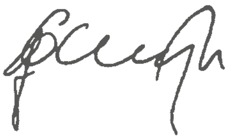
Intertek Group plc – Company balance sheet

As at 31 December 2015	Notes	2015 £m	2014 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**308.1**	300.9
Current assets			
Debtors due after more than one year	(e)	**124.5**	153.4
Debtors due within one year		**66.9**	32.6
		191.4	186.0
Cash at bank and in hand		**1.0**	–
		192.4	186.0
Creditors due within one year			
Overdraft and loans		**–**	(3.6)
Other creditors		**(30.6)**	(7.1)
		(30.6)	(10.7)
Net current assets		**161.8**	175.3
Total assets less current liabilities		**469.9**	476.2
Creditors due after one year			
Other creditors	(f)	**(55.2)**	(8.5)
		(55.2)	(8.5)
Net assets		**414.7**	467.7
Capital and reserves			
Called up share capital	(g)	**1.6**	1.6
Share premium	(g)	**257.8**	257.8
Profit and loss account	(g)	**155.3**	208.3
Shareholders' funds		**414.7**	467.7

The financial statements on pages 133 to 137 were approved by the Board on 1 March 2016 and were signed on its behalf by:



ANDRE LACROIX
Chief Executive Officer



EDWARD LEIGH
Chief Financial Officer

Financial statements
Intertek Group plc – Company statement of changes in equity

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 January 2014		1.6	257.8	217.6	**477.0**
Total comprehensive income for the year					
Profit	(b)	–	–	85.5	**85.5**
Total comprehensive income for the year		–	–	85.5	**85.5**
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the company					
Dividends paid	(c)	–	–	(75.5)	**(75.5)**
Purchase of own shares		–	–	(20.6)	**(20.6)**
Tax paid on share awards vested		–	–	(6.3)	**(6.3)**
Equity-settled transactions	(d)	–	–	7.6	**7.6**
Total contributions by and distributions to the owners of the company		–	–	(94.8)	**(94.8)**
At 31 December 2014		**1.6**	**257.8**	**208.3**	**467.7**
At 1 January 2015		**1.6**	**257.8**	**208.3**	**467.7**
Total comprehensive income for the year					
Profit	(b)	**–**	**–**	**21.8**	**21.8**
Total comprehensive income for the year		**–**	**–**	**21.8**	**21.8**
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the company					
Dividends paid	(c)	**–**	**–**	**(80.7)**	**(80.7)**
Purchase of own shares		**–**	**–**	**(5.2)**	**(5.2)**
Tax paid on share awards vested		**–**	**–**	**(1.8)**	**(1.8)**
Equity-settled transactions	(d)	**–**	**–**	**12.9**	**12.9**
Total contributions by and distributions to the owners of the company		**–**	**–**	**(74.8)**	**(74.8)**
At 31 December 2015		**1.6**	**257.8**	**155.3**	**414.7**

Notes to the Company financial statements

(A) ACCOUNTING POLICIES – COMPANY

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In these financial statements, the company has adopted FRS 101 for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not affected the reported financial position and financial performance of the Company.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures on the basis that the consolidated financial statements include the equivalent disclosures.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of IFRS 2 Share Based Payments in respect of group settled share based payments.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

Foreign currencies

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Dividends on shares presented within shareholders' funds
Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

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

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

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

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

(B) PROFIT AND LOSS ACCOUNT
Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The Company does not have any employees.

Details of the remuneration of the Directors are set out in the Remuneration report.

(C) DIVIDENDS
The aggregate amount of dividends comprises:

	2015 £m	2014 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	**53.3**	49.9
Interim dividends paid in respect of the current year	**27.4**	25.6
Aggregate amount of dividends paid in the financial year	**80.7**	75.5

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2015 is £nil (2014: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2015 is £57.0m (2014: £53.3m).

(D) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2015 £m	2014 £m
Cost and net book value		
At 1 January	**300.9**	301.2
Additions due to share-based payments	**12.9**	7.6
Recharges of share-based payments to subsidiaries	**(5.7)**	(7.9)
At 31 December	**308.1**	300.9

The Company has granted options over its own shares and made Share Awards to the employees of its direct and indirectly-owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £12.9m (2014: £7.6m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had two direct subsidiary undertakings at 31 December 2015; Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, are incorporated in the United Kingdom and registered in England and Wales. All interests are in the ordinary share capital and all are wholly owned. In the opinion of the Directors, the value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

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

(E) DEBTORS DUE AFTER MORE THAN ONE YEAR

	2015 £m	2014 £m
Amounts owed by Group undertakings	**124.5**	153.4

The amounts owed by Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

(F) CREDITORS DUE AFTER MORE THAN ONE YEAR

	2015 £m	2014 £m
Amounts owed to Group undertakings	**55.2**	8.5

The amounts owed to Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

(G) STATEMENT OF CHANGES IN EQUITY

Details of share capital are set out in note 15 and details of share-based payments are set out in note 17 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the financial year, before dividends paid to shareholders of £80.7m (2014: £75.5m), was £21.8m (2014: £85.5m) which was mainly in respect of dividends received from subsidiaries.

The Group settled in cash the tax element of the share awards vested in March 2015 amounting to £3.0m of which the Company settled £1.8m (2014: £6.3m).

During the year ended 31 December 2015, the Company purchased, through its Employee Benefit Trust, 200,126 (2014: 705,537) of its own shares with an aggregate nominal value of £2,001 (2014: £7,055) for £5.2m (2014: £20.6m) which was charged to profit and loss in equity.

(H) RELATED PARTY TRANSACTIONS

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

(I) CONTINGENT LIABILITIES

The Company is a member of a group of UK companies that are part of a composite banking cross guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool, guaranteeing the total gross liability position of the pool which was £10.5m at 31 December 2015 (2014: £29.5m).

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

(J) POST BALANCE SHEET EVENTS

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