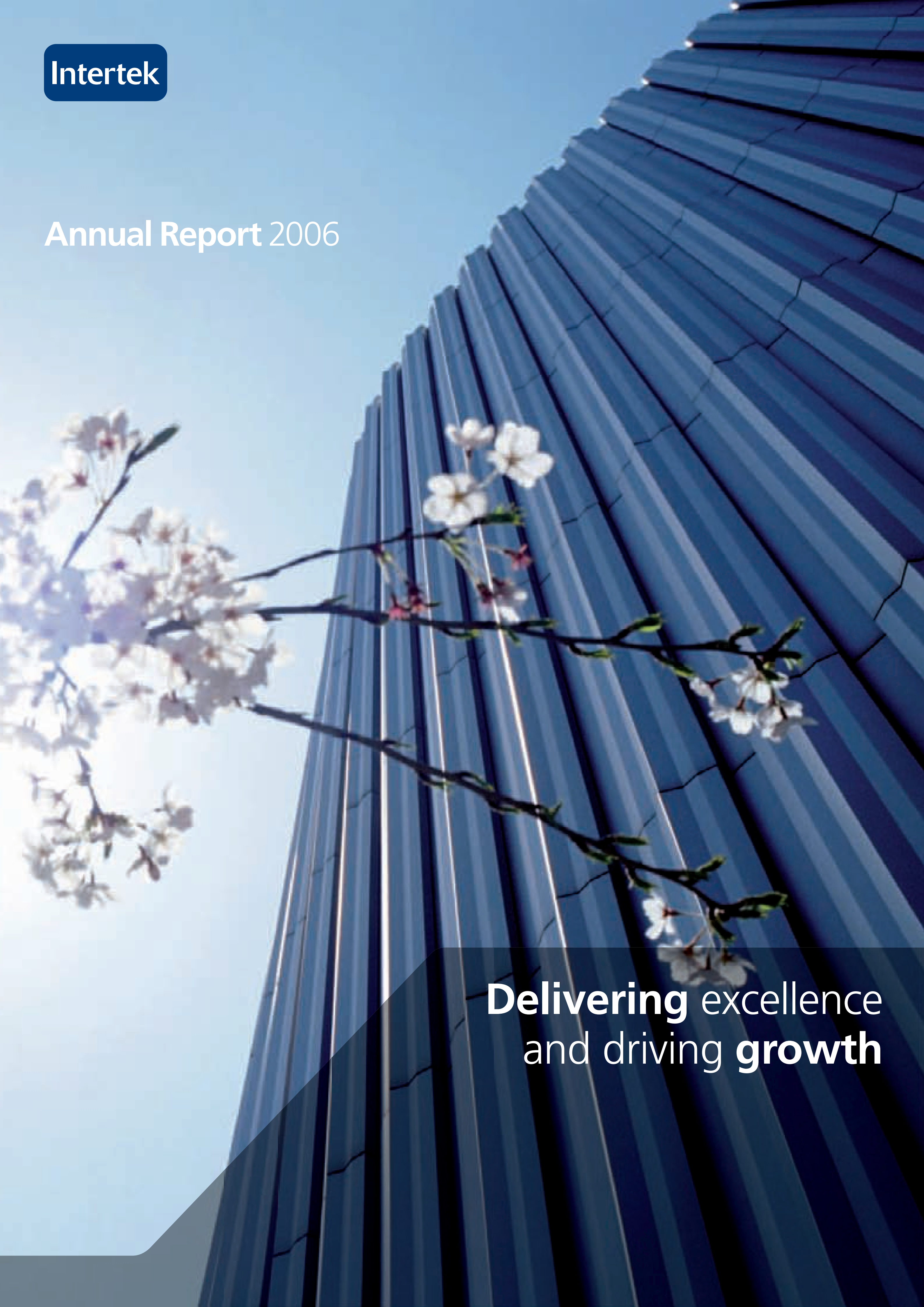
Intertek

Annual Report 2006



Delivering excellence
and driving **growth**

About Intertek

Intertek is a leading international provider of quality and safety services to a wide range of global and local industries. Partnership with Intertek brings increased value to customers' products and processes, ultimately supporting their success in the global marketplace.

Intertek has the experience, expertise, resources and global reach to support its customers through its network of 930 laboratories and offices and over 18,000 people in 109 countries around the world.

Contents

Cautionary statement

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

Key performance indicators

Delivering excellence and driving growth

Revenue
£664.5m
Up 14.5%

Operating profit
£98.1m
Up 18.2%

Adjusted operating profit[1]
£102.2m
Up 17.3%

Adjusted operating margin[1]
15.4%
Up 40bp

Operating cash flow
£124.6m
Up 28.9%

Profit before taxation
£91.4m
Up 15.1%

Basic earnings per share
40.9p
Up 11.1%

Dividend per share[2]
14.8p
Up 23.3%

1 Adjusted to remove amortisation of business combination intangibles £3.8m (2005: £2.1m) and goodwill impairment £0.3m (2005: £2.0m) (see note 2 to the financial statements).
2 Dividend per share is based on the interim dividend paid of 4.6p (2005: 3.9p) plus the proposed final dividend of 10.2p (2005: 8.1p).

Revenue £m
CAGR 15.3%

Basic earnings per share
CAGR 10.2%

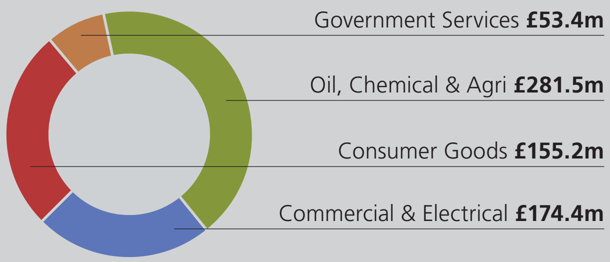
Adjusted operating profit[1] £m
CAGR 11.0%

Dividend per share[2]
CAGR 19.3%

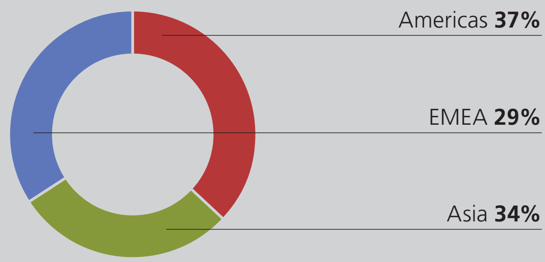
Group at a glance

Intertek

Revenue by division



Revenue by region



We provide a wide range of services...

Testing • Certification • Auditing • Safety • Inspection • Quality assurance

across diverse industry sectors...

Consumer Goods (Labtest)

Textiles; toys; footwear; hardlines; food; retail.

Revenue	Employees
£155.2m	5,718
Offices	**Laboratories**
83	47

Commercial & Electrical (ETL SEMKO)

Home appliances; industrial/heating, ventilation and air conditioning (HVAC); automotive; building products; IT; medical; telecom.

Revenue	Employees
£174.4m	3,305
Offices	**Laboratories**
69	62

to leading customers.

Adtran • Aldi • ARI • AUCHAN • Avecia • Bangladesh • Behr • BOC Edwards • Bosch • Bose • BP • Canon • Ericsson • ExxonMobil • Gap Inc • Glencore • Goodman • Guinea • Haier • IKEA • Irving Oil Ltd • Malawi • Marks & Spencer • Matsushita • McDonald's Corporation • Mexico • Morgan Cars • Mozambique • Nigeria • Siemens • Sierra Leone • Statoil • Sunoco • Tesco • The Home Depot Inc • Toshiba • Total • Trafigura •

Wolfhart Hauser
Chief Executive Officer

Bill Spencer
Chief Financial Officer

Mark Loughead
Oil, Chemical & Agri

Rob Dilworth
Commercial & Electrical
Government Services

Paul Yao
Consumer Goods

Evaluation • Advisory services • Analytical services • Training • Outsourcing

Oil, Chemical & Agri (Caleb Brett)

Oil and gas; chemical; pharmaceutical; agriculture; minerals.

Revenue	Employees
£281.5m	8,272
Offices	**Laboratories**
382	246

Government Services (FTS)

Cargo scanning; fiscal support services; standards programmes; technical inspection.

Revenue	Employees
£53.4m	852
Offices	
43	

ChevronTexaco • Citgo • ConocoPhillips • Costco Wholesale • CVRD • DSM • Ecuador • Electrolux • ELK Valley Coal Infinium • JVC • Kenya • Koch • Kohl's • Kuwait • Lear • Levi Strauss & Co • LG • Liebherr • Lubrizol • Lloyd's Register • Nike Inc • Nikon • Petrobras • Pioneer • QVC • Sabic • Samsung • Sanyo • Sasol • Saudi Arabia • Sempra Energy • Shell TRW • Uzbekistan • Valero • Vitol • Wal-Mart • Woolworths

Introduction by the Chairman

"Strong customer focus produces good results."

Vanni Treves
Chairman

Results

I am pleased to present the fifth Annual Report of the Intertek Group since its debut on the London Stock Exchange in May 2002. The Group has enjoyed a successful year and has continued to grow its operations both organically and through acquiring complementary businesses. Revenue for the Group grew by 14.5% to £664.5m in 2006 compared to 2005. Our three largest divisions, representing 92.0% of the Group's revenue, grew by 20.9% in total and Government Services, our smallest division, declined as expected, due to the discontinuation of pre-shipment inspection programmes in Nigeria and Venezuela.

Group operating profit was £98.1m, up 18.2% over 2005. Operating profit, stated before the amortisation of business combination intangibles and the impairment of goodwill ('adjusted operating profit') was £102.2m, up 17.3% over 2005. Excluding Government Services, adjusted operating profit increased by 35.0%.

These results include the contribution of acquisitions made in 2005 and 2006. Excluding these acquisitions the organic growth in revenue was 13.3% for the three largest divisions and 7.9% for the Group. Organic growth in adjusted operating profit was 27.3% for the three largest divisions and 10.7% for the Group.

Acquisitions

In line with the Group's strategy of extending its range of services and territories through complementary acquisitions, seven new businesses were acquired in 2006, for net consideration of £36.9m. The largest of these was Alta Analytical Laboratory Inc., which was acquired on 30 November 2006 for £14.0m. Alta which is based in California, USA provides analytical services to North American pharmaceutical and clinical research organisations. This acquisition broadens the range of laboratory services offered to the pharmaceutical sector. Other acquisitions enhanced our ability to offer analytical chemical testing in Europe and strengthened our market position in strategically important countries such as Japan and Spain.

On 9 January 2007 the Group acquired for £12.9m, UK based Umitek Ltd and its subsidiaries, CAPCIS and SREL which provide specialist testing and consultancy services to the oil and gas industries in the North Sea and globally.

Dividends

An interim dividend of 4.6p per share (2005: 3.9p) was paid to shareholders on 14 November 2006. The Directors will propose a final dividend of 10.2p per share at the Annual General Meeting on 11 May 2007, to be paid to shareholders on 15 June 2007. If approved, this will make a full year dividend of 14.8p per share (2005: 12.0p), an increase of 23.3%. The Group continues to follow a progressive dividend policy. In determining the future level of dividends we previously set dividend cover to be at least three times earnings. As a result of our strengthening balance sheet, in future we will set the dividend to be covered by at least two and a half times earnings.

Earnings per share

Basic earnings per share were 40.9p, up 11.1% over last year. Diluted adjusted earnings per share, before amortisation of business combination intangibles and impairment of goodwill, were 43.2p, up 10.5% from 39.1p. Excluding the profit on sale of an associate made in 2005, the earnings per share growth increased from 10.5% to 13.4%. Details of the calculation of earnings per share is given in note 8 to the financial statements.

Board changes

The Intertek Board of Directors was further strengthened during the year by the appointment of Christopher Knight and Debra Rade as Non-Executive Directors. Christopher Knight is a Chartered Accountant and former investment banker with a wide range of experience in corporate finance both in the UK and internationally. Debra Rade is currently a partner in a major US law firm. Her practice focuses on corporate governance and compliance as well as product safety and certification. Until 2002, Debra was a senior officer of Underwriters Laboratories Inc., a provider of product safety and certification. Their expertise and experience will contribute to the continued success of the Intertek Group.

After leading the Consumer Goods division for most of his 33 years with Intertek, Raymond Kong retired as Chief Executive of that division on 1 July 2006 and became a Non-Executive Director of Intertek Group plc. Raymond continues as President of Asia and China, using his knowledge and experience to advance the Group's interests in that region. On behalf of everyone at Intertek, I would like to express our deep gratitude to Raymond for his outstanding contribution towards building the Consumer Goods division into the successful business that it is today. Paul Yao, formerly the Chief Operating Officer of the Consumer Goods division, was appointed Chief Executive of the division to replace Raymond. I wish both colleagues success in their new roles.

Biographies of each of the Board members are set out on pages 18 and 19.

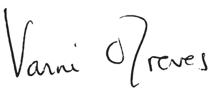
Employees

The growth reflected in this strong set of results has been delivered by the dedication and expertise of the Group's employees in providing value to our customers. At the end of 2006, the Group employed over 18,000 people in 109 countries, an increase of 2,600 people over last year. One of our key challenges in the Group, is recruiting, training and developing our people to ensure that they deliver excellent services which add value to our customers. In order to meet this challenge, we have strengthened the human resources function and have developed new metrics to identify and develop talent within the Group.

