



2018 FULL YEAR RESULTS ANNOUNCEMENT

5 MARCH 2019

Revenue Acceleration, Robust EPS Growth and Strong Cash

2018 Year Highlights

- Revenue growth: +4.7% at constant currency rates, +1.2% at actual rates
- Good organic revenue growth of +3.7% at constant rates: Products +5.2%, Trade +2.2%, Resources +0.3%
- Record adjusted operating margin of 17.2%: +40bps at constant rates, +30bps at actual rates
- Adjusted operating profit of £482m: +6.9% at constant rates, +3.0% at actual rates
- Adjusted diluted EPS: +7.7% at constant rates, +3.5% at actual rates
- Statutory net profit after tax of £305.2m: +3.8% at constant rates, -0.4% at actual rates
- Free cash flow of £350.6m, +2.6% year on year driven by strong cash conversion
- Full year dividend per share of 99.1p, an increase of 39%
- Acquisitions in high growth and high margin sectors

A video outlining the Full Year Results is available on the Group's website - <http://www.intertek.com/>

André Lacroix: Chief Executive Officer statement

"Intertek is going from strength to strength, making consistent progress on strategy and performance. We are benefitting from higher demand from our customers for our global Total Quality Assurance solutions in our Products, Trade and Resources divisions.

In 2018, we have seen revenue growth acceleration with 3.7% organic revenue growth at constant rates with continuing robust performance in our Products division, solid performance in Trade and a performance improvement in Resources. Our recent acquisitions in high margin and high growth areas performed well.

The Group has a high margin and highly cash generative earnings model. In 2018, we made continued progress on margin, profitability and free cash flow, with a record margin of 17.2% up 40bps, EPS growth of 7.7% and a cash conversion of 126%. In line with our new dividend policy, that targets a payout ratio of circa 50%, we have announced a full year dividend of 99.1p, an increase of 39%.

We expect to deliver good organic revenue growth performance at constant currency in 2019, with moderate Group margin expansion and strong cash generation.

Our '5x5' differentiated strategy for growth will continue to move the centre of gravity of our portfolio towards the attractive growth and margin opportunities in the industry based on a disciplined approach to revenue, margin, portfolio and cash performance management, and an accretive disciplined capital allocation to deliver sustainable returns for our shareholders.

Given the growing complexity faced by global corporations, higher quality and sustainability expectations from consumers and increased regulatory demand, Intertek's Total Quality Assurance (TQA) services are mission-critical for clients to operate safely. We are uniquely positioned to seize these exciting growth opportunities and with our Total Quality Assurance differentiated value proposition, we provide our clients with a superior customer service based on the depth and breadth of our technical expertise, our global network of 1,000+ state-of-the-art facilities in over 100 countries, our industry leading Assurance, Testing, Inspection and Certification solutions, and our customer-centric culture fueled by our passionate colleagues around the world."

Key Adjusted Financials	2018	2017	Change at actual rates	Change at constant rates ¹
Revenue	£2,801.2m	£2,769.1m	1.2%	4.7%
Organic revenue ²	£2,769.8m	£2,764.2m	0.2%	3.7%
Operating profit	£481.8m	£467.7m	3.0%	6.9%
Operating margin	17.2%	16.9%	30bps	40bps
Profit before tax	£456.5m	£438.8m	4.0%	8.3%
Diluted earnings per share	198.3p	191.6p	3.5%	7.7%
Dividend per share	99.1p	71.3p	39.0%	

1. Constant currency is calculated by translating 2017 results at 2018 average exchange rates

2. Organic revenue growth excludes the impact of acquisitions and disposals in 2017 and 2018

3. Adjusted results are stated before Separately Disclosed Items ('SDIs'), see note 3 to the Condensed Consolidated Financial Statements

Key Statutory Financials	2018	2017
Revenue	£2,801.2m	£2,769.1m
Operating profit	£436.2m	£422.7m
Operating margin	15.6%	15.3%
Profit before tax	£404.5m	£393.3m
Net profit after tax	£305.2m	£306.4m
Diluted earnings per share	174.7p	176.3p

The Directors will propose a final dividend of 67.2p per share (2017: 47.8p) at the Annual General Meeting on 23 May 2019, to be paid on 4 June 2019 to shareholders on the register at close of business on 17 May 2019.

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Analysts' Call

A live audiocast for analysts and investors for the 2018 Full Year Results will be held today at 9.30 a.m. Details can be found at <http://www.intertek.com/investors/> together with presentation slides and a pdf copy of this report. A recording of the audiocast will be available later in the day.

Sustainability Report

The Sustainability Report for the year ended 31 December 2018 is now available on the Company's website at www.intertek.com.

intertek

Total Quality. Assured.

Intertek is a leading Total Quality Assurance provider to industries worldwide.

Our network of more than 1,000 laboratories and offices and over 44,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains.

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

GROUP CEO REVIEW

Attractive opportunities for growth

Companies are today more focused on improving quality and safety than in the past, and our clients recognise there is much more that needs to be done to establish a robust, reliable, end-to-end Total Quality Assurance approach that reduces risk given the growing complexity of their manufacturing and distribution operations. That is what we offer our clients with our Total Quality Assurance value proposition, leveraging our broad portfolio of Assurance, Testing, Inspection and Certification, our technical expertise and our global laboratory network.

We see four growth opportunities ahead.

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

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

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

Fourth, given our industry is highly fragmented, our M&A activities are focused on prospects with strong IP and market leading positions in new attractive growth areas, geographies and services. Our highly cash generative earnings model and strong balance sheet provides the flexibility to accelerate organic growth with value enhancing acquisitions.

Intertek Total Quality Assurance

Intertek has a proven track record of innovating and anticipating the growing needs of its clients. We have been the pioneers of our industry across the world for 130 years and we continue to constantly evolve and improve our offer to customers to meet their changing needs.

In identifying that our customers now need systemic and in-depth Assurance, Testing, Inspection and Certification services (ATIC), in 2016 we added a new dimension to our traditional quality control offering by adding Assurance as part of our value proposition.

The Total Quality Assurance (TQA) solutions we can deliver go beyond assuring the quality and safety of a corporation's physical components, products and assets to also look at the reliability of their operating processes and quality management systems.

Globally across all of our businesses, we support the existing and emerging Quality Assurance needs of our customers in each area of their operations:

- R&D;
- Raw Materials Sourcing;
- Components Suppliers;
- Manufacturing;
- Transportation;
- Distribution and Channel Management; and
- Consumer Management.

We offer superior customer service with a systemic end-to-end Quality Assurance approach based on the depth and breadth of Assurance + Testing + Inspection + Certification solutions, delivered by our global subject matter experts.

Our clients have reacted very positively to our innovative Quality Assurance approach with our TQA value proposition. We are pleased with the progress we have made with our ATIC sales in the last three years and we have seen excellent growth in the capital-light, high-margin Assurance segment which has doubled since 2015 and now represents 16% of our Group revenues compared to 10% in 2015.

Our high-quality earnings model

Our high-margin and strongly cash generative earnings model is underpinned by the delivery of our Total Quality Assurance value proposition.

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

We operate a capital-light business model which, combined with our entrepreneurial culture, enables us to react quickly to new growth opportunities.

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

The Products sector, which delivered 77% of our 2018 profit, comprises Softlines & Hardlines, Electrical & Connected World, Building & Construction, Chemicals & Pharma, Transportation Technologies, Food and Business Assurance. We see this sector as continuing to benefit from corporations' growing investments in quality and innovation and anticipate continuing growth in response to rising consumer demand and a more demanding regulatory burden.

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

- Growth in stock-keeping units ('SKUs') and brands, driven by increasing numbers of products worldwide, shorter product life-cycles and the rise of e-commerce; and
- Growth in the number of tests that need to be taken for each SKU or brand, driven by rising regulatory standards, concerns for safety, demand for higher quality and continuous innovation.

