Consolidated income statement

For the year ended 31 December	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2020 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2019 £m
Revenue	2	**2,741.7**	**-**	**2,741.7**	2,987.0	–	2,987.0
Operating costs		(2,314.0)	(49.5)	(2,363.5)	(2,462.8)	(38.4)	(2,501.2)
Group operating profit/(loss)	2	**427.7**	**(49.5)**	**378.2**	524.2	(38.4)	485.8
Finance income	14	1.1	–	1.1	1.2	–	1.2
Finance expense	14	(36.0)	0.6	(35.4)	(40.6)	(1.3)	(41.9)
Net financing costs		**(34.9)**	**0.6**	**(34.3)**	(39.4)	(1.3)	(40.7)
Profit/(loss) before income tax		**392.8**	**(48.9)**	**343.9**	484.8	(39.7)	445.1
Income tax (expense)/credit	6	(100.2)	18.9	(81.3)	(118.8)	7.3	(111.5)
Profit/(loss) for the year	2	**292.6**	**(30.0)**	**262.6**	366.0	(32.4)	333.6
Attributable to:							
Equity holders of the Company		277.3	(30.0)	247.3	345.5	(32.4)	313.1
Non-controlling interest	20	15.3	–	15.3	20.5	–	20.5
Profit/(loss) for the year		**292.6**	**(30.0)**	**262.6**	366.0	(32.4)	333.6
Earnings per share**							
Basic	7			**153.6p**			194.5p
Diluted	7			**152.4p**			192.6p

* 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	Notes	2020 £m	2019 £m
Profit for the year	2	**262.6**	333.6
Other comprehensive income			
Remeasurements on defined benefit pension schemes	16	0.8	(3.2)
Tax on comprehensive income items	6	(3.1)	0.2
Items that will never be reclassified to profit or loss		**(2.3)**	(3.0)
Foreign exchange translation differences of foreign operations		(53.9)	(72.4)
Net exchange gain/(loss) on hedges of net investments in foreign operations	14	3.7	31.2
Gain on fair value of cash flow hedges		0.3	0.7
Items that are or may be reclassified subsequently to profit or loss		**(49.9)**	(40.5)
Total other comprehensive (expense)/income for the year		**(52.2)**	(43.5)
Total comprehensive income for the year		**210.4**	290.1
Total comprehensive income for the year attributable to:			
Equity holders of the Company		195.4	271.8
Non-controlling interest	20	15.0	18.3
Total comprehensive income for the year		**210.4**	290.1

Consolidated statement of financial position

As at 31 December	Notes	2020 £m	2019 £m
Assets			
Property, plant and equipment	8	585.8	644.2
Goodwill	9	835.9	859.8
Other intangible assets	9	279.7	302.4
Investments in associates		–	–
Deferred tax assets	6	48.6	51.9
Total non-current assets		**1,750.0**	1,858.3
Inventories*		15.5	19.2
Trade and other receivables*	11	621.2	685.0
Cash and cash equivalents	14	203.9	227.4
Current tax receivable		24.5	28.5
Total current assets		**865.1**	960.1
Total assets		**2,615.1**	2,818.4
Liabilities			
Interest-bearing loans and borrowings	14	(31.0)	(238.9)
Current taxes payable		(53.8)	(57.2)
Lease liabilities	14	(61.4)	(61.7)
Trade and other payables*	12	(576.2)	(518.0)
Provisions*	13	(28.8)	(24.2)
Total current liabilities		**(751.2)**	(900.0)
Interest-bearing loans and borrowings	14	(592.8)	(617.9)
Lease liabilities	14	(162.8)	(184.3)
Deferred tax liabilities	6	(59.7)	(68.2)
Net pension liabilities	16	(12.1)	(13.4)
Other payables*	12	(26.1)	(29.2)
Provisions*	13	(7.4)	(20.1)
Total non-current liabilities		**(860.9)**	(933.1)
Total liabilities		**(1,612.1)**	(1,833.1)
Net assets		**1,003.0**	985.3

As at 31 December	Notes	2020 £m	2019 £m
Equity			
Share capital	15	1.6	1.6
Share premium		257.8	257.8
Other reserves		(80.8)	(31.2)
Retained earnings		796.4	727.7
Total equity attributable to equity holders of the Company		**975.0**	955.9
Non-controlling interest	20	28.0	29.4
Total equity		**1,003.0**	985.3

* Working capital of negative £4.0m (2019: positive £100.7m) comprises the asterisked items in the above statement of financial position less refundable deposits aged over 12 months of £2.2m (2019: £12.0m).

The financial statements on pages 135 to 183 were approved by the Board on 1 March 2021 and were signed on its behalf by:

André Lacroix
Chief Executive Officer

Ross McCluskey
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December		Attributable to equity holders of the Company							
				Other reserves					
	Notes	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2019		1.6	257.8	1.7	5.4	588.3	854.8	34.3	889.1
Total comprehensive income/(expense) for the year									
Profit		–	–	–	–	313.1	313.1	20.5	333.6
Other comprehensive income/(expense)		–	–	(39.0)	0.7	(3.0)	(41.3)	(2.2)	(43.5)
Total comprehensive income/(expense) for the year		–	–	(39.0)	0.7	310.1	271.8	18.3	290.1
Transactions with owners of the Company recognised directly in equity									
Contributions by and distributions to the owners of the Company									
Dividends paid	15	–	–	–	–	(163.2)	(163.2)	(19.1)	(182.3)
Adjustment arising from changes in non-controlling interest	20	–	–	–	–	4.1	4.1	(4.1)	–
Purchase of own shares	15	–	–	–	–	(23.1)	(23.1)	–	(23.1)
Tax paid on Share Awards vested*	17	–	–	–	–	(11.6)	(11.6)	–	(11.6)
Equity-settled transactions	17	–	–	–	–	21.9	21.9	–	21.9
Income tax on equity-settled transactions	6	–	–	–	–	1.2	1.2	–	1.2
Total contributions by and distributions to the owners of the Company		–	–	–	–	(170.7)	(170.7)	(23.2)	(193.9)
At 31 December 2019		1.6	257.8	(37.3)	6.1	727.7	955.9	29.4	985.3

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

Consolidated statement of changes in equity *Continued*

For the year ended 31 December		Attributable to equity holders of the Company							
				Other reserves					
	Notes	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2020		**1.6**	**257.8**	**(37.3)**	**6.1**	**727.7**	**955.9**	**29.4**	**985.3**
Total comprehensive (expense)/income for the year									
Profit		–	–	–	–	247.3	247.3	15.3	262.6
Other comprehensive (expense)/income		–	–	(49.9)	0.3	(2.3)	(51.9)	(0.3)	(52.2)
Total comprehensive (expense)/income for the year		**–**	**–**	**(49.9)**	**0.3**	**245.0**	**195.4**	**15.0**	**210.4**
Transactions with owners of the Company recognised directly in equity									
Contributions by and distributions to the owners of the Company									
Dividends paid	15	–	–	–	–	(170.4)	(170.4)	(18.6)	(189.0)
Adjustment arising from changes in non-controlling interest	20	–	–	–	–	(2.2)	(2.2)	2.2	–
Purchase of own shares	15	–	–	–	–	(12.2)	(12.2)	–	(12.2)
Tax paid on Share Awards vested*	17	–	–	–	–	(8.5)	(8.5)	–	(8.5)
Equity-settled transactions	17	–	–	–	–	17.7	17.7	–	17.7
Income tax on equity-settled transactions	6	–	–	–	–	–	–	–	–
IFRS 16 effects of deferred tax		–	–	–	–	(0.7)	(0.7)	–	(0.7)
Total contributions by and distributions to the owners of the Company		**–**	**–**	**–**	**–**	**(176.3)**	**(176.3)**	**(16.4)**	**(192.7)**
At 31 December 2020		**1.6**	**257.8**	**(87.2)**	**6.4**	**796.4**	**975.0**	**28.0**	**1,003.0**

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

Consolidated statement of cash flows

For the year ended 31 December	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the year	2	**262.6**	333.6
Adjustments for:			
Depreciation charge	8	156.6	156.2
Amortisation of software	9	17.4	15.3
Amortisation of acquisition intangibles	9	28.1	29.1
Equity-settled transactions	17	17.7	21.9
Net financing costs	14	34.3	40.7
Income tax expense	6	81.3	111.5
Profit on disposal of subsidiary/associate		–	(1.8)
(Profit) on disposal of property, plant, equipment and software		(0.9)	(0.9)
Operating cash flows before changes in working capital and operating provisions		**597.1**	705.6
Change in inventories		3.5	(1.5)
Change in trade and other receivables		52.9	(25.6)
Change in trade and other payables		36.8	40.7
Change in provisions		(3.1)	(1.9)
Special contributions into pension schemes	16	(2.0)	(2.0)
Cash generated from operations		**685.2**	715.3
Interest and other finance expense paid		(34.8)	(40.7)
Income taxes paid		(91.6)	(111.8)
Net cash flows generated from operating activities*		**558.8**	562.8
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software*		7.6	2.5
Interest received*	14	1.1	1.2
Acquisition of subsidiaries, net of cash acquired	10	–	(16.9)
Consideration (paid) in respect of prior year acquisitions		(0.5)	(0.6)
Sale of associate		–	2.1
Acquisition of property, plant, equipment and software*		(79.8)	(116.8)
Net cash flows used in investing activities		**(71.6)**	(128.5)

For the year ended 31 December	Notes	2020 £m	2019 £m
Cash flows from financing activities			
Purchase of own shares	15	(12.2)	(23.1)
Tax paid on share awards vested		(8.5)	(11.6)
Drawdown of borrowings		279.9	110.0
Repayment of borrowings		(507.1)	(221.3)
Repayment of lease liabilities*		(72.0)	(69.7)
Purchase of non-controlling interest		–	(5.2)
Dividends paid to non-controlling interest	20	(18.6)	(19.1)
Equity dividends paid		(170.4)	(163.2)
Net cash flow used in financing activities		**(508.9)**	(403.2)
Net (decrease)/increase in cash and cash equivalents	14	(21.7)	31.1
Cash and cash equivalents at 1 January	14	213.0	203.2
Exchange adjustments	14	(7.9)	(21.3)
Cash and cash equivalents at 31 December	14	**183.4**	213.0

The notes on pages 141 to 183 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £19.9m for year ended 31 December 2020 (2019: £15.3m).

Free cash flow of £415.7m (2019: £380.0m) comprises the asterisked items in the above consolidated statement of cash flows.

Notes to the financial statements

1 Significant accounting policies

Basis of preparation

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

Statement of compliance

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

The Group financial statements as at and for the year ended 31 December 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company financial statements present information about the Company as a separate entity and not about its Group. The Company has elected to prepare its Company financial statements in accordance with UK GAAP, comprising FRS 101 and applicable law; these are presented on pages 184 to 188.

Significant new accounting policies

During the year no new accounting standards were adopted by the Group.

Changes in accounting policies

The accounting policies set out in these financial statements have been applied consistently to all years presented. There are no new accounting standards that are effective for annual periods beginning on or after 1 January 2020 that have a material effect on the consolidated financial statements of the Group. There are no accounting standards that are issued but not yet effective that are expected to have a material effect on the consolidated financial statements of the Group.

The Interest Rate Benchmark Reform, which does not impact on the Group's hedging instruments, is assessed further in note 14.

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.

Going concern

The Group has a broad customer base across its multiple business lines and in its different geographic regions and is supported by a robust balance sheet and strong operational cash flows. 2020 was an unprecedented year and the financial impact was managed with a resilient revenue performance, robust margin and strong cash generation.

The Board has reviewed the Group's financial forecasts up to 31 December 2022 to assess both liquidity requirements and debt covenants. The Group's financial forecasts, which have been updated for the expected continued impact of COVID-19, show a recovery in 2021 with:

- all of our Products business lines other than Transportation Technologies delivering YoY revenue growth;
- Trade division revenues being broadly flat with 2020; and
- revenue in our Resources divisions forecast to be below 2020.

In addition, the Group's financial forecasts for 2021 and 2022, and the related liquidity position and forecast compliance with debt covenants, have been sensitised for a severe decline in economic conditions (including an illustrative sensitivity scenario of a reduction of 50% to the base profit forecasts and the corresponding impact to cash flow forecasts in each of these years due to a greater than expected impact of COVID-19). The Board remains satisfied with the Group's funding and liquidity position with the Group forecast to remain within its committed facilities and compliant with debt covenants even following the 50% stress testing sensitivity. The sensitivity modelling excludes additional mitigating actions (e.g. dividend cash payments, non-essential overheads and non-committed capital expenditure) that are within management control and could be initiated if deemed required.

The undrawn headroom on the Group's committed borrowing facilities at 31 December 2020 was £494.0m (2019: £326.2m). As disclosed in Note 14 of the financial statements, all the current borrowing facilities are expected to be available at 31 December 2022, except for US$15m of senior notes that are due to be repaid in July 2021 and US$140m of senior notes that are due to be repaid in January 2022, and our models forecast these to be repaid using current facilities. Full details of the Group's borrowing facilities and maturity profile are outlined in note 14.

On the basis of its forecasts to 31 December 2022, both base case and stressed, and available facilities, the Board has concluded that there are no material uncertainties over going concern, including no anticipated breach of covenants, and therefore the going concern basis of preparation continues to be appropriate.

Consideration of climate change

In preparing the financial statements we have considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report this year. There has not been a material impact on the financial reporting judgements and estimates arising from our considerations, consistent with our assessment that climate change is not expected to have a meaningful impact on the viability of the Group in the medium term. Specifically, we note the following:

- The Group has bought carbon credits in the year to offset our measured Scope 1, 2 and 3 GHG emissions, making 2020 our first carbon neutral year. The cost of purchasing these credits was less than £1m.
- The Group continues to invest in on-site renewable energy generation at our locations. Spend in 2020 was not material.
- We have specifically considered the impact of climate change on the carrying value of fixed assets (see note 8) and in our goodwill impairment assessment (see note 9).

Government grants

Government grants are recognised in the income statement so as to match them with the related expenses that they are intended to compensate. Where grants are received in advance of the related expenses, they are initially recognised in the balance sheet and released to match the related expenditure. Non-monetary grants are recognised at fair value. The related cash flow is classified in accordance with the nature of the activity.

1 Significant accounting policies *Continued*

Basis of consolidation

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

Foreign operations

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

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

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

	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
Value of £1	**31 Dec 2020**	**31 Dec 2019**	**2020**	**2019**
US dollar	1.35	1.31	1.28	1.28
Euro	1.10	1.17	1.13	1.14
Chinese renminbi	8.81	9.17	8.88	8.82
Hong Kong dollar	10.47	10.18	9.96	10.00
Australian dollar	1.78	1.87	1.87	1.84

Use of judgements and estimates

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

Judgements

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

Income and deferred tax

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

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

IFRIC 23 Uncertainty Over Income Tax Treatments interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It clarifies that an entity must consider the probability that the tax authorities will accept the treatment in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings. The main areas of judgement in the Group tax calculation are reassessment of the uncertain tax positions and the probability of the tax treatments in its tax filings being retained. The most significant individual uncertain tax position relates to EU State Aid investigations and contingent liability disclosures have been included in note 22.

Basis of consolidation

Judgement is applied when determining if the Group 'controls' a subsidiary. In assessing control, the Group considers whether it has the power to direct the relevant activities, whether it has exposure to variable returns from the investee and whether it has power over the investee to affect the amount of investor returns. Our original assessments are subsequently revisited on a rolling basis – see 'Basis of consolidation' policy opposite. The Group acquisitions are disclosed in note 10, and the Group's principal subsidiaries are disclosed in note 23.

1 Significant accounting policies *Continued*

Intangible assets

When the Group makes an acquisition, management determines initially whether any intangible assets (e.g. customer relationships, trade names and technology) should be recognised separately from goodwill, and the provisional amounts at which to recognise those assets. Certain assumptions are used in determining the provisional values for such intangible assets, including, but not limited to, future growth rates and customer attrition rates. During the first 12 months of ownership, intangible assets are reviewed to determine whether any additional information exists that supports amendments to that original assessment, including new intangible assets. Management has performed this subsequent review for the 2019 acquisition of Check Safety First Limited, during the current year – see note 10.

Restructuring

In making a provision and classifying costs as restructuring as part of our 5x5 differentiated strategy for growth, management has used its judgement to assess the specific circumstances of each local and regional restructuring proposal as to whether it meets the Group definition of this SDI, including an estimate of future costs and the timing of completion – see note 3.

Claims

In making provision for claims, management has used its judgement to assess the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents – see note 13.

Leases

On transition to IFRS 16 at 1 January 2019, the Group elected to adopt two exemptions proposed by the standard. The Group did not recognise right-of-use assets and lease liabilities for short-term leases (less than 12 months duration) and low-value assets (usually less than £4,000).

Normally the lease term is based upon the start and end date stated within the lease contract. Some lease contracts may also contain an extension option or a break option. Judgement is applied to assess whether to include these options in calculating term of a lease.

Estimates

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

Impairment of goodwill

Following recognition of goodwill as a result of acquisitions, the Group determines, as a minimum on an annual basis and including current year acquisitions, whether goodwill is impaired, which requires an estimation of the future cash flows of the cash generating units to which the goodwill is allocated, as well as assumptions on growth rates and discount rates – see note 9. The outbreak of COVID-19 has increased the level of estimation uncertainty in relation to assumptions used in impairment assessments (e.g. cash flow projections, long-term growth, discount rate). However, no risk has been identified of a goodwill impairment in the next 12 months, as detailed in the sensitivity analysis in note 9.

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. Following the outbreak of COVID-19 we have reassessed our assumptions including both discount and mortality rates. Further details and sensitivity analysis are included in note 16.

Recoverability of trade receivables

Trade receivables are reflected, net of an estimated provision for impairment losses. This provision considers the past payment history, the length of time that the debts have remained unpaid and forward-looking judgemental factors, such as specific customer knowledge and country-specific risk factors. Following the outbreak of COVID-19 we have reassessed our expected loss provisions including assessing the country-specific risk factors. Further details and sensitivity analysis are included in note 11.

Contingent consideration

When the Group acquires businesses, the total consideration may consist of an amount paid on completion plus further amounts payable on agreed post-completion dates. These further amounts are contingent on the acquired business meeting agreed performance targets. At the date of acquisition and at subsequent reporting periods, the Group reviews the profit and cash forecasts for the acquired business and estimates the amount of contingent consideration that is likely to be due. The outbreak of COVID-19 has increased the level of estimation uncertainty in relation to profit and cash forecasts used in estimating the amount of contingent consideration that is likely to be due. Further details and sensitivity analysis are included in note 10.