On behalf of the Board, I would like to thank everyone in the Group for their effort in making 2006 another good year and for their continued dedication towards giving our customers the best possible service.

Outlook

The Group operates in a dynamic global marketplace where change is continual. Through its extensive global network and experienced people, the Group will continue to adapt and expand its services to anticipate and meet the changing needs of customers. The Group's strong financial position and ability to generate cash will enable it to invest in new facilities and acquire new businesses. Looking forward, we see good opportunities to develop the business further, both organically and through selective acquisitions, and whilst the weak dollar will impact on our results, we remain confident about the prospects for 2007.



Vanni Treves
Chairman

Strength through acquisition

Alta Analytical Laboratory Inc

In November 2006, Intertek acquired the pharmaceutical testing company Alta Analytical Laboratory Inc. Alta supports North American pharmaceutical and clinical research organisations by providing a variety of analytical services including the testing that is required in the development of new drugs.

The business is based out of two sites in California with a pool of experts in immunochemistry and bioanalytical services and counts major global pharmaceutical and biotech companies among its clients.

Alta's expertise and business gives Intertek a platform to build a global presence in the area of analytical services, extending the existing European offering. Alta will be able to utilise Intertek's extensive global reach to expand their bioanalytical services to existing and new international customers and markets.

Chief Executive Officer's review

Inside Intertek

Wolfhart Hauser
Chief Executive Officer

The market for safety and quality services is growing strongly. Consumers, manufacturers and retailers have higher quality and safety expectations as there are increasing numbers of products in the market of growing complexity and due to competition among retailers and manufacturers. Environmental concerns from consumers and regulatory bodies are increasing the need for new and revised safety and environmental standards.

Our customers are under pressure to expand their product lines, increase speed to market, but also to mitigate supply chain risk. They must manage changing patterns in global trade, sourcing and distribution and consider the effects of new and emerging markets. Our goal is to be a source of vital support to clients through changing times. With our global network and local and international management, we are well-placed to remain their trusted partner.

2006 was a year of increased public scrutiny of how our behaviour affects the global environment. And this will continue. Companies across the world are looking internally and at their products to consider what they should do to be more environmentally friendly. Our customers are increasingly seeking help from us to improve the environmental impact of their products and processes.

In the USA for example, we support QualComm by ensuring that their digital wireless products do not contain environmentally hazardous substances and thereby comply with new European legislation. In the UK, the development of new biofuel products requires complex testing processes and research and we have undertaken ground-breaking work in this area with Biofuels Corporation. And, in India, we work with Carrier India to test the energy efficiency of their products and support their efforts in providing superior products to their customers and meeting the proposed India Energy Label requirements.

With countries like India enjoying tremendous growth in consumerism, our work and skills in tackling and ensuring the environmental efficiency of consumer products thus becomes critical. Social and regulatory trends for more environmentally friendly products continue to grow at a great pace in every country and Intertek is well positioned to help and benefit from this trend.

The increasing affluence in emerging markets is opening up new opportunities and challenges for the world's manufacturers, retailers and brands. Intertek is experienced in helping customers bring new products to new markets under tight budgetary and time constraints. We will benefit from the forthcoming consumer explosion in emerging markets where we already have an extensive presence. As we work alongside our customers and help them manage their international expansion, we bring them the advantages and security of partnering with a world class global corporation.

“The foundation of our success lies in our approach of adding value to our clients.”

All of these trends create a more complex world for our clients to operate in and an increasing challenge for manufacturers, retailers and brands alike. Intertek is there to support them through the changing regulatory compliance, consumer attitude and global supply chain issues. We can do this in many different configurations and client relationships.

We are seeing many customers benefiting from outsourcing to Intertek whole processes, divisions, standalone laboratories or just the more complex areas of safety and quality assurance. Through economies of scale and a worldwide resource of talented people, the benefits that can accrue from this process to both parties can be sizeable.

Ultimately, it is our people here at Intertek that are the strength of our brand and allow us to add value to our clients.

I frequently meet Intertek scientists and engineers who say that their achievement of finding innovative solutions for clients’ complex challenges is a great source of satisfaction to them. I have seen Intertek leaders offer Government ministers novel solutions to their international trade security and customs challenges and develop them into a long-term relationship of fundamental benefit to the well-being and economy of that state.

People at Intertek carry a high level of dedication, expertise and a desire to see our customers succeed. Through this, we can be sure that we will continue to create value for our customers, demand for our services in expanding markets, and increase our shareholders’ wealth.

Wolfhart Hauser
Chief Executive Officer

Our Strategy

Focus on clients by adding value to their businesses and products

Combine and increase the number of services to the benefit of our clients

Organise ourselves along industry and service lines

To be the first or second in each of our core service industries

To drive the outsourcing trend in all our core service industries

Performance review

Key performance indicators

Revenue	Up 14.5%
Operating profit	Up 18.2%
Adjusted operating profit	Up 17.3%
Adjusted operating margin	Up 40bp
Operating cash flow	Up 28.9%
Profit before tax	Up 15.1%
Basic earnings per share	Up 11.1%
Dividend per share	Up 23.3%
Return on business assets	Up 310bp

Growth in revenue

	£m	Change
Revenue 2005	580.1	
Currency translation	(1.4)	(0.3)%
Acquisitions	39.5	6.7%
Organic growth	46.3	8.1%
Revenue 2006	**664.5**	**14.5%**

Introduction
This review provides information on the performance of the Group for the year ended 31 December 2006. It highlights areas which have performed well and explains why some areas have underperformed.

A more detailed review of the performance of each division is given on pages 15 to 17.

Key performance indicators
This review uses certain key performance indicators (KPIs) to assess how well the Group and the divisions have performed during the year and whether the Group has met the expectations of its stakeholders. These KPIs are reviewed by the Board and management on a monthly basis and are used to assess past performance and set targets for the future. Most of the KPIs also form part of the management incentive scheme whereby managers may receive annual bonus payments on achieving or exceeding the targets set for the year.

Growth in revenue
Intertek provides a wide range of quality and safety related services to customers operating in the global marketplace. Top line revenue growth is a key performance measure. Revenue increased by £84.4m to £664.5m in 2006, up 14.5% over the prior year. This increase comprised £39.5m from acquisitions made in 2005 and 2006 and £46.3m from organic growth, reduced by £1.4m due to currency translation. The organic growth of 8.1% was generated primarily by increased global trade, growth in the market for quality and safety services, an increase in environmental regulations and an increase in outsourcing.

Part of the Group's growth strategy is to make bolt-on acquisitions which complement and extend the Group's service offering into new areas of expertise and new geographies. The Group made 12 such acquisitions in 2005 and seven in 2006, which were located in 12 different countries. These businesses have extended the range of analytical services offered by the Group in a variety of sectors including the pharmaceutical and chemical industries and have increased the Group's footprint in strategically important countries such as India, Japan and Spain. The Group is able to leverage the return from these acquisitions by offering new services on a global basis to existing customers.

Geographically, all regions reported growth in revenue with the largest contributors being the United States and China. Growth in the US was driven partly by acquisitions but also by the strong petroleum market.

Alternative fuels

Growing concern over fossil fuel consumption has accelerated the need to find reliable, alternative sources of energy. Intertek is working with a major producer of biodiesel, Biofuels Corporation, to help ensure the quality of the fuel they produce meets required specifications.

Performance review

Growth in adjusted operating profit and margin

	2006 £m	2005 £m	Change
Operating profit	**98.1**	83.0	18.2%
Amortisation of business combination intangibles	**3.8**	2.1	81.0%
Impairment of goodwill	**0.3**	2.0	(85.0)%
Adjusted operating profit	**102.2**	87.1	17.3%
Adjusted operating margin	**15.4%**	15.0%	Up 40bp

Growth in China was driven mainly by the migration of manufacturing from western countries. The Group has been established in China for many years and continues to expand its facilities into new locations with 13 new laboratories opened in 2006 offering services to a wide range of industries including textiles, toys, minerals, electrical and automotive. There was substantial growth in revenue in The Netherlands as a result of the acquisition from DSM, the Dutch chemical manufacturer, of Polychemlab which offers specialist analytical services to the chemical industry. On the downside, revenue was reduced by the cessation of the pre-shipment inspection programmes in Nigeria and Venezuela.

Growth in adjusted operating profit and margin

For management purposes, the Group adjusts operating profit and operating margin to exclude the amortisation of business combination intangibles and the impairment of goodwill.

In 2006, adjusted operating profit was £102.2m, up 17.3% over the previous year. The adjusted operating margin was 15.4%, up 40 basis points from 15.0%. The adjusted operating profit in the three main divisions increased by 35.0%, however the smallest division, Government Services, declined by 59.5% due to the cessation of pre-shipment inspection contracts in Nigeria and Venezuela in 2005. On an organic basis, adjusted operating profit increased by 27.3% for the three main divisions and 10.7% for the Group. The adjusted organic margin for the Group was 15.3%.

Impairment of goodwill

The carrying value of capitalised goodwill was reviewed for impairment and a charge of £0.3m (2005: £2.0m) was made to operating profit in 2006 to reduce the goodwill to its fair value. The impairment related to a small business in Estonia acquired by the Oil, Chemical & Agri division in 2005, which has not performed in line with management expectations. Details of how the impairment reviews are performed are given in note 10 to the financial statements. The capitalised goodwill of £71.1m (2005: £55.7m) relates to acquisitions made since 1998.

Net financing costs

As set out in note 6 to the financial statements, the Group reported finance income in 2006 of £4.5m (2005: £3.5m). This comprised the expected return on pension assets, interest on bank balances and foreign exchange differences on interest accruals. The increase was mainly due to higher interest rates.

The Group's finance expense for 2006 was £11.5m compared to £9.4m in 2005. The charge comprised interest on borrowings, pension interest cost and other financing fees. The increase was primarily due to higher interest rates.

Profit before taxation

Profit before tax was £91.4m compared to £79.4m in 2005, mainly due to the good trading performance in the year.

Taxation

As set out in note 7 to the financial statements, income tax expense for 2006 was £22.5m (2005: £18.7m), comprising a current tax charge of £22.0m (2005: £24.1m) plus a deferred tax charge of £0.5m (2005: credit £5.4m). The tax rate was 24.6%, up from 23.6% in 2005. The main reason for the increase in the tax rate was increased earnings in higher taxed jurisdictions. The tax rate is expected to be sustainable at close to current year levels for the short to medium-term.

Profit for the year

Profit for the year was £68.9m (2005: £60.7m) of which £63.8m (2005: £57.1m) was attributable to equity holders of the Company.

Minority interests

As set out in note 20 to the financial statements, profit attributable to minority shareholders was £5.1m in 2006 (2005: £3.6m). The increase was mainly due to the strong growth in the Group's non-wholly owned subsidiaries in Asia.

Hazardous substances

Legislation concerning the restriction of hazardous substances has put pressure on many companies to meet their environmental responsibilities. With QualComm, a leading developer of digital wireless communication products, Intertek not only tested components but also analysed their entire manufacturing control system. As a result, QualComm's products became compliant and their speed to market significantly improved.

Performance review

Cash and liquidity

	2006 £m	2005 £m	Change
Cash generated from operations	**124.6**	96.7	28.9%
Less acquisition of property, plant, equipment and software	**(43.2)**	(31.3)	38.0%
Operating cash flow after capital expenditure	**81.4**	65.4	24.5%
Adjusted operating profit	**102.2**	87.1	17.3%
Operating cash flow/adjusted operating profit	**79.6%**	75.1%	Up 450bp

Earnings per share

Earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year. As set out in note 8 to the financial statements, basic EPS at the end of the year was 40.9p (2005: 36.8p), an increase of 11.1%. A diluted adjusted EPS calculation is also shown which removes the impact of amortisation of business combination intangibles and impairment of goodwill to give diluted adjusted EPS of 43.2p (2005: 39.1p), an increase of 10.5%. Excluding the profit on sale of associates of £1.6m in 2005, the growth in diluted adjusted EPS was 13.4%. Year-on-year growth in diluted adjusted EPS is one of the key performance targets that the Group uses to incentivise its managers.

Dividends

During the year, the Group paid total dividends of £19.8m (2005: £16.9m), which comprised £12.6m in respect of the final dividend for the year ended 31 December 2005 paid on 16 June 2006, at the rate of 8.1p per share and £7.2m being the interim dividend in respect of the year ended 31 December 2006, paid on 14 November 2006 at a rate of 4.6p per share. These amounts were charged to retained earnings (see note 19 to the financial statements). Since the balance sheet date, the Directors proposed a final dividend in respect of the year ended 31 December 2006, of 10.2p per share (2005: 8.1p) making a full year dividend of 14.8p per share (2005: 12.0p), an increase of 23.3% over last year. If approved, the final dividend will be paid to shareholders on 15 June 2007.

Cash and liquidity

In order to maintain its growth strategy, the Group continually invests in laboratory equipment, computer systems, new facilities and acquisitions. A strong operating cash flow is therefore very important. One of the key performance indicators used by the Group to measure the efficiency of its cash generation is the percentage of operating profit that is converted into cash. As shown in the table above, in 2006, 79.6% of adjusted operating profit was converted into cash compared to 75.1% in 2005.

Cash generated from operations was £124.6m for 2006, compared to £96.7m for 2005. The increase of 28.9% was due to improved profitability and effective working capital management. Provisions decreased by £4.2m due to the settlement of claims and of restructuring costs incurred in the Government Services division.