We expect our Products sector to continue growing faster than GDP.

Our second key business sector is Trade, which comprises Caleb Brett, AgriWorld and Government & Trade Services and accounted for 17% of our 2018 profit.

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

In Resources, our third business sector which contributed 6% of our 2018 profit, we anticipate long-term growth driven by increasing demand for global energy to support GDP and population growth.

We offer both Capex and Opex Services and we help companies to invest in new capacity, as well as operating existing facilities.

We operate a high-quality Minerals business benefitting from attractive structural growth drivers in our markets.

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

Our '5x5' differentiated strategy for growth

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

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

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

Our five strategic priorities are:

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

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

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

Customer centric TQA expertise

Intertek is uniquely positioned to deliver a differentiated TQA value proposition with its truly global network, as over 44,000 TQA experts in more than 100 countries across the world, provide fast and efficient Assurance, Testing, Inspection and Certification solutions to local, regional and global clients.

The real strength of Intertek lies in its people, its global team of TQA experts. Indeed, it is both humbling and exciting to see at first-hand that our people have the most remarkable subject-matter expertise, entrepreneurial capabilities and talent for innovation.

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

- The consistent quality and precision of their findings, conclusions and reports;
- Their speed of response, delivering the rapid, detailed and accurate feedback that clients demand;
- The ability to build trust-based customer relationships;

- Deep expertise in their subject areas and incisive understanding of customer requirements; and
- A proven track record of innovating and anticipating the changing needs of our clients.

Accretive disciplined capital allocation

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

We pursue an accretive disciplined approach to capital allocation, which enables us to reinvest our growing earnings and create long-term value and sustainable shareholder returns.

The first priority when it comes to capital allocation is investment to support organic growth in those parts of the portfolio where we see the best growth and margin prospects. In the medium- to long-term, we will invest circa 5% of revenue in capital expenditure.

The second priority is to deliver sustainable returns for our shareholders through the payment of progressive dividends, in line with our dividend policy that targets a payout ratio of circa 50%.

The third priority for capital allocation is M&A activity to strengthen our portfolio in the right growth areas, provided we can deliver good returns. This means focusing on those existing business lines or countries with strong growth and margin prospects, where we hold leading market positions, or entering new exciting growth areas, be that in terms of geography or services. In 2018, Intertek completed four acquisitions in high-growth, high-margin segments: AAS, Proasem, NTA Monitor and Alchemy. Alchemy is an industry leader in People Assurance solutions for the food industry. It has a strong growth track record and operates a highly attractive business model: high-growth, high-margin, strong cash-conversion, capital-light and scalable. This will further accelerate the growth momentum of our high-margin and capital-light Assurance business.

The fourth priority is to maintain a strong and efficient balance sheet that provides the flexibility to invest in growth while targeting a net debt to EBITDA ratio of circa 1.5 to 2 times. As the Group's financial position continues to strengthen, we will remain disciplined in our approach to deploying any surplus cash, assessing a broad range of options with a continued focus on maximising shareholder value.

Ever Better operational discipline makes Intertek Ever Stronger

We have made continuous progress in 2015, 2016, 2017 and 2018, capitalising on our strengths and implementing our '5x5' differentiated strategy for growth. We have delivered superior customer service with our unique ATIC value proposition, growing our revenues by 34% between 2014 and 2018 while expanding our adjusted operating profit by 49% and improving our margin by 170bps. Further, over the period we have consistently reduced our working capital intensity and our free cash flow has increased by 90%. This progress, combined with disciplined capital allocation, has delivered a strong average ROIC of 22.7% between 2015 and 2018.

The world of our clients is getting more and more complex and companies are increasing their focus on risk, which creates ever bigger growth opportunities for Intertek given our unique TQA value proposition that offers systemic end-to-end ATIC services.

We are on a good-to-great journey and we firmly believe in continuous improvement to take Intertek to greater heights. Said differently, our 'Ever Better' operational discipline makes Intertek 'Ever Stronger', every day.

Leveraging the ever bigger growth opportunities ahead with our Ever Better operational discipline in everything we do, we are confident in our ability to deliver sustained progress moving forwards. From our strong base, we see opportunities to continuously improve on our value creation levers: our differentiated service offering with margin accretive innovations; our customer-centric approach to sales; our discipline on operational excellence; our systemic margin management; and our daily focus on cash management.

We are confident that Intertek will continue to lead the industry through our Ever Better operational discipline approach, to make the company Ever Stronger.

Looking ahead

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

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

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

We are moving the Company's centre of gravity towards our industry's most attractive growth and margin areas with a disciplined approach to performance management and capital allocation.

We are on track on our 'good-to-great' journey, making progress on both performance and strategy and I am excited about the Group's growth prospects ahead, both organically and inorganically.

André Lacroix
Chief Executive Officer

Operating Review

For the year ended 31 December 2018

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. These items, which are described in the 'Presentation of Results' section of this report and in note 3, are excluded from the adjusted results. The figures discussed in this review (extracted from the income statement and cash flow) are presented before Separately Disclosed Items ('SDIs') unless otherwise stated.

Overview of Performance

	2018	2017	Change at actual rates	Change at constant rates ¹
	£m	£m	%/bps	%/bps
Revenue	2,801.2	2,769.1	1.2%	4.7%
Organic revenue ²	2,769.8	2,764.2	0.2%	3.7%
Operating profit ³	481.8	467.7	3.0%	6.9%
Operating margin ³	17.2%	16.9%	30bps	40bps
Net financing costs ³	(25.3)	(28.9)	12.5%	13.7%
Income tax expense ³	(112.8)	(107.5)	(4.9%)	(9.2%)
Earnings for the period ³	343.7	331.3	3.7%	8.0%
Diluted earnings per share ³	198.3p	191.6p	3.5%	7.7%

1. Constant currency is calculated by translating 2017 results at 2018 exchange rates.

2. Organic revenue growth excludes the impact of acquisitions and disposals in 2017 and 2018.

3. Adjusted results are stated before Separately Disclosed Items.

Total reported Group revenue growth was 1.2%, comprising 1.0% growth contributed by acquisitions, organic revenue of 3.7% and a decrease of 3.5% from foreign exchange where sterling appreciated against most of the Group's trading currencies.

Adjusted operating profit at constant exchange rates increased 6.9%, driven by 9.5% growth in the Products division.

The adjusted operating margin was 17.2%, an increase of 40bps from the prior year at constant exchange rates.

The Group's statutory operating profit for the period was £436.2m (2017: £422.7m) after SDIs, but before interest and tax of £131.0m (2017: £116.3m).

Net financing costs

Net financing costs were £25.3m (2017: £28.9m), a decrease of £3.6m on 2017. This comprised £1.8m (2017: £1.2m) of finance income and £27.1m (2017: £30.1m) of finance expense. The statutory net financing cost of £31.7m (2017: £29.4m) included £6.4m (2017: £0.5m) relating to SDIs.

Tax

The Group effective tax rate on adjusted profit before income tax was 24.7% (2017: 24.5%). The tax charge, excluding the impact of SDIs, is £112.8m (2017: £107.5m).

The statutory tax charge, including the impact of SDIs, of £99.3m (2017: £86.9m), equates to an effective rate of 24.5% (2017: 22.1%) and the cash tax on adjusted results is 20.4% (2017: 23.0%).

Earnings per share

The Group delivered adjusted diluted earnings per share ('EPS') of 198.3p (2017: 191.6p). Diluted EPS after SDIs was 174.7p (2017: 176.3p), and basic EPS was 176.8p (2017: 178.6p).