Other accounting policies

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 when there is transfer of control to the customer, 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 or test/inspection certificate is issued. Short-term projects are considered to be those of less than two months' duration.

On long-term projects revenue is recognised using the five steps for revenue recognition. The majority of contracts are for less than one year. 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 contract assets, if billing has yet to be completed. Performance obligations vary across business lines and regions, and on a contract-by-contract basis. There may be more than one performance obligation per contract, for example Alchemy Training Solutions contracts have multiple elements which are split between recognising revenue at a point in time for services such as software licences and over time for other services delivered under the same contract.

Long-term projects consist of two main types:

- time incurred is billed at agreed rates on a periodic basis, such as monthly; or
- 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 contract liabilities where services have not yet been rendered.

The Group does not expect to have any contracts where the period between the transfer of promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group has applied practical expedients in i) recognising assets from the costs incurred to obtain or fulfil a contract; and ii) in disclosing unsatisfied performance obligations in contracts as contracts have an expected duration of less than a year. The economic factors affecting revenue for both short- and long-term contracts are consistent within each.

Operating segments

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

These operating segments are aggregated into three divisions, which are the Group's reportable segments, based on similar nature of products and services and mid- to long-term structural growth drivers. When aggregating operating segments into the three divisions we have applied judgement over the similarities of the services provided, the customer base and the mid- to long-term structural growth drivers.

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

Inter-segment pricing is determined on an arm's length basis. There is no significant seasonality in the Group's operations. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The performance of the segments is assessed based on adjusted operating profit which is stated before Separately Disclosed Items. The operating segment revenue disclosures provided under IFRS 8 are consistent with the disaggregated revenue disclosure and recognition and measurement requirements of IFRS 15.

A reconciliation to operating profit by division and Group profit for the year is included overleaf.

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax liability. Measurement is dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house tax experts, professional firms and previous experience.

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

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

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

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

Trade – Our Trade division consists of three global business lines with similar global and regional trade-flow structural growth drivers with demand driven by population and GDP growth, the development of regional trade, increased traceability and growth in port and transport infrastructure.

The division provides differing services which reflect the breadth of our ATIC offering, but the services provided are similar in nature and include analytical assessment, inspection and technical services that are delivered to the customers through issuing certificates or reports. The three business lines all assist our Trade-related customers in protecting the value and quality of their products during their custody-transfer, storage and transportation, globally. Our Trade-related customers are all dependent on, and intrinsically linked to, global shipping and trade flows.

Our Caleb Brett business provides cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum and biofuels industries.

Notes to the financial statements *Continued*

2 Operating segments and presentation of results *Continued*

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

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

Resources – Our Resources division consists of two business lines demonstrating similar mid- to long-term structural growth drivers closely linked to our end-customer capital investment. Demand is driven by long-term energy demand, supply chain risk management, sustainability of energy supply, infrastructure investments, growth in alternative energy and focus on health and safety.

The division offers similar services across our range of Total Quality Assurance solutions to the oil, gas, nuclear, power and minerals industries. Our Resources customers typically extract natural resources from the ground and our services enable our customers to optimise the use of their assets and to minimise risk in their supply chains. Delivery of our services is through issuing certificates or reports.

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

Our Minerals business provides a broad range of ATIC service solutions to the mining and minerals exploration industries, covering the resource supply chain from exploration and resource development, through to production, shipping and commercial settlement.

The results of these divisions for the year ended 31 December 2020 are shown below:

Year ended 31 December 2020	Revenue from contracts with customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,681.6	(108.1)	351.6	(32.1)	319.5
Trade	592.6	(45.1)	47.1	(5.0)	42.1
Resources	467.5	(20.8)	29.0	(12.4)	16.6
Total	**2,741.7**	**(174.0)**	**427.7**	**(49.5)**	**378.2**
Group operating profit			**427.7**	**(49.5)**	**378.2**
Net financing costs			(34.9)	0.6	(34.3)
Profit before income tax			**392.8**	**(48.9)**	**343.9**
Income tax expense			(100.2)	18.9	(81.3)
Profit for the year			**292.6**	**(30.0)**	**262.6**

Year ended 31 December 2019	Revenue from contracts with customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,796.7	(105.2)	405.4	(23.9)	381.5
Trade	679.4	(44.6)	86.6	(4.6)	82.0
Resources	510.9	(21.7)	32.2	(9.9)	22.3
Total	2,987.0	(171.5)	524.2	(38.4)	485.8
Group operating profit			524.2	(38.4)	485.8
Net financing costs			(39.4)	(1.3)	(40.7)
Profit before income tax			484.8	(39.7)	445.1
Income tax expense			(118.8)	7.3	(111.5)
Profit for the year			366.0	(32.4)	333.6

Geographic segments

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

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

	Revenue from external customers		Non-current assets	
	2020 £m	2019 £m	2020 £m	2019 £m
United States	870.8	969.9	962.2	1,016.7
China (including Hong Kong)	517.9	553.3	77.2	75.8
United Kingdom	161.6	188.9	191.2	197.1
Other countries and unallocated	1,191.4	1,274.9	470.8	516.8
Total	**2,741.7**	2,987.0	**1,701.4**	1,806.4

Major customers

No revenue from any individual customer exceeded 10% of total Group revenue in 2019 or 2020.

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 non-current assets; costs of acquiring and integrating acquisitions; the cost of any fundamental restructuring; material claims and settlements; significant recycling of amounts from equity to the income statement; and unrealised market or fair value gains or losses on financial assets or liabilities, including contingent consideration.

Adjusted operating profit, which is a non-GAAP measure, excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the income statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure. The costs of any restructuring as part of our 5x5 differentiated strategy for growth are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group and where they reflect the refinement of our operational structure identified as part of the Group's strategy that are not expected to recur in those operations. The impairment of goodwill and other assets that by their nature or size are not expected to recur; the profit and loss on disposals of businesses or other significant assets; and the costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit to provide useful information regarding the underlying performance of the Group's operations.

Separately Disclosed Items

The Separately Disclosed Items are described in the table below:

		2020 £m	2019 £m
Operating (costs)/income:			
Amortisation of acquisition intangibles	(a)	(28.1)	(29.1)
Acquisition costs	(b)	(2.4)	(1.6)
Restructuring costs	(c)	(19.0)	(13.3)
Gain on disposal of business	(d)	–	1.8
Material claims and settlements	(e)	–	4.6
Guaranteed minimum pension equalisation	(f)	–	(0.8)
Total operating costs		**(49.5)**	(38.4)
Net financing income/(costs)	(g)	0.6	(1.3)
Total before income tax		**(48.9)**	(39.7)
Income tax credit on Separately Disclosed Items		18.9	7.3
Total		**(30.0)**	(32.4)

(a) Of the amortisation of acquisition intangibles in the current year, £8.6m (2019: £8.7m) relates to the customer relationships, trade names, technology and non-compete covenants acquired with the purchase of Alchemy Investment Holdings, Inc ('Alchemy') in 2018.

(b) Acquisition costs comprise £2.0m (2019: £1.2m) for transaction costs in respect of successful, active and aborted acquisitions in the current year, and £0.4m in respect of prior-years' acquisitions (2019: £0.4m).

(c) During the year, the Group has implemented the final year of various fundamental restructuring activities, consistent with the Group's 5x5 strategy. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structures.

(d) £nil of small non-core businesses were disposed of in 2020 (2019: £1.8m).

(e) The 2019 material claims and settlements relate to a commercial claim that is separately disclosable due to its size.

(f) £nil has been recorded as past service cost under the defined benefit scheme – see note 16.

(g) Net financing income of £0.6m (2019: £1.3m cost) relates to the change in fair value of contingent consideration and the unwinding of discount on put options related to acquisitions.

Notes to the financial statements *Continued*

4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2020 £m	2019 £m
Employee costs	1,220.4	1,314.5
Depreciation and software amortisation (notes 8 and 9)	174.0	171.5
Other expenses	969.1	1,015.2
Total	**2,363.5**	2,501.2

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

	2020 £m	2019 £m
Included in profit for the year are the following expenses:		
Property rentals	9.0	13.7
Lease and hire charges – fixtures, fittings and equipment	11.3	8.7
Government grants related to employee costs	(22.5)	(4.8)
Profit on disposal of property, fixtures, fittings, equipment and software	(0.2)	(0.9)

	2020 £m	2019 £m
Auditor's remuneration:		
Audit of these financial statements	0.8	0.8
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	4.0	3.8
Total audit fees payable pursuant to legislation	**4.8**	4.6
Audit-related services	0.2	0.1
Total	**5.0**	4.7

5 Employees

Total employee costs are shown below:

Employee costs	2020 £m	2019 £m
Wages and salaries	1,031.0	1,121.1
Equity-settled transactions	17.7	21.9
Social security costs	118.9	123.9
Pension costs (note 16)	52.8	47.6
Total employee costs	**1,220.4**	1,314.5

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

Average number of employees by division	2020	2019
Products	23,849	24,320
Trade	10,466	10,740
Resources	8,395	7,998
Central	1,915	1,910
Total average number for the year ended 31 December	**44,625**	44,968
Total actual number at 31 December	**43,769**	45,653

The total remuneration of the Directors is shown below:

Directors' emoluments	2020 £m	2019 £m
Directors' remuneration	2.8	4.4
Amounts charged under the long-term incentive scheme	1.3	3.0
Total Directors' emoluments	**4.1**	7.4

6 Taxation

Accounting policy

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

Current tax

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

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

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax liability. Measurement is dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house tax experts, professional firms and previous experience.

Deferred tax

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

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

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

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

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

Tax expense

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

The statutory tax charge, including the impact of SDIs, of £81.3m (2019: £111.5m), equates to an effective rate of 23.6% (2019: 25.1%) and the cash tax on adjusted results is 23.3% (2019: 23.1%).

The income tax expense for the adjusted profit before tax for the 12 months ended 31 December 2020 is £100.2m (2019: £118.8m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2020 is 25.5% (2019: 24.5%).

Differences between the consolidated effective tax rate of 23.6% and notional statutory UK rate of 19.0% include, but are not limited to: the mix of profits; the effect of tax rates in foreign jurisdictions; non-deductible expenses; the effect of movement in unrecognised deferred tax asset; 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. These tax incentives mainly relate to China's High and New Technology Enterprise and Technology Advanced Service Enterprise incentives. Without these incentives the adjusted effective tax rate would be 28.0% (2019: 27.1%).

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:

	2020 £m	2019 £m
Current tax charge for the period	94.8	101.1
Adjustments relating to prior year liabilities	(3.7)	(0.1)
Current tax	**91.1**	101.0
Deferred tax movement related to current year	(2.4)	11.8
Deferred tax movement related to prior year	(7.4)	(1.3)
Deferred tax movement	**(9.8)**	10.5
Total tax in income statement	**81.3**	111.5
Tax on adjusted result	100.2	118.8
Tax on Separately Disclosed Items	(18.9)	(7.3)
Total tax in income statement	**81.3**	111.5

6 Taxation *Continued*

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.

	2020 £m	2019 £m
Profit before taxation	**343.9**	445.1
Notional tax charge at UK standard rate 19.0% (2019: 19.0%)	65.3	84.6
Differences in overseas tax rates	5.4	13.2
Withholding tax on intercompany dividends	10.7	9.4
Non-deductible expenses	12.1	23.6
Tax exempt income	(5.7)	(13.8)
Change in tax rate impact	(0.5)	(0.4)
Movement in unrecognised deferred tax	4.9	2.7
Adjustments in respect of prior years[1]	(11.1)	(1.4)
Other[2]	0.2	(6.4)
Total tax in income statement	**81.3**	111.5

1. Adjustments in respect of prior years include £8.2m credit relating to deferred tax on intangible assets and £6.4m following the refinement of the final FY18 and FY19 USA base erosion and anti-abuse tax charge. The remaining £3.5m charge relates to various territories, which mainly relate to derecognition of brought forward tax losses.
2. The Other category contains R&D tax credits and super deductions of £3.2m (2019: £3.1m) and a net provision charge of £2.5m (2019: £6.0m) following the review of uncertain tax provisions across multiple territories. The remaining £0.9m charge is other local taxes.

The UK government announced in March 2020 the UK corporation tax rate would remain at 19% from 1 April 2020 onwards, and this was substantively enacted in March 2020.

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 2020 £m	Tax charge 2020 £m	Net of tax 2020 £m	Before tax 2019 £m	Tax charge 2019 £m	Net of tax 2019 £m
Foreign exchange translation differences of foreign operations	(53.9)	(2.8)	(56.7)	(72.4)	(0.6)	(73.0)
Net exchange gain/(loss) on hedges of net investments in foreign operations	3.7	–	3.7	31.2	–	31.2
Gain on fair value of cash flow hedges	0.3	–	0.3	0.7	–	0.7
Remeasurements on defined benefit pension schemes	0.8	0.3	1.1	(3.2)	0.7	(2.5)
Tax on other items that will never be reclassified to profit or loss	–	(0.6)	(0.6)	–	0.1	0.1
Total other comprehensive (expense)/income for the year	**(49.1)**	**(3.1)**	**(52.2)**	(43.7)	0.2	(43.5)

6 Taxation *Continued*

Income tax recognised directly in equity

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

	Before tax 2020 £m	Tax charge 2020 £m	Net of tax 2020 £m	Before tax 2019 £m	Tax charge 2019 £m	Net of tax 2019 £m
Equity-settled transactions	**17.7**	–	**17.7**	21.9	1.2	23.1

Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £m	Assets 2019 £m	Liabilities 2020 £m	Liabilities 2019 £m	Net 2020 £m	Net 2019 £m
Intangible assets	0.4	0.5	(72.5)	(87.5)	(72.1)	(87.0)
Property, fixtures, fittings and equipment	7.1	9.8	(3.9)	(5.9)	3.2	3.9
Pensions	1.8	2.2	–	–	1.8	2.2
Equity-settled transactions	8.3	8.6	–	–	8.3	8.6
Provisions and other temporary differences	52.0	41.3	(13.3)	(0.1)	38.7	41.2
Tax value of losses	9.0	14.8	–	–	9.0	14.8
Total	**78.6**	77.2	**(89.7)**	(93.5)	**(11.1)**	(16.3)
As shown on balance sheet:						
Deferred tax assets*					48.6	51.9
Deferred tax liabilities*					(59.7)	(68.2)
Total					**(11.1)**	(16.3)

* 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 £30.0m, but the net liability of £11.1m is the same in both cases.

Movements in deferred tax temporary differences during the year

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

	1 January 2020 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2020 £m
Intangible assets	(87.0)	1.8	(1.1)	14.7	(0.5)	(72.1)
Property, fixtures, fittings and equipment	3.9	(0.3)	–	(0.4)	–	3.2
Pensions	2.2	–	–	(0.2)	(0.2)	1.8
Equity-settled transactions	8.6	–	–	0.5	(0.8)	8.3
Provisions and other temporary differences	41.2	(2.1)	–	0.7	(1.1)	38.7
Tax value of losses	14.8	(0.3)	–	(5.5)	–	9.0
Total	(16.3)	(0.9)	(1.1)	9.8	(2.6)	**(11.1)**

	1 January 2019 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2019 £m
Intangible assets	(90.6)	3.2	0.6	(0.2)	–	(87.0)
Property, fixtures, fittings and equipment	4.3	(1.0)	–	1.1	(0.5)	3.9
Pensions	2.6	–	–	(0.6)	0.2	2.2
Equity-settled transactions	8.2	–	–	–	0.4	8.6
Provisions and other temporary differences	42.2	(0.4)	–	(7.4)	6.8	41.2
Tax value of losses	10.9	(1.4)	9.9	(3.4)	(1.2)	14.8
Total	(22.4)	0.4	10.5	(10.5)	5.7	(16.3)

6 Taxation *Continued*

Unrecognised deferred tax assets

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

	2020 £m	2019 £m
Intangibles	28.7	29.2
Pensions	1.5	–
Provisions and other temporary differences	0.2	2.0
Tax losses	150.7	113.7
Foreign tax credits[1]	12.0	12.4
Total	**193.1**	157.3

1. The total unrecognised foreign tax credits is £3.2m, the grossed-up equivalent amount of which is £12.0m as stated above.

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 £276.4m (2019: £250.8m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from, or sell, the associated subsidiaries in the foreseeable future.

7 Earnings per ordinary share

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

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

	2020 £m	2019 £m
Profit attributable to ordinary shareholders	247.3	313.1
Separately Disclosed Items after tax (note 3)	30.0	32.4
Adjusted earnings	**277.3**	345.5
Number of shares (millions)		
Basic weighted average number of ordinary shares	161.0	161.0
Potentially dilutive share awards	1.3	1.6
Diluted weighted average number of shares	**162.3**	162.6
Basic earnings per share	**153.6p**	194.5p
Potentially dilutive share awards	(1.2)p	(1.9)p
Diluted earnings per share	**152.4p**	192.6p
Adjusted basic earnings per share	**172.2p**	214.6p
Potentially dilutive share awards	(1.3)p	(2.1)p
Adjusted diluted earnings per share	**170.9p**	212.5p

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

All leases where the Group is the lessee (with the exception of short-term and low-value leases) are recognised in the statement of financial position. A lease liability is recognised based on the present value of the future lease payments, and a corresponding right-of-use asset is recognised. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the asset. Lease payments are apportioned between finance charges and a reduction of the lease liability.

Low-value items, usually below £4,000, and short-term leases with a term of 12 months or less are not required to be recognised on the balance sheet and payments made in relation to these leases are recognised on a straight-line basis in the income statement. The Group leases various properties, principally offices and testing laboratories, which have varying terms and renewal rights that are typical to the territory in which they are located. Non-property includes all other leases, such as cars and printers. Normally the lease term is the contractual start to end date, except when a break or extension option are reasonably certain to be taken, which are considered on a lease-by-lease basis.

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. Freehold land is not depreciated.

The estimated useful lives are as follows:

Freehold buildings	50 years
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.