Cash outflows from investing activities in 2006 were £78.1m (2005: £71.4m), up 9.4%. The main outflows were £36.9m (2005: £44.5m) for the acquisition of subsidiaries and £43.2m (2005: £31.3m) for the acquisition of property, plant and equipment and computer software. The increase in capital expenditure was due to increased investment in laboratories, particularly in China, an increase in analytical services which require specialised equipment and investment in container scanning equipment.

Cash flows from financing activities comprised cash inflows from the issue of share capital following the exercise of employee share options of £4.2m (2005: £3.8m) and the net drawdown of debt of £8.2m (2005: £9.7m), and cash outflows of dividends paid to minorities of £3.8m (2005: £2.9m) and dividends paid to Group shareholders of £19.8m (2005: £16.9m), which resulted in a net cash outflow of £11.2m (2005: £5.9m).

As set out in note 15 to the financial statements, interest bearing loans and borrowings were £178.4m at 31 December 2006, a decrease of 6.4% over 2005. The Group's borrowings are in currencies which match its asset base. The decrease in borrowings comprised exchange adjustments of £20.5m principally due to the translation into sterling of borrowings denominated in US dollars and HK dollars, partially offset by the net drawdown of debt of £8.2m. The debt drawdown was mainly used to finance acquisitions. Cash and cash equivalents at 31 December 2006, were £49.5m, a decrease of 2.6% over 2005. As shown in note 23 to the financial statements, net debt at 31 December 2006 was £128.9m (2005: £139.9m).

Translation risk

Value of £1	Balance sheet Actual rates 31 Dec 06	31 Dec 05	Income statement Cumulative average 2006	2005
US dollar	**1.96**	1.73	**1.84**	1.82
Hong Kong dollar	**15.2**	13.4	**14.3**	14.2
Chinese renminbi	**15.3**	13.9	**14.7**	14.9
Euro	**1.49**	1.45	**1.47**	1.46

Acquisitions and disposals
As described earlier, during 2006 the Group made seven acquisitions for a net cash outflow of £36.9m (2005: £44.5m). Further information on acquisitions is given in the business review by division which starts on page 15 and in note 24 to the financial statements.

Return on business assets
For management purposes, the Group calculates return on business assets as the adjusted operating profit for the year divided by the carrying value of business assets which comprise operating working capital plus tangible fixed assets and software at the end of the year. For 2006 the return on business assets was 57.0%, up 340 basis points from 53.6% in 2005.

Risks
In common with all businesses, the Group is affected by a number of risk factors, some of which are outside its control. Although many of the risk factors influencing the Group's performance are macroeconomic and likely to affect the performance of business generally, others are particular to Intertek's operations. Specific risks which management are aware of are detailed below, however there may be other risks that are currently unknown or are currently regarded as immaterial which could turn out to be material. Any of these risks could have the potential to impact the performance of the Group, its assets, liquidity and capital resources.

Treasury risk
The Group operates in 109 countries and has 166 subsidiaries, of which 143 report in currencies other than sterling. One of the primary financial market risk exposures in the Group is foreign currency risk. This risk is managed by the Group's treasury function as described below.

Treasury management
The Group's treasury and funding activities are undertaken by a centralised treasury function. Its primary activities are to manage the Group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates. The Group's policy is to ensure that adequate liquidity and financial resource is available to support the Group's continuing activities and growth whilst managing these risks. The Group's policy is not to engage in speculative transactions. Group Treasury operates as a service centre within clearly defined objectives and controls and is subject to periodic review by internal audit.

Foreign currency risk
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.

Translation risk
The results of the Group's overseas activities are translated into sterling using the cumulative average exchange rates for the period concerned. The balance sheets of overseas subsidiaries are translated at actual exchange rates.

Material changes in the exchange rates can create volatility in the results when they are translated at actual exchange rates. In order to mitigate this translation exposure, the Group's policy is to match the currency of external borrowings to the currency of expected cashflows and the currency of net investments. At 31 December 2006, 73.2% of the Group's borrowings were denominated in US dollars and Hong Kong dollars.

Performance review

Transaction risk

The Group's policy requires overseas subsidiaries to hedge all significant transaction exposures with Group Treasury where they are managed centrally. Subsidiaries' transaction exposures include committed foreign currency sales and purchases together with the anticipated transactions reasonably expected to occur during future periods. The Group's policy is also to hedge transaction exposures arising from the remittance of overseas dividends and interest as soon as they are committed. Transaction exposures are hedged forward using forward currency contracts.

Interest rate risk and exposure

The Group's policy is to maintain an appropriate balance of fixed and variable rate debt to minimise interest expense while managing interest rate exposure. This balance will be periodically adjusted on the basis of prevailing and anticipated market conditions and the Group's gearing and interest cover, which are monitored by Group Treasury. Details of the interest rate hedges in place at 31 December 2006 are given in note 26 to the financial statements.

Liquidity risk

The multi-currency senior debt facility that was placed in December 2004 was originally due to expire on 15 December 2009, however the Group exercised its option to extend the facility by a year in 2005 and by a further year in 2006, so the facility now expires in December 2011. The margins currently paid on borrowings are in the range of 0.3% to 0.5% over LIBOR.

At 31 December 2006, there was £178.4m of debt outstanding (2005: £190.7m) and the undrawn committed borrowing facilities were £86.4m (2005: £95.5m) having taken into account £7.1m (2005: £5.8m) utilised for letters of credit and guarantees. These facilities are expected to be adequate to support the Group's medium-term funding requirements. Surplus cash is placed on deposit with short-term maturities providing liquidity when required.

Counterparty credit risk

The Group monitors the distribution of cash deposits, borrowings and hedging instruments which are assigned to each of the Group's counterparties and which are subject to periodic review.

Tax risk

The Group operates in 109 countries and is subject to wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may or may not be subject to enquiry by local authorities. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgments to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

Risk of litigation

The Group is regularly notified of, or involved in, a number of claims and proceedings which are incidental to its ordinary course of business. Claims can arise in the context of a dispute between the parties to a commercial transaction in which the Group has provided testing, inspection or certification services. Often the Group's role in the transaction will be incidental to the underlying dispute, but the claim will be notified to the Group in order to toll the relevant statute of limitations in respect of such a claim. In certain situations, a claim may only be notified to the Group after resolution of the underlying commercial dispute and, in such cases, a considerable period of time may elapse between the performance of services by the Group and the assertion of a claim in respect of such services. In either case, because the underlying commercial transaction can be of significant value, the claims notified to the Group can allege substantial damages.

The Group's policy is to maintain insurance against potential claims, however there can be no assurance that claims brought against the Group will always be covered by insurance, or that such insurance, if available, will be sufficient to cover fully the damages or other expenses which the Group may be required to pay.

Environmental risks

Intertek operates facilities in 109 countries which are subject to local environmental and political factors. Disasters such as fire, hurricanes, floods and earthquakes can cause damage to property and personnel and can disrupt operations, causing loss of revenue. The Group maintains disaster recovery plans for such events and endeavours to ensure that adequate insurance is in place. The Group's impact on the environment is described on page 37.

The Group operates in some countries where there is risk of political instability which can make it difficult to operate. In particular, government contracts in the Government Services division can be subject to change or termination at short notice.

Business review by division

Consumer Goods

Performance in 2006	**2006 £m**	2005 £m	Change
Revenue	**155.2**	136.7	13.5%
Operating profit[1]	**49.5**	44.2	12.0%
Operating margin[1] %	**31.9**	32.3	(40)bp

1. Stated before the amortisation of business combination intangibles £0.5m (2005: £0.2m) and the impairment of goodwill £nil (2005: £2.0m).

The Consumer Goods (Labtest) division provides services to the textiles, toys, footwear, hardlines, food and retail industries. Services include testing, inspection, auditing, advisory services, quality assurance and hazardous substance testing. Customers are often retailers but can include manufacturers and suppliers within a global supply chain.

The market for the services of the Consumer Goods division is diverse. Demand is driven by retailers who require the goods they sell to be produced to a quality set by either their own internal standards or by legislation in a particular country. Increasingly, goods are manufactured in locations that are remote from the eventual consumer, causing supply chains to be longer and more complicated. The market is increasingly being driven by regulations issued to address safety and environmental concerns over such issues as carcinogenic dyes in textiles and chemicals in toys and cosmetics.

The Consumer Goods division performed well in 2006, with revenue growth of 13.5% and operating profit growth of 12.0%. The high operating margin in Consumer Goods was maintained at over 30% but decreased 40 basis points over last year. Most of this decline was attributable to the lower margin equipment and building inspection business that was acquired last year. On an organic basis, revenue growth was 11.9% and operating profit growth was 11.8%.

Toys, food and hardlines grew particularly well, driven in part by an increase in the testing of hazardous substances caused by a European Union directive, which became mandatory on 1 July 2006. The global textile market continued to be unsettled by the impact of changes in import quotas but despite these challenging market conditions, revenue from textile testing grew well in key countries such as China and India. The volume of textile testing in Europe remained stagnant as the market shifted increasingly to Asia and Latin America.

Over 60% of the revenue in Consumer Goods is generated in China, Hong Kong and Taiwan. Revenue from these countries grew well and prospects continue to look good. The textile laboratory network was expanded with new facilities in India, Guatemala and Vietnam and three new laboratories in China.

The key growth drivers in Consumer Goods remain strong, principally the sourcing of products from China, the increasingly wide range of products being sold by retailers, shorter product lifecycles and the growth in demand from consumers and regulatory bodies for assurance of quality and safety.

Companies are coming under increasing pressure to be socially responsible and the Consumer Goods division provides auditing and consultancy services in this sector. The division will continue to expand its network of facilities in 2007.

Commercial & Electrical

Performance in 2006	**2006 £m**	2005 £m	Change
Revenue	**174.4**	150.9	15.6%
Operating profit[1]	**26.7**	22.7	17.6%
Operating margin[1] %	**15.3**	15.0	30bp

1. Stated before the amortisation of business combination intangibles £2.0m (2005: £1.2m).

The Commercial & Electrical (ETL SEMKO) division provides services to a wide range of industries including those in the home appliances, medical, building, industrial and HVAC/R (heating, ventilation and air conditioning and refrigeration), IT and telecom and automotive sectors. Customers are mostly manufacturers but also retailers, industry organisations and government departments. Services include testing and certification, electromagnetic compatibility testing (EMC), systems auditing, outsourcing, benchmark and performance testing and environmental testing. The Group has the widest range of owned marks and accreditations, including the ETL listed mark and Warnock Hersey mark for North America and the S mark, as well as being a leader in the issuance of the CB certification mark and the CE mark and GS mark for Europe.

The market for the services of the Commercial & Electrical division is driven by increasing regulations over the safety of products. This includes current concerns over climate change and the impact on the environment of electrical products. The division has a global strategy for each of its key industry sectors, for example expertise in the United States in automotive component testing and building products testing has been extended into China by the opening of a new automotive facility in Shanghai and a building products facility in Guangzhou.

The Commercial & Electrical division performed well in 2006, with revenue growth of 15.6% and operating profit growth of 17.6%. The operating margin increased by 30 basis points to 15.3%. All service sectors performed well apart from automotive component testing, which suffered from the decline in the domestic motor industry in the United States. On an organic basis, revenue increased by 8.7% and operating profit increased by 6.7%.

Business review by division

The electrical, building products and HVAC/R businesses grew strongly, with double digit organic revenue growth. Revenue from the operations in mainland China continued to grow strongly and the network was extended by the opening of six offices and four laboratories in China. Two offices were also opened in India.

In February 2006, the Japanese EMC business of Akzo Nobel was acquired. Japan is an important market for Commercial & Electrical and this acquisition will allow quicker penetration of that market for both EMC testing and other services offered by the Group. This business performed well in 2006. The division also acquired a small electrical testing business in Italy during the year.

Customer demand for safe, energy efficient products continues to increase and the market for Commercial & Electrical continues to evolve which presents opportunities for growth. Concerns over global warming and climate change are driving new directives regarding the energy usage of products. This is evident in the HVAC/R industry and is expected to extend over other industry sectors. There are many small niche players in the market and this provides opportunities for bolt-on acquisitions.

Oil, Chemical & Agri

Performance in 2006	**2006 £m**	2005 £m	Change
Revenue	**281.5**	218.0	29.1%
Operating profit[1]	**30.0**	17.9	67.6%
Operating margin[1] %	**10.7**	8.2	250bp

1. Stated before the amortisation of business combination intangibles £1.2m (2005: £0.7m) and the impairment of goodwill £0.3m (2005: £nil).

The Oil, Chemical & Agri (Caleb Brett) division offers independent cargo inspection, testing and analytical services to the oil and chemical, agricultural, mineral and pharmaceutical sectors. Global customers include the major oil companies and leading chemical companies and the division also provides outsourcing services to many other major manufacturers.

The cargo inspection and testing market is a well established global market in which Intertek is one of the leading service providers. High barriers to entry are principally due to the fixed costs required in establishing a global network of operations and laboratories. The analytical services market continues to expand driven by the increasing demand from industries which seek to outsource non-core services including testing. The more stringent environmental and regulatory requirements for fossil fuels and the drive for seeking alternative energy sources are expanding the market for testing services. Intertek developed outsourcing initially in the oil sector, but now is extending its reach to the chemical, pharmaceutical, biotech, automotive and minerals industries. Intertek's successful track record is creating more opportunities and has reinforced Intertek as the market leader in laboratory outsourcing in the oil and chemical sector.