Dividend

In line with our new dividend policy that targets a payout ratio of circa 50%, the Board recommends a full year dividend of 99.1p per share, an increase of 39.0%. This recommendation reflects the Group's earnings progression, strong financial position and the Board's confidence in the Group's structural growth drivers into the future.

The full year dividend of 99.1p represents a total cost of £159.9m or 50% of adjusted profit attributable to shareholders of the Group for 2018 (2017: £115.1m and 37%). The dividend is covered 2.0 times by earnings (2017: 2.7 times), based on adjusted diluted earnings per share divided by dividend per share.

Portfolio activities

In March 2016, the Group announced its '5x5' differentiated strategy for growth, with the aim to move the centre of gravity of the Company towards high-growth, high-margin areas in its industry, which included two strategic priorities relevant to the operational structure of the business:

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

During the year, the Group has continued to implement certain non-recurring action plans identified through the portfolio review in specific country and/or business line combinations, consistent with the '5x5' strategy, and after three years we are now over halfway through our portfolio review. In line with this, a £13.6m restructuring charge has been recognised in SDIs in the year, which impacted 18 business units in the year, taking the total programme to 76. These activities included the termination of certain business lines in some countries; the closure and consolidation of business line locations in certain countries; the re-organisation of various management structures either in-country, in-region or in global business lines.

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

Separately Disclosed Items ('SDIs')

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

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

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

The SDIs charge for 2018 comprises amortisation of acquisition intangibles of £24.6m (2017: £16.0m); acquisition costs relating to successful, active or aborted acquisitions of £8.5m (2017: £3.2m); restructuring costs (as described above) of £13.6m (2017: £12.4m); gain on disposal of subsidiaries and associates of £1.1m (2017: £nil); impairment of assets of £nil (2017: £16.8m); and a credit for material claims and settlements of £nil (2017: £3.4m).

Acquisitions and investments

Intertek is well positioned to seize the attractive external growth opportunities in a very fragmented industry and we continue to make progress with our M&A strategy. In addition, the Group entered into an exclusive agreement with the Certified Automotive Parts Association (CAPA) in March 2018, to operate their automotive certification programme.

The Group completed four (2017: two) acquisitions and investments in the year with a 2018 cash consideration of £387.9m, net of cash acquired of £5.6m.

In March 2018, the Group acquired Aldo Abela Surveys (AAS), a leading provider of quality and quantity cargo inspection services based in Malta.

In April 2018, the Group acquired Proasem, a leading provider of laboratory testing, inspection, metrology and training services based in Colombia.

In June 2018, the Group acquired NTA Monitor, a leading network security and assurance services provider based in the UK and Malaysia.

In August 2018, the Group acquired Alchemy Investment Holdings, an industry leader in People Assurance solutions for the food industry.

The Group also invested £113.2m (2017: £112.9m) organically in laboratory expansions, new technologies and equipment and other facilities. This investment represented 4.0% of revenue (2017: 4.1%).

Cash Flow

The Group's cash performance was strong with free cash flow of £350.6m (2017: £341.6m), driven by disciplined working capital management and strong cash conversion. Adjusted cash flow from operations was £602.9m (2017: £596.1m). Statutory cash flow from operations was £580.9m (2017: £579.2m).

Financial position

The Group ended the period in a strong financial position. Net debt was £778m, an increase of £234m on 31 December 2017, reflecting net drawdown of facilities to fund acquisitions, the translation impact of our foreign currency denominated debt at the end of December 2018, offset by the Group's strong operating cash generation in the year.

Outlook

We expect to deliver good organic revenue growth performance at constant currency in 2019, with moderate Group margin expansion and strong cash generation.

We expect our Products related businesses to deliver good organic growth, our Trade related businesses to deliver good organic growth and our Resources related businesses to deliver solid organic growth.

Looking further ahead, the global Assurance, Testing, Inspection and Certification industry will continue to benefit from exciting growth prospects driven by an increased focus of corporations on risk management, global trade flows, global demand for energy, expanding regulations, more complex supply chains, technological innovations and increased demand for higher quality and more sustainable products.

Intertek is well positioned to take advantage of these growth opportunities in the Quality Assurance market. We offer a high-quality Assurance, Testing, Inspection and Certification service to our clients based on the depth and breadth of our technical expertise, our global network of state-of-the-art facilities and our customer centric culture.

Operating Review by Division

	Revenue				Adjusted operating profit			
	2018	2017	Change at actual rates	Change at constant rates	2018	2017	Change at actual rates	Change at constant rates
	£m	£m	%	%	£m	£m	%	%
Products	1,680.2	1,625.5	3.4	6.6	371.0	350.5	5.8	9.5
Trade	642.1	647.8	(0.9)	3.1	83.4	88.7	(6.0)	(1.3)
Resources	478.9	495.8	(3.4)	0.3	27.4	28.5	(3.9)	(0.4)
Group	2,801.2	2,769.1	1.2	4.7	481.8	467.7	3.0	6.9

A review of the adjusted results of each division in the twelve months ended 31 December 2018 compared to the twelve months ended 31 December 2017 is set out on the following pages. Revenue, operating profit and growth rates are presented at actual exchange rates. In addition, both total and organic growth at constant exchange rates are presented. Organic growth figures are calculated by excluding the results of acquisitions and disposals made since 1 January 2017. Operating profit and operating margin are stated before Separately Disclosed Items. Statutory profit numbers are shown in note 2.

All comments below reflect adjusted results and growth rates at constant currency, unless otherwise stated.

Products Divisional Review				
	2018	2017	Change at	Change at
	£m	£m	actual rates	constant rates
Revenue	1,680.2	1,625.5	3.4%	6.6%
Organic revenue	1,654.4	1,620.6	2.1%	5.2%
Operating profit	371.0	350.5	5.8%	9.5%
Operating margin	22.1%	21.6%	50bps	60bps

Intertek Value Proposition

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

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

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

Strategy

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

Innovations

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

360° Brand Assurance and E-Reputation

- **Customer insight:** Our Food Industry customers are taking an increasingly holistic approach to risk in their supply chain and organisation; and with the rise of social media, detailed E-Reputation monitoring is becoming a key part of their risk management and mitigation strategies
- **Food innovation:** Intertek has developed a unique TQA solution providing an end-to-end mapping of our customers' E-Reputation and Operational data to deliver tailored 360° Brand Assurance Reports
- **Customer benefit:** Our customers now have a 360° view of the risk areas across their food service site networks, as well as ATIC action plans to mitigate those risks

First and Only Oligonucleotide Expert Centre Globally

- **Customer insight:** Our customers' ground-breaking research and development into DNA or RNA based therapeutics (oligonucleotides) needs highly experienced analytical scientists and state-of-the-art technology to enable efficient drug development for the treatment of diseases including cancer, neurodegenerative disorder and cardiovascular diseases
- **Chemicals and Pharma innovation:** In the UK, Intertek has established a unique, dedicated centre for regulatory-driven analytical development and quality control support for oligonucleotide therapeutics, offering unrivalled product specific expertise to our global clients. Our world leading oligonucleotide scientists provide innovative and comprehensive analytical support throughout the pharmaceutical development lifecycle
- **Customer benefit:** With access to Intertek's world leading subject matter experts and specialist analytical technology, we empower our clients to ensure the safety, purity and quality of their oligonucleotide products through highly efficient development support, helping them to bring their treatments to the market, and to the patients that need it, faster

Accelerated Screening of Restricted Substances

- **Customer insight:** Our customer, a luxury watch manufacturer, urgently needed to determine whether their product contained any of 950+ banned substances before they could enter a new market
- **Assurance innovation:** We provide an accelerated screening program, supported by our proprietary Material Risk Database, which contains 50,000+ data points. Through the programme, we assessed each product component's risk of containing a banned substance. We then mobilised our extensive lab network to rapidly assess the material risk components
- **Customer benefit:** Thanks to our accelerated screening programme, our customer was able to enter the new market successfully and faster than they had expected, benefitting from Intertek's proprietary technology, lab network and efficient assurance approach

2018 performance

In 2018 our Products business delivered an excellent performance with strong margin accretive revenue growth.