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 2019	104.0	1,177.9	1,281.9
IFRS 16 asset recognised on 1 January 2019	437.0	37.4	474.4
Exchange adjustments	(16.6)	(57.6)	(74.2)
Additions	47.0	96.4	143.4
Disposals	(27.2)	(34.6)	(61.8)
Businesses acquired (note 10)	0.4	0.2	0.6
At 31 December 2019	544.6	1,219.7	1,764.3
Depreciation			
At 1 January 2019	36.9	803.8	840.7
IFRS 16 asset recognised on 1 January 2019	221.4	8.9	230.3
Exchange adjustments	(8.8)	(40.4)	(49.2)
Charge for the year	59.1	97.1	156.2
Disposals	(24.9)	(33.0)	(57.9)
At 31 December 2019	283.7	836.4	1,120.1
Net book value at 31 December 2019	260.9	383.3	644.2

Notes to the financial statements *Continued*

8 Property, plant and equipment *Continued*

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost			
At 1 January 2020	544.6	1,219.7	1,764.3
Exchange adjustments	3.1	(10.2)	(7.1)
Additions	47.2	64.6	111.8
Disposals	(81.3)	(97.9)	(179.2)
Businesses acquired (note 10)	–	–	–
At 31 December 2020	**513.6**	**1,176.2**	**1,689.8**
Depreciation			
At 1 January 2020	283.7	836.4	1,120.1
Exchange adjustments	(2.9)	(3.8)	(6.7)
Charge for the year	61.4	95.2	156.6
Disposals	(72.8)	(93.2)	(166.0)
At 31 December 2020	**269.4**	**834.6**	**1,104.0**
Net book value at 31 December 2020	**244.2**	**341.6**	**585.8**

Fixtures, fittings, plant and equipment include assets in the course of construction of £23.0m at 31 December 2020 (2019: £40.6m), mainly comprising laboratories under construction. These assets will not be depreciated until they are available for use.

The net book value of land and buildings comprised:

	2020 £m	2019 £m
Freehold	62.0	58.7
Leasehold*	182.2	202.2
Total	**244.2**	260.9

* IFRS 16 *Leases* was adopted on 1 January 2019 and all the Group leases were recognised on balance sheet.

Contracts for capital expenditure which are not provided in the financial statements amounted to £12.0m (2019: £4.0m).

We have specifically reviewed our portfolio of freehold properties (total 2020 net book value of £62.0m) to consider whether there are indications of material impairment arising from the potential physical risks arising from climate change. We have not impaired any assets this year as a result of this exercise.

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 *First-Time Adoption of International Financial Reporting Standards* 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.

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 20 years
Technology and know-how	Up to 15 years
Trade names	Up to 18 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 within operating costs. 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.

Notes to the financial statements *Continued*

9 Goodwill and other intangible assets *Continued*

Intangibles

The intangibles employed by the business are analysed below:

		Other intangible assets				
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total other intangible assets £m
Cost						
At 1 January 2019	1,418.0	452.6	11.5	79.3	205.6	749.0
Exchange adjustments	(38.5)	(11.0)	(0.3)	(2.4)	(6.8)	(20.5)
Additions	–	0.2	–	–	28.8	29.0
Transfers	(7.2)	(2.4)	–	–	–	(2.4)
Reclassifications	–	–	–	–	–	–
Disposal	(0.2)	–	–	–	(1.8)	(1.8)
Businesses acquired (note 10)	19.3	–	–	–	0.4	0.4
At 31 December 2019	1,391.4	439.4	11.2	76.9	226.2	753.7
Amortisation						
At 1 January 2019	543.1	271.9	9.6	25.9	112.1	419.5
Exchange adjustments	(11.5)	(6.6)	(0.4)	(0.5)	(3.4)	(10.9)
Transfers	–	–	–	–	–	–
Reclassifications	–	9.3	–	(9.3)	–	–
Charge for the year	–	21.4	0.5	7.2	15.3	44.4
Disposal	–	–	–	–	(1.7)	(1.7)
At 31 December 2019	531.6	296.0	9.7	23.3	122.3	451.3
Net book value at 31 December 2019	859.8	143.4	1.5	53.6	103.9	302.4

		Other intangible assets				
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total other intangible assets £m
Cost						
At 1 January 2020	1,391.4	439.4	11.2	76.9	226.2	753.7
Exchange adjustments	(24.3)	(7.5)	(0.2)	(2.2)	(4.4)	(14.3)
Additions	0.4	–	–	–	25.5	25.5
Transfers	(4.4)	1.9	1.1	2.5	–	5.5
Reclassifications	–	–	–	–	–	–
Disposal	(3.0)	–	–	–	(20.0)	(20.0)
Businesses acquired (note 10)	–	–	–	–	–	–
At 31 December 2020	**1,360.1**	**433.8**	**12.1**	**77.2**	**227.3**	**750.4**
Amortisation						
At 1 January 2020	531.6	296.0	9.7	23.3	122.3	451.3
Exchange adjustments	(7.4)	(4.1)	(0.1)	(0.7)	(1.2)	(6.1)
Transfers	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Charge for the year	–	19.8	0.8	7.5	17.4	45.5
Disposal	–	–	–	–	(20.0)	(20.0)
At 31 December 2020	**524.2**	**311.7**	**10.4**	**30.1**	**118.5**	**470.7**
Net book value at 31 December 2020	**835.9**	**122.1**	**1.7**	**47.1**	**108.8**	**279.7**

Other intangible assets

Computer software additions of £25.5m (2019: £28.8m) relates to separately acquired computer software of £13.7m (2019: £14.8m) and internally developed intangible assets of £11.8m (2019: £14.0m).

The Other acquisition intangibles net book value of £47.1m (2019: £53.6m) consist of guaranteed income, order backlog, covenants not to compete and know-how. The average remaining amortisation period for customer relationships is nine years (2019: eight years).

Computer software net book value of £108.8m at 31 December 2020 (2019: £103.9m) includes software in construction of £58.2m (2019: £50.4m). Research and development expenditure of £28.0m (2019: £34.7m) was recognised as an expense in the year.

9 Goodwill and other intangible assets *Continued*

Goodwill

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

	2020 £m	2019 £m
Products	–	19.3
Trade	–	–
Resources	–	–
At 31 December	**-**	19.3

The total carrying amount of goodwill by CGU is as follows, which is also used for the assessment of the Group's impairment review.

	2020 pre-tax discount rate	2020 £m	2019 £m
Industry Services	12.3%	14.5	14.7
Business Assurance	8.6%	274.4	289.0
Food & AgriWorld	8.6%	17.1	16.6
Caleb Brett	8.7%	55.2	56.1
Government & Trade Services	8.6%	0.8	0.8
Minerals	10.4%	38.7	37.0
Softlines	8.5%	6.2	6.2
Hardlines	8.4%	8.1	8.9
Electrical & Wireless	8.6%	86.1	88.0
Transportation Technologies	8.6%	42.9	43.6
Building & Construction	8.7%	212.0	218.9
Chemicals & Pharma/Health, Environmental & Regulatory	7.7%	79.9	80.0
Net book value at 31 December*		**835.9**	859.8

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

Impairment review

In order to determine whether impairments are required, the Group estimates the recoverable amount of each 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. The long-term growth rate is used in the perpetuity calculations. A discount factor is applied to obtain a value in use which is the recoverable amount. Goodwill arising in year from acquisitions is assessed for impairment separately from the above CGUs and on an acquisition-by-acquisition basis. No impairments were required on goodwill arising in 2020 (2019: No impairments).

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 1.8% to 2.6% (2019: 1.8% to 2.6%). The discount rate for each CGU is based on the Group's weighted average cost of capital adjusted for the risks specific to the CGU. Pre-tax discount rates ranged from 7.7% to 12.3% (2019: 8.0% to 9.3%).

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. 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.

Sensitivity analysis

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

(i) Assuming revenues decline each year by 1% in 2021 to 2024 from the 2020 budgeted revenues, with margins increasing with base assumptions.

(ii) Assuming zero growth in operating profit margins in 2020 to 2024 with revenues increasing per base assumptions.

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

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

In preparing our forecasts, including the rate of revenue and profit growth, we have also considered the potential impact of climate change, and to reflect a severe impact of climate change transition risk through the modelling across all CGUs, we have modelled an additional sensitivity of discounted cash flows with a limited 25-year life, excluding any terminal value. In this scenario, which we also consider to be a low probability, there is no impairment.

10 Acquisitions

Acquisitions in 2020

No acquisitions were made during the year.

Consideration paid

There were no acquisitions in the year hence total consideration was £nil (2019: £18.0m). In 2019 there was additional consideration payable of £3.0m.

Acquisitions in 2019

On 13 December 2019, the Group acquired 100% of Check Safety First Limited ('CSF'), a market-leading global health, safety, quality and security risk management business focused on the travel, tourism and hospitality sectors, for a purchase price of £18.0m, (£17.0m net of cash acquired) generating goodwill of £12.3m.

On 3 July 2019, the Group acquired the remaining shares in Laboratorios ABC Química, Investigación y Análisis, S.A. de C.V. ('ABC') for cash consideration of £5.2m.

The fair value adjustments 12 months from the date of acquisition were:

	2020			2019		
Check Safety First Limited Total	**Book value prior to acquisition £m**	**Fair value adjustments £m**	**Fair value to Group on acquisition £m**	**Book value prior to acquisition £m**	**Provisional fair value adjustments £m**	**Provisional fair value to Group on acquisition £m**
Property, plant and equipment	0.6	–	0.6	0.6	–	0.6
Goodwill	0.9	11.4	12.3	0.9	18.4	19.3
Other intangible assets	0.4	5.5	5.9	0.4	–	0.4
Trade and other receivables	1.8	–	1.8	1.8	–	1.8
Trade and other payables	(1.5)	(0.7)	(2.2)	(1.0)	(0.6)	(1.6)
Provisions for liabilities and charges	(0.3)	–	(0.3)	(0.4)	–	(0.4)
Deferred tax assets/(liabilities)	–	(1.1)	(1.1)	–	–	–
Net assets acquired	**1.9**	**15.1**	**17.0**	2.3	17.8	20.1

The provisional fair values disclosed in 2019 have been updated, principally for the recognition of £5.5m of specific intangible assets, resulting in a decrease in goodwill of £7.0m. These fair value adjustments were made in the 12 months following the acquisitions and are now final.

Key assumptions

The key assumptions in deriving the contingent consideration to be recognised include the weighted probability of making a payout and the discount rate used to bring the cash flow back to present values. The discount rates used for the calculation are aligned with the discount rates used for impairment purposes as set out in note 9.

Sensitivity analysis

It is estimated that an increase of 1% in the discount rate used to calculate the contingent consideration would have decreased the financial liability by £0.1m, and a 1% decrease in the discount rate would have increased the financial liability by £0.1m. It has also been estimated that an increase of 10% in the probability used to calculate the contingent consideration would have increased the financial liability by £2.9m, whilst a decrease of 10% in the probability used would have decreased the financial liability by £2.0m.

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. The Group applies the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables, including contract assets. The provision calculations are based on historic credit losses and forward-looking data, namely specific country-risk classifications with higher default rates applied to older balances. This approach is followed for all receivables unless there are specific circumstances, such as the bankruptcy of a customer or emerging market risks, which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables and contract assets until such time as the Group believes the amount to be irrecoverable, after which the trade receivable or contract assets balance is written off.

Trade and other receivables

Trade and other receivables are analysed below:

	2020 £m	2019 £m
Trade receivables	428.9	463.4
Contract assets	99.8	121.3
Other receivables	53.7	65.9
Prepayments	38.8	34.4
Total trade and other receivables	**621.2**	685.0

Trade receivables and contract assets are shown net of allowance for impairment losses of £18.9m (2019: £20.6m) and £5.3m (2019: £5.9m) respectively and are all expected to be recovered within 12 months. The largest individual element within allowance for impairment relates to a counterparty where the net exposure to the Group is £7.2m (2019: £9.6m). Net impairment on trade receivables and contract assets charged as part of operating costs was £1.7m (2019: £3.4m) and £1.7m (2019: £3.5m) respectively.

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 and contract assets at the reporting date was as follows:

	2020 £m	2019 £m
Under 3 months	428.3	479.1
Between 3 and 6 months	51.3	55.2
Between 6 and 12 months	19.0	27.8
Over 12 months	54.3	49.1
Gross trade receivables and contract assets	**552.9**	611.2
Allowance for impairment	(24.2)	(26.5)
Trade receivables and contract assets, net of allowance	**528.7**	584.7

Included in trade receivables under three months of £360.6m (2019: £383.4m) are trade receivables of £315.4m (2019: £332.6m) that are not yet due for payment.

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

Impairment allowance for doubtful trade receivables and contract assets	2020 £m	2019 £m
At 1 January	26.5	25.9
Exchange differences	(1.4)	(0.9)
Acquisitions	–	0.1
Net impairment loss recognised	3.3	6.9
Receivables written off	(4.2)	(5.5)
At 31 December	**24.2**	26.5

Sensitivity analysis

Trade receivables and contract assets are assessed for impairment using a calculated credit loss assumption. A 0.25% variance in the assumed credit risk factor would impact impairment by £1.9m. There were no material individual impairments of trade receivables or contract assets.

Notes to the financial statements *Continued*

12 Trade and other payables

Accounting policy

Trade payables

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

Put option over non-controlling interest

Put options held by non-controlling interests that arise on acquisition are recognised initially at the present value of the redemption amount. They are subsequently measured at amortised cost using the effective interest method. The discount is unwound through SDIs as a finance charge.

Trade and other payables

Trade and other payables are analysed below:

	Current 2020 £m	Current 2019 £m	Non-current 2020 £m	Non-current 2019 £m
Trade payables	142.0	163.8	0.8	0.9
Other payables	82.9	39.0	17.5	20.1
Accruals	248.1	240.6	5.2	2.8
Contract liabilities	103.2	74.6	2.6	5.4
Total trade and other payables	**576.2**	518.0	**26.1**	29.2

The Group's exposure to liquidity risk related to trade payables is disclosed in note 14. £61.0m of contract liabilities at the end of 2019 was recognised in revenue in 2020.

Other payables include revenue taxes, interest payable and retirement liabilities.

Contract liabilities consist of consideration received in advance of the Group transferring the related good or service to the client.

In one part of the Group an arrangement is available that allows payment terms to suppliers to be extended by up to 60 days. At 31 December 2020, this arrangement was applicable to trade payables totalling £2.5m (2019: £3.7m).

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 2020	24.3	4.3	15.7	44.3
Exchange adjustments	(0.9)	(0.1)	(0.1)	(1.1)
Provided in the year:	–	6.8	28.1	34.9
in respect of current year acquisitions	–	–	–	–
in respect of prior year acquisitions	0.2	–	–	0.2
Released during the year	(3.7)	(4.5)	(6.0)	(14.2)
Utilised during the year	(0.2)	(3.5)	(24.2)	(27.9)
At 31 December 2020	**19.7**	**3.0**	**13.5**	**36.2**
Included in:				
Current liabilities	12.5	3.0	13.3	28.8
Non-current liabilities	7.2	–	0.2	7.4
At 31 December 2020	**19.7**	**3.0**	**13.5**	**36.2**

The maximum contingent consideration, on a discounted basis, that could be paid in relation to acquisitions is £34.0m. The contingent consideration is a financial liability held at fair value through profit and loss with the measurement basis disclosed in note 14.

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 £3.0m (2019: £4.3m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. A release of £nil is included in SDIs (2019: £4.6m) – see note 3 for further information. 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 £13.5m (2019: £15.7m) includes restructuring provisions. The timing of the cash outflow is uncertain, but is likely to be within one year.

14 Borrowings and financial instruments

Accounting policy

Net financing costs

Net financing costs comprise interest expense on borrowings; facility fees; interest receivable on funds invested; interest income and expense relating to pension assets and liabilities; net foreign exchange gains or losses on financial assets or liabilities; unrealised market or fair value gains or losses on financial assets or liabilities, including contingent consideration; and gains and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue using the effective interest rate method. As permitted by IAS 7, interest paid is classified within operating cash flows and interest received is classified within investing cash flows.

Trade and other receivables

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

Cash and cash equivalents and net debt

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 financial debt comprises borrowings less cash and cash equivalents and total net debt is net financial debt plus the IFRS 16 lease liability.

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.

Put options held by non-controlling interests that arise on acquisition are recognised initially at the present value of the redemption amount. They are subsequently measured at amortised cost using the effective interest method. The discount is unwound through SDIs as a finance charge.

Derivative financial instruments

The Group uses derivative financial instruments, including cross currency interest rate swaps and foreign currency forwards, to hedge economically its exposure to foreign exchange and interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes.

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

The fair value of cross currency interest rate swaps is estimated using the present value of the estimated future cash flows based on observable yield curves.

The fair value of foreign currency forwards is estimated using present value of future cash flows based on the forward exchange rates at the balance sheet date.

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 foreign operations

The Group is exposed to foreign exchange risk exposure arising from its net investment in foreign currency operations and net assets. The Group uses a combination of debt and cross currency interest rate swaps to hedge foreign exchange risks.

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 value in relation to the hedge instrument that is held within the cumulative foreign currency translation reserve is recycled through the income statement when the hedged subsidiary is disposed of. If the instrument is no longer deemed effective, then future movements in fair value are posted to the income statement.

Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk and foreign exchange risk to which the cash flows of certain assets and liabilities are exposed. The Group is exposed to the variability in cash flows arising from the foreign exchange risk exposure in a USD private placement bond. In accordance with the Group's hedging strategy, the Group has cross currency interest rates swaps designated as cash flow hedges.

The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The value in relation to the hedge instrument that is held within the cumulative cash flow hedge reserve (disclosed within other reserves) is recycled through the income statement when the hedged item impacts the income statement. If the instrument is no longer deemed effective, then future movements in fair value are posted to the income statement.

Interest Rate Benchmark Reform

A number of our existing agreements, such as borrowings and commercial contracts utilise various benchmark rates such as LIBOR and other interbank offered rates ('IBORs'). The replacement of these benchmark interest rates has become a priority for global regulators and is expected to be largely completed in 2021. Intertek's hedging relationships will not be affected by the interest rate benchmark reforms, and the implications on the wider business are been assessed and the Group is preparing to move to the new benchmark rates in 2021.

Impairment

A financial asset is assessed for impairment at each reporting date by application of an expected loss model in line with IFRS 9 requirements.