Oil, Chemical & Agri had an excellent performance in 2006 with revenue growth of 29.1%, operating profit growth of 67.6% and an increase in margin from 8.2% to 10.7%. On an organic basis, revenue growth was 17.5% and operating profit growth was 52.1%. Excluding the impact of the hurricane which affected the 2005 results, organic revenue increased by 16.5% and organic operating profit increased by 27.0%. All service sectors contributed to this growth. With high volumes of trade and increased demand for petroleum products, market conditions were favourable and increased trading activity was evident across all regions. Demand for analytical services increased, in part due to the expansion of the global biofuels market and from new environmental regulations coming into force for road and marine fuels. Revenue from analytical services as a percentage of total revenues grew to 43% in 2006 up from 36% in 2005.

In the Americas, revenue grew strongly, led by the US cargo inspection and testing business with market expansion throughout the US as well as in Latin America. An early investment in multiple facilities for testing ultra low sulphur diesel paid off, as demand was strong, driven by the requirement to comply with new US regulations. Demand was also strong for ethanol testing due to a change in regulations regarding the use of ethanol as an additive to petrol.

In Europe, revenue growth was assisted by the full implementation of outsourced analytical contracts which were awarded in 2005. Downstream, two new contracts for a biofuels plant and a refinery in the UK were won. A new contract was also awarded by BP to provide upstream analytical and technical support services to all offshore and onshore oil and gas production facilities in the North Sea.

In Asia, new minerals testing and agri services were established to take advantage of the growth in these sectors. Upstream oil and gas services capabilities were expanded utilising the support and technology from the Westport laboratory in the US, which was acquired from Halliburton at the end of 2005.

The division continued its strategy of extending its service offering by acquiring companies with specialist skills that complement the existing business and can be leveraged to existing and new clients through the Group's global network. Details of the larger acquisitions are given below.

From 1 September 2006, under an outsourcing agreement, Intertek began providing all of the analytical service support to the manufacturing operations of Sabic and DSM in the Netherlands. This is one of the largest outsourcing contracts for analytical services within the chemical industry to date, with over 170 chemists and technicians joining Intertek.

In November 2006, the Group acquired the bioanalytical divisions of Alta Analytical Laboratory Inc., which is based in California, USA. Alta provides analytical services to North American pharmaceutical and clinical research organisations and provides Intertek with a platform to build a global presence in this area.

In December 2006, the Group acquired Caleb Brett Iberica, a leading testing and inspection business in Spain and Portugal, providing technical inspections and fuel analysis services to petroleum, chemical and fuel retailer clients. This acquisition provides the Group with the opportunity to extend its full range of services into this strategically important region.

In January 2007, the Group acquired Umitek Ltd and its subsidiaries, CAPCIS and Smith Rea Energy Ltd (SREL) in the UK, which provide specialist testing and consultancy services to the oil and gas industries in the North Sea and globally. These businesses will allow the Group to extend the range of services provided by Intertek's current upstream operations to Europe and the Middle East.

The outlook for Oil, Chemical & Agri is positive with oil price volatility expected to continue generating trading opportunities requiring third party inspection and testing and continued expansion of the analytical services business driven by new regulations. The pipeline of potential outsourcing projects remains strong and the strategy of supplementing organic growth with acquisitions will continue.

Government Services

Performance in 2006	**2006 £m**	2005 £m	Change
Revenue	**53.4**	74.5	(28.3)%
Operating profit[1]	**6.6**	16.3	(59.5)%
Operating margin[1] %	**12.4**	21.9	(950)bp

1. Stated before the amortisation of business combination intangibles £0.1m (2005: £nil).

The Government Services (FTS) division offers a range of services to governments, national standards organisations, customs departments and industrial companies. Services offered include ensuring imports comply with relevant safety, quality and other standards. Goods and commodities are tested and/or inspected prior to shipment which prevents dumping of unsafe goods and improves the quality of imported and sold goods. Ministries of Finance retain services to increase import duty and help improve efficiency. Imports are inspected and valued in the country before shipment to enable import duties to be accurately assessed and certified. Container scanning services are offered to help protect against security risks associated with international trade. Intertek's worldwide laboratory coverage allows for rapid inspection, certification and valuation of shipments, anywhere in the world.

Most of the customers of the Government Services division are governments or departments linked to governments in countries which do not have the necessary infrastructure to enforce import controls effectively.

As expected, the cessation of pre-shipment inspection contracts in Nigeria and Venezuela had an adverse effect on the division's performance in 2006. Revenue in 2006 was 28.3% lower than the previous year and operating profit declined 59.5% due to the loss of profit from those contracts and the lost contribution towards overheads. The operating margin reduced from 21.9% to 12.4%. The division was restructured to minimise its cost base, incurring costs of £0.3m (2005: £2.0m).

Standards contracts in Nigeria and Kenya which started at the end of 2005 were fully operational in 2006 and performed well. A new container scanning contract with the Guinean Ministries of Transport and Finance commenced operation in the second half of 2006 and will run for ten years.

The Government Services division will continue to work with governments to develop innovative programmes that are tailored to their specific requirements. There are a number of potential opportunities for new contracts, particularly in the areas of container scanning and standards programmes.

Board of Directors

Vanni Treves (66)
Chairman[2,3,6]

Appointed to the Board in January 2001*, he became Chairman in April 2001. He is a corporate solicitor and was a Partner of major London law firm Macfarlanes for 30 years. He has been Chairman of three listed companies, Channel Four Television and London Business School and is currently Chairman of Equitable Life Assurance Society, Korn/Ferry International UK Limited and the National College for School Leadership. He is also a Governor of Sadler's Wells, and a Trustee of the J Paul Getty Charitable Trust.

Richard Nelson (64)
Non-Executive Deputy Chairman

Appointed Non-Executive Deputy Chairman in April 2005 after retiring as Chief Executive Officer of the Group a position he had held since the acquisition from Inchcape plc in 1996. Prior to that he was President and Chief Executive Officer of Inchcape Testing Services Ltd from 1987 and before then, Chief Executive Officer of Transcontinental Services Ltd which was bought by Inchcape plc in 1985. A Chartered Accountant, he is also Chairman of Wogen plc.

Wolfhart Hauser (57)
Chief Executive Officer

Appointed to the Board as Chief Executive Officer in March 2005 after serving as a Non-Executive Director since November 2002. He was previously Chief Executive Officer of TÜV Product Services for ten years and Chief Executive Officer of TÜV Süddeutschland AG from 1998 to 2002. Starting his career as a scientist in pharmacology and ergonomics, he established and led a broad range of successful international service industry businesses over 25 years. He is also currently a Non-Executive Director of LogicaCMG plc.

Bill Spencer (47)
Chief Financial Officer

Appointed to the Board as a Director in 1996*, he has been Chief Financial Officer of the Group since its acquisition from Inchcape plc in 1996. Previously, he was Finance Director of Inchcape Testing Services Ltd, Chief Financial Officer of Caleb Brett for EMEA and has held financial positions at Olivetti UK Ltd, Rexam PLC and Centrica plc. He is a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers.

1 Audit and Risk Committee Chairman
2 Audit and Risk Committee member
3 Nomination Committee Chairman
4 Nomination Committee member
5 Remuneration Committee Chairman
6 Remuneration Committee member

* Appointed to the Board of Intertek Testing Services Ltd which was the previous parent company prior to the Group reorganisation and appointed to the Board of Intertek Group plc in April/May 2002.

David Allvey (61)
Senior Independent Non-Executive Director[1,4,5]

Appointed to the Board as a Non-Executive Director in May 2001*. With a career that started in civil engineering, as a Chartered Accountant, he has held positions in major international businesses including Group Finance Director for BAT Industries and Barclays Bank plc and Chief Operating Officer for Zurich Financial Services. He is currently a Non-Executive Director of Resolution Plc, Costain Group plc, William Hill plc, MyTravel Group Plc and Chairman of Arena Coventry Ltd and is a former board member of the UK Accounting Standards Board.

Debra Rade (53)
Non-Executive Director

Appointed to the Board as a Non-Executive Director in January 2006. Between 1989 and 2002, she was an officer of Underwriters Laboratories Inc., a global provider of product safety testing and certification and held various positions there, including Chief Legal Officer, Senior Vice President of External Affairs and Chief Administrative Officer. She is currently a partner in Katten Muchin Rosenman LLP, a major national US law firm.

Raymond Kong (59)
Non-Executive Director

Appointed to the Board in May 2004 and a Non-Executive Director since 1 July 2006 following his retirement. Previously he was a member of Intertek's Executive Management Board and Executive Vice President of China and Asia and Chief Executive of the Consumer Goods division. Based in Hong Kong, he also serves on a number of advisory committees for the Government of the Hong Kong Special Administrative Region.

Christopher Knight (60)
Non-Executive Director[2,4,6]

Appointed to the Board on 30 March 2006, he was an investment banker for nearly thirty years with Morgan Grenfell and Deutsche Bank, of which he was a managing director until 2001. His UK and international corporate finance experience includes work in the USA and the Far East. A Chartered Accountant, he is Chairman of Brooks Macdonald Group plc and Nelson Bakewell Group Limited and a Non-Executive Director of Lloyds Register Holdings.

Directors' report

The Directors of Intertek Group plc have pleasure in presenting their Annual Report and the audited financial statements for the year ended 31 December 2006.

Business review

The Performance Review and Business Review by division on pages 10 to 17 reports on the Group's activities during the financial year with information on the Group's overall performance, and discusses likely future developments.

Principal activities

The Group's principal activities continued to be the provision of quality and safety services to a wide range of global and local industries.

Dividends and reserves

Note 19 to the financial statements sets out details of dividends and movements on reserves during the year. The Directors recommend a final dividend of 10.2p per share (2005: 8.1p) making a full year dividend of 14.8p per share (2005: 12.0p) which will, if approved at the Annual General Meeting (AGM), be paid on 15 June 2007 to shareholders on the register at close of business on 1 June 2007.

Share capital

The authorised and issued share capital of the Company, together with details of the movements in the Company's issued share capital during the year, are shown in note 18 to the financial statements.

Purchase of own shares

At the AGM held in 2006, shareholders generally and unconditionally authorised the Company to buy back up to 15,540,660 of its own ordinary shares by market purchase until the conclusion of the AGM to be held in 2007. No such purchases have been made to date pursuant to this authority. The Directors will seek to renew this authority for up to 10% of the Company's issued share capital at the forthcoming AGM.

Directors

The Directors of the Company who served during the year are set out below.

VE Treves	Chairman
RC Nelson	Non-Executive Deputy Chairman
WG Hauser	Chief Executive Officer
W Spencer	Chief Financial Officer
DP Allvey	Senior Independent Non-Executive Director
CJ Knight	Non-Executive Director (appointed 30 March 2006)
R Kong	Non-Executive Director
D Rade	Non-Executive Director (appointed 1 January 2006)

R Kong, previously Executive Vice President of China and Asia and Chief Executive of the Consumer Goods division, became a Non-Executive Director on 1 July 2006.

W Spencer and DP Allvey retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Short biographies of all the Directors are set out on pages 18 and 19.

R Kong entered into a contract with Intertek Testing Services Pacific Limited effective 1 July 2006 for the provision of consultancy services and RC Nelson may occasionally undertake special project work for the Group. Details of these service arrangements are disclosed in the Remuneration Report on page 27 and in note 28 to the financial statements. With these exceptions, other than employment contracts, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' service contracts and the Directors' interests in the shares and options of the Company are disclosed in the Remuneration Report on pages 22 to 30.

Directors' indemnities

The Company does not provide and has not during the year under review provided, any qualifying third party indemnity, to any Director of the Company or any of its associated companies as defined by Section 309A Companies Act 1985.

Employment

Information on the Group's employment practices is contained within the Corporate Responsibility statement on pages 35 to 37.

Policy and practice on payment of suppliers

The Group does not follow a single standard on payment practice but has a variety of payment terms with its suppliers. Payment terms are agreed at the commencement of business with each supplier and it is the policy of the Group that payment is made accordingly, subject to the terms and conditions being met. The Company has no trade payables.

Substantial shareholdings

As at 1 March 2007 the Company has received the following notifications of disclosable interests in the Company's voting rights in issued ordinary share capital pursuant to the Disclosure and Transparency Rules of the UKLA:

Major shareholder	Number of shares	Percentage of voting rights notified
F & C Asset Management plc	8,733,901	5.58
Prudential Plc	7,826,686	5.00
Legal & General Group plc	5,984,582	3.82

Save for the above, at the date of this report no other person has reported an interest notifiable under the Disclosure and Transparency Rules.

The following notifications in accordance with sections 198 to 210 of the Companies Act 1985 have been received, and not rescinded following the introduction of the Disclosure and Transparency Rules, that the following were interested in 3% or more of the Company's issued ordinary share capital.

Major shareholder	Number of shares	Percentage interest notified
Eminence Capital, LLC	7,665,000	4.90
HBOS plc	6,224,744	3.99
AXA S.A. and its subsidiaries	5,446,519	3.49

Financial instruments and risk

An indication of the Company's financial risk management objectives and policies in respect of the use of financial instruments, and its exposure to credit risk, liquidity risk and cash flow risk is set out in the Performance Review on pages 8 to 14 and in note 26 to the financial statements.

Charitable and political donations

The Group made charitable donations of £67,000 in 2006 (2005: £133,000). The Group did not make any political donations in 2006 (2005: £nil).