Our organic revenue growth at constant rates was 5.2%, driven by broad-based revenue growth across business lines and geographies. We delivered a strong operating profit of £371.0m, up 9.5% at constant currency enabling us to deliver a margin of 22.1%, up 60bps versus last year.

- Our **Softlines** business reported solid organic growth performance. We are leveraging the investments we have made to support the expansion of our customers into new markets and to seize the exciting growth opportunities in the footwear sector. We continue to benefit from strong demand from our customers for chemical testing as well as from a greater number of brands and SKUs.
- Our **Hardlines** and Toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chains into new markets and our innovative technology for factory inspections. We delivered good organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.

- Our **Transportation Technologies** business delivered double digit organic revenue growth as we capitalise on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.
- Our **Business Assurance** business delivered strong organic revenue growth as we continue to benefit from the increased focus of corporations on risk management, resulting in strong growth in Supply Chain Audits and increased consumer and government focus on ethical and sustainable supply.
- We delivered robust organic revenue growth in our **Electrical & Connected World** business driven by higher regulatory standards in energy efficiency and by the increased demand for wireless devices and cybersecurity.
- We continue to benefit from the increased focus of corporations on food safety and delivered robust organic revenue growth in our **Food** business.
- We delivered robust organic revenue growth in our **Chemicals & Pharma** business as we continue to leverage the structural growth opportunities in the healthcare markets in both developed and emerging economies and we benefited from the increased focus on product safety and traceability.
- Driven by the growing demand for more environmentally friendly and higher quality buildings and infrastructure in the US market, our **Building & Construction** business reported robust organic revenue growth.

2019 growth outlook

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

Mid- to long-term growth outlook

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

Trade Divisional Review

	2018 £m	2017 £m	Change at actual rates	Change at constant rates
Revenue	642.1	647.8	(0.9)%	3.1%
Organic revenue	636.5	647.8	(1.7)%	2.2%
Operating profit	83.4	88.7	(6.0)%	(1.3)%
Operating margin	13.0%	13.7%	(70)bps	(60)bps

Intertek Value Proposition

Our Trade division consists of three Global Business lines with similar mid-to long-term global and regional trade structural growth drivers:

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

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

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

Strategy

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

Innovations

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

Rapid Response to Extreme Weather Events

- **Customer insight:** With the increase in extreme weather events and the effects of climate change, our Insurance Industry customers are finding that large and complex 'Catastrophic Loss' claims are becoming more frequent. The ability of our customers to manage their risks quickly and safely is vital when dealing with these claims
- **Trade innovation:** Intertek has created a unique 'rapid response' solution to requests for support on these large and complex claims, attending the site within 24 hours and working to assess safety, environmental impacts and to advise on remedial strategies in mitigating the loss
- **Customer benefit:** With Intertek's support, our Insurance Industry customers are able to mitigate catastrophic losses faster than ever before, while continuing to ensure safety and compliance

ScanCal Laser Scanning

- **Customer insight:** For Intertek's Caleb Brett customers, accurate and timely storage tank stock measurement is key for robust stock management, allowing them to identify stock losses and loading issues. However, traditional volumetric approaches can interrupt operations and cause safety risks
- **Caleb Brett innovation:** Intertek's proprietary ScanCal platform uses laser scanning technology to collect and analyse minutely detailed calibration imaging in real time, avoiding interrupting operations, cutting calibration time by over 90% and reducing safety risks

- **Customer benefit:** Our customers' newfound ability to identify issues quickly, accurately and without stopping operations, has allowed them to realise significant operational efficiency gains

Scanning Electron Microscopy

- **Customer insight:** When the extreme wear conditions of our customers' mechanical equipment cause concern, they look to Intertek to determine how this debris was produced and whether this has implications for the life expectancy of the equipment
- **Caleb Brett innovation:** Our experts have leveraged cutting edge Scanning Electron Microscope technology, not normally used for this purpose, in an innovative new way. Using this technology, our experts can analyse the wear debris with unprecedented accuracy
- **Customer benefit:** With this new level of accuracy, our customers can take maintenance and replacement decisions with confidence, with greater certainty on the condition of their equipment and the potential impact of any damage on the quality of the end product and safety of their staff

2018 performance

Our Trade related businesses delivered an organic revenue growth of 2.2% at constant rates, driven by broad-based revenue growth across business lines and geographies. Operating profit of £83.4m was down 1.3% at constant currency driven by portfolio mix.

- Our **Caleb Brett** business reported solid organic revenue growth, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Benefiting from new contracts, our **Government & Trade Services** business delivered robust organic revenue growth.
- Our **AgriWorld** business delivered an organic revenue lower than last year due to lower export activities in a few markets that benefited from strong trading activity in 2017.

2019 growth outlook

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

Mid- to long- term growth outlook

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

Resources Divisional Review

	2018 £m	2017 £m	Change at actual rates	Change at constant rates
Revenue	478.9	495.8	(3.4)%	0.3%
Organic revenue	478.9	495.8	(3.4)%	0.3%
Operating profit	27.4	28.5	(3.9)%	(0.4)%
Operating margin	5.7%	5.7%	0bps	(10)bps

Intertek Value Proposition

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:

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

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

Strategy

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

Innovations

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

Microwave Interferometry

- **Customer insight:** A major petrochemical customer had a vast network of fibre reinforced plastic piping systems in urgent need of integrity assessments
- **Industry Services innovation:** Intertek's experts developed a new inspection solution based on an innovative application of the advanced technique of Microwave Interferometry, allowing for rapid and precise microwave scanning of the pipelines, delivering substantial integrity assessment productivity gains
- **Customer benefit:** Our customer gained assurance over the integrity of their piping quickly and without having to stop operations

Ultrasonic Sensors Incorporated into Intertek Aware

- **Customer insight:** Our Oil and Gas customers monitor the corrosion of their equipment to determine its life expectancy and to prevent failures. Traditional inspection methods are manual, involving shutting down equipment, and can present safety risks when equipment is hard to reach
- **Industry Services innovation:** Intertek's experts place remote ultrasonic sensors on our customers' equipment in precisely the right areas to measure the rate of corrosion with the greatest accuracy. The data is automatically fed into Intertek's proprietary Aware software, where it is analysed to predict when the equipment should be replaced, before failures occur
- **Customer benefit:** Intertek's innovative approach removes the need for operations to be interrupted and the risk to safety. Our Aware software empowers our customers to predict equipment corrosion rates in real time, allowing for timely repairs or replacement

Extreme Conditions Simulation

- **Customer insight:** Our Oil Industry customers see managing corrosion as vital in protecting our environment from damaging oil spills. The injection of corrosion inhibitor chemicals is an important corrosion control strategy
- **Industry Services innovation:** To test whether our customers' corrosion inhibitors will perform reliably, our experts have developed advanced test methods and equipment to simulate worst case operating conditions, through manipulating factors including brine chemistries, flow rates, temperature, acid gas partial pressures and pipeline condition
- **Customer benefit:** Our customers can continue their production operations with the confidence that the environment and their equipment are protected

2018 performance

Our Resources related businesses reported an organic revenue growth of 0.3% at constant currency. We delivered an operating profit of £27.4m, and our disciplined approach to cost control enabled us to report an operating margin that was broadly stable:

- The revenue from **Capex Inspection Services** was lower than last year and our **Opex Maintenance Services** continued to benefit from stable volume in a price competitive environment.
- Accelerating the trend seen in 2017, we saw robust growth in demand for testing activities in the **Minerals** business.

2019 growth outlook

We expect to deliver a solid organic revenue growth in our Resources division.