14 Borrowings and financial instruments *Continued*

Net financing costs

Net financing costs are shown below:

Recognised in income statement	2020 £m	2019 £m
Finance income		
Interest on bank balances	1.1	1.2
Total finance income	**1.1**	1.2
Finance expense		
Interest on borrowings	(20.6)	(26.4)
Net pension interest cost (note 16)	(0.2)	(0.2)
Foreign exchange differences on revaluation of net monetary assets and liabilities	(5.6)	(2.7)
Leases – IFRS 16	(8.3)	(9.1)
Facility fees and other*	(0.7)	(3.5)
Total finance expense*	**(35.4)**	(41.9)
Net financing costs*	**(34.3)**	(40.7)

* Includes £0.6m income (2019: £1.3m cost) relating to SDIs.

Analysis of net debt

	2020 £m	2019 £m
Cash and cash equivalents per the statement of financial position	203.9	227.4
Overdrafts	(20.5)	(14.4)
Cash per the statement of cash flows	183.4	213.0

The components of net debt are outlined below:

	1 January 2020 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2020 £m
Cash	213.0	(21.7)	–	(7.9)	183.4
Borrowings:					
Revolving credit facility US$800m 2021	(285.5)	285.5	–	–	–
Revolving credit facility US$850m 2025	–	(130.3)	–	(5.2)	(135.5)
Senior notes US$150m 2020	(114.7)	111.4	–	3.3	–
Senior notes US$15m 2021	(11.5)	–	–	0.4	(11.1)
Senior notes US$140m 2022	(107.0)	–	–	3.3	(103.7)
Senior notes US$160m 2023	(30.6)	(89.8)	–	1.9	(118.5)
Senior notes US$125m 2024	(95.6)	–	–	3.0	(92.6)
Senior notes US$120m 2025	(30.6)	(59.8)	–	1.6	(88.8)
Senior notes US$75m 2026	(57.4)	–	–	1.9	(55.5)
Other*	(109.5)	110.2	2.2	(0.5)	2.4
Total borrowings	(842.4)	227.2	2.2	9.7	**(603.3)**
Total net financial debt	(629.4)	205.5	2.2	1.8	**(419.9)**
Lease liabilities (note 1)	(246.0)	72.0	(50.9)	0.7	(224.2)
Total net debt	(875.4)	277.5	(48.7)	2.5	**(644.1)**

* Includes other uncommitted borrowings of £nil and facility fees of £2.4m (2019: £0.7m).

14 Borrowings and financial instruments *Continued*

	1 January 2019 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2019 £m
Cash	203.2	31.1	–	(21.3)	213.0
Borrowings:					
Revolving credit facility US$800m 2021	(384.8)	90.0	–	9.3	(285.5)
Senior notes US$20m 2019	(15.8)	15.5	–	0.3	–
Senior notes US$150m 2020	(118.6)	–	–	3.9	(114.7)
Senior notes US$15m 2021	(11.8)	–	–	0.3	(11.5)
Senior notes US$140m 2022	(110.7)	–	–	3.7	(107.0)
Senior notes US$40m 2023	(31.6)	–	–	1.0	(30.6)
Senior notes US$125m 2024	(98.9)	–	–	3.3	(95.6)
Senior notes US$40m 2025	(31.7)	–	–	1.1	(30.6)
Senior notes US$75m 2026	(59.3)	–	–	1.9	(57.4)
Other*	(118.2)	5.8	(0.8)	3.7	(109.5)
Total borrowings	(981.4)	111.3	(0.8)	28.5	(842.4)
Total net financial debt	(778.2)	142.4	(0.8)	7.2	(629.4)
Lease liabilities (note 1)	(269.9)	69.7	(52.8)	7.0	(246.0)
Total net debt	(1,048.1)	212.1	(53.6)	14.2	(875.4)

* Includes other uncommitted borrowings of £110.0m and facility fees of £0.7m in 2019.

Borrowings

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

	Current 2020 £m	Current 2019 £m	Non-current 2020 £m	Non-current 2019 £m
Senior term loans and notes	11.1	114.7	594.6	618.2
Other borrowings	(0.6)	109.8	(1.8)	(0.3)
Total borrowings	**10.5**	224.5	**592.8**	617.9

Analysis of debt	2020 £m	2019 £m
Debt falling due:		
In one year or less	10.5	224.5
Between one and two years	103.0	296.9
Between two and five years	434.3	233.1
Over five years	55.5	87.9
Total borrowings	**603.3**	842.4

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2020 were £494.0m (2019: £326.2m).

14 Borrowings and financial instruments *Continued*

US$850m revolving credit facility

In January 2020, the US$800m multi-currency revolving credit facility was refinanced with a US$850m revolving credit facility maturing in 2025 which is the Group's principal bank facility. 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 2020 were £135.5m (2019: £285.5m under previous facility).

In January 2021, US$850m of the facility was extended to 2026, the impact of this would be a transfer of £135.5m from borrowings due to be repaid between two and five years to borrowings due to be repaid in over five years.

Private placement bonds

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

In December 2020 the Group issued US$200m of senior notes. These notes were issued in two tranches with US$120m repayable on 2 December 2023 at a fixed annual interest rate of 1.97% and US$80m repayable on 2 December 2025 at a fixed annual interest rate of 2.08%.

Lease liabilities

Undiscounted lease liabilities are split into current and non-current as outlined below:

	2020 £m	2019 £m
Analysis of lease liabilities falling due:		
Current:		
Repayable in less than 1 year	68.3	69.3
Non-current:		
Repayable in 1–2 years	49.7	54.7
Repayable in 2–5 years	80.6	92.7
Repayable in more than 5 years	93.5	95.8
Total lease liabilities	**292.1**	312.5

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 50.

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:

	2020 £m	2019 £m
Trade receivables, net of allowance (note 11)	428.9	463.4
Cash and cash equivalents	183.4	213.0
Total	**612.3**	676.4

14 Borrowings and financial instruments *Continued*

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

	2020 £m	2019 £m
Asia Pacific	120.4	126.4
Americas	169.9	188.1
Europe, Middle East and Africa	138.6	148.9
Total	**428.9**	463.4

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. Counterparty credit risk inherent in all hedge relationships is monitored throughout the period of the hedge but this risk is not expected to be significant.

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

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 2019):

2020	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	605.7	654.1	7.8	19.1	115.3	454.6	57.3
Other loans	(2.4)	0.1	–	0.1	–	–	–
Trade payables (note 12)	142.8	142.8	138.2	3.8	0.7	0.1	–
Lease liabilities	224.2	292.1	36.3	32.0	49.7	80.6	93.5
Contingent consideration (note 13)	19.7	20.9	12.5	–	–	8.4	–
	990.0	1,110.0	194.8	55.0	165.7	543.7	150.8
Derivative financial liabilities/ (assets)							
Foreign currency forwards							
Outflow	–	538.8	538.8	–	–	–	–
Inflow	(0.9)	(539.7)	(539.7)	–	–	–	–
Cross currency interest rate swaps							
Outflow	–	–	–	–	–	–	–
Inflow	–	–	–	–	–	–	–
	(0.9)	(0.9)	(0.9)	–	–	–	–
Total	**989.1**	**1,109.1**	**193.9**	**55.0**	**165.7**	**543.7**	**150.8**

14 Borrowings and financial instruments *Continued*

2019	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	732.9	798.8	10.6	125.1	311.3	259.4	92.4
Other loans	109.5	110.3	110.1	0.2	–	–	–
Trade payables (note 12)	164.7	164.7	160.4	3.5	0.7	0.1	–
Lease liabilities	246.0	312.5	36.1	33.2	54.7	92.7	95.8
Contingent consideration (note 13)	24.3	26.7	–	4.6	14.5	7.6	–
	1,277.4	1,413.0	317.2	166.6	381.2	359.8	188.2
Derivative financial liabilities/ (assets)							
Foreign currency forwards							
Outflow	–	435.8	435.8	–	–	–	–
Inflow	(0.2)	(436.0)	(436.0)	–	–	–	–
Cross currency interest rate swaps							
Outflow	4.4	81.8	0.8	81.0	–	–	–
Inflow	–	(79.5)	(1.5)	(78.0)	–	–	–
	4.2	2.1	(0.9)	3.0	–	–	–
Total	1,281.6	1,415.1	316.3	169.6	381.2	359.8	188.2

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 achieve this, the Group uses bank debt facilities, US private placements and cross currency interest rate swaps.

Sensitivity

At 31 December 2020, 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 £10.6m (2019: £15.0m). This analysis assumes all other variables remain constant.

Foreign currency risk

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

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

14 Borrowings and financial instruments *Continued*

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

2020	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Other currencies £m
Cash	**183.4**	2.6	44.1	49.1	(1.3)	88.9
Trade receivables (note 11)	**428.9**	23.9	208.2	35.6	6.9	154.3
Trade payables (note 12)	**142.8**	13.4	56.8	14.1	1.9	56.6

2019	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Other currencies £m
Cash	213.0	11.6	57.5	55.7	3.1	85.1
Trade receivables (note 11)	463.4	35.5	161.5	48.9	13.4	204.1
Trade payables (note 12)	164.7	19.7	67.9	14.3	3.5	59.3

Recognised assets and liabilities

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

Cash flow hedge

The Group held a US$150m fixed interest rate USD private placement bond which matured in December 2020.

A proportion of the bond was hedged using 100m USD/GBP fixed-to-fixed cross currency swaps which matured in December 2020 to eliminate the changes in the cash flows of the repayment of coupon and principal related to changes in foreign exchange rates.

In 2020, £1.2m of the cash flow hedge reserve was recycled through to the income statement to offset the impact of the hedged US$100m bond.

Hedge of net investment in foreign operations

The Group's foreign currency denominated loans are designated as a hedge to protect the same amount of net investment in the Group's foreign currency operations and net assets, against adverse changes in exchange rates. The nominal amount of these loans at 31 December 2020 was £605.7m (2019: £561.3m).

93.8m EUR/GBP fixed-to-fixed cross currency swaps which matured in December 2020, including all coupons, were designated as a hedge to protect the same amount of net investment in the Group's Euro operations and net assets, against adverse changes in exchange rates.

14 Borrowings and financial instruments *Continued*

A foreign exchange gain of £3.7m (2019: £31.2m foreign exchange gain) was recognised in the translation reserve in equity on translation of these loans to sterling and the impact of changes in fair value of the cross currency interest rate swaps. The Group has the following hedging instruments:

2020	Nominal amounts in local currency	Carrying value £m	1 January 2020 £m	Other comprehensive income: Fair value gain/(loss) deferred to OCI £m	Other comprehensive income: FX (gain)/loss recycled to the income statement £m	Hedges closed in year	31 December 2020 £m
Cash flow hedges – foreign exchange and interest rate risk							
Cross currency interest rate swaps – discontinued	–	–	(0.3)	(0.9)	1.2	–	–
Hedges of net investment in a foreign operation – foreign exchange risk							
Cross currency interest rate swaps – continuing	–	–	(13.8)	(5.2)	–	19.0	–
Cross currency interest rate swaps – discontinued	–	–	–	–	–	(19.0)	(19.0)
Foreign currency borrowings – continuing	£605.7m	605.7	(110.7)	8.9	–	51.4	(50.4)
Foreign currency borrowings – discontinued	–	–	(121.8)	–	–	(51.4)	(173.2)
		605.7	(246.6)	2.8	1.2	–	**(242.6)**

2019 – represented	Nominal amounts in local currency	Carrying value £m	1 January 2019 £m	Other comprehensive income: Fair value gain/(loss) deferred to OCI £m	Other comprehensive income: FX (gain)/loss recycled to the income statement £m	Hedges closed in year	31 December 2019 £m
Cash flow hedges – foreign exchange and interest rate risk							
Cross currency interest rate swaps – continuing	US$100m	(9.4)	(1.0)	(2.3)	3.0	–	(0.3)
Hedges of net investment in a foreign operation – foreign exchange risk							
Cross currency interest rate swaps – continuing	EUR 93.8m	13.8	(19.3)	5.5	–	–	(13.8)
Foreign currency borrowings – continuing	£561.3m	561.3	(131.2)	25.7	–	(5.2)	(110.7)
Foreign currency borrowings – discontinued	–	–	(127.0)	–	–	5.2	(121.8)
		565.7	(278.5)	28.9	3.0	–	(246.6)

The Group had entered into US$100m of cross currency interest rate swaps which pay EUR denominated interest and principal; and receive USD denominated interest and principal; which matured in December 2020.

The cross currency interest rate swaps were bifurcated into two relationships: 1) A cash flow hedge of US$100m versus GBP foreign currency and interest rate risks in USD denominated borrowings; and 2) A net investment hedge of EUR versus GBP foreign currency risk in EUR denominated net assets of the Group.

14 Borrowings and financial instruments *Continued*

The weighted average exchange rates of the swaps are GBP/USD 1.5207 and EUR/GBP 0.7009.

The cross currency interest rate swaps and foreign currency forwards are disclosed within other payables in the statement of financial position.

The critical terms of the swap contracts and their corresponding hedged items are matched and the Group expects highly effective hedging relationships. Net ineffectiveness on the cash flow and net investment hedges recognised in the income statement was nil.

Hedge ineffectiveness may occur due to:

a) the fair value of the hedging instrument on the hedge relationship designation date if the fair value is not nil;

b) changes in the contractual terms or timing of the payments on the hedged item; and

c) a change in the credit risk of the Group or the counterparty with the hedged instrument.

The hedge ratio for each designation will be established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for all of the Group's existing hedge relationships the hedge ratio has been determined as 1:1.

The carrying values of the hedging instruments; US$635m senior notes and RCF drawings EUR114m, CHF8.0m and AUD45.0m are included within long-term borrowings within the statement of financial position.

Fair value gains and losses on the hedging instruments designated in the cash flow and net investment hedges have been presented as 'fair value on cash flow hedges' and 'net exchange on hedges of net investments in foreign operations' respectively within the statement of other comprehensive income.

Foreign exchange loss of £1.2m recycled from the cash flow hedge reserve are presented in interest on borrowings within finance expenses in the income statement.

Sensitivity

It is estimated that an increase of 10% in the value of sterling against the US dollar and Chinese renminbi (the main currencies impacting the Group) would have decreased the Group's profit before tax for 2020 by approximately £17.9m (2019: £24.8m). This analysis assumes all other variables remain constant.

It is estimated that an increase of 10% in the value of sterling against the currencies of the hedging instruments would have increased OCI by approximately £55.1m (2019: £58.3m) which would be offset by the retranslation of the Group's investment in foreign operations in the same currencies. This analysis assumes all other variables remain constant.

Fair values

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

	Book value 2020 £m	Fair value 2020 £m	Book value 2019 £m	Fair value 2019 £m
Financial assets				
Cash and cash equivalents	183.4	183.4	213.0	213.0
Trade receivables (note 11)	428.9	428.9	463.4	463.4
Foreign currency forwards*	0.9	0.9	0.2	0.2
Total financial assets	**613.2**	**613.2**	676.6	676.6
Financial liabilities				
Interest-bearing loans and borrowings	603.3	621.7	842.4	851.0
Trade payables (note 12)	142.8	142.8	164.7	164.7
Contingent consideration**	19.7	19.7	24.3	24.3
Cross currency interest rate swaps*	–	–	4.4	4.4
Total financial liabilities	**765.8**	**784.2**	1,035.8	1,044.4

* Cross currency interest rate swaps and foreign currency forwards 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.

** Contingent consideration is categorised as Level 3 under which the fair value is measured using unobservable inputs – being the EBITDA performance of the acquired companies.

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	2020 number	2020 £m	2019 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	161,393,127	1.6	1.6
Share awards	–	–	–
Ordinary shares of 1p each at end of year	**161,393,127**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

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

During the year, the Company issued nil (2019: nil) ordinary shares in respect of all share plans.

Purchase of own shares for trust

During the year ended 31 December 2020, the Company financed the purchase of 225,165 (2019: 459,078) of its own shares with an aggregate nominal value of £2,252 (2019: £4,591) for 12.2m (2019: £23.1m) which was charged to retained earnings in equity and was held by the ESOT. This trust is managed and controlled by an independent offshore trustee. During the year, 358,718 shares were utilised to satisfy the vesting of share awards (note 17). At 31 December 2020, the ESOT held 313,270 shares (2019: 446,823 shares) with an aggregate nominal value of £3,133 (2019: £4,468). The associated cash outflow of £12.2m (2019: £23.1m) has been presented as a financing cash flow.

Dividends	2020 £m	2020 Pence per share	2019 £m	2019 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2018	–	–	108.2	67.2
Interim dividend for the year ended 31 December 2019	–	–	55.0	34.2
Final dividend for the year ended 31 December 2019	115.3	71.6	–	–
Interim dividend for the year ended 31 December 2020	55.1	34.2	–	–
Dividends paid	**170.4**	**105.8**	163.2	101.4

After the reporting date, the Directors proposed a final dividend of 71.6p per share in respect of the year ended 31 December 2020, which is expected to amount to £115.6m. 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 18 June 2021.

Reserves

Translation reserve

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

Other

This reserve includes a merger difference that arose in 2002 on the conversion of share warrants into share capital, as well as the cash flow hedge reserve.

16 Employee benefits

Accounting policy

Pension schemes

Defined contribution plans

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

Defined benefit plans

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

The Group's net obligation in respect of material defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. The fair value of any plan assets is 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 and Switzerland. The United Kingdom Scheme is funded, with assets held in separate trustee-administered funds and the Switzerland Scheme is an insured scheme. The scheme in the United Kingdom were closed to new entrants in 2002. 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.

Total pension cost

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

	2020 £m	2019 £m
Defined contribution schemes	(50.6)	(45.2)
Defined benefit schemes – current service cost and administration expenses	(2.2)	(2.4)
Pension cost included in operating profit (note 5)	**(52.8)**	(47.6)

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom ('United Kingdom Scheme') was carried out as at 31 March 2019, and for IAS 19 accounting purposes has been updated to 31 December 2020. The Switzerland Scheme was valued for IAS 19 purposes as at 31 December 2020. The average duration of the schemes are 20 years and 15 years for the United Kingdom and Switzerland schemes, respectively.

Defined benefit schemes

The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2020 £m	2019 £m
Current service cost	(1.8)	(2.0)
Curtailment gain	–	5.8
GMP pension equalisation (note 3)	–	(0.8)
Scheme administration expenses	(0.4)	(0.5)
Net pension interest cost (note 14)	(0.2)	(0.2)
Total (charge)/credit	**(2.4)**	2.3

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

16 Employee benefits *Continued*

Included in other comprehensive income:

	2020 £m	2019 £m
Remeasurements arising from:		
Demographic assumptions	4.1	(1.5)
Financial assumptions	(14.9)	(17.6)
Experience adjustment	0.9	2.4
Asset valuation	10.4	13.3
Other	0.3	0.2
Total	**0.8**	(3.2)

Company contributions

The Company assessed the triennial actuarial valuation for the United Kingdom Scheme and its impact on the scheme funding plan in 2020 and future years. In 2021 the Group expects to make normal contributions of £2.7m (2020: £0.6m) and has made a special contribution of £2.0m (2020: £2.0m). The next triennial valuation is due to take place as at 31 March 2022 and will include a review of the Company's future contribution requirements.