Disclosure of information to auditors

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

Auditors

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the forthcoming AGM in accordance with Section 384 of the Companies Act 1985.

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

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

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

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Annual General Meeting

The Notice of the AGM to be held on Friday 11 May 2007 is sent to shareholders with this Annual Report and Accounts. The Notice details the business to be conducted at the meeting.

By order of the Board

F Evans
Group Company Secretary

5 March 2007
Registered Office
25 Savile Row
London
W1S 2ES

Registered Number: 4267576

Remuneration report

This report sets out the Group's policy and disclosures in relation to Directors' remuneration for the year ended 31 December 2006. As required by schedule 7A to the Companies Act 1985 and the Directors' Remuneration Report Regulations 2002 (the Regulations), this report will be subject to shareholder vote at the forthcoming Annual General Meeting (AGM). The report complies fully with the requirements of the Regulations and the Combined Code (the Code) and has been audited by KPMG Audit Plc to the extent required by the Regulations.

The Group has applied the Principles of Good Corporate Governance relating to the remuneration of its Directors and this report outlines how the Group has complied with the provisions of the Code as well as some of the guidelines issued by institutional bodies.

Remuneration Committee (the Committee)
The Committee determines, on behalf of the Board, the Company's policy on the remuneration of Executive Directors and senior executives. The Committee determines their total remuneration packages, including any compensation on termination of office and also provides advice to, and consults with, the Chief Executive Officer on major policy issues affecting the remuneration of senior executives. It keeps the remuneration policy continually under review in light of regulatory and best practice developments and shareholder expectations. Due regard is given to the interests of shareholders and the requirements of the Listing Rules and associated guidance.

To ensure that the Group's remuneration practices are market competitive and to help achieve its objectives, the Committee requests information from various independent sources. The Committee has appointed and taken independent advice from New Bridge Street Consultants LLP (New Bridge Street), in relation to remuneration matters and share incentive arrangements and from Premier Pensions Management Limited (PPM) in relation to UK pension matters. Neither PPM nor New Bridge Street have any other connection with the Company.

The Committee met five times during 2006.

The Remuneration Committee comprised the following Non-Executive Directors of the Company:

DP Allvey (Chairman)
VE Treves
CJ Knight (appointed 30 March 2006)

The Committee members have no personal financial interest, other than as shareholders, in the matters to be decided. No Director plays a part in any discussion about his or her own remuneration.

Remuneration policy
The Committee considers that the Company's long-term success is dependant on its ability to attract, retain, motivate and reward high calibre individuals to deliver superior performance both in the short and long-term. Its aim is to promote a performance-driven culture by maintaining a competitive package of pay and benefits, commensurate with comparable packages of pay and benefits provided by other companies of comparable size and complexity in the FTSE 250 index. For overseas executives, the objective is to provide a competitive package that is commensurate with packages paid to employees of other overseas organisations doing a similar sized job in that region.

The Group is an international service business deriving significant amounts of its revenue from Asia (34%) and the Americas (37%). The international nature and complexity of the Group are reflected in salary policy, requiring alignment with the relevant median in order to retain and attract the right people. Exceptional performance on the part of both the Group and individual can deliver upper quartile remuneration. This direct alignment with performance is considered by the Committee to be clearly in the interests of shareholders and provides the senior executives with unambiguous signals about the importance of delivering success to the Company's shareholders in both the short and long-term.

In February 2007, the Committee reviewed the Group's remuneration policy for its Executive Directors and senior executives, taking into account external developments in executive pay, to ensure that the policy remained appropriate in the light of the Group's business needs and future strategy and is competitive. Following the review, the Committee has made changes to increase the performance related element of remuneration for the Executive Directors and senior executives within the context of the existing remuneration strategy. From 2007, the maximum cash bonus potential will increase in the case of the Chief Executive Officer to 75% of base salary, and in the cases of the Chief Financial Officer and Executive Vice Presidents, to 60% of base salary. The 2007 bonus targets have also been reviewed to ensure that they are sufficiently stretching to align the interests of the Executive Directors and senior executives with those of the Company's shareholders.

Executive Directors
The total remuneration package for Executive Directors comprises the following principal elements:
- base salary;
- annual bonus plan;
- subsisting rights under the Intertek Share Schemes and individual arrangements;
- pension; and
- other benefits which may include travel, school fees, car allowances, permanent health, life and private medical insurance.

Base salary
The base salary is set by the Committee and annual increases are linked to:
- annual market movement;
- the size and complexity of the business; and
- demonstrable efforts and results of an individual in contributing to the building of Intertek Group efficiency, synergy and strategy.

When the Committee takes into account any benchmarking, it reviews the performance of the individual concerned against the parameters outlined above, to ensure that there is no upward ratchet in remuneration without a corresponding requirement for improvement in those parameters given above. Where a decision is made to increase base salary over the amount suggested by annual market movements, the Committee will expect the individual's performance, taking into account levels of experience, to have demonstrably shown good and solid leadership within the business and a results-orientated approach, as well as considering the requirement to retain senior executives. Also, when determining salary increases for Executive Directors, the Committee is sensitive to pay and employment conditions elsewhere in the Group. The salary increases granted to the Executive Directors during the year reflect recognition of achievement ahead of expectations and retention requirements.

The Remuneration Committee reviews the balance between base and performance-related benefits when agreeing each individual's performance-related arrangements and aims to achieve alignment of rewards with shareholder interests.

Performance bonuses

The Executive Directors and senior executives are eligible for annual incentive payments for the achievement of annual financial and strategic goals of the Group and its businesses. The financial targets are derived from the stretch goals determined by the annual planning process for the Group and its businesses which are the cornerstone of the Group's results culture. Executive Directors' and senior executive's bonus criteria contain two or more of the following:

(i) Group performance elements;

(ii) divisional performance elements; and

(iii) discretionary elements.

The table below shows the relevant proportions for different groups of executive.

	Executive Directors		Senior executives		
	Chief Executive Officer	Chief Financial Officer	Executive Vice Presidents	Divisional Vice Presidents	Group Vice Presidents
Group performance	90%	90%	25%	15%	50%
Divisional performance	–	–	65%	75%	40%*
Discretionary	10%	10%	10%	10%	10%

* specified personal objectives.

During 2006 the Group Performance bonus targets focused on increasing earnings per share (EPS), operating profit, operating cash flow as a percentage of operating profit and return on business assets, compared to the previous year. Each year, the Committee reviews the bonus targets used to ensure that they remain relevant and appropriate for the Group.

The following table shows the weighting of the Group Performance element of bonus for all Executive Directors and senior executives for 2006:

Growth measure	Notes	Maximum percentage of Group bonus
EPS	1	50%
Operating profit	2	25%
Operating cash flow/operating profit	2	15%
Return on business assets		10%
Total		100%

1. Diluted adjusted EPS.
2. Operating profit excluding amortisation of business combination intangibles, and goodwill impairment, translated at constant currency.

For each growth measure, three targets are set and a fixed proportion of the maximum percentage of bonus available is applicable at each target level. Pro-rata awards will be made for achievement between the targets. Awards are applied to current base salary.

The divisional elements of bonus are based upon similar financial performance indicators for each division but with targets appropriate to that division.

All targets are established and approved by the Committee. Based on the above measures for 2006, cash bonuses of 47.4% and 37.1% of salary will be paid to WG Hauser and W Spencer respectively. Bonuses are not pensionable.

The sum to be paid under the discretionary element, of up to 10% of total bonus, is determined by taking into account the overall personal contribution of the executive to the goals and results of the Group for the year, the development of the medium-term strategy of the Group, the achievement over the year of strategic objectives and demonstrable efforts and results in team building and leadership. The Committee recognises its responsibility to shareholders to use its discretion in a reasonable and informed manner and in the Group's interests, and to be accountable and transparent in the exercise of that discretion.

The Committee can additionally award a discretionary payment where circumstances have occurred which were beyond the direct control of the executive and the executive has managed and mitigated the impact of any loss, or where circumstances have arisen outside the Group's control and the Committee feels that payment is necessary to retain and motivate the executive concerned.

The Committee has the discretion to reduce bonus payments if it believes that short-term performance has been achieved at the expense of the Group's long-term future or vice versa. In future, the Committee will also retain discretion to reduce or reclaim payments if the performance achievements are subsequently found to have been significantly misstated.

The maximum annual cash bonus potential for the year under review was:

Chief Executive Officer	50% of salary
Executive Director	40% of salary
Executive Vice Presidents	40% of salary
Regional and Group Vice Presidents	30%–50% of salary

Remuneration report

Non-Executive Directors
The Board determines the remuneration of the Non-Executive Directors of the Company, for their work as Directors and as Committee members. Their remuneration is assessed relative to the Group's peer groups and following a review, fees increased during the year, as disclosed in the notes to the Directors' remuneration summary on page 27. Remuneration is neither pensionable nor eligible for annual incentive payments. The Non-Executive Directors are not allowed to participate in the Company's share incentive plans. Other than VE Treves, who has the benefit of a company car, and RC Nelson, for whom the Group maintains a life insurance policy in accordance with the terms of his previous employment contract with the Company, no other benefits-in-kind are provided.

Service contracts
Details of the service contracts currently in place for Directors who have served during the year are as follows:

Executive Directors
WG Hauser has a service contract dated 1 March 2005; W Spencer has a service contract dated 24 May 2002. Both have 12-month rolling contracts terminable by either party on 12 months' notice and contain provisions by way of compensation for loss of office, limited to payment of salary and bonus over a 12-month period, and benefits in lieu of notice. WG Hauser's contract permits payments in lieu of notice to be made, at the Company's election, either (a) in full on termination or (b) on a monthly basis, but only for so long as he receives no remuneration from any other business. If WG Hauser does receive any such remuneration, the monthly amount payable will be reduced by that remuneration, determined on a monthly basis. Neither service contract contains provisions regarding a change of control. R Kong ceased to be an Executive Director on 30 June 2006 and became a Non-Executive Director on 1 July 2006.

Non-Executive Directors
The Non-Executive Directors do not have service contracts with the Company. The letter of engagement for each Non-Executive Director states that they are appointed for an initial period of three years and all appointments are terminable by either one or three months' notice on either side. At the end of the initial period the appointment may be renewed for a further period if the Company and the Director agree. The Non-Executive Directors are typically expected to serve two of these three-year terms. Each letter of engagement states that should the Group terminate the appointment, on such termination the Non-Executive Director will not be entitled to any compensation for loss of office.

VE Treves and DJ Allvey are each engaged by the Group as Non-Executive Directors under the terms of a letter of appointment commencing 24 May 2002. Both appointments were renewed for three years at the end of their three-year initial periods.

RC Nelson is engaged by the Group as a Non-Executive Director under the terms of a letter of appointment for an initial period of three years commencing 8 April 2005. Under the terms of the same letter of appointment RC Nelson is entitled to remuneration of £1,000 per working day for any special project work agreed in advance by the Chairman.

D Rade is engaged by the Group as a Non-Executive Director under the terms of a letter of appointment for an initial period of three years commencing 1 January 2006.

CJ Knight is engaged by the Group as a Non-Executive Director under the terms of a letter of appointment for an initial period of three years commencing 30 March 2006.

R Kong is engaged by the Group as a Non-Executive Director under the terms of a letter of appointment commencing 1 July 2006. On the same date, R Kong entered into an agreement to provide independent professional consultancy services to Intertek Testing Services Pacific Limited, as and when required by the Chief Executive Officer of that company. The agreement is terminable at one month's notice without compensation for loss of office and R Kong's remuneration thereunder is £1,000 per working day.

The fees payable to the Non-Executive Directors are outlined in the table on page 27. Following the review of fees in 2006, the Chairman is paid £110,000 per annum, the Deputy Chairman is paid £50,000 per annum and each Non–Executive Director is paid fees of £40,000 per annum. Additional fees of £10,000 per annum in aggregate are payable to Non-Executive Directors who serve on the Audit and Risk Committee, Remuneration and Nomination Committees. An additional fee of £20,000 per annum in aggregate is payable to the Chairman of the Remuneration and Audit and Risk Committees.

Policy on external appointments
The Company recognises that, during their employment with the Company, Executive Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden their experience and knowledge. Executive Directors may, with written consent of the Company, accept such appointments outside the Company, and the policy is that any fees may be retained. WG Hauser was Chairman of an advisory consultancy board of Dragenopharm GmbH & Co KG in 2006. On 1 January 2007 he joined the Board of LogicaCMG plc as a Non-Executive Director.

Share incentives
The Company believes that share ownership by employees is an integral part of its programme to incentivise, reward and retain employees as it strengthens the link between employees' personal interests and those of shareholders and enables them to benefit from the growth of the Company. In order to encourage share ownership, the Company established a share option scheme for executives in March 1997. This scheme was discontinued and replaced by the Intertek Group plc 2002 Share Option Plan (the 2002 Plan) and the Intertek Group plc 2002 Approved Share Option Plan (the Approved Plan) on 9 May 2002, under which options were granted by either the Company or the Employee Share Ownership Trust on the recommendation of the Remuneration Committee. All awards were discretionary.

The Intertek Deferred Bonus Plan (the Plan) was approved in 2005 and supersedes all previous executive share option plans, creating more effectively rewarded management throughout the Group's global operations by linking rewards to the achievement of targets which are directly relevant to them. During 2006 the first awards were made under the Plan, based on bonuses payable in respect of the financial year ended 31 December 2005.