Mid- to long- term growth outlook

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

Presentation of Results

For the year ended 31 December 2018

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. These Separately Disclosed Items which are described below and in note 3 are excluded from the adjusted results. The figures discussed in this review (extracted from the income statement and cash flow) are presented before Separately Disclosed Items ('SDIs'), except where stated.

Organic growth

Organic measures are used in order to present the Group's results excluding the effects of acquisitions and disposals since 1 January 2017.

Constant exchange rates

In order to remove the impact of currency translation from our growth figures we present revenue and profit growth at constant exchange rates. This is calculated by translating 2017 results at 2018 exchange rates.

Separately Disclosed Items

SDIs are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted results to provide readers with a clear and consistent view of the business performance of the Group and its operating divisions. Reconciliations of the Statutory to Adjusted Performance Measures are given below.

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

Adjusted operating profit excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Income Statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure.

The costs of restructuring are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group as a result of the portfolio activities discussed above and are not expected to recur in those operations. The profit and loss on disposals of businesses or other significant assets and the costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit in order to provide useful information regarding the underlying performance of the Group's operations.

Details of the SDIs for the twelve months ended 31 December 2018 and the comparative period are given in note 3 to the Condensed Consolidated Financial Statements.

Reconciliation of Statutory to Adjusted Performance Measures (£m)	2018 Statutory	2018 SDIs	2018 Adjusted	2017 Statutory	2017 SDIs	2017 Adjusted
Operating profit	436.2	45.6	481.8	422.7	45.0	467.7
Operating margin (%)	15.6%	1.6%	17.2%	15.3%	1.6%	16.9%
Net financing costs	(31.7)	6.4	(25.3)	(29.4)	0.5	(28.9)
Profit before tax	404.5	52.0	456.5	393.3	45.5	438.8
Income tax expense	(99.3)	(13.5)	(112.8)	(86.9)	(20.6)	(107.5)
Profit for the year	305.2	38.5	343.7	306.4	24.9	331.3
Cash flow from operations	580.9	22.0	602.9	579.2	16.9	596.1
Basic earnings per share (p)	176.8p	23.9p	200.7p	178.6p	15.5p	194.1p
Diluted earnings per share (p)	174.7p	23.6p	198.3p	176.3p	15.3p	191.6p

Full Year Report

If you require a printed copy of this statement, please contact the Group Company Secretary. This statement is available on www.intertek.com.

Legal Notice

This Full Year Report and announcement contain certain forward-looking statements with respect to the financial condition, results, operations and business of Intertek Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast. Past performance cannot be relied upon as a guide to future performance.

Condensed Consolidated Income Statement

For the year ended 31 December 2018

		Adjusted results £m	Separately Disclosed Items* £m	Total 2018 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2017 £m
	Notes						
Revenue	2	2,801.2	-	2,801.2	2,769.1	–	2,769.1
Operating costs		(2,319.4)	(45.6)	(2,365.0)	(2,301.4)	(45.0)	(2,346.4)
Group operating profit/(loss)	2	481.8	(45.6)	436.2	467.7	(45.0)	422.7
Finance income		1.8	-	1.8	1.2	–	1.2
Finance expense		(27.1)	(6.4)	(33.5)	(30.1)	(0.5)	(30.6)
Net financing costs		(25.3)	(6.4)	(31.7)	(28.9)	(0.5)	(29.4)
Profit/(loss) before income tax		456.5	(52.0)	404.5	438.8	(45.5)	393.3
Income tax expense		(112.8)	13.5	(99.3)	(107.5)	20.6	(86.9)
Profit/(loss) for the year	2	343.7	(38.5)	305.2	331.3	(24.9)	306.4
Attributable to:							
Equity holders of the Company		322.9	(38.5)	284.4	312.3	(24.9)	287.4
Non-controlling interest		20.8	-	20.8	19.0	–	19.0
Profit/(loss) for the year		343.7	(38.5)	305.2	331.3	(24.9)	306.4
Earnings per share							
Basic	4	200.7p		176.8p	194.1p		178.6p
Diluted	4	198.3p		174.7p	191.6p		176.3p
Dividends in respect of the year				99.1p			71.3p

* See note 3.

Condensed Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Profit for the year	2	305.2	306.4
Other comprehensive income/(expense)			
Remeasurements on defined benefit pension schemes		(0.8)	12.6
Tax on items that will never be reclassified to profit or loss		(0.5)	(1.7)
Items that will never be reclassified to profit or loss		(1.3)	10.9
Foreign exchange translation differences of foreign operations		45.3	(107.3)
Net exchange (loss)/gain on hedges of net investments in foreign operations		(32.6)	77.3
Gain/(loss) on fair value of cash flow hedges		1.1	(16.4)
Items that are or may be reclassified subsequently to profit or loss		13.8	(46.4)
Total other comprehensive (expense)/income for the year		12.5	(35.5)
Total comprehensive income for the year		317.7	270.9
Total comprehensive income for the year attributable to:			
Equity holders of the Company		299.7	252.2
Non-controlling interest		18.0	18.7
Total comprehensive income for the year		317.7	270.9

Condensed Consolidated Statement of Financial Position

For the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Assets			
Property, plant and equipment	9	441.2	420.6
Goodwill	8	874.9	579.6
Other intangible assets		329.5	178.2
Investments in associates		0.3	0.3
Deferred tax assets		58.4	59.4
Total non-current assets		1,704.3	1,238.1
Inventories*		18.3	18.3
Trade and other receivables*		684.4	641.7
Cash and cash equivalents	7	206.9	137.0
Current tax receivable		19.7	17.3
Total current assets		929.3	814.3
Total assets		2,633.6	2,052.4
Liabilities			
Interest bearing loans and borrowings	7	(138.3)	(77.1)
Current taxes payable		(62.5)	(46.8)
Trade and other payables*		(515.1)	(452.2)
Provisions*		(26.8)	(32.2)
Total current liabilities		(742.7)	(608.3)
Interest bearing loans and borrowings	7	(846.8)	(604.0)
Deferred tax liabilities		(80.8)	(47.4)
Net pension liabilities	5	(12.5)	(17.8)
Other payables*		(26.5)	(21.6)
Provisions*		(16.0)	(9.1)
Total non-current liabilities		(982.6)	(699.9)
Total liabilities		(1,725.3)	(1,308.2)
Net assets		908.3	744.2
Equity			
Share capital		1.6	1.6
Share premium		257.8	257.8
Other reserves		7.1	(9.5)
Retained earnings		607.5	459.8
Total attributable to equity holders of the Company		874.0	709.7
Non-controlling interest		34.3	34.5
Total equity		908.3	744.2

Working capital of £109.7m (2017: £138.3m) comprises the asterisked items in the above Statement of Financial Position less refundable deposits aged over 12 months of £8.6m (2017: £6.6m).