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	Switzerland Scheme £m	Total £m
Fair value of scheme assets	131.5	18.9	150.4
Present value of funded defined benefit obligations	(140.3)	(22.2)	(162.5)
Deficit in schemes	**(8.8)**	**(3.3)**	**(12.1)**

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

	2020 £m	2019 £m
Fair value of scheme assets at 1 January	136.8	144.6
Interest income	2.4	3.3
Normal contributions by the employer	1.3	1.2
Special contributions by the employer	2.0	2.0
Contributions by scheme participants	0.5	0.5
Benefits paid	(3.8)	(5.1)
Effect of exchange rate changes on overseas schemes	1.1	(0.1)
Remeasurements	10.4	13.2
Scheme administration expenses	(0.4)	(0.5)
Contribution to fund scheme administration expenses	0.1	0.2
Closure of Hong Kong Scheme*	–	(22.5)
Fair value of scheme assets at 31 December	**150.4**	136.8

* The Hong Kong Scheme closed during 2019.

Asset allocation

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2020, the invested assets of the United Kingdom Scheme totalled £131.5m (2019: £120.8m), broken down as follows.

	United Kingdom Scheme	
Asset class	2020 £m	2019 £m
Equities	83.8	48.0
Property	10.1	11.1
Liability-Driven Investment*	17.7	14.0
Corporate debt instruments	12.6	–
Cash	7.3	47.7
Total	**131.5**	120.8

* Investments are included at fair value. The pooled investment vehicles are held under a managed fund policy in the name of the Scheme. Pooled investment vehicles (including the LDI Fund) which are not traded on active markets, but where the investment manager has provided a monthly trading price, are valued using the last single price, provided by the investment manager at or before the year end. The 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.

16 Employee benefits *Continued*

The United Kingdom Scheme had bank account assets of £0.6m as at 31 December 2020 (2019: £2.0m).

The United Kingdom Scheme invested assets comprise both quoted and unquoted assets. The value of quoted assets in 2020 was £28.6m (2019: £30.9m), included within equities in the above table, with the remaining assets being unquoted. The Switzerland Scheme is fully insured.

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

	2020 £m	2019 £m
Defined benefit obligations at 1 January	150.2	157.1
Current service cost	1.8	2.0
Past service cost	–	0.8
Interest cost	2.6	3.5
Contributions by scheme participants	0.2	0.2
Benefits paid	(3.8)	(5.1)
Effect of exchange rate changes on overseas schemes	1.3	0.1
Remeasurements	10.2	16.7
Curtailment gain	–	(5.8)
Closure of Hong Kong Scheme*	–	(19.3)
Defined benefit obligations at 31 December	**162.5**	150.2

* The Hong Kong Scheme closed during 2019.

Principal actuarial assumptions:

	United Kingdom Scheme		Switzerland Scheme	
	2020 %	2019 %	2020 %	2019 %
Discount rate	1.35	2.0	0.2	0.1
Inflation rate (based on CPI)	1.8	2.2	n/a	n/a
Rate of salary increases	–	–	1.0	1.0
Rate of pension increases:				
CPI subject to a maximum of 5% p.a.	1.9	2.3	n/a	n/a
Increases subject to a maximum of 2.5% p.a.	1.6	1.8	n/a	n/a

The Switzerland Scheme is an insured plan.

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Switzerland Scheme	
	2020	2019	2020	2019
Male aged 40	47.8	49.0	45.6	42.8
Male aged 65	21.8	22.2	22.7	19.7
Female aged 40	50.1	51.1	48.2	45.4
Female aged 65	23.9	24.3	24.5	21.9

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 (and lives to 65) or 65 at 31 December. The mortality tables adopted in 2020 for the United Kingdom Scheme are S3PA tables, based on the CMI 2019 mortality projection model with a 1.00% long term annual rate for future improvements. In 2019 the S3PA tables were used, based on the CMI 2018 mortality projection model with a 1.25% long-term annual rate for future improvement. For the Switzerland Scheme, the mortality table adopted in both 2020 and 2019 is the BVG2015, an industry standard in Switzerland which is based on statistical evidence of major Switzerland pension funds.

Sensitivity analysis

The table below sets out the sensitivity on the United Kingdom pension assets and liabilities as at 31 December 2020 of the two main assumptions:

	UK Scheme	
Change in assumptions	Liabilities £m	Increase/ (decrease) in deficit £m
No change	140.3	–
0.25% rise in discount rate	134.2	(6.1)
0.25% fall in discount rate	146.8	6.5
0.25% rise in inflation	143.8	3.5
0.25% fall in inflation	137.2	(3.1)

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 £6.9m and decreases by £6.5m, respectively.

Notes to the financial statements *Continued*

16 Employee benefits *Continued*

Funding arrangements

United Kingdom Scheme

The Trustees use the Projected Unit Credit Method with a three-year control period. Currently the scheme members pay contributions at the rate of 8.5% of salary. The employer pays contributions of 16.4% of salary, plus £0.2m per year to fund scheme expenses and has made an additional contribution of £2.0m in 2020 to reduce the deficit disclosed by the 2019 valuation.

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.

Guaranteed Minimum Pension Liability

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement in a claim between Lloyds Banking Group Pension Trustees Limited (the claimant) and Lloyds Bank plc (defendant) that UK pension schemes should equalise pension benefits for men and women for the calculation of their guaranteed minimum pension liability. This court ruling impacts the majority of companies with a UK defined benefit plan, including the Intertek Pension Scheme. A formal calculation of the impact was undertaken during 2019 as part of the scheme's three-yearly valuation process, £0.8m was been recorded as past service cost under the defined benefit scheme. In 2020 nil was recorded as a part service cost under the defined benefit scheme.

17 Share schemes

Accounting policy

Share-based payment transactions

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

Share plans

2011 Long Term Incentive Plan

The Deferred Bonus Plan 2005 was replaced in 2011 with the Intertek 2011 Long Term Incentive Plan ('LTIP'). Deferred Share Awards (previously Share Awards) and LTIP Share Awards (previously Performance Awards) have been granted under this plan. The first awards were granted on 7 April 2006. The awards under these plans vest three years after grant date, subject to fulfilment of the performance conditions. The weighted average remaining contractual life of share options outstanding at the end of the period is one year.

	2020			2019		
Outstanding awards	**Deferred Share Awards**	**LTIP Share Awards**	**Total awards**	**Deferred Share Awards**	**LTIP Share Awards**	**Total awards**
At beginning of year	812,317	927,395	1,739,712	895,582	962,657	1,858,239
Granted*	278,996	315,054	594,050	303,942	369,529	673,471
Vested**	(244,837)	(258,438)	(503,275)	(318,629)	(344,123)	(662,752)
Forfeited	(61,544)	(94,074)	(155,618)	(68,578)	(60,668)	(129,246)
At end of year	**784,932**	**889,937**	**1,674,869**	812,317	927,395	1,739,712

* Includes 12,570 Deferred Share Awards (2019: 13,796) and 12,239 LTIP Share Awards (2019: 18,006) granted in respect of dividend accruals.

** Of the 503,275 awards vested in 2020, nil were satisfied by the issue of shares and 331,380 by the transfer of shares from the ESOT (see note 15). The balance of 171,895 awards represented a tax liability of £8.0m (2019: £11.6m) which was settled in cash on behalf of employees by the Group, of which £7.1m was settled by the Company.

17 Share schemes *Continued*

Deferred Share Plan

Awards may be granted under the Deferred Share Plan ('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. 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.

	2020		2019	
Outstanding awards	**Deferred Share Awards**	**Total awards**	**Deferred Share Awards**	**Total awards**
At beginning of year	68,560	68,560	120,014	120,014
Granted*	21,762	21,762	24,806	24,806
Vested**	(36,574)	(36,574)	(54,661)	(54,661)
Forfeited	(7,867)	(7,867)	(21,599)	(21,599)
At end of year	**45,881**	**45,881**	68,560	68,560

* Includes 1,062 Deferred Share Awards (2019: 2,048) granted in respect of dividend accruals.

** Of the 36,574 awards vested in 2020, 27,338 were satisfied by the transfer of shares from the ESOT (see note 15). The balance of 9,236 awards represented a tax liability of £0.5m which was settled in cash on behalf of employees by the Group, of which £0.4m was settled by the Company.

Equity-settled transactions

During the year ended 31 December 2020, the Group recognised an expense of £17.7m (2019: £21.9m). The fair values and the assumptions used in their calculations are set out below:

	2020 Awards		
	Deferred Share Awards	**Share Awards**	**LTIP Share Awards**
Fair value at measurement date (pence)	5,429	4,814	4,793
Share price (pence)	5,429	4,814	4,793
Expected volatility	n/a	n/a	24.0%
Risk-free interest rate	n/a	n/a	0.02%
Time to maturity (years)	1–3	3	3

	2019 Awards			
	Deferred Share Awards	**Share Awards**	**LTIP Share Awards EPS element**	**LTIP Share Awards TSR element**
Fair value at measurement date (pence)	4,590	4,523	4,508	2,122
Share price (pence)	4,590	4,523	4,508	4,508
Expected volatility	–	–	–	21.3%
Risk-free interest rate	–	–	–	0.8%
Time to maturity (years)	1–3	3	3	3

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

The weighted-average exercise prices of all share awards in the year are £nil (2019: £nil).

All Share Awards are granted under a service condition. Such condition is not taken into account in the fair value measurement at grant date. The LTIP Share Awards (TSR element) are granted under a performance-related market condition and as a result this condition is taken into account in the fair value measurement at grant date. From 2020 the LTIP Share Awards are granted under performance-related non-market conditions only.

18 Subsequent events

In January 2021, US$850m of the facility was extended to 2026, the impact of this would be a transfer of £135.5m from borrowings due to be repaid between two and five years to borrowings due to be repaid in over five years.

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. Financial net debt has decreased from £629.4m at 31 December 2019 to £419.9m at 31 December 2020, primarily reflecting the continued strong underlying cash generation of the Group in 2020. The Group has a strong balance sheet with financial net debt to EBITDA of 0.7x.

During 2020, the Group has continued the working capital focus and through disciplined performance management, working capital has reduced by £104.7m to negative £4.0m. Working capital is defined on page 137.

The Group uses key performance indicators, including return on invested capital ('ROIC') and adjusted diluted earnings per share to monitor the capital position of the Group to ensure it is being utilised effectively. The rate of ROIC, defined as adjusted operating profit less adjusted taxes divided by invested capital, measures how effectively the Group generates profit from its invested capital. This is a key measure to assess the efficiency of investment decisions and is also an important criterion in the decision-making process. ROIC in 2020 was 21.6% (2019: 23.7%). Adjusted diluted earnings per share is a key measure of value creation for the Board and for shareholders and in 2020 was 170.9p (2019: 212.5p).

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. Our dividend policy aims to deliver sustainable dividend growth over time, based on a target dividend payout ratio of circa 50%. Reflecting the Group's strong cash generation in 2020 and reduced leverage, the recommended final dividend is 71.6p bringing the full-year dividend to 105.8p, which is in-line with 2019, and the dividend payout ratio to 62%.

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:

	2020 £m	2019 £m
At 1 January	29.4	34.3
Exchange adjustments	(0.3)	(2.2)
Share of profit for the year	15.3	20.5
Adjustment arising from changes in non-controlling interest	2.2	(4.1)
Dividends paid to non-controlling interest	(18.6)	(19.1)
At 31 December	**28.0**	29.4

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:

	2020 £m	2019 £m
Short-term benefits	11.6	11.4
Post-employment benefits	0.8	0.9
Equity-settled transactions	10.4	9.7
Total	22.8	22.0

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements and other long-term incentive plans is shown in the audited part of the Remuneration report. Apart from the above, no member of key management had a personal interest in any business transactions of the Group.

22 Contingent liabilities

	2020 £m	2019 £m
Guarantees, letters of credit and performance bonds	**26.0**	26.7

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. These claims are not currently expected to result in meaningful costs and liabilities to the Group. The Group maintains appropriate insurance cover to provide protection from the small number of significant claims it is subject to from time to time.

Tax

The Group operates in more than 100 countries and with complex tax laws and regulations. At any point in time it is normal for there to be a number of open years which may be subject to enquiry by local authorities. In some jurisdictions the Group receives tax incentives (see note 6) which are subject to renewal and review and reduce the amount of tax payable. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company regime was published. It concludes that the legislation up until December 2018 does partially represent State Aid. The Group considers that the potential amount of additional tax payable remains between £nil and £16.3m (excluding interest and penalties) depending on the basis of calculation and the outcome of HMRC's appeal to the EU Commission. Based on current advice, the Group does not consider any provision is required in relation to this investigation. This judgement is based on current interpretation of legislation, management experience and professional advice.

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 2020. Unless otherwise stated, these entities are wholly owned subsidiaries and the address of the registered office is Academy Place, 1–9 Brook Street, Brentwood, Essex, CM14 5NQ, United Kingdom.

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

(i) Directly owned by Intertek Group plc.

(ii) Ownership held in ordinary and preference shares; Registered office address is: 25025 I-45 North, Suite #111, The Woodlands, TX 77380, United States.

(iii) Registered office address is: 2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.

(iv) Equity shareholding 85%, company controlled by the Group based on management's assessment; Registered office address is: 2nd Floor (West Zone), No 707 ZhangYang Road, Pilot Free Trade Zone, Shanghai, China.

(v) Registered office address is: 3933 US Route 11, Cortland, NY 13045, United States.

(vi) Registered office address is: West side of 1/F and 3,4,5/F of Bldg. 1, 1-5/F of Bldg. 3, Yuanzheng Science and Technology Industrial Park, No. 4012, Bantian Street, Longgang District, Shenzhen, Guangdong, China.

(vii) Registered office address is: CT Corporation System, 5615 Corporate Blvd., Suite 400B, Baton Rouge, LA 70808, United States.

(viii) Registered office address is: 2/F, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.

(ix) Registered office address is: Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

Group companies

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings is set out below. Related undertakings comprise subsidiaries, partnerships, associates, joint ventures and joint arrangements. The principal subsidiaries listed above have not been duplicated in the list below.

Where no address is listed, the address of the registered office is Academy Place, 1–9 Brook Street, Brentwood, Essex, CM14 5NQ, United Kingdom. Unless otherwise stated, the share capital for all related undertakings included in this note comprises ordinary or common stock shares which are indirectly held by Intertek Group plc as at 31 December 2020. No subsidiary undertakings have been excluded from the consolidation.

23 Principal Group companies *continued*

Fully owned subsidiaries

0949491 B.C. Limited
1620-400 Burrard Street, Vancouver, BC V6C 3A6, Canada

4th Strand, LLC (i)
3000 Northwoods Parkway, Suite 330, Norcross, GA 30071, United States

Acucert Labs, LLP
82/2, Shreyas, 25th Road, Sion West, Mumbai, 400022, India

Acumen Security, LLC
2400 Research Blvd, Suite 395, Rockville, MD 20850, United States

Adelaide Inspection Services Pty Limited
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

Admon Labs Servicios Corporativos y Administrativos, S.A. de C.V.
Boulevard Adolfo Lopez Mateos #2259, Atlamaya, Alvaro Obregon, Ciudad de Mexico, C.P. 01760, Mexico

Ageus Solutions Inc.
505 March Road, Suite 100, Kanata, ON K2K 2V6, Canada

Alchemy Investment Holdings, Inc.
1209 Orange Street, Wilmington, New Castle, DE, 19801, United States

Alchemy Systems L.P.
5301 Riata Park Court, Building F, Austin, TX, 78727, United States

Alchemy Systems Training, Inc.
8015 Shoal Creek Blvd, Suite 100, Austin, TX, 78757, United States

Alchemy Systems Training Limited

Alchemy Training Technologies, Inc.
1 Germain Street, Suite 1500, Saint John, NB E2L 4V1, Canada

Aldo Abela Surveys Limited
98 Triq Patri Magri, Marsa, MRS 2200, Malta

Alta Analytical Laboratory, Inc. (i)
200 Westlake Park Blvd., Westlake Building 4, Suite 400, Houston, TX 77079, United States

Amtac Certification Services Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Angus Management, LLC
1209 Orange Street, Wilmington, New Castle, DE 19801, United States

Architectural Testing Holdings, Inc.
2711 Centerville Road, Suite 400, Wilmington, DE 19808, United States

Architectural Testing, Inc.
130, Derry Court, York, PA 17406, United States

Bigart Ecosystems, LLC
3011 American Way, Missoula County, Missoula MT 59808, United States

Caleb Brett Ecuador S.A.
Centro Commercial Mall del Sol, Av. Joaquín Orrantia González y Juan Tanca Marengo, Torre B, Piso 5, Oficina 505, Guayaquil, Ecuador

Cantox U.S. Inc.
100 Davidson Avenue, Suite #102, Somerset, NJ 08873, United States

Capcis Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Catalyst Awareness, Inc.
43 Carolinian Lane, Cambridge, ON N1S 5B5, Canada

Center for the Evaluation of Clean Energy Technology, Inc.
3933 US Route 11, Cortland, NY 13045, United States

Charon Insurance Limited (ii)
Thomas Miller (Bermuda) Ltd, Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda

Check Safety First Limited

Checkpoint Solutions Ltd

Cristal Iberica Consulting S.A.
Carrer Jaume Vidal Alcover, 9, Palma, Mallorca, 07010, Spain

Cristal International Care Limited (ii)
CVR Global LLP, Town Wall, House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Cristal International Limited (viii) (ii)
CVR Global LLP, Town Wall, House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Cristal Middle East SAE
22 El-Imam Ali, Almazah, Heliopolis, Cairo Governorate, Egypt

Cristal North Africa CNA
Immeuble, SOGIT Faisant angle de la rue, lac victoria, et rue du des lacs de mazurie, les berges du lac, 1053 Tunis Le bureau, B5 situé, au 2ème étage, Tunis, Tunisia

Cristal World Wide Limited (ii)

Ecristal Europe Limited (ii)
CVR Global LLP, Town Wall, House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Ecristal Limited (i)