The Committee regularly reviews the appropriateness of the Company's share incentive arrangements and targets to ensure that they remain stretching. It considers that the existing performance conditions and vesting schedules remain appropriate and in line with the Company's current circumstances, business outlook and strategy.

Share retention
A shareholding retention requirement for the Executive Management Board (the EMB, which comprises the Executive Directors and Executive Vice Presidents), and Intertek Council (the IC, which comprises the Group's most senior executives) has been set by the Committee.

The members of the EMB are now expected, within five years, to build up a shareholding in the Company worth at least 100% of base salary and members of the IC are expected to build up a shareholding worth at least 35% of base salary. To assist in the building of this holding, it is expected that, after allowing for tax and similar liabilities, 100% of the shares subject to each vested award under the Plan will be retained by the executive until the ownership target is attained.

The Company does not operate any long-term share incentive plans other than those described below. Other than as stated above, no significant amendments are proposed to be made to the terms and conditions of any entitlement of a Director to share incentives.

The 2005 Deferred Bonus Plan (the Plan)

The purpose of the Plan is to assist in the retention of senior executives and to align their interests with shareholders by their participation in share price performance.

Grant of Awards

The Plan has two elements:

- Deferred Shares are awarded to executives based on their annual bonus achievements. They will therefore be rewarded for the achievement of performance which is directly within their sphere of influence. The Committee believes that this provides a simple and well-targeted form of reward.
- Matching Shares, at the discretion of the Committee, are awarded to the senior executives. Awards of Matching Shares are linked to awards of Deferred Shares and vest after three years depending on the Company's relative Total Shareholder Return (TSR) measured against the FTSE Mid 250, in conjunction with an underlying increase in Earnings Per Share (EPS). This measure of performance is considered relevant to the most senior executives in the Group and contributes to the alignment of interests between executives and shareholders.

Awards are not pensionable.

Scheme Limit

The Company has undertaken to limit the number of awards granted under the Plan in a ten-year period to 5% of the Company's issued share capital. In 2006 the awards granted amounted to 0.24% of the Company's issued share capital as at 31 December 2006.

Individual Limits

Deferred Awards

The annual maximum value of Deferred Awards will be the amount of the annual cash bonus to which it is linked or 50% of basic salary, whichever is the lower. In certain exceptional circumstances, such as recruitment or retention, the Committee has the discretion to make an award of Deferred Shares which is not linked to the achievement of the annual bonus but the same maximum salary limit will apply.

Matching Awards

The maximum number of Matching Shares which may be awarded to an individual is twice the number of their corresponding Deferred Award (i.e. a 2:1 match). It is currently intended that this level of Matching Shares will be awarded only to members of the EMB and the level will be 1:1 for the IC.

The first awards of Deferred Shares made on 7 April 2006 were conditional awards and were based on bonuses for the year ended 31 December 2005. The next awards of Deferred Shares will be made in or around March 2007 and will be based on bonuses for the year ended 31 December 2006.

Vesting of Awards

Deferred Awards

Deferred Awards will normally vest on the third anniversary of grant provided the participant is still employed in the Group.

Matching Awards

Matching Awards will normally vest on the third anniversary of grant once the Committee has determined the extent to which the applicable performance conditions have been satisfied and provided the participant is still employed in the Group.

Leaving employment

If a participant leaves employment because of death, disability, retirement, redundancy, disposal of the employing company or, at the discretion of the Committee, for any other reason, then the awards vest thus: (i) Deferred Awards will vest on a pro-rata basis on the date of cessation, although the Committee may decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances; (ii) Matching Awards will vest at the end of the period over which the performance conditions are measured, or the Committee may decide that the Matching Award will vest on cessation of employment. The extent to which a Matching Award will vest will depend upon the extent to which the performance conditions have been satisfied over the full performance period or up to the date of cessation as appropriate.

Performance Conditions

Deferred Awards

These are not subject to any performance conditions.

Matching Awards

All Matching Awards will be subject to performance conditions set by the Committee on each grant. The initial grant of Matching Awards was subject to a TSR condition which compares the TSR of the Company over a three-year performance period with the TSR of the FTSE Mid 250 (excluding investment trusts) as at the date of grant. The extent to which such Matching Awards will vest is as follows:

Company's TSR ranking against the FTSE Mid 250 (excluding investment trusts) over the performance period	Percentage of Matching Award that vests
Below median	None
Median	25%
Between median and upper quartile	Pro-rata on a straight line between 25% and 100%
Upper quartile	100%

The performance period will be the three consecutive financial years starting with the financial year in which the grant is made. The relevant TSR figures will be averaged over the three months prior to the start and end of the performance period. In addition, irrespective of the Company's TSR performance, no part of a Matching Award will vest unless the Group's normalised EPS growth over the performance period is, on average, at least 2% per annum above the UK Retail Price Index (RPI).

The Committee can set different performance conditions from those described above for future awards. Any such new targets will not, in the reasonable opinion of the Committee, be materially less challenging in the circumstances than those described above.

Remuneration report

The Committee may also vary the performance conditions applying to existing awards to take account of events that the Committee considers to be exceptional, provided the Committee considers the varied condition is fair and reasonable and not materially less challenging than the original condition would have been but for the event in question.

The 2002 Share Option Plan (2002 Plan)
The 2002 Plan was introduced following the Company's listing in 2002. No options have been granted since 2005. Only Executive Directors or employees of the Group were eligible to participate in the 2002 Plan. The exercise price was determined by the average of the closing middle market quotations of an ordinary share in the Company on the five dealing days immediately prior to the date of grant and the options granted exercisable between three and ten years after the date of grant, provided the performance condition has been satisfied. The Committee decides whether the performance condition has been met at the appropriate time.

No options were granted in 2006, but prior to that there were annual grants with each tranche equating to approximately 1% of the Company's issued share capital. No individual was granted options with a value of more than their annual base salary in each year. The options are subject to performance criteria unless there are regulatory or legal difficulties in jurisdictions where the employee is based. The performance condition requires that the growth in the Company's EPS outperforms the growth in the RPI by a minimum of 5% per annum over a three-year period. If the condition is met, 25% of the options become exercisable. If the growth rate is 8% over RPI then 66.6% of options become exercisable. 100% of the options would only become exercisable if the Company's growth in EPS outperformed the growth in the RPI by 11% per annum over a three-year period. For growth rates between 5% and 8%, and 8% and 11%, the percentage of options exercisable is calculated on a sliding scale. In respect of options granted prior to 2005, if the performance targets are not met in full for the initial performance period of three years, the performance period may be extended by one further period of 12 months, to ascertain whether the balance of the unvested options can be exercised. The final grant of options under the Plan in 2005 did not have a re-testing provision. The above performance criteria were selected to closely link improvement in performance with increase in shareholder value.

Other than in the case of hardship, senior executives are required to retain 25% of their shares acquired upon the exercise of their options (ignoring shares sold to meet any tax liability and the financing cost on exercise), for a period of up to two years following exercise, in order to demonstrate their commitment to the Group.

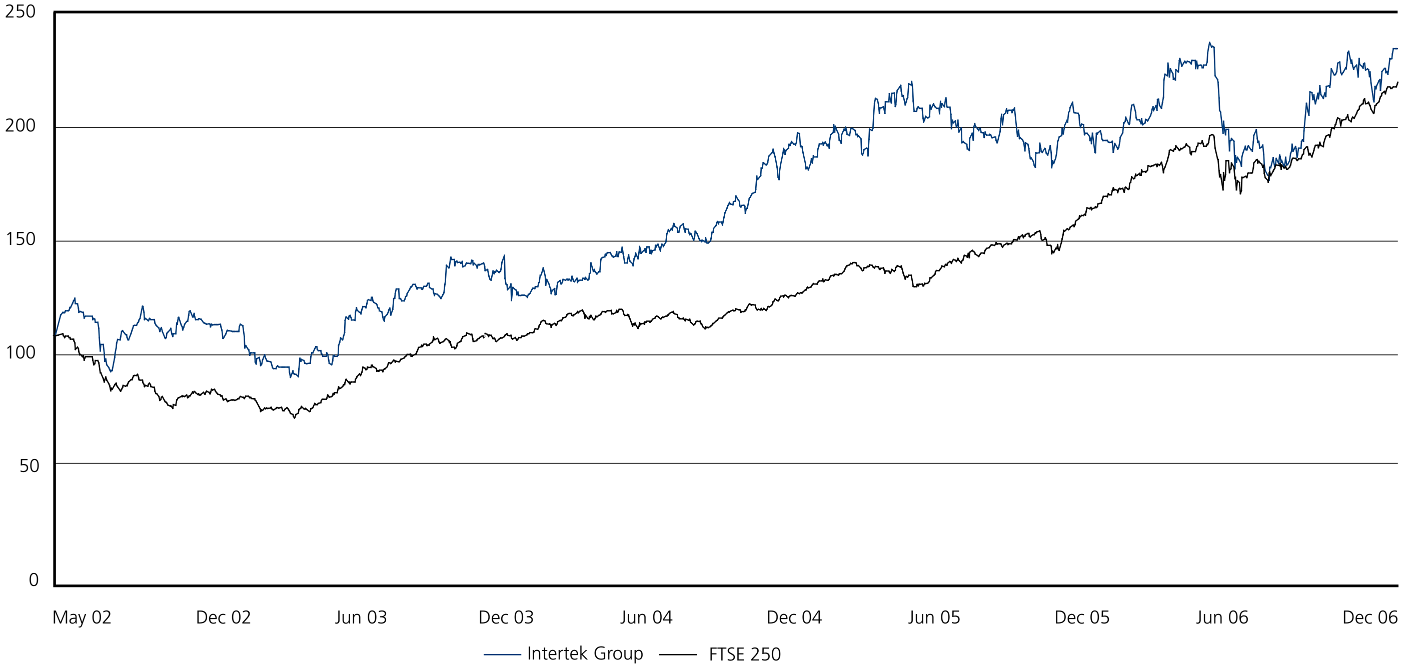
The Approved Plan
The key features of the Approved Plan (which has been approved by the Inland Revenue) are broadly the same as for the 2002 Plan, except that options were granted subject to the requirement that the aggregate exercise price of all the subsisting options granted to an employee under the Approved Plan must not exceed £30,000.
No further awards are to be made under the 2002 Plan or the Approved Plan.

Performance graph

TSR, comprising the changes in value of a share and dividends distributed, can be represented by the value of a notional £100 invested at the beginning of a period and its change over that period.

The graph below shows TSR in respect of the Company since flotation on 24 May 2002. The TSR for the Company is compared with the TSR for the FTSE Mid 250 index. The FTSE Mid 250 index was selected, as it is a broad market index of which the Group is a member. In addition, the Group uses that group of companies, amongst others, for comparison of pay and benefit levels.

Intertek Group vs FTSE 250 TSR



The auditors are required to report on the information contained in the following section of the Remuneration Report.

The table below summarises Directors' remuneration and pension contributions for 2006 and the prior year for comparison. No payments for loss of office were made during the year and no other awards were made to any Director.

Directors' remuneration summary

	Notes	2006 Base salary and fees £000	2006 Consultancy fees £000	2006 Cash bonuses £000	2006 Other benefits £000	2006 Total emoluments £000	2006 Pension contributions £000	2006 Total £000	2005 Total excluding pension contributions £000	2005 Total including pension contributions £000	Deferred bonus 2006[8] £000	Deferred bonus 2005[8] £000
Executive Directors												
WG Hauser	1	430	–	209	61	**700**	86	**786**	559	626	**209**	120
W Spencer	2	239	–	90	14	**343**	17	**360**	287	303	**90**	53
Non-Executive Directors												
DP Allvey		57	–	–	–	**57**	–	**57**	38	38	**–**	–
R Kong	3	158	29	26	23	**236**	14	**250**	346	375	**–**	31
CJ Knight	4	38	–	–	–	**38**	–	**38**	–	–	**–**	–
RC Nelson	5	50	5	–	51	**106**	–	**106**	200	244	**–**	–
D Rade		38	–	–	–	**38**	–	**38**	–	–	**–**	–
RE Sayers	6	–	–	–	–	**–**	–	**–**	34	34	**–**	–
VE Treves	7	105	–	–	13	**118**	–	**118**	93	93	**–**	–
Total		**1,115**	**34**	**325**	**162**	**1,636**	**117**	**1,753**	1,557	1,713	**299**	204

1. Other benefits for WG Hauser of £60,917 (2005: £112,400) include long-term disability insurance, school fees, company car allowances and healthcare. £50,000 is paid as a fixed sum per annum. In 2005, other benefits included relocation costs.
2. Other benefits for W Spencer comprise long-term disability insurance, healthcare and company car allowances.
3. Remuneration reported for 2005 and until Mr Kong's date of retirement from executive service, being 30 June 2006, is in respect of his service as an Executive Director. During that period, other benefits included a housing allowance, club membership and certain travel costs. From 1 July 2006 fees as a Non-Executive Director are reported. In addition to his Director's fees, R Kong received £29,000 (2005: nil) under a consultancy agreement. A gain of £291,865 was made through the exercise of options during the year.
4. Remuneration reported from date of appointment, 30 March 2006.
5. In addition to his Director's fees, RC Nelson received £5,000 (2005: £nil) for special project work undertaken during the year. The other benefits for RC Nelson of £50,880 (2005: £50,880) is for a life assurance policy, in accordance with the terms of his previous employment contract with the Company, for £1.0m to be maintained for the whole of his life and payable to his beneficiaries on his death.
6. Remuneration reported until date of death on 25 November 2005.
7. Other benefits for VE Treves comprise a company car.
8. Under the 2005 Deferred Bonus Plan, awards were made in 2006 to Executive Directors based on their 2005 bonuses. Deferred Awards were made in shares based on a share price of 827.6p. Deferred Awards vest in three years' time, subject to continued employment. Matching Awards, which are subject to additional performance conditions, were also made. Similar awards will be made in 2007 based on 2006 bonuses.