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Other	Retained earnings	Total before non-controlling interest		
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017	1.6	257.8	14.6	20.7	273.0	567.7	34.7	602.4
Total comprehensive income for the year								
Profit	–	–	–	–	287.4	287.4	19.0	306.4
Other comprehensive income	–	–	(28.4)	(16.4)	9.6	(35.2)	(0.3)	(35.5)
Total Comprehensive income for the year	–	–	(28.4)	(16.4)	297.0	252.2	18.7	270.9
Transactions with owners of the company recognised directly in equity								
Contributions by and distributions to the owners of the company								
Dividends paid	–	–	–	–	(107.0)	(107.0)	(18.7)	(125.7)
Adjustments arising from changes in non-controlling interest	–	–	–	–	–	–	(0.2)	(0.2)
Issue of share capital	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	–	–	(15.6)	(15.6)	–	(15.6)
Tax paid on share awards vested*	–	–	–	–	(6.8)	(6.8)	–	(6.8)
Equity-settled transactions	–	–	–	–	17.5	17.5	–	17.5
Income tax on equity-settled transactions	–	–	–	–	1.7	1.7	–	1.7
Total contributions by and distributions to the owners of the company	–	–	–	–	(110.2)	(110.2)	(18.9)	(129.1)
At 31 December 2017	1.6	257.8	(13.8)	4.3	459.8	709.7	34.5	744.2
At 1 January 2018	1.6	257.8	(13.8)	4.3	459.8	709.7	34.5	744.2
Total comprehensive income for the year								
Profit	–	–	–	–	284.4	284.4	20.8	305.2
Other comprehensive income	–	–	15.5	1.1	(1.3)	15.3	(2.8)	12.5
Total Comprehensive income for the year	–	–	15.5	1.1	283.1	299.7	18.0	317.7
Transactions with owners of the company recognised directly in equity								
Contributions by and distributions to the owners of the company								
Dividends paid**	–	–	–	–	(128.3)	(128.3)	(18.2)	(146.5)
Adjustments arising from changes in non-controlling interest	–	–	–	–	–	–	–	–
Issue of share capital	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	–	–	(16.7)	(16.7)	–	(16.7)
Tax paid on share awards vested*	–	–	–	–	(9.9)	(9.9)	–	(9.9)
Equity-settled transactions	–	–	–	–	20.9	20.9	–	20.9
Income tax on equity-settled transactions	–	–	–	–	(1.4)	(1.4)	–	(1.4)
Total contributions by and distributions to the owners of the company	–	–	–	–	(135.4)	(135.4)	(18.2)	(153.6)
At 31 December 2018	1.6	257.8	1.7	5.4	607.5	874.0	34.3	908.3

* 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.

** A dividend of £76.9m paid on 6 June 2018 represented the final dividend of 47.8p per ordinary share in respect of the year ended 31 December 2017. An interim dividend of £51.4m paid on 4 October 2018 represented the interim dividend of 31.9p per ordinary share in respect of the year ended 31 December 2018.

Condensed Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Profit for the year	2	305.2	306.4
<i>Adjustments for:</i>			
Depreciation charge		76.2	81.2
Amortisation of software		12.5	12.2
Amortisation of acquisition intangibles		24.6	16.0
Impairment of goodwill and other assets		–	18.2
Equity-settled transactions		20.9	17.5
Net financing costs		31.7	29.4
Income tax expense	2	99.3	86.9
Profit on disposal of subsidiary		(1.1)	–
Profit on disposal of property, plant, equipment and software		0.4	(0.8)
Operating cash flows before changes in working capital and operating provisions		569.7	567.0
Change in inventories		1.0	(0.5)
Change in trade and other receivables		(16.0)	(22.7)
Change in trade and other payables		35.2	46.0
Change in provisions		(7.0)	(7.8)
Special contributions into pension schemes		(2.0)	(2.8)
Cash generated from operations		580.9	579.2
Interest and other finance expense paid		(29.3)	(28.3)
Income taxes paid		(93.1)	(100.8)
Net cash flows generated from operating activities *		458.5	450.1
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software *		3.5	3.2
Interest received *		1.8	1.2
Acquisition of subsidiaries, net of cash acquired	8	(387.9)	(27.4)
Consideration paid in respect of prior period acquisitions	8	0.1	(7.8)
Acquisition of property, plant, equipment and software *	9	(113.2)	(112.9)
Net cash flows used in investing activities		(495.7)	(143.7)
Cash flows from financing activities			
Purchase of own shares		(16.7)	(15.6)
Tax paid on share awards vested		(9.9)	(6.8)
Drawdown of borrowings		341.4	–
Repayment of borrowings		(75.9)	(151.3)
Dividends paid to non-controlling interest		(18.2)	(18.7)
Equity dividends paid		(128.3)	(107.0)
Net cash flows used in financing activities		92.4	(299.4)
Net increase in cash and cash equivalents	7	55.2	7.0
Cash and cash equivalents at 1 January	7	135.9	158.8
Exchange adjustments	7	12.1	(29.9)
Cash and cash equivalents at 31 December	7	203.2	135.9

Adjusted Cash flow from operations of £602.9m (2017: £596.1m) comprises statutory cash generated from operations of £580.9m (2017: £579.2m) before cash outflows relating to Separately Disclosed Items of £22.0m (2017: £16.9m). Free cash flow of £350.6m (2017: £341.6m) comprises the asterisked items in the above Statement of Cash Flows.

1 Basis of preparation

Reporting entity

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2018 and 2017, but is derived from the 2018 accounts. A full copy of the 2018 Annual Report will be available online at www.intertek.com in April 2019. Statutory accounts for 2017 have been delivered to the Registrar of Companies, and those for 2018 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Significant new accounting policies

IFRS 9 *Financial Instruments* came into effect on 1 January 2018. Management has performed its reviews of the standard, and identified the following areas of note, although there is no material impact in the year ending 31 December 2018 as a result of implementing the new standard. The Group has applied the limited exemption in IFRS 9 and has elected not to restate comparative information in the year of adoption. As a result, the comparative information provided has been accounted for in accordance with Group's previous accounting policy.

- **Classification and measurement of financial assets** – the Group's financial assets comprise trade receivables, accrued income and cash and cash equivalents. The disclosures relating to both trade receivables, accrued income and cash and cash equivalents continue to be applicable and have not been affected by the adoption of IFRS 9. There are no changes to the measurement of financial assets.
- **Impairment of financial assets, by introducing a forward-looking expected loss impairment model** – the Group's primary types of financial assets subject to IFRS 9's new expected credit loss model are trade receivables and accrued income. For trade receivables and accrued income, the Group has applied the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables, whereas IAS 39 operated under an incurred loss model and would only recognise impairments when there was objective evidence. There has been no material change to the impairment provision of receivables.
- **Hedge accounting** – the Group has continued to apply its current IAS 39 accounting and has provided additional IFRS 7 disclosures required for taking that option.

IFRS 15 *Revenue from contracts with customers* came into effect on 1 January 2018. During the year ended 31 December 2017 the Group carried out a detailed review of the recognition criteria for revenue applying the requirements of IFRS 15 and to ensure that the same principles were being applied consistently across the Group. Management assessed the potential impact of IFRS 15 by i) discussing the changes in accounting for revenue under the new standard with major countries and business lines; ii) reviewing a cross section of different revenue contracts across the Group; and iii) considering the impact of IFRS 15 on both short-term and long-term contracts. Specifically, the Group's revenue streams are two-fold:

- Revenue from services rendered on short-term projects is generally recognised in the income statement when the relevant service is completed, usually when the report of findings or test/inspection certificate is issued. The adoption of IFRS 15 has no material impact on the recognition of such revenue.
- On long-term projects the Group records transactions as revenue on the basis of value of work done, with the corresponding amount being included in trade receivables if the customer has been invoiced, or in contract assets if billing has yet to be completed. Long-term projects consist of two main types:
 - time incurred is billed at agreed rates on a periodic basis, such as monthly. The current recognition approach is based on timesheets evidencing work done, this is consistent with the "over time" recognition criteria under IFRS 15 using those timesheets as the input basis; or
 - staged payment invoicing occurs, requiring an assessment of percentage completion, based on services provided and revenue accrued accordingly. Assessment of percentage completion has continued in the same way, this is in line with the "over time" recognition under IFRS 15.