Electrical Mechanical Instrument Services (UK) Limited (ii)
Unit 19 & 20 Wellheads Industrial Centre, Dyce, Aberdeen, AB21 7GA, United Kingdom

Electronic Warfare Associates-Canada, Ltd
1223 Michael Street North, Suite 200, Ottawa, ON K1J 7T2, Canada

Entela-Taiwan, Inc
4700 Broadmoor Avenue SE, Suite 200, Kentwood, MI 49512, United States

Esperanza Guernsey Holdings Limited
PO Box 472, St Julian's Court, St Julian's Avenue, St Peter Port, GY1 6AX, Guernsey

Esperanza International Services (Southern Africa) (Pty.) Limited
Charter House, 13 Brand Road, Glenwood, Durban, South Africa

Four Front Research (India) Pvt Limited (ii)
Plot# 847, 5th Floor, Near Electricity Substation, Ayyappa Society Road, Madhapur, Hyderabad, Telangana, 500081, India

Frameworks Inc.
1595 Sixteenth Avenue, Suite 301, Richmond Hill, ON L4B 3N9, Canada

Gamatek, S.A. de C.V.
Alanis Valdez #2308, Industrial, Monterrey, Nuevo Leon, Mexico

GCA Calidad y Analisis de Mexico, S.A. de C.V.
Jacarandas #19, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P. 01740, Mexico

Gellatly Hankey Marine Services (M) Sdn. Bhd.
Unit 30-01 Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

Genalysis Laboratory Services Pty Limited (vi)
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

Geotechnical Services Pty Limited
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

Global X-Ray & Testing Corporation
P.O. Box 1536, Morgan City, LA 70380, United States

Global X-Ray Holdings, Inc. (ix)
112 East Service Road, Morgan City, LA 70381, United States

H.P. White Laboratory Inc.
3114 Scarboro Road, Street, MD 21154, United States

Notes to the financial statements *Continued*

23 Principal Group companies *Continued*

Hawks Acquisition Holding, Inc.
Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle, DE 19808, United States

Hi-Tech Holdings, Inc.
CT Corporation System, 1200 S.Pine Island Road, Plantation, FL 33324, United States

Hi-Tech Testing Service, Inc.
CT Corporation System, 1999 Bryan Street Suite 900, Dallas, TX 75201, United States

Inspection Services (US), LLC
Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States

International Cargo Services, Inc. (i)
c/o CT Corp, 8550 United Plaza Blvd, Baton Rouge, LA 70809, United States

International Inspection Services Limited
33/37 Athol Street, Douglas, IM1 1LB, Isle of Man

Intertek (Mauritius) Limited
2 Palmerston Road, Phoenix, Mauritius

Intertek (Schweiz) AG
TechCenter, Kaegenstrasse 18, 4153 Reinach, Switzerland

Intertek Argentina Certificaciones S.A. (iii)
Cerrito 1136 3rd floor CF, Ciudad Autónoma de Buenos Aires, C1010AAX, Argentina

Intertek Aruba N.V.
Lago Heights Straat 28A, San Nicolas, Aruba

Intertek Asset Integrity Management, Inc.
1710 Sens Road, La Porte, TX 77571, United States

Intertek ATI SRL
266-268 Calea Rahovei Street, Building 61, 1st Floor, Sector 5, Bucharest, Romania

Intertek Australia Holdings Pty Limited
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

Intertek Azeri Limited
2236 Mirza Davud Str., Xatai District, Baku, AZ 1026, Azerbaijan

Intertek BA EOOD
24A Akad. Metodi Popov Str., Floor 5, Sofia, 1113, Bulgaria

Intertek Bangladesh Limited
Phoenix Tower, Plot–407 (3rd Floor), Tejgaon I/A, Dhaka, Bangladesh

Intertek Belgium NV
Kruisschansweg 11, 2040 Antwerp, Belgium

Intertek Burkina Faso Ltd Sarl (i)
Ouagadougou, Secteur 13, Parcelle 21, Lot 11 Section EO Arrondissement de Nongr'Masson, Ouagadougou, 11 GP 1429, Burkina Faso

Intertek C&T Australia Holdings PTY Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek C&T Australia Pty Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Caleb Brett (Uruguay) S.A. (xiv)
Cerrito 507, 4th Floor, Of. 46 and 47, Montevideo, 11000, Uruguay

Intertek Caleb Brett Chile S.A.
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, Santiago, Chile

Intertek Caleb Brett El Salvador S.A. de C.V.
Recinto Industrial de RASA zona industrial de Acajutla, Sonsonate, El Salvador

Intertek Caleb Brett Germany GmbH
Georgswerder Bogen 3, D-21109 Hamburg, Germany

Intertek Caleb Brett Panama, Inc.
Zona Procesadora para la Exportacion de Albrook, Building 6, Ancon Panama, Panama

Intertek Caleb Brett Venezuela C.A.
2a AV El Mirador Edif. Saragon Palace Piso, PH-602/603 La Campina, Caracas, 1050, Venezuela

Intertek Canada Newco Limited
1829 32nd Avenue, Lachine, QC H8T 3JI, Canada

Intertek Capacitacion Chile Spa
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, Santiago, Chile

Intertek Capital Resources Limited

Intertek Certification AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Intertek Certification AS
Leif Weldings vei 8, 3208 Sandefjord, Norway

Intertek Certification France SAS
67 Boulevard Bessières, 75017, Paris, France

Intertek Certification GmbH
Marie-Bernays-Ring 19a, 41199 Monchengladbach, Germany

Intertek Certification International Sdn. Bhd.
6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

Intertek Certification Japan Limited
Nihonbashi N Bldg, 1-4-2, Nihonbashi – Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan

Intertek Certification Limited

Intertek Colombia S.A.
Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

Intertek Commodities Mozambique Lda (xvi)
Rua 1233, NR 72 R/C, Distrito Urbano 1, Maputo, Mozambique

Intertek Consulting & Training (UK) Limited
Northpoint Aberdeen Science & Energy Park, Exploration Drive, Bridge of Don, Aberdeen, AB23 8HZ, United Kingdom

Intertek Consulting & Training (USA), Inc.
201 Energy Parkway, Suite 240, Lafayette, LA 70508, United States

Intertek Consulting & Training Colombia Limitada
Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

Intertek Consulting & Training Egypt (ii)
46 B Street #7, Maadi, Cairo, Egypt

Intertek Consumer Goods GmbH
Würzburger Strasse 152, 90766 Fürth, Germany

Intertek Curacao N.V.
Barendslaan #3, Rio Canario Willemstad, Curacao, Netherlands Antilles

Intertek de Guatemala SA
46 Calle 21-53 Zona 12, Expobodega 46, Edificio 10, Guatemala Ciudad, Guatemala

Intertek de Nicaragua S.A.
Zona Franca Astro KM 47, Carretera Tipitapa Masaya, Nave 20, Managua, Nicaragua

Intertek Denmark A/S
Dokhavnsvej 3, 4400 Kalundborg, Denmark

Intertek Deutschland GmbH
Stangenstrasse 1, 70771 Leinfelden-Echterdingen, Germany

Notes to the financial statements *Continued*

23 Principal Group companies *Continued*

Intertek DIC A/S
Buen 12, 2, 6000 Kolding, Denmark

Intertek do Brasil Inspecoes Ltda
Av Eng. Augusto Barata s/n, Alamoa, Santos, SP, CEP11095-650, Brazil

Intertek Egypt for Testing Services
2nd Floor, Block 13001, Piece 15, Street 13, First Industrial Zone, (Beside Abou Ghali Motors), Elobour City, Cairo, Egypt

Intertek Engineering Service Shanghai Limited
Room 308A, 3rd Floor, No. 1 Building, No.1287, Shangcheng Road, Pilot Free Trade Zone, Shanghai, China

Intertek Engineering Services (Wuhu) Ltd
No. 65 Chang Ye Street, YinHu District, Wuhu, China

Intertek Evaluate AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Intertek Finance No. 2 Ltd (x)

Intertek Finland OY
Teknoublevardi 3-5, FI-01530 Vantaa, Finland

Intertek Fisheries Certification Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Intertek Food Services GmbH
Olof-Palme-Strasse 8, 28719 Bremen, Germany

Intertek France SAS
ZAC Ecopark 2, 27400, Heudebouville, France

Intertek Fujairah FZC
P.O. Box 1307, Fujairah, United Arab Emirates

Intertek Genalysis (Zambia) Limited
Plot No 25/26 Nkwazi House, Nkwazi and Cha Cha Cha Roads, PO Box 31014, Lusaka, Zambia

Intertek Genalysis Madagascar SA
Saint Denis Terrain II, Parcel 2 Ambatofotsy, Ampandrianomby, Madagascar

Intertek Genalysis South Africa Pty Ltd
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

Intertek Ghana Limited
1st Floor Gian, Towers Office, Number 2 Community, Gian Towers Tema, Accra, Accra Metropolitan, P.O. BOX GP 199, Ghana

Intertek Global (Iraq) Limited

Intertek Global International LLC
Building 242, Office No.3, C-Ring Road, Doha, PO Box 47146, Qatar

Intertek Global Limited
1st Floor, Liberation House, Castle Street, St Helier, JE1 1GL, Jersey

Intertek Health Sciences Inc. (v)
2233 Argentia Road, Suite # 201, Mississauga, ON L5N 2X7, Canada

Intertek Holding Deutschland GmbH
Stangenstrasse 1, 70771 Leinfelden-Echterdingen, Germany

Intertek Holdings France SAS
ZAC Ecopark 2, 27400 Heudebouville, France

Intertek Holdings Italia SRL (xvi)
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Intertek Holdings Nederland B.V.
Leerlooierstraat 135, 3194AB Hoogvliet, Rotterdam, The Netherlands

Intertek Holdings Norge AS
Oljevegen 2, Tananger, 4056, Norway

Intertek Ibérica Spain, S.L.
Alameda Recalde, 27-5., 48009, Bilbao, Vizcaya, Spain

Intertek India Private Limited
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Intertek Industrial Services GmbH
Marie-Bernays-Ring 19a, 41199 Monchengladbach, Germany

Intertek Industry and Certification Services (Thailand) Limited
539/2 Gypsum Metropolitan Tower, 11C Fl., Sri-Ayudhaya Road, Tanon – Phayathai Subdistrict, Khet Ratchathewi, Bangkok, 10400, Thailand

Intertek Industry Holdings (Pty) Ltd
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Intertek Industry Services (S) Pte Ltd
2 International Business Park, #10-09/10, The Strategy, 609930, Singapore

Intertek Industry Services Brasil Ltda
Alameda Mamore 503, Alphaville, Barueri-SP, 06454-040-SP, Brazil

Intertek Industry Services de Argentina S.A.
Cerrito 1136, 2nd floor CF, Ciudad Autonoma de Buenos Aires, C1010AAX, Argentina

Intertek Industry Services Japan Limited
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Intertek Industry Services Romania Srl
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Intertek Industry WLL
Office # 24, Building 400, Road 3207, Mahooz, Block 332, Manama, Bahrain

Intertek Inspection (Malaysia) Sdn. Bhd. (xi)
D-28-3, Level 28, Menara Suezcap 1, No. 2 Jalan Kerinchi, Gerbang Kerinchi Lestari, 59200 Kuala Lumpur, Malaysia

Intertek Inspection Services Ltd
2561 Avenue Georges V, Montreal-Est, QC H1L 6S4, Canada

Intertek Inspection Services Scandinavia AS
Leif Weldings vei 8, 3208 Sandefjord, Norway

Intertek Inspection Services UK Limited

Intertek International France SAS
67 Boulevard Bessières, 75017, Paris, France

Intertek International Gabon SARL
Quartier Montagne Sainte – Immeuble Dumez, 2éme étage, Libreville, B.P: 13312, Gabon

Intertek International Guinee S.A.R.L. (i)
Conakry Republique de Guinee, Compte Bancaire: 52481.369.10 0 (SGBG), Conakry Guinea

Intertek International Inc.
24900 Pitkin Road, Suite 200, The Woodlands, TX 77386, United States

Intertek International Kazakhstan, LLC
Building 2A, Abay street, Atyrau City, 060002, Kazakhstan

Intertek International Limited

Intertek International Ltd Egypt
69, Road 161, Intersection with Road 104, Ground Floor, Maadi, Cairo, Egypt

Intertek International Nederland BV
Leerlooierstraat 135, 3194AB Hoogvliet, Rotterdam, The Netherlands

Notes to the financial statements *Continued*

23 Principal Group companies *Continued*

Intertek International Niger SARL
BP 2769, 2nd Floor Lot 792 Block Q, Independance Boulevard, Rue GM-20, Niger
Intertek International Suriname N.V.
Prins Hendrikstraat 49, Paramaribo, Suriname
Intertek International Tanzania Limited
Minazini Street, Kilwa Road 5, Dar es Salaam, United Republic of Tanzania
Intertek Italia SpA
Via Guido Miglioli 2/A, Cernusco sul Naviglio, 20063, Milano, Italy
Intertek Japan K.K.
Pier City Shibaura Building, 4F, 3-18-1, Kaigan, Minato-ku, Tokyo, 108-0022, Japan
Intertek Kalite Servisleri Limited Sirketi
Cevizli Mah. Tansel Cad. No: 12-18, Maltepe, Istanbul, Turkey
Intertek Korea Industry Service Ltd
Yeouido Dept Bldg #916, 36-2, Yeouido-Dong, Youngdeungpo-Gu, Seoul, 150-749, Republic of Korea
Intertek Labtest S.A.R.L
Route 110, (par Chefchaouni), Lot Saadi no. 20, Q.I. Aïn Sebaâ 20 250, 4eme Etage, Casablanca, Morocco
Intertek Management Services (Australia) Pty Ltd
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia
Intertek Med SARL AU
Zone Franche Logistique Tanger Med, Plateau Bureaux 4, Lot 130, Tanger, Morocco
Intertek Medical Notified Body AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden
Intertek Minerales Services SARL (i)
Rue KM 10, Route de Kouroussa S/P Karifamoriah, Commune Urbaine de Kankan, Guinea
Intertek Minerals Limited
Osu Badu Street, Airport Residential Area, Accra, Greater Accra, CP8196, Ghana
Intertek Myanmar Limited (i)
Classic Strand Cono, No.693/701, Room (4-A), (4th Floor), Merchant Road, Pabedan Township, Yangon, Myanmar
Intertek Nederland B.V.
Leerlooierstraat 135, 3194 AB Hoogvliet, Rotterdam, The Netherlands
Intertek Nominees Limited
Intertek OCA France SARL
Route Industrielle – Centre Routier, 76600, Gonfreville L'Orcher, France
Intertek Overseas Holdings Limited
Intertek Overseas Holdings, Eritrea Limited (i)
3rd Floor, Warsay Avenue, P.O. Box 4588, Asmara, Eritrea
Intertek Pakistan (Private) Limited
Intertek House, Plot No.1-5/11-A, Sector-5, Korangi Industrial Area, Karachi, Pakistan
Intertek Poland sp.z.o.o.
Cyprysowa 23 B, 02-265, Warsaw, Poland
Intertek Polychemlab B.V.
Koolwaterstofstraat 1, 6161 RA, Geleen, The Netherlands
Intertek Portugal, Unipessoal Lda (xvi)
Rua Antero de Quental, 221-Sala 102, 4455-586, Perafita-Matosinhos, Portugal
Intertek Quality Services Ltd (i)
Intertek Resource Solutions (Trinidad) Limited (i)
#91-92 Union Road, Marabella, Trinidad, Trinidad and Tobago
Intertek Resource Solutions, Inc.
24900 Pitkin Road, Suite 200, The Woodlands, TX 77386, United States
Intertek Rus JSC
Electrozavodskaya street, 27, building 2, 125047, Moscow, Russian Federation
Intertek S.R.O
Sokolovská 131/86, Karlín, Praha 8, 186 00, Czech Republic
Intertek Saudi Arabia Limited
Southern Olaya Center, Office No. 213, Makkah Al-Mukaramah Street, P.O. Box 2526, Al-Khobar, 31952, Saudi Arabia
Intertek ScanBi Diagnostics AB
Box 166, Alnarp, SE-230 53, Sweden
Intertek Secretaries Limited (i)
Intertek Semko AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden
Intertek Services (Pty) Ltd
151 Monument Road, Aston Manor, 1619, South Africa
Intertek Servicios C.A. (i)
Res. San Ignacio, Calle San Ignacio de Loyola con Avenue Francisco de Miranda, Local 3, Chacao, Caracas, Venezuela
Intertek Statius N.V.
Man 'O' War #B3, Oranjestad, St. Eustatius, Netherlands Antilles
Intertek Surveying Services (USA), LLC (xv)
3033 Chimney Rock Road, Suite 625, Houston TX 77056, United States
Intertek Surveying Services UK Limited
Averon House 3 Dail Nan Rocas, Teaninich Industrial Estate, Alness, IV17 0PH, United Kingdom
Intertek Technical Inspections Canada Inc. (iv)
1829 32nd Avenue, Montreal H8T 3J1, Canada
Intertek Technical Services PTY Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia
Intertek Technical Testing and Analysis Private Limited Company (i)
Bole Sub City Woreda 04, House Number 064/A/, Abune Yosef, Addis Ababa, 4260, Ethiopia
Intertek Testing & Certification Limited
Intertek Testing and Inspection Services UK Limited
Intertek Testing Management Ltd
Intertek Testing Services (Australia) Pty Limited
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia
Intertek Testing Services (Cambodia) Company Limited
13AC, Street 337, Sangkat Boeung Kak I, Khan Tuol Kork, Phnom Penh, Cambodia
Intertek Testing Services (East Africa) (Pty) Limited
5th Floor Charter House, 13 Brand Road Glenwood, Kwa-Zulu Natal, 4001, South Africa
Intertek Testing Services (Fiji) Pte Limited
c/o BDO, Level 10, FNPF Place, 343 Victoria Parade, Suva, Fiji
Intertek Testing Services (Guangzhou) Ltd
3F Hengyun Building, 235 Kaifa Ave, Guangzhou Economic & Technological Development District, Guangzhou, 510730, China
Intertek Testing Services (ITS) Canada Ltd
105-9000 Bill Fox Way, Burnaby BC V5J 5J3, Canada
Intertek Testing Services (Japan) K. K.
Nihonbashi N Bldg, 1-4-2, Nihonbashi – Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan
Intertek Testing Services (NZ) Limited
3 Kepa Road, Ruakaka, Northland, 0171, New Zealand