Pensions

In order to ensure that there is no adverse impact on liabilities, the Group has made certain modifications to its UK pension schemes as a result of changes in UK pension legislation, which took effect from April 2006. The Committee continues to review the current liabilities under the defined benefit section of the UK pension scheme and to monitor the effect of changes to future mortality rates and investment returns and how to limit the potential liability created by pension commitments. The majority of the Group's employees are non-UK based and are therefore unaffected. Further details of the Group's pension schemes, including the funding position, are disclosed in note 22 to the financial statements. Details of the pension arrangements for those who have served as Executive Directors during the financial year are shown below.

WG Hauser

WG Hauser is not a member of a Group company pension scheme. Instead, the Group contributes an amount equal to 20% of his base salary in respect of a personal pension arrangement. During 2006 this amounted to £86,000 (2005: £66,667). WG Hauser is entitled to a death-in-service benefit comprising a lump sum payment equivalent to four times his base salary.

Remuneration report

W Spencer
W Spencer is a member of the defined benefit section of the Intertek UK Company Pension Scheme. This is a defined benefit and defined contribution occupational pension scheme approved by the Inland Revenue. The main features of the defined benefit section of the scheme are:

Normal retirement age	65
Annual pension at normal retirement age	1/60 of final pensionable salary (highest base salary in any 12-month period during the five years immediately preceding retirement date) for each year of service. Members may exchange part of their pension for a tax-free cash sum. This will reduce their pension but not that of their spouse.
Spouse's or dependant's pension payable on death of member	Half of member's pension.
Early retirement	From age 50 onwards with the consent of the Company and the Trustees, based on accrued entitlement reduced by 4% for each year of retirement prior to age 65. With effect from 6 April 2010, the minimum retirement age will increase to age 55.
Pension increases in payment or deferment	Increases in deferment – revaluation is in two parts: i) The part that represents the Guaranteed Minimum Pension (GMP) will be increased at the rate of 4.5% for each complete tax year between date of leaving and State Pension Age. ii) The balance of the pension will increase at the rate of 2.5% per annum or in line with the Retail Price Index if lower for each completed year between the date of leaving and the Normal Retirement Date. Increases in retirement (or payment): i) Pre 1997 excess pension benefits will increase at the rate of 3% per annum. ii) 1997 to 2005, excess pension benefits will increase at the rate of the lower of 5% per annum or the increases in Retail Price Index. iii) Post 2005 excess pension benefits will increase at the rate of the lower of 2.5% per annum or the increases in Retail Price Index. iv) Pre 1988 GMP 0% increase. v) Post 1988 GMP 3% per annum or increase in the Retail Price Index, if lower.
Employee contributions	As determined by the Company and the Trustees: currently 8.5% of base salary (excluding incentive payments) up to the earnings cap.
Employer contributions	As determined by the Company and the Trustees: currently 16% of base salary (excluding incentive payments) up to the earnings cap.
Ill health or incapacity	In the case of ill health, the pension is calculated as for early retirement but without the 4% reduction. In the case of incapacity the pension is calculated as if pensionable service had continued to normal retirement date.
Death in service	A member is entitled to either: i) a lump sum of four times pensionable salary plus spouse's pension which is 50% of the member's prospective pension at normal retirement date; or ii) lump sum of eight times pensionable salary, but with no spouse's pension (except for the contracting-out requirements).

Details of the accrued pension to which W Spencer is entitled on leaving service and the changes during the year are shown in the table below:

Name	Age at 31 December 2006	Contributions made by the Director during the year £	Increase in accrued entitlement during the year[1] £	Accrued entitlement[1] 2006 £	Transfer value[2] 2005 £	Transfer value[2,3] 2006 £	Increase in transfer value in year less contributions made by Director[3] £
W Spencer	47	9,212	1,560	27,695	191,455	272,511	71,844

1. The accrued pension entitlement is the amount that would be paid each year on retirement at 65 based on service to 31 December 2006, excluding the effect of inflation. Including inflation, the increase was £2,468 during the year.
2. Transfer values have been calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN11)" last revised by the Institute of Actuaries and the Faculty of Actuaries on 30 December 2005. The transfer value disclosed above does not represent a sum paid or payable to the individual Director, instead it represents a potential liability of the Pension Scheme. The value represents the full transfer value without reduction for any shortfall in scheme funding.
3. The assumptions used to calculate transfer values were revised in May 2006, resulting in higher transfer values.

R Kong

R Kong was a member of the Intertek Hong Kong Retirement Scheme (the ORSO Scheme) until his retirement on 30 June 2006. This is a hybrid scheme (combination of defined benefit and defined contribution benefit structure) registered under the Occupational Retirement Schemes Ordinance (ORSO) in Hong Kong. Following R Kong's retirement on 30 June 2006, his membership in the ORSO ceased. No further contribution was made to the scheme and all his vested benefit was paid as a lump sum of £1,270,143 in July 2006. No other pension scheme arrangement was made for him after this date.

Details of the changes during the year and the lump sum benefit to which R Kong was entitled on leaving service are shown in the table below. The figures are translated from Hong Kong dollars into sterling using the exchange rates applicable to each period.

Name	Age at retirement	Contributions made by the Group during the period until retirement £	Decrease in accrued entitlement during the period to retirement[1] £	Accrued entitlement at retirement[3] £	Transfer value[4] 2005 £	Transfer value at retirement £	Increase in transfer value during the period to retirement[2] £
R Kong	58	13,928	25,929	1,270,143	1,231,247	1,270,143	38,896

1. Includes foreign exchange currency translation difference of £81,571.
2. Includes foreign exchange currency translation difference of £77,491.
3. For the year to 31 December 2005 the accrued entitlement referred to the lump sum payable to R Kong if he retired at age 60, based on his service to 31 December 2005. Since R Kong was covered by a retirement scheme in Hong Kong, the above calculation took into account the economic conditions in Hong Kong. For the year to 31 December 2006 the accrued entitlement represents the actual lump sum to which R Kong was entitled on retirement.
4. For the year to 31 December 2005 the transfer value disclosed was calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN11)" published by the Institute of Actuaries and the Faculty of Actuaries dated 6 April 2001. To be consistent with the GN11, the transfer value was determined to be the past service liability based on the ORSO funding method and assumptions. For the year to 31 December 2006 the transfer value represents the actual lump sum to which R Kong was entitled on retirement.

Transactions with Directors

These are disclosed in note 28 to the financial statements.

Directors' interests in share options and long-term incentive plans

Non-Executive Directors are not allowed to participate in the Company's share incentive plans. Following his retirement from executive service R Kong retained his interest under the Deferred Bonus Scheme. No options were granted to the Executive Directors under the 1997 Plan. Options and awards granted to the Executive Directors under the Approved Plan, the 2002 Plan and the 2005 Deferred Bonus Plan (LTIP) are shown overleaf:

Remuneration report

Directors' interests in share options and long-term incentive plans

	31 December 2005	Options granted/ Awards made during 2006		Options exercised during 2006	Options lapsed during 2006	31 December 2006		
	Number of shares	Number of shares	Exercise price £	Number of shares	Number of shares	Number of shares	Date option/award becomes exercisable/vests	Date option expires
WG Hauser								
Approved Plan	3,856	–	7.78	–	–	3,856	April 2008	April 2015
2002 Plan	47,558	–	7.78	–	–	47,558	April 2008	April 2015
LTIP Deferred[1]	–	14,514	–	–	–	14,514	April 2009	–
LTIP Matching[1]	–	29,028	–	–	–	29,028	April 2009	–
Total	**51,414**	**43,542**		**–**	**–**	**94,956**		
W Spencer								
Approved Plan	6,864	–	4.37	–	–	6,864	May 2005	May 2012
2002 Plan	15,466	–	4.37	–	–	15,466	May 2005	May 2012
2002 Plan	21,357	–	3.59	–	–	21,357	April 2006	April 2013
2002 Plan	24,069	–	5.235	–	–	24,069	April 2007	April 2014
2002 Plan	29,563	–	7.78	–	–	29,563	April 2008	April 2015
LTIP Deferred[1]	–	6,391	–	–	–	6,391	April 2009	–
LTIP Matching[1]	–	12,782	–	–	–	12,782	April 2009	–
Total	**97,319**	**19,173**		**–**	**–**	**116,492**		
R Kong[2]								
2002 Plan	42,526	–	4.37	42,526	–	–	May 2005	–
2002 Plan	37,266	–	3.59	35,608	1,658	–	April 2006	–
2002 Plan	40,600	–	5.235	40,600	–	–	April 2007	–
2002 Plan	34,829	–	7.78	–	34,829	–	April 2008	–
LTIP Deferred[1]	–	3,732	–	–	–	3,732	April 2009	–
LTIP Matching[1]	–	7,464	–	–	–	7,464	April 2009	–
Total	**155,221**	**11,196**		**118,734**	**36,487**	**11,196**		

1. The LTIP awards were made based on a share price of 827.6p, obtained by averaging the closing share prices for the five dealing days before the date of grant. At date of grant the share price was 831.0p.
2. On becoming a Non-Executive Director, under the terms of his letter of engagement, Mr Kong was entitled to exercise up to 100%, subject to performance criteria, of the share options granted under the share plans, within three months from 30 June 2006. R Kong exercised share options totalling 118,734 on 5 July 2006 when the market price was 689p, and retained all the resultant 118,734 ordinary 1p shares. Of the April 2003 grant, the performance condition was only met as to 95.55%, so that only 35,608 options were exercisable and 1,658 options lapsed. Of the April 2005 grant, all of the options lapsed after three months, the exercise price not having been attained. Mr Kong's entitlement under the LTIP remains.

Grants have been phased, so far as possible, over the ten-year life of each of the plans. Directors were eligible to exercise share options during 2006.

On 29 December 2006, the closing market price of Intertek ordinary shares was 833.5p. The highest and lowest prices of the shares during the year were 861.5p and 614.5p respectively.

Directors' interests in ordinary shares

The interests of the Directors in the shares of the Company are set out below:

Number of ordinary shares of 1p	31 December 2005 or date of appointment	Acquired	Sold	**31 December 2006**
DP Allvey	5,270	–	–	**5,270**
R Kong	200,000	118,734	–	**318,734**
CJ Knight	–	5,000	–	**5,000**
RC Nelson	500,000	–	–	**500,000**
W Spencer	258,000	–	48,000	**210,000**
VE Treves	50,000	–	–	**50,000**

Save as stated above, during the course of the year, no Director, nor any member of his immediate family, had any other interest in the ordinary share capital of the Company or any of its subsidiaries. No changes in the above Directors' interests have taken place between 31 December 2006 and the date of this Report.

Approved by the Board on 5 March 2007.

DP Allvey
Chairman, Remuneration Committee

Corporate governance

The Group is committed to high standards of corporate governance and this report outlines the Company's compliance with the provisions of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the Code). During 2006, the Company complied with almost all the provisions of the Code. Any areas of non-compliance are described in this report. The Board is accountable to the Company's shareholders for good corporate governance and this statement describes how the relevant principles of governance have been applied.

The Board

An effective Board, which provides entrepreneurial leadership and controls the Group, is in place. The Board's main roles are to create value for shareholders, to lead the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable it to meet those objectives. The Board is responsible to shareholders for the proper management of the Group. All Directors have a wide range of experience and skills, bringing independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

There were eight scheduled Board meetings held in 2006. There was, in addition, frequent contact between Directors to discuss the Company's affairs and develop its business. Directors' attendance at Board meetings is shown in the table on page 32. Also, on several occasions, the Chairman met with the Non-Executive Directors without the Executive Directors being present.

Board matrix

The Group has identified a number of key areas that are subject to regular reporting to the Board, so that the performance of management can be reviewed and monitored. A Board matrix is in place which formally outlines the matters specifically requiring the consent of the full Board and includes, inter alia, the approval of Group strategy and operating plans, the annual budget, the Annual Report, the Interim Report and related announcements, substantial capital expenditure, large acquisitions and disposals, the recommendation of dividends and the approval of treasury and risk management policies.

The Board matrix also identifies areas where executive management can grant approval subject to certain financial limits. Where any of the activities involve amounts greater than those limits they are referred to the Board. The authorities in the Board matrix are reviewed regularly and any changes are approved by the Board. The Board matrix is communicated to all senior management to ensure that throughout the Group it is known when Board approval is required.

Board management

During the year the Board consisted of the Chairman VE Treves, the Non-Executive Deputy Chairman RC Nelson, the Chief Executive Officer WG Hauser, the Chief Financial Officer W Spencer, R Kong, a Non-Executive Director, and three independent Non-Executive Directors, DP Allvey, who is also the Senior Independent Director, D Rade, appointed 1 January 2006 and CJ Knight, appointed 30 March 2006. R Kong's engagement as a Non-Executive Director commenced on 1 July 2006, changing his status from Executive Director, following his retirement as Chief Executive of the Consumer Goods division. The Senior Independent Director is readily available to shareholders if they have concerns that remain unresolved after contacting the Company through the usual channels of Chairman, Chief Executive Officer or Chief Financial Officer or where such contact is inappropriate. The Directors' biographies appear on pages 18 and 19.