Whilst IAS 18 is based on deliverables and risks and rewards of transfer, IFRS 15 identifies performance obligations. 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. The application to the Group's long and short-term contracts remains the same. IFRS

15 provides guidance on variable consideration that was not included under IAS 18, however no material variable consideration exists within the Group. IFRS 15 has been implemented retrospectively, but the comparative figures have not been restated because the new standard does not have a material impact on the timing of revenue recognition based on the Group's current revenue streams. The economic factors affecting revenue for both short-term and long-term contracts are consistent within each. The operating segment revenue disclosures (note 2) provided under IFRS 8 are consistent with the disaggregated revenue disclosure and recognition and measurement requirements of IFRS 15

IFRS 16 effective 1 January 2019

IFRS 16 *Leases* (effective 1 January 2019) – IFRS 16 requires that, to the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year and subject to exceptions for leases of low value assets, a right-of-use asset, representing the Group's right to use the underlying leased asset and a lease liability representing the Group's obligation to make lease payments, are recognised in the consolidated statement of financial position at the commencement of the lease.

The Group will be applying the modified retrospective approach, where the cumulative effect of applying IFRS 16 is recognised in retained earnings with no restatement to prior years.

On transition, the majority of leases will be recognised using modified retrospective B, whereby the right-of-use asset is equal to the lease liability at 1 January 2019, being the present value of the remaining future minimum lease payments at the date of initial application, including any early termination or extension options if they are deemed reasonably certain to be adopted. For certain leases the modified retrospective A approach will be applied, whereby the right-of-use asset recognised at 1 January 2019 is equal to the right-of-use asset had IFRS 16 been applied since the beginning of the lease.

The Group has applied the practical expedient within the standard whereby IFRS 16 has been applied to contracts that were previously identified as leases when applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

Management has completed the data collection exercise to determine the estimated quantitative impact of IFRS 16 on the Group's net assets and results as if IFRS 16 had been effective from 1 January 2018:

- The Group's assets would increase by between £230m and £250m and liabilities would increase by between £250m and £270m. The overall impact on the Group's statement of financial position as at 31 December 2018 is expected to be a reduction in the Group's net assets of £20m.
- Operating lease rental charges for those leases accounted for under IFRS 16 are replaced by depreciation and finance costs. The impact on the Group's 2018 income statement is not material.

IFRS 16 will primarily affect the accounting for the Group's operating leases, to which the Group had commitments of £304m at 31 December 2018 as reported in Note 8 of the Annual Report and Accounts. This is the gross value and does not reflect a discounting of the commitments to their present value, as required by IFRS 16. IFRS 16 will not have any impact on the underlying commercial performance of the Group, nor the cash flows generated in the year. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on future transactions.

Risks and uncertainties

The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions, and remains satisfied with the Group's funding and liquidity position. On the basis of its forecasts, both base case and stressed, and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

Foreign exchange

The assets and liabilities of foreign operations, including goodwill 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.

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

Value of £1	Assets and liabilities		Income and expense	
	Actual rates		Cumulative average rates	
	2018	2017	2018	2017
US dollar	1.26	1.34	1.34	1.29
Euro	1.11	1.13	1.13	1.14
Chinese renminbi	8.69	8.79	8.84	8.72
Hong Kong dollar	9.90	10.47	10.47	10.05
Australian dollar	1.80	1.72	1.79	1.68

2 Operating Segments

Business analysis

The Group is organised into business lines which are the Group's operating segments. These operating segments are aggregated into three divisions, which are the Group's reportable segments. These three divisions, each of which offers services to different industries are: Products, Trade and Resources. The costs of the corporate head office and other costs which are not controlled by the three divisions are allocated in an appropriate manner. These divisions are the basis on which the Group reports its primary segment information. A description of the activity in each division is given in the Operating Review by Division. The results of the divisions are shown below:

For the year ended 31 December 2018

	Revenue from external customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,680.2	(58.6)	371.0	(26.5)	344.5
Trade	642.1	(19.2)	83.4	(5.1)	78.3
Resources	478.9	(10.9)	27.4	(14.0)	13.4
Group total	2,801.2	(88.7)	481.8	(45.6)	436.2
Group operating profit			481.8	(45.6)	436.2
Net financing costs			(25.3)	(6.4)	(31.7)
Profit before income tax			465.5	(52.0)	404.5
Income tax expense			(112.8)	13.5	(99.3)
Profit for the year			343.7	(38.5)	305.2

For the year ended 31 December 2017

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

3 Separately Disclosed Items

		2018 £m	2017 £m
Operating costs			
Amortisation of acquisition intangibles	(a)	(24.6)	(16.0)
Acquisition costs	(b)	(8.5)	(3.2)
Restructuring costs	(c)	(13.6)	(12.4)
Gain on disposal of businesses	(d)	1.1	–
Impairment of goodwill and other assets	(e)	–	(16.8)
Material claims and settlements	(f)	–	3.4
Total operating costs		(45.6)	(45.0)
Net financing costs	(g)	(6.4)	(0.5)
Total before income tax		(52.0)	(45.5)
Income tax credit on Separately Disclosed Items		13.5	20.6
Total		(38.5)	(24.9)

- (a) Of the amortisation of acquisition intangibles in the current year, £3.6m (2017: £nil) 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 £8.5m (2017: £3.6m) in respect of successful, active and aborted acquisitions in the current year and £nil income in respect of prior years’ acquisitions (2017: £0.4m income).
- (c) During the year, the Group has implemented various fundamental restructuring activities, consistent with the Group’s ‘5x5’ strategy. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structures.
- (d) £1.1m of small non-core businesses were disposed of in 2018 (2017: £nil).
- (e) No impairment charges have been recorded in 2018. Consistent with the corporate ‘5x5’ strategy objective of “Superior Technology” announced in 2016, the Group recorded an impairment of other assets of £8.0m in 2017 following a comprehensive strategic review of the Global IT organisation structure and system finalised in April 2017. In addition, in 2017 £8.8m of plant and equipment was impaired in full, related to a specific service line in the Resources division that is no longer an area of focus for the Group.
- (f) Material claims and settlements relates to a favourable settlement of a commercial claim in 2017 that was separately disclosable due to its size.
- (g) Net financing costs of £6.4m (2017: £0.5m) relate to the change in fair value of contingent consideration and the unwinding of discount on put options related to acquisitions.

4 Earnings per share

	2018 £m	2017 £m
Based on the profit for the year:		
Profit attributable to ordinary shareholders	284.4	287.4
Separately Disclosed Items after tax (note 3)	38.5	24.9
Adjusted earnings	322.9	312.3
Number of shares (millions):		
Basic weighted average number of ordinary shares	160.9	160.9
Potentially dilutive share awards	1.9	2.1
Diluted weighted average number of shares	162.8	163.0
Basic earnings per share		
Basic earnings per share	176.8p	178.6p
Potentially dilutive share awards	(2.1)p	(2.3)p
Diluted earnings per share	174.7p	176.3p
Adjusted basic earnings per share		
Adjusted basic earnings per share	200.7p	194.1p
Potentially dilutive share awards	(2.4)p	(2.5)p
Adjusted diluted earnings per share	198.3p	191.6p

5 Pension schemes

During the year, the Group made a special cash contribution of £2.0m (2017: £2.8m) into The Intertek Pension Scheme in line with a Minimum Funding Requirement agreement.

The significant actuarial assumptions used in the valuation of the Group's material defined benefit pension schemes as at 31 December 2018 have been reviewed. The discount and inflation rates used to value the pension liabilities, as well as the updated asset valuations and the net pension liabilities, have not moved materially since 31 December 2017. In addition to the special contribution, a net actuarial loss before taxation of £0.8m (2017: actuarial gain of £12.6m) has been recognised in the consolidated statement of comprehensive income. The net pension liability stands at £12.5m at 31 December 2018 (31 December 2017: £17.8m).

The expense recognised in the consolidated income statement for the Group's material defined benefit pension schemes consists of interest on the obligation for employee benefits and the expected return on scheme assets. The Group recognised a net expense of £0.4m in the year (2017: £0.7m).