Notes to the financial statements *Continued*

23 Principal Group companies *Continued*

Intertek Testing Services (Shanghai FTZ) Co., Ltd
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Intertek Testing Services (Singapore) Pte Ltd.
3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, Singapore
Intertek Testing Services (Thailand) Limited
1285/5 Prachachuen Road, Wong-Sawang Sub-District, Bangsue District, Bangkok, 10800, Thailand
Intertek Testing Services Argentina S.A.
Cerrito 1136, piso 3ro, Frente. Ciudad Autonoma de Buenos Aires, (C1010AAX), Argentina
Intertek Testing Services Bolivia S.A.
Calle Chichapi # 2125, Santa Cruz, de la Sierra, Bolivia
Intertek Testing Services Caleb Brett Egypt Limited
Intertek Testing Services Chongqing Co., Limited
1-2/F, Building #3, 5 Gangcheng East Ring Road, Jiangbei District, Chongqing, China
Intertek Testing Services de Honduras, S.A.
Edificio la Pradera, locales 5 y 6. 1-2 Ave, 1 calle, Puerto Cortes, Barrio el Centro, Honduras
Intertek Testing Services De Mexico, S.A. De C.V. (iii)
Poniente 134, No 660 Industrial Vallejo, Mexico DF CP, 02300, Mexico
Intertek Testing Services Environmental Laboratories Inc. (i)
Lexis Document Services, 15 East North Street, Dover, DE 19901, United States
Intertek Testing Services NA Limited
1829 32nd Avenue, Lachine QC H8T 3JI, Canada
Intertek Testing Services NA Sweden AB (i)
c/o Intertek Semko AB, Box 1103, Kista, 16422, Sweden
Intertek Testing Services Namibia (Proprietary) Limited
15th Floor, Frans Indongo Gardens, Dr Frans Indongo Street, Windhoek, Namibia
Intertek Testing Services Pacific Limited
2/F, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong
Intertek Testing Services Peru S.A.
Jr. Mariscal Jose de la Mar No. 200 Urb., Res. El Pino, San Luis, Lima, Peru
Intertek Testing Services Philippines, Inc.
Intertek Building, 2307 Chino Roces Avenue Extension, Metro Manila, Makati City, 1231, Philippines
Intertek Testing Services Taiwan Limited
8F No. 423 Ruiguang Rd, Neihu District, Taipei, 11492, Taiwan
Intertek Testing Services Tianjin Limited
2-F, No. 7 GuiYuan Road, Yi Shang Hu Tong Building, Hua Yuan High-tech Industry Park, Tianjin, China
Intertek Testing Services Zhejiang Ltd
Room 262, Building B, No 126 Shuanglian Road, Haining Economic Development Zone, Haining, Jiaxing, Zhejiang, China
Intertek Timor, S.A.
Hotel Timor, Colmera, Vera Cruz, Dili, Timor-Leste
Intertek Training Malaysia Sdn. Bhd.
6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia
Intertek Trinidad Limited
#91-92 Union Road, Marabella, Trinidad and Tobago
Intertek UK Holdings Limited
Intertek Ukraine (xvii)
Chernomorskogo Kazachestva, 115, Office 507, Odessa, 65003, Ukraine
Intertek USA Finance LLC
c/o CSC Services of Nevada, Inc., 2215-B Renaissance Dr, Las Vegas NV 89919, United States
Intertek Vietnam Limited
3rd & 4th floor, Au Viet Building, No. 01 Le Duc Tho Str., Mai Dich Ward, Cau Giay District, Hanoi City, Vietnam
Intertek West Africa SARL
Rue du Canal de Vridi Face Appontement, SIAP, Abidjan, 15 BP 882, Côte d'Ivoire
Intertek West Lab AS
Oljevegen 2, 4056 Tananger, Norway
IntertekGenalysis SI Limited
c/o Baoro & Associates, Top Floor, Y. Sato Building, Point Cruz, Honiara, Solomon Islands
ITS (PNG) Limited
Section 27 Allotment 27, Voco Point, Lae, Morobe Province, Papua New Guinea
ITS (Subic Bay), Inc.
Area 8 – 10, Lots 11/12 Boton Wharf, Argonaut Highway, Subic Bay, Freeport Zone, Olongapo City, Philippines
ITS Hong Kong NA, Limited (i)
2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong
ITS Labtest Bangladesh Limited
Phoenix Tower, Plot – 407 (3rd Floor), Tejgaon I/A, Dhaka, Bangladesh
ITS Testing Holdings Canada Limited
3771 North Fraser Way, Suite 17, Burnaby BC V5J 5G5, Canada
ITS Testing Services (UK) Limited
ITS Testing Services Co. LLC
Ras Tanura KSA, PO Box 216, 31941, Saudi Arabia
KJ Tech Services GmbH (xii)
Kirschberg 20, 64347, Griesheim, Germany
Laboratorio Fermi S.A. de C.V.
Jacarandes #15, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P. 01740, Mexico
Laboratorios ABC Química, Investigación y Análisis, S.A. de C.V. (xiii)
Jacarandas #19, San Clemente, Alvaro Obregón, Ciudad de Mexico, C.P. 01740, Mexico
Laboratory Services International Rotterdam B.V.
Pittsburghstraat 9, 3047 BL, Rotterdam, The Netherlands
Labtest International Inc.
2107 Swift Drive, No 200, Oak Brook, Illinois, 60523, United States
Lintec Testing Services Limited
Louisiana Grain Services, Inc. (i)
c/o CT Corp, 8550 United Plaza Blvd, Baton Rouge LA 70809, United States
Mace Land Company, Inc.
3114 Scarboro Road, Street MD 21154, United States
Management & Industrial Consultancy (i)
59 Road No.104, Second Floor, Maadi, Cairo, Egypt
Management Systems International Limited (i)
Materials Testing & Inspection Services Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom
Materials Testing Lab, Inc.
145 Sherwood Avenue, Farmingdale NY 11735, United States
McPhar Geoservices (Philippines) Inc. (i)
Building 7 & 8 Philcrest 1 Compound, Km23 West Service Road, Bo. Cupang, Muntinlupa City, Philippines

Notes to the financial statements *Continued*

23 Principal Group companies *Continued*

Melbourn Scientific Limited
Melbourn Scientific, Saxon Way, Melbourn, Hertfordshire, Royston, SG8 6DN, United Kingdom

Metoc Limited

Midwest Engineering Services, Inc.
CT Corporation System, 8020 Excelsior Dr., Suite 200, Madison WI 53717, United States

Moody (Shanghai) Consulting Co., Ltd
RM602, No.4 Building, 123 Juli Road, Zhangjiang High-Tech Park, Pudong, Shanghai, China, 201203

Moody Algerie SARL
Cité SERBAT, Bat. B2/C2, N°03, Garidi 1, 16051, Kouba, Wilaya d'Alger, Algeria

Moody Energy Technical Service Co Ltd
Room A201, B-2 East 3rd, Ring Road North Road, Chaoyang District, Beijing, 100027, China

Moody International (Holdings) Limited (vii)

Moody International (India) Private Limited
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Moody International (Russia) Limited

Moody International Certification India Limited
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Moody International Holdings LLC (xv)
24900 Pitkin Road, Ste. 200, The Woodlands TX 77386, United States

Moody United Certification Limited (i)
2F, No. 5 Building, 912 Bibo Road, Pudong, Shanghai, 201203, China

MT Group LLC
145 Sherwood Avenue, Farmingdale NY 11735, United States

MT Operating of New Jersey, LLC (xv)
145 Sherwood Avenue, Farmingdale NY 11735, United States

MT Operating of New York, LLC (xv)
145 Sherwood Avenue, Farmingdale NY 11735, United States

N T A Monitor Limited

NDT Services Limited

Northern Territory Environmental Laboratories Pty Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

NTA Academy Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

NTA Monitor (M) Sdn Bhd
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Paulsen & Bayes-Davy Ltd
2/F, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

Petroleum Services of Union Lab Sdn. Bhd.
Suite C-7-10 (B), Level 9, Block C, UE3 Corporate Offices, Menara Uncang Emas, No 85 Jalan Loke Yew, Taman Miharja, 55200 Kuala Lumpur, Malaysia

Pittsburgh Testing Laboratory Inc.
PSI, 850 Poplar Street, Pittsburgh PA 15220, United States

Profesionales Contables en Asesoría Empresarial y de Ingenieria S.A.S.
Calle 120, No. 45A – 32, Bogota, Colombia

Professional Service Industries (Canada) Inc. (i)
200 Bay Street, Suite 3800, Royal Bank Plaza, South Tower, Toronto ON M5J 2J7, Canada

Professional Service Industries Holding, Inc.
Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States

Professional Service Industries, Inc.
Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States

PSI Acquisitions, Inc.
Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808, United States

PT. Moody Technical Services
Graha STR 3rd floor, Suite#302, Jl. Ampera Raya No. 11, Jakarta, 12550, Indonesia

PT. RCG Moody (i)
Graha STR 3rd floor, Suite#302, Jl. Ampera Raya No. 11, Jakarta, 12550, Indonesia

RCG Moody International Uruguay S.A.
Cerrito 507, 4th Floor, Off. 46, 47, Montevideo 11000, Uruguay

Schindler & Associates (L.C.) (i) (xv)
24900 Pitkin Road, Suite 200, The Woodlands TX 77386, United States

Shanghai Orient Intertek Testing Services Company Limited
Room 301,401, No 1,4,5, Lane 2028, Changzhong Road, Jin'an district, Shanghai, China

Shanghai Tianxiao Investment Consultancy Company Limited
Room 520, No. 5-6, Lane 1218, WanRong Road, ZhaBei District, Shanghai, China

Technical Company for Testing and Conformity Services & Systems LLC
Gates No. 1/2/6, Building 73/ Area 903, Karadah, Al Rusafa, Baghdad, Iraq

Testing Holdings Sweden AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Tourcheck Limited (ii)
CVR Global LLP, Town Wall, House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Tradegood Singapore Pte. Ltd (i)
3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, Singapore

Tradegood.com International Limited
2/F, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

Van Sluys & Bayet NV
Kruisschansweg 11, 2040 Antwerp, Belgium

White Land Company, Inc.
3114 Scarboro Road, Street MD 21154, United States

Wilson Inspection X-Ray Services, Inc.
Michael E Wilson, 6010 Edgewater Dr., Corpus Christi TX 78412, United States

Wisco SE Asia PTE Limited (i)
3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, Singapore

Youngever Holdings Ltd
Ritter House, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands

Related undertakings where the effective interest is less than 100%

Caleb Brett Abu Dhabi LLC (49.0%) (xix)
CB UAE (Private) Ltd, c/o Al Nahiya Group, PO Box 3728, Abu Dhabi, United Arab Emirates

Euro Mechanical Instrument Services LLC (49.0%)
PO Box 46153, Abu Dhabi, United Arab Emirates

International Inspection Services LLC (70.0%) (xix)
PO Box 193, Al Hamriyah, Muscat, PC 131, Oman

Intertek (Qeshm Island) Limited (51.0%)
Unit 107, Goldis Building, Valiasr Boulevard, Qeshm Island, Islamic Republic of Iran

Notes to the financial statements *Continued*

23 Principal Group companies *Continued*

Intertek Angola LDA (99.0%)
282 Rua Amilcar Cabral no.147 2nd floor, Apartment Z, Luanda, Angola

Intertek Caleb Brett Tzn Limited (87.4%)
Plot number 5, Minizani str.-Opposite Roman Catholic Church, Kilwa Road, Kurasini Temeke, Dar Es Salaam, 15109, United Republic of Tanzania

Intertek ETL SEMKO KOREA Limited (90.0%)
5F, Intertek building, Gongdan-ro, 160beon-gil 3, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

Intertek GM Testing Service Zhuhai Co., Ltd (70.0%)
55 Guangdong-Macau TCM Park Commercial Service Center, 2522 Huan Dao Bei Road, Hengqin New Area, Zhuhai, Guangdong, China

Intertek Industry Services (PTY) LTD (69.9%)
3 EL Wak Street, Vereeniging, 1930, Gauteng, South Africa

Intertek Industry Services Colombia Limited (99.0%)
Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

Intertek Kimsco Co., Ltd (50.0%)
9F, Hansan Building, 115, Seosomun-ro, Jung-gu, Seoul, 04515, Republic of Korea

Intertek Lanka (Private) Limited (70.0%)
Intertek House, No: 282, Kaduwela Road, Battaramulla, Sri Lanka

Intertek Libya Technical Services and Consultations Company Spa (65.0%)
P.O Box 3788, Hay Alandalus, Gargaresh, Tripoli, Libya

Intertek Life Bridge (Shanghai) Testing Services Co., Ltd (80.0%)
Room 401, Building #5-6, Lane 1218, WanRong Road, JinAn District, Shanghai, Shandong, China

Intertek Ltd (99.9%)
Borco Administration Bldg, West Sunrise Highway, Freeport, Grand Bahama, The Bahamas

Intertek - QNP LLP (xvii) (51.0%)
Building 2A, Abay street, Atyrau City, 060002, Kazakhstan

Intertek Robotic Laboratories Pty Limited (50.0%)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek South Africa Holdings (Pty) Ltd (75.0%)
5th Floor, Charter House, 13 Brand Road, Glenwood, Kwazulu-Natal, South Africa

Intertek Test Hizmetleri Anonim Sirketi (85.0%)
Merkez Mahallesi, Sanayi Cad. No.23, Altindag Plaza, Yenibosna-34197, Istanbul, Turkey

Intertek Testing Services (South Africa) (Proprietary) Limited (49.5%)
5th Floor, Charter House, 13 Brand Road, Glenwood, Durban, South Africa

Intertek Testing Services Korea Limited (50.0%)
1st Fl., Aju Digital Tower, 284-56, Seongsu-dong 2-ga, Seongdong-gu, Seoul 133-120, Republic of Korea

Intertek Testing Services Nigeria Limited (60.0%)
No. 2 Bombay Crescent, Apapa, Lagos, Nigeria

Intertek Testing Services Sichuan Co., Ltd (90.0%)
No 1, Jiuxiang Blvd, Pharmacy Industry Park, Luzhou National High Technology District, Sichuan, China

Intertek Testing Services Wuxi Ltd (70.0%)
No. 8 Fubei Road, Xishan Economic Development Zone, Wuxi, Jiangsu, 214101, China

ITS Caleb Brett Deniz Survey A S (xviii) (50.0%)
Ulus Mah. Oz Topuz cad. no.32, Besiktas, Istanbul, 34340, Turkey

ITS Testing Services (M) Sdn Bhd (74.0%)
Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

ITS Testing Services Holdings (M) Sdn Bhd (49.0%)
Unit 30-01 Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

Moody International Angola Ltda (i) (xvi) (78.6%)
Rua de Macau, Edifico ex Edil Apto 1, Res de Chao Esq. C.P 215, Cabinda, Angola

Moody International Bangladesh Limited (99.9%)
House 6, Road 17/A, Block E, Ground Floor, Banani, Dhaka, 1213, Bangladesh

Moody International Holdings Chile Ltda (99.0%)
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, Santiago, Chile

Moody International Lanka (Private) Ltd (99.9%)
no.5, St Albans Place, Colombo-4, Sri Lanka

Moody International Philippines, Inc. (i) (92.5%)
Intertek Building, 2310 Chino Roces Avenue Extension, Metro Manila, Makati City, 1231, Philippines

PT Citrabuana Indoloka (xviii) (50.0%)
Jl. Raya Bogor KM 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

PT. Intertek Utama Services (xviii) (49.0%)
Jl. Raya Bogor KM. 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

Qatar Calibration Services LLC (49.0%)
Petrotec, PO Box 16069, 8th Floor, Toyota Tower, Doha, Qatar

RCG Moody International de Venezuela S.A. (i) (99.0%)
Res Morgana, p_4, #04, Av.Andres Bello, Fco de Miranda, Los Polos Grandes, Caracas, Venezuela

Shanghai Moody Management & Technical Services Co. Ltd (i) (90.0%)
Room 225, No. 14 at Lane No. 1700 Luo Shan Road, Shanghai, China

Société Tunisienne Intertek Caleb Brett SARL (51.0%)
67 rue Ech-Chem, Tunis, 1002, Tunisia

The Wine Warehouse (Chepstow) Management Company Limited (75.0%)
The Wine Warehouse, The Back, Chepstow, Monmouthshire, NP16 5HH

Associates

Intertek Geronimo JV Limited (i) (48.9%)
1, North Industrial Area, Klan Street, Accra, Ghana

Lynx Diagnostics Inc. (xviii) (50.0%)
#220, 8 Perron Street, St Albert AB T8N 1E4, Canada

Moody International Certification Ltd (40.0%)
53, Nautic, Triq l-Ortolan, San Gwann, SGN 1943, Malta

Moody International Morocco (30.0%)
28, Rue de Provins, 2 eme etage, Casablanca, Morocco

Moody International SA (35.0%)
4 Rue Des Brasseurs, Zone 3 Abidjan, Côte d'Ivoire

(i) Dormant.
(ii) In Liquidation/Strike off requested.
(iii) Ownership held in class A and B shares
(iv) Ownership held in class A and E shares.
(v) Ownership held in class A, B, C, D and E shares.
(vi) Ownership held in class A, B, C, D, E and F shares.
(vii) Ownership held in class ordinary and ordinary-A shares.
(viii) Ownership held in class ordinary, ordinary-A, ordinary-B and deferred shares.
(ix) Ownership held in ordinary and preference shares.
(x) Ownership held in ordinary and redeemable shares.
(xi) Ownership held in ordinary and redeemable preference shares.
(xii) Ownership held in No.1, No.2.1 and No.2.2 shares.
(xiii) Ownership held in class I Series B shares and class II Series B shares.
(xiv) Ownership held in ordinary bearer shares.
(xv) Ownership held in membership units.
(xvi) Ownership held in quota capital shares.
(xvii) Ownership held in charter capital.
(xviii) Intertek shares joint control over the company under a shareholders' agreement.
(xix) The Group obtains 99% of the economic benefit of the company.