If a Director has any concerns about the Company or a proposed action, then such concerns are recorded in the Board minutes as a matter of course. Insurance cover is in place in respect of legal action against the Directors.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer and they have been set out in writing and approved by the Board. On appointment to the Board in May 2002 the Chairman met the independence criteria set out in the Code.

The responsibilities of VE Treves as Chairman include those contained in the supporting principle to paragraph A.2 of the Code, namely leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda; ensuring that the directors receive accurate, timely and clear information; ensuring effective communication with shareholders; facilitating the effective contribution to the Board of Non-Executive Directors in particular; and ensuring constructive relationships between the Executive and Non-Executive Directors. The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

DP Allvey, D Rade and CJ Knight are clearly independent Non-Executive Directors. Under the provisions of the Code, neither RC Nelson nor R Kong are considered to be independent in their positions as Non-Executive Deputy Chairman and Non-Executive Director, respectively, because of their previous service as executives in the Group. However, during the year both RC Nelson and R Kong continued to bring valuable expertise to the Board through their extensive knowledge of the business.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined, not only in the best long-term interests of shareholders, but also to ensure that they take proper account of the interests of customers and employees. The Non-Executive Directors are all experienced and influential individuals and through their mix of skills and business experience they contribute significantly to the effective functioning of the Board and its committees, ensuring that matters are fully debated and that no one individual or group dominates the decision-making process.

D Rade and CJ Knight were appointed during the year, following a review of the Board's composition, and after consulting with advisers as to suitable candidates. Despite these appointments, the Board, excluding the Chairman, does not comprise at least half "independent" Non-Executive Directors, as defined and required by the Code. However, the Board believes that its current composition, taking into account the overall balance of skills, knowledge, commitment and experience, results in an efficient and effective board operation, whilst maintaining an appropriate balance between Executive and Non-Executive Directors.

To enable them to discharge their duties, all Directors have full and timely access to all relevant information. Papers are circulated well before the Board and Committee meetings to ensure that Directors have the necessary time to read and review them. The Non-Executive Directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives and prior performance.

A formal induction programme has been established for new Directors, tailored to suit the individual's previous experience. Ongoing training is provided to Directors and visits to sites arranged. Directors are briefed on changes to legislation and best practice.

All Directors have access to the advice and services of the Company Secretary who will assist in arranging any additional training and information as required. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Corporate governance

All Directors are entitled to obtain independent professional advice, at the Company's expense, in the performance of their duties as Directors. No such advice was sought during the year.

The Board believes that strong corporate governance improves the performance of the business and enhances shareholder value. During its meetings in 2006, the Board received and discussed the Chief Executive Officer's and Chief Financial Officer's reports, market reports, share trading reports, analysts' forecasts, potential acquisitions, claims and risk reports, final and interim dividend recommendations, potential contract bids, road show and investor feedback, alternative capital structures, divisional budgets, marketing initiatives, treasury policy, year end and interim reports and announcements, IT strategy and a wide range of other issues.

Board Committees

The Board has established three Committees, each with clearly defined terms of reference, procedures and powers. These terms of reference are available on request from the Company Secretary at the registered office or can be downloaded from www.intertek.com. The number of full Board meetings and Committee meetings attended by each Director during the year was as follows:

Name	Position	Scheduled Board meetings	Audit and Risk Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
VE Treves	Chairman	8(8)	4(4)	2(2)	5(5)
RC Nelson	Non-Executive Deputy Chairman	8(8)	n/a	n/a	n/a
WG Hauser	Chief Executive Officer	8(8)	n/a	n/a	n/a
W Spencer	Chief Financial Officer	8(8)	n/a	n/a	n/a
R Kong	Non-Executive Director	8(8)	n/a	n/a	n/a
DP Allvey	Senior Independent Non-Executive Director	8(8)	4(4)	2(2)	5(5)
D Rade	Independent Non-Executive Director	8(8)	n/a	n/a	n/a
CJ Knight	Independent Non-Executive Director	6(6)	3(3)	1(1)	3(3)

Figures in brackets indicate the number of meetings held in the period during which the relevant individual was a Director or Committee member.

Membership of the three relevant Board Committees is set out below.

The Remuneration Committee

This Committee currently comprises three Non-Executive Directors, DP Allvey (Chairman), VE Treves and CJ Knight. Following his appointment as a Non-Executive Director CJ Knight was appointed as a Committee member on 30 March 2006. The Code requires the Remuneration Committee to have at least three independent Non-Executive Directors. As Chairman of the Board of Directors of the Company, VE Treves is not viewed as independent by the Code so that, in this regard, there was non-compliance with it. During 2006 the Remuneration Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective and that VE Treves exercised independent judgement on all remuneration matters referred to and discussed by that Committee. The current Code also recommends that the Chairman of the Board of Directors is not a member of the Remuneration Committee. However, following a change to the Code which will be effective for years beginning after 1 November 2006, this recommendation has been dropped, provided that the Chairman is independent on appointment, which was the case for VE Treves, and accordingly this will not be an area of non-compliance for the Company next year.

The Committee has responsibility for making recommendations to the Board on the remuneration of the Executive Directors and senior executives and for the determination, within agreed terms of reference, of additional benefits for each of the Executive Directors, including pension rights and any compensation for loss of office. The Committee is also responsible for the implementation and operation of employee share incentive arrangements.

During 2006 the Remuneration Committee met five times. At those meetings the Committee discussed, amongst other things, policy with regard to salary increases on promotion, reviewed the financial status and investment strategy of the Company's UK final salary pension scheme, determined bonus awards for 2005 and bonus targets for 2006, determined salary increases for senior members of the executive team, determined the mechanics of the Long Term Incentive Plan (2005 Deferred Bonus Plan), and approved the annual Remuneration Report.

Details of the Group's remuneration for Executive Directors and details of benefits, share options, pensions entitlements, service contracts and compensation payments are given in the Remuneration Report on pages 22 to 30.

The Nomination Committee

This Committee currently comprises three Non-Executive Directors, VE Treves (Chairman), DP Allvey and CJ Knight. Following his appointment as a Non-Executive Director CJ Knight was appointed as a Committee member on 30 March 2006, and from that date forward the Company was in full compliance with the relevant Code provisions, which require a Nomination Committee to have a majority of independent Non-Executive Directors. During 2006 this Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective.

This Committee, which met twice during the year, nominates candidates to fill Board vacancies, reviews succession planning and makes recommendations on the balance and composition of the Board. Bearing in mind the balance of existing skills, knowledge and experience on the Board, a job description is prepared for any new Board position and when a Non-Executive Director is appointed, the Committee requires confirmation that he or she can devote sufficient time to fulfil the commitments of the role. The terms and conditions of appointment of Non-Executive Directors are available for inspection by any person at the Company's registered office during normal business hours and at the Annual

General Meeting (for 15 minutes prior to the meeting and during the meeting). All new Directors are subject to election by shareholders at the first annual general meeting after their appointment and then are subject to re-election by shareholders once every three years.

Following the sudden death of R Sayers in 2005, and the evaluation of numerous possible replacements, the Committee recommended and the Board appointed Christopher Knight as a Non-Executive Director with effect from 30 March 2006.

The policy on Directors' service contracts is set out in the Remuneration Report.

The Audit and Risk Committee

This Committee currently comprises three Non-Executive Directors, DP Allvey (Chairman), VE Treves and CJ Knight. CJ Knight was appointed as a Committee member on 30 March 2006. As Chairman of the Company, VE Treves is not viewed as independent by the Code, so that, in this regard, there was non-compliance with it. (The Code requires an Audit and Risk Committee to have at least three independent Non-Executive Directors.) During 2006, the Audit and Risk Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective and that VE Treves exercised independent judgement on all issues presented and discussed by that Committee. DP Allvey has recent and relevant financial experience as detailed in his biography on page 19.

The Audit and Risk Committee monitors the integrity of the Group's financial statements and any formal announcements relating to the Group's performance. The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors, and for ensuring that an appropriate relationship between the Group and the external auditors is maintained. It also reviews annually the Group's systems of internal control, the processes for monitoring and evaluating the risks facing the Group and the effectiveness of the internal audit function. It is responsible for approving the appointment and termination of the Head of Internal Audit and meets with him at least once a year without management present.

The Group's auditors, Chief Executive Officer, Chief Financial Officer, Vice President Financial Control, Vice President Compliance and the Head of Internal Audit, usually attend Committee meetings. The Group's auditors meet with the members of the Audit and Risk Committee alone at least once a year.

The Audit and Risk Committee seeks to ensure the continued independence and objectivity of the Group's auditors. A policy on the provision of non-audit work by the external auditor has been approved by the Board to ensure that auditor objectivity and independence are safeguarded. To this end, the policy highlights those areas where the external auditor cannot provide services to the Group, including inter alia, the provision of Group management functions, internal audit outsourcing, provision of legal advice and recruitment and remuneration advice. As a reassurance, the auditors confirm by way of letter to the Board that processes to ensure compliance with this policy are in place, and that these processes are monitored regularly. A detailed breakdown of the audit and non-audit fees paid to the Group's auditors during the year is set out in note 4 to the financial statements.

At its meetings during 2006 the Committee reviewed and endorsed, prior to submission to the Board, the Company's Interim Report and Annual Report and results announcements. The Committee also monitored and reviewed the standards and effectiveness of risk management and internal control, the company's internal audit function and its plans and performance. It also reviewed the Company's arrangements for business continuity planning, IT systems and security, fraud and related matters, whistle blowing and hotlines, compliance and e-learning, and substantial claims affecting the Company.

The ultimate responsibility for reviewing and approving the Annual Report and the Interim Report remains with the Board.

During 2006 the Audit and Risk Committee met four times. The Chairman and other Committee members also attend meetings held twice a year with the external auditor and management to discuss any accounting issues associated with the annual audit and interim review.

Performance evaluation

A performance evaluation process led by the Chairman is applied to each Director, Committee and the Board as a whole. This comprises a series of questionnaires which provide a framework for the evaluation process, and provide the Chairman with a means of making year-on-year comparisons. There are questionnaires for each of the following: the Board; each individual Director; the Remuneration, Nomination and Audit and Risk Committees.

This annual evaluation of the effectiveness of the Board and its Committees ensures that the performance of each individual Director and the functioning and constitution of the Board and each Committee are properly measured.

The Chairman assesses the individual performance of each Director, based on questionnaires from the other Directors. The Senior Independent Director has discussions with the other Executive and Non-Executive Directors, without the Chairman being present, in order to appraise the Chairman's performance during the year. For the year under review these assessments concluded that the performance of the Board and each Director was and is effective and that all Directors demonstrate full commitment in their respective roles to the Company (evidenced, inter alia, by the Board and Committee attendance records set out in this report). The evaluations further demonstrate that the Board has the right set of skills, that all the Directors add value to the overall effectiveness and success of the Group, and that no substantial issues have arisen out of the evaluation process.

The Remuneration, Nomination, and Audit and Risk Committees each also held an evaluation of their work and effectiveness during the year, the results of which were reported to the Board by the respective Committee Chairmen. The reviews concluded that each Committee was operating in an efficient and effective manner.

The Board will continue to develop the evaluation process in order to ensure that it can properly review, on an annual basis, its performance and that of its individual members and Committees.

Internal control

Many of Intertek's primary business objectives relate to compliance to ensure adherence to local, national and international laws and requiring our employees to show integrity and honesty in all business dealings. Risk management and internal controls are therefore embedded in the running of each division, assuring the accuracy and validity of reports and certificates that we provide to customers. Although the Directors are ultimately responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss. The Board can confirm that, in addition to internal audits, there is

Corporate governance

an ongoing process for identifying, evaluating and managing any significant risks to the Group's short and long-term value, including those arising from social, environmental and ethical matters. This process has been in place for the year under review and up to the date of approval of the Annual Report, is regularly reviewed by the Board, and accords with the Turnbull Guidance. During the year, strong internal controls were found with a few exceptions which were the subject of immediate corrective action. No material breaches of any internal controls were identified during the year. In carrying out the risk review the Board is satisfied that it received adequate information from the operations around the world. Training is provided to Directors on these matters where necessary.

The Audit and Risk Committee has reviewed the effectiveness of the system of financial and non-financial internal control during the year. In particular, it has reviewed and continues to seek to improve the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. This is reinforced by the Code of Ethics, which provides practical guidance and instruction for staff. A copy of this Code is available at www.intertek.com.

The Group operates a "zero tolerance policy" in regard to breaches of ethics and employees are required to sign a certificate confirming their understanding that any breaches of the Group's code of ethics will result in disciplinary action that may include dismissal of the employee concerned. To support Group policies and to facilitate the raising of concerns about possible improprieties in matters of financial reporting and other matters, there are independently managed email and telephone hotlines so that staff may report anonymously any inaccurate or unethical working practices.

In carrying out its review, the Audit and Risk Committee endeavours to ensure that the Group has in place the most appropriate and effective controls, checks, systems and risk management techniques so as to be in line with best practice on such matters.

Each operating division is responsible for the identification and evaluation of significant risks applicable to that area of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption of information systems, competition, natural catastrophe and regulatory requirements. Operation of the controls is designed to minimise the occurrence of risk or of its consequences.

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

Each division reports annually to the Audit and Risk Committee via the Chief Financial