The Group has noted the recent High Court ruling regarding guaranteed minimum pension liabilities and our work to quantify the impact is underway, although it is not expected to be meaningful. In 2018, the Group recorded a £5.4m (2017: nil) pension curtailment gain on the UK defined benefit scheme.

6 Equity-settled transactions

During the year, the Group recognised an expense of £20.9m in respect of the share awards made in 2015, 2016, 2017 and 2018. For 2017, the charge was £17.5m in respect of the share awards made in 2014, 2015, 2016 and 2017. Under the 2011 Long Term Incentive Plan in 2018, Deferred Share Awards granted had an average fair value of 4,751p and LTIP Share Awards EPS element and TRS element had average fair values of 4,651p and 2,608p respectively. Under the Deferred Share Plan in 2018, Deferred Share Awards granted had an average fair value of 4,516p.

Under the 2011 Long-Term Incentive Plan, 308,885 Deferred Share Awards (previously Share Awards) (2017: 317,302) and 338,386 LTIP Share Awards (previously Performance Awards) (2017: 369,342) were granted during the period and, under the Deferred Share Plan, 103,086 Deferred Share Awards (2017: 44,915) were granted during the year.

7 Analysis of net debt

	2018 £m	2017 £m
Cash and cash equivalents per the Statement of Financial position	206.9	137.0
Overdrafts	(3.7)	(1.1)
Cash per the Statement of Cash Flows	203.2	135.9

The components of net debt are outlined below:

	1 January 2018 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2018 £m
Cash	135.9	55.2	-	12.1	203.2
Borrowings:					
Revolving credit facility US\$800m 2021	(153.9)	(223.8)	-	(7.1)	(384.8)
Bilateral term loan facilities US\$100m 2018	(74.6)	74.6	-	-	-
Senior notes US\$20m 2019	(15.0)	-	-	(0.8)	(15.8)
Senior notes US\$150m 2020	(112.0)	-	-	(6.6)	(118.6)
Senior notes US\$15m 2021	(11.1)	-	-	(0.7)	(11.8)
Senior notes US\$140m 2022	(104.5)	-	-	(6.2)	(110.7)
Senior notes US\$40m 2023	(29.8)	-	-	(1.8)	(31.6)
Senior notes US\$125m 2024	(93.4)	-	-	(5.5)	(98.9)
Senior notes US\$40m 2025	(29.9)	-	-	(1.8)	(31.7)
Senior notes US\$75m 2026	(55.9)	-	-	(3.4)	(59.3)
Other*	0.1	(116.3)	(0.8)	(1.2)	(118.2)
Total borrowings	(680.0)	(265.5)	(0.8)	(35.1)	(981.4)
Total net debt	(544.1)	(210.3)	(0.8)	(23.0)	(778.2)

* Includes other uncommitted borrowings of £118.6m and facility fees of £0.9m (2017: £2.1m).

	2018 £m	2017 £m
Borrowings due in less than one year	134.6	76.0
Borrowings due in one to two years	118.2	14.2
Borrowings due in two to five years	538.9	380.9
Borrowings due in over five years	189.7	208.9
Total borrowings	981.4	680.0

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2018 were £247.9m (2017: £443.2m).

US\$800m revolving credit facility

The Group's principal bank facility comprises a US\$800m multi-currency revolving credit facility. In July 2016, US\$672m of the facility was extended to July 2021. Advances under the facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2018 were £384.8m (2017: £153.9m).

Bilateral term loan facility

On 21 December 2012 the Group signed a US\$20m bilateral term loan which was increased on 4 April 2014 to US\$40m. This facility was further increased in November 2015 to US\$100m. This facility was fully repaid in June 2018. Drawings under this facility at 31 December 2018 were £nil (2017: £74.6m).

Private placement bonds

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

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

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

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

8 Acquisition of businesses

(a) Acquisitions

The total cash consideration paid for the acquisitions in the year was £387.9m (2017: £27.4m), net of cash and debt acquired of £5.6m (2017: £2.1m), with further contingent consideration payable of £0.7m. The estimated total purchase price net of cash and debt acquired was £388.6m.

On 20 August 2018, the Group acquired Alchemy Investment Holdings, Inc. ("Alchemy"), an industry leader in People Assurance solutions for the food industry, for an estimated purchase price of £378.5m, (£375.3m net of cash acquired), generating goodwill of £270.6m.

On 6 March 2018, the Group acquired Aldo Abela Surveys Limited ("AAS"), a leading provider of quality and quantity cargo inspection services, based in Malta. On 30 April 2018, the Group acquired Proasem S.A.S. ("Proasem"), a leading provider of laboratory testing, inspection, metrology and training services, based in Colombia. On 5 June 2018, the Group acquired NTA Monitor Limited ("NTA"), a leading network security and assurance services provider, based in the UK and Malaysia. The purchase price for these three acquisitions was of £15.7m (£13.3m net of cash acquired, of which £0.7m has been paid in January 2019), generating goodwill of £7.7m.

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

Alchemy Investment Holdings, Inc	Book value prior to acquisition £m	Provisional Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	1.8	-	1.8
Goodwill	20.9	249.7	270.6
Other intangible assets	14.9	123.0	137.9
Inventories	2.1	(1.7)	0.4
Trade and other receivables	10.3	(0.6)	9.7
Trade and other payables	(23.7)	10.1	(13.6)
Deferred tax liabilities	0.5	(32.0)	(31.5)
Net assets acquired	26.8	348.5	375.3
Cash outflow (net of cash acquired)			375.3
Contingent consideration			-
Total consideration			375.3

Others	Book value prior to acquisition £m	Provisional Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	3.2	(0.2)	3.0
Goodwill	-	7.7	7.7
Other intangible assets	-	6.2	6.2
Trade and other receivables	2.9	(0.4)	2.5
Trade and other payables	(4.2)	(0.3)	(4.5)
Deferred tax liabilities	-	(1.6)	(1.6)
Net assets acquired	1.9	11.4	13.3
Cash outflow (net of cash acquired)			13.3
Contingent consideration			-
Total consideration			13.3

The total goodwill arising on acquisitions made during 2018 was £278.3m, none of which is expected to be deductible for tax purposes. Goodwill in respect of 2017 acquisitions decreased by £6.5m. The goodwill arising represents the value of the assembled workforce and the benefits the Company expects to gain from increasing its presence in the relevant sectors in which the acquired businesses operate. The intangible assets of £144.1m primarily represent the value placed on customer relationships and the deferred tax thereon was £33.1m.

(b) Acquisitions subsequent to the balance sheet date

There were no acquisitions subsequent to the balance sheet date.

(c) Prior period acquisitions

£0.1m (2017: £7.8m) was paid during the year in respect of prior period acquisitions.

(d) Impact of acquisitions on the Group results

In total, acquisitions made during 2018 contributed revenues of £18.5m and a statutory net loss after tax of £4.3m from their respective dates of acquisition to 31 December 2018. The Group revenue and statutory profit after tax for the year ended 31 December 2018 would have been £2,829.6m and £298.7m respectively if all the acquisitions were assumed to have been made on 1 January 2018.

(e) Details of 2017 acquisitions

Full details of acquisitions made in the year ended 31 December 2017 are disclosed in note 10 to the Annual Report for 2017.

(f) Impairment

Past acquisitions generated goodwill, which has been tested annually as required by accounting standards. No impairment was required; however due to the prevailing market conditions, this will be kept under review.

(g) Reconciliation of goodwill

	£m
Goodwill at 1 January 2018	579.6
Additions	278.3
Foreign exchange and transfers	17.0
Goodwill at 31 December 2018	874.9

9 Property, plant, equipment and software

During the year ended 31 December 2018, the Group acquired fixed assets with a cost of £111.0m (2017: £112.9m). In addition, the Group acquired fixed assets of £5.0m (2017: £0.7m) through business combinations (note 8).