Intertek Group plc – Company balance sheet

As at 31 December	Notes	2020 £m	2019 £m
Fixed assets			
Investments in subsidiary undertakings	(E)	**342.2**	339.6
Current assets			
Debtors due within one year	(F)	420.5	694.2
Debtors due after more than one year	(F)	–	121.3
		420.5	815.5
Cash at bank and in hand		0.9	0.1
		421.4	815.6
Creditors due within one year			
Other creditors	(G)	(6.6)	(448.2)
		(6.6)	(448.2)
Net current assets		**414.8**	367.4
Total assets less current liabilities		**757.0**	707.0
Net assets		**757.0**	707.0
Capital and reserves			
Called up share capital	(H)	1.6	1.6
Share premium	(H)	257.8	257.8
Retained earnings	(H)	497.6	447.6
Shareholders' funds		**757.0**	707.0

The profit for the financial year was £222.4m (2019: £197.2m).

The financial statements on pages 184 to 188 were approved by the Board on 1 March 2021 and were signed on its behalf by:

André Lacroix
Chief Executive Officer

Ross McCluskey
Chief Financial Officer

Company number: 04267576

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 2019		1.6	257.8	425.3	684.7
Total comprehensive income for the year					
Profit	(B)	–	–	197.2	197.2
Total comprehensive income for the year		–	–	197.2	197.2
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the Company					
Dividends paid	(D)	–	–	(163.2)	(163.2)
Purchase of own shares		–	–	(23.1)	(23.1)
Tax paid on Share Awards vested		–	–	(10.5)	(10.5)
Equity-settled transactions	(E)	–	–	21.9	21.9
Total contributions by and distributions to the owners of the Company		–	–	(174.9)	(174.9)
At 31 December 2019		1.6	257.8	447.6	707.0
At 1 January 2020		**1.6**	**257.8**	**447.6**	**707.0**
Total comprehensive income for the year					
Profit	(B)	–	–	222.4	222.4
Total comprehensive income for the year		–	–	**222.4**	**222.4**
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the Company					
Dividends paid	(D)	–	–	(170.4)	(170.4)
Purchase of own shares		–	–	(12.2)	(12.2)
Tax paid on Share Awards vested		–	–	(7.5)	(7.5)
Equity-settled transactions	(E)	–	–	17.7	17.7
Total contributions by and distributions to the owners of the Company		–	–	(172.4)	(172.4)
At 31 December 2020		**1.6**	**257.8**	**497.6**	**757.0**

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 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

These financial statements have been prepared on a historical cost basis. The Company continues to adopt the going concern basis of accounting in preparing these financial statements.

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

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

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

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

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Foreign currencies

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

Taxation

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

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

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

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

Dividends on shares presented within shareholders' funds

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Investments in subsidiaries

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

Intercompany financial guarantees

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

Share-based payments

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

Significant new accounting policies and standards

No significant new accounting policies or standards were adopted in the year ending 2020.

Notes to the Company financial statements *Continued*

(B) Profit and loss account

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The Company does not have any employees (2019: nil).

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

(C) Use of judgements and estimates

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below. There are no critical estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

Judgements

Recoverability of receivables

Amounts owed by Group undertakings are recognised initially at the value of the invoice or loan raised 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. The Company applies the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables. The provision calculations are based on a review of all receivables to see if there are specific circumstances which would render the receivable irrecoverable and therefore require a specific provision.

Investments impairment review

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Estimates are used in determining the level of investment that will not, in the opinion of the Directors be recoverable.

(D) Dividends

The aggregate amount of dividends comprises:

	2020 £m	2019 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	115.3	108.2
Interim dividends paid in respect of the current year	55.1	55.0
Aggregate amount of dividends paid in the financial year	**170.4**	163.2

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2020 is £nil (2019: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2020 is £115.6m (2019: £115.7m).

(E) Investment in subsidiary undertakings

	2020 £m	2019 £m
Cost and net book value		
At 1 January	339.6	334.4
Additions due to share-based payments	17.7	21.9
Recharges of share-based payments to subsidiaries	(15.1)	(16.7)
At 31 December	**342.2**	339.6

The Company has made Share Awards to the employees of its directly and indirectly owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £17.7m (2019: £21.9m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had two direct subsidiary undertakings at 31 December 2020: 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 (2019: £nil).

Notes to the Company financial statements *Continued*

(F) Debtors

	2020 £m	2019 £m
Amounts owed by Group undertakings – due within one year	420.5	694.2
Amounts owed by Group undertakings – due in more than one year	–	121.3
Total debtors	**420.5**	815.5

The amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. A mixture of the amounts due are interest bearing and interest free.

Amounts owed by Group undertakings are recognised initially at the value of the invoice or loan raised 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. The Company applies the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables, including contract assets. The provision calculations are based on a review of all receivables to see if there are specific circumstances, such as the bankruptcy of a customer or emerging market risks, which would render the receivable irrecoverable and therefore require a specific provision.

(G) Creditors due within one year

	2020 £m	2019 £m
Amounts owed to Group undertakings	**6.6**	448.2

The amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. A mixture of the amounts due are interest bearing and interest free.

(H) 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 £170.4m (2019: £163.2m), was £222.4m (2019: £197.2m) which was mainly in respect of dividend income in relation to 2020.

The Company has sufficient distributable reserves to pay the 2020 final dividend and the anticipated 2021 interim dividend. When required, the Company can receive additional dividends from its subsidiaries to further increase distributable reserves.

The Group settled in cash the tax element of the Share Awards vested in 2020 amounting to £8.5m (2019: £11.6m) of which the Company settled £7.5m (2019: £10.5m).

During the year ended 31 December 2020, the Company purchased, through its Employee Benefit Trust, 225,165 (2019: 459,078) of its own shares with an aggregate nominal value of £2,252 (2019: £4,591) for £12.2m (2019: £23.1m) which was charged to profit and loss in equity.

(I) Related party transactions

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

(J) 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 £4.0m at 31 December 2020 (2019: £2.8m).

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

(K) Post-balance sheet events

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

Independent Auditors' Report

to the members of Intertek Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Intertek Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position and company balance sheet as at 31 December 2020; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity and company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- We performed full scope audit procedures over 59 legal entities and performed specific audit procedures on a further 6 entities, covering 29 territories in total.
- Taken together, the entities over which audit work was performed accounted for 81% of the group's revenue and 90% of the group's statutory profit before tax.
- Due to the current restrictions on travel and social distancing measures, enacted in response to the global COVID-19 pandemic, the group engagement team used video conferencing to oversee the component auditor work and conducted remote discussions and review activities to understand and supervise the work of the local teams.

Key audit matters

- Completeness and valuation of customer claims (group)
- Carrying value of goodwill and intangible assets (group)
- Valuation of defined benefit pension scheme liabilities (group)
- Valuation of current tax balances in relation to transfer pricing risk (group)
- Impact of COVID-19 (group and parent)

Materiality

- Overall group materiality: £19,700,000 (2019: £22,000,000) based on 5% of the weighted average profit before tax of 2018–2020.
- Overall company materiality: £7,600,000 (2019: £11,500,000) based on 1% of total assets.
- Performance materiality: £14,775,000 (group) and £5,700,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to fraud, anti-bribery and corruption laws and indirect and direct tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate or fictitious journal entries to manipulate the financial performance or financial position of the group and management bias in accounting estimates to achieve management incentive schemes and targets. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiry of management, those charged with governance and the group's legal counsel around actual and potential fraud and non-compliance with laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.
- Enquiry of group's staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Obtaining and understanding the results of whistleblowing procedures and assessing any related investigations.
- Enquiry of the group's Head of Internal Audit and reviewing internal audit reports.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The Impact of COVID-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Completeness and valuation of customer claims (group) Refer to the Audit Committee report on page 98 and to note 13 in the financial statements. As an assurance provider, the group can be subject to claims from customers and consumers relating to its work, and the geographically diverse nature of the group means there is a risk that one or more significant claims are omitted from the centrally maintained claims register. Where customer claims may give rise to a future liability, the Directors are required to either recognise a liability or disclose a contingent liability in the financial statements. As the potential cost is often unknown, management must exercise judgement as to whether a liability should be recognised or a specific disclosure is required.	We met with the group's legal counsel to discuss certain open or threatened claims to understand the likelihood of an adverse judgement and the potential magnitude of the claim. We have evaluated management's process for identifying claims and have inspected the details of legal costs incurred during the year. Where relevant we obtained confirmations from the group's external legal counsels of the existence and details of key open claims. We obtained and read the relevant sections of the group's insurance documents and checked that any liability cap had been appropriately applied to the calculation of provision held against those claims. Through our work, we did not identify any material claims that had not been recorded centrally and provided for, or for which provision was not appropriate.

Independent Auditors' Report *Continued*

to the members of Intertek Group plc

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and intangible assets (group) Refer to the Audit Committee report on page 98 and to note 9 in the financial statements. The group had £835.9 million of goodwill and a further £279.7 million of other intangible assets recognised on the balance sheet at 31 December 2020. The carrying values of goodwill and intangible assets are dependent on future cash flows of the underlying Cash Generating Units ("CGUs") and there is a risk that, if these cash flows do not meet the directors' expectations, the assets may be impaired. Accounting standards require management to perform an annual assessment of the carrying value of goodwill, and other intangible assets are assessed where there are indications that they are impaired. As this assessment is based on the future value in use, and a significant amount of value is based on the value to perpetuity of the CGUs, future cash flows must be estimated, which can be highly judgemental and could significantly impact the carrying value of the assets.	We evaluated management's cash flow forecasts and understood the process by which they were determined and approved. This included confirming that the forecasts were consistent with the latest Board approved budgets and checking the methodology and mathematical accuracy of the underlying calculations, with no exceptions identified. We evaluated the inputs included in the value in use calculations and challenged the key assumptions, particularly for the higher risk CGUs, Business Assurance and Caleb Brett, by obtaining evidence including in respect of: • the growth rates used in the cash flow forecasts by comparing them with historical results, external forecasts and our understanding of the business; • using our in-house valuation expertise to evaluate the discount rate by comparing the cost of capital for the group with comparable organisations; and • the long-term growth rates by comparing these to publicly available market data on projected growth rates in key territories such as the UK, USA and China. We performed sensitivity analyses around these assumptions. We also challenged the extent to which climate change considerations had been reflected, as appropriate, in management's impairment assessment process. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for an impairment to arise, we considered the likelihood of such a movement occurring.
	Our testing did not identify any indicators of impairment, and that it would require significant downside changes before any impairment would be triggered. In addition, we assessed the appropriateness of the CGUs used in the impairment assessment, the useful economic lives of the intangible assets and the related disclosures and concluded that these were appropriate.
Valuation of defined benefit pension scheme liabilities (group) Refer to the Audit Committee report on page 98 and to note 16 in the financial statements. The group had net and gross pension liabilities of £12.1 million and £162.5 million respectively recognised on the balance sheet at 31 December 2020. The valuation of pension liabilities involves the exercise of judgement and technical expertise in choosing appropriate actuarial assumptions such as the discount rate, inflation level, mortality rates and salary increases. Management engaged external actuarial experts to assist them in selecting appropriate assumptions and to calculate the liabilities. The methodologies and assumptions utilised are judgemental and could significantly impact the magnitude of the liabilities recognised.	We utilised our in-house actuarial experts to evaluate whether the assumptions and methodology used in calculating the pension liabilities were reasonable, by: • Assessing whether salary increases and mortality rate assumptions were reasonable based on the consideration of the specifics of each plan, pension plans of similar maturity to the group's and industry benchmarks; • Evaluating the consistency of the discount and inflation rate assumptions with our internally developed benchmarks based on national data; and • Reviewing the methodology and calculations prepared by external actuaries to assess their appropriateness and the consistency of the assumptions used. Based on our procedures, we concluded that the key assumptions utilised lay within acceptable ranges and that the methodology was appropriate. We assessed the related disclosures included in the group financial statements and consider them to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of current tax balances in relation to transfer pricing risk (group) Refer to the Audit Committee report on page 98 and to notes 1, 6 and 22 in the financial statements. Provisions in relation to potential tax exposures are subject to judgement and involve estimation techniques that could influence the current tax positions. The group operates in a large number of jurisdictions, which increases the risk of non-compliance in relation to transfer pricing considerations relating to intercompany financing, management recharges and trading transactions. The individually largest uncertain tax position within the group is in relation to EU State Aid where no liability has been recognised; the group considers that the possible amount of additional tax payable remains between £nil and £16.3m (excluding interest and penalties) as set out in note 22.	We involved our in-house tax specialists in our testing of the appropriateness of the techniques, estimates and judgements taken over current tax balances in relation to the transfer pricing risk. In so doing, we evaluated: • Third party tax advice received by the group; • The status of recent and current tax authority audits and enquiries; • The outturn of previous claims; • Judgemental positions taken in tax returns and current year estimates; and • Management's methodology, calculations and assumptions utilised in provisions recorded, or rationale for not recording a provision. Specifically in relation to EU State Aid we considered the developments in the year and the evidence provided to support the assessment that no current tax liability is recognised. The procedures above did not identify any material issues with regards to the valuation of current tax balances. We assessed the related State Aid disclosures included in the group financial statements and consider them to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (group and parent) Refer to the Audit Committee report on page 98 and to notes 1 and 11 in the financial statements The COVID-19 pandemic has had an adverse impact on the trading performance of the group during the year. Whilst the group has a broad customer base across its multiple business lines and in its different geographic regions, there is inherent uncertainty in determining the impact of the pandemic on certain aspects of the financial statements. The key potential impacts of COVID-19 on the group and parent company financial statements are: • The carrying value of goodwill and other intangible assets, as the budgets and models supporting the goodwill and indefinite-lived intangible impairment assessments have been updated to reflect management's best estimate of the impact of COVID-19. • These models and related assumptions also underpin management's going concern and viability assessments. Management has modelled severe but plausible downside scenarios to its base case trading forecast. The recoverability of receivable balances involves an increased level of judgement as a consequence of the COVID-19 pandemic and its impact on the wider economic environment. The gross trade receivables and contract assets balance was £552.9 million, with an associated allowance for impairment of £24.2 million, resulting in a net trade receivables and contract assets balance of £528.7 million. The pandemic has resulted in the year end financial close process, as well as the external audit, having to take place largely remotely in a number of locations this year.	We validated that the cash flow forecast models used across the goodwill impairment, going concern and viability assessments were consistent. Our procedures in respect of the goodwill and indefinite-lived intangible asset impairment assessments are covered in the related key audit matter above. With respect to management's going concern assessment, our procedures are covered in the 'conclusions relating to going concern' section below. We have instructed our component teams to assess the recoverability of receivable balances, in particular for aged balances. We have assessed the reasonableness of the group's expected credit losses on receivable balances in accordance with IFRS 9. There were no material individual impairments of trade receivables or contract assets. We also instructed our component teams to understand if there were any changes to management's planned operation of controls or monitoring activities. Based on our work, we did not identify any evidence of material deterioration in the control environment. We increased the frequency and extent of our oversight over component audit teams, using video conferencing and remote working paper reviews, to satisfy ourselves as to the appropriateness of audit work performed at financially significant and material components. We considered the appropriateness of management disclosures in the financial statements in respect of the impact of the current environment and the increased uncertainty on certain accounting estimates and consider these to be appropriate. In those locations where we have undertaken much of our year end work remotely, we did not encounter any significant difficulties in performing our audit testing or in obtaining the required evidence to support our audit conclusions.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is split into three reporting segments: Products, Trade and Resources and the operations are spread across over 100 countries and approximately 500 legal entities. The results are not consolidated at a country or regional level, so we determined that the most appropriate level at which to scope our audit was the legal entity level.

When determining our scope, the key financial measure used was profit before tax. Due to the disaggregation of the group's results across the various entities, we identified only three individually financially significant legal entities, two within China and one within the United States. As a result, we instructed our component teams to perform audits of the complete financial information of these entities.

We considered the countries in which PwC are appointed statutory auditor. Of these, 22 countries (including China) accounted for the majority of external profit, and we therefore focused our considerations on these territories. Within these countries, we then excluded any legal entities with no external balances, such as intermediate holding companies, and those entities with highly immaterial revenue. This left 49 legal entities (including the two financially significant legal entities in China) for which we instructed our local teams to perform audits of the complete financial information for the purpose of the group audit. In addition, we performed full scope audit procedures over two head office legal entities.

In certain territories, notably the US, Canada and Brazil, there is no statutory audit requirement and so we considered whether procedures needed to be performed to supplement our coverage. We selected seven of the largest entities in the United States and Canada for full scope audits (including the financially significant component in the United States), representing those with the largest contribution to group profit, and a further legal entity in each of the United States and Brazil, over which we performed specified procedures over the complete financial information.

We instructed a local audit firm to perform an audit of the complete financial information for one legal entity in Bangladesh for the purpose of the group audit.

We identified a further four legal entities in Japan, Peru and Saudi Arabia over which we instructed specific audit procedures to be performed over revenue and receivables to supplement coverage over these key financial statement line items.

In total we performed procedures relating to 65 legal entities in 29 countries, which together accounted for 81% of the group's revenue and 90% of the group's profit before tax.

This, together with additional procedures performed at the group level (including audit procedures over tax, legal claims, defined benefit pension schemes, impairment assessments and consolidation adjustments), gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£19,700,000 (2019: £22,000,000).	£7,600,000 (2019: £11,500,000).
How we determined it	5% of the weighted average profit before tax of 2018–2020.	1% of total assets.
Rationale for benchmark applied	We considered that the most appropriate benchmark on which to calculate materiality was the group's profit before tax. Given the volatility in profitability in 2020 as a result of COVID-19, we based our materiality on a weighted average for three years of the group's profit before tax.	These are a single set of company accounts for an entity which has no external revenue and takes advantage of the exemption offered under S408 of CA 2006 not to present its income statement in its financial statements, which are presented alongside the group financial statements within the Annual Report. As a result, the determination of materiality was based on the total assets of this non-trading holding company within the group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.2 million and £6.9 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

Independent Auditors' Report *Continued*
to the members of Intertek Group plc

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £14,775,000 for the group financial statements and £5,700,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £900,000 (group audit) (2019: £1,100,000) and £900,000 (company audit) (2019: £1,100,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- An assessment of management's base case and downside scenarios, challenging the key assumptions
- Considering the group's available financing, including related covenants, and maturity profile to assess liquidity through the assessment period
- Testing the mathematical integrity of the forecasts and the models and reconciled these to Board approved budgets
- Performing our own independent sensitivity analysis to assess appropriate downside scenarios
- Assessing the reasonableness of management's planned or potential mitigating actions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent Auditors' Report *Continued*
to the members of Intertek Group plc

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties relating to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report *Continued*
to the members of Intertek Group plc

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 25 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2016 to 31 December 2020.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 March 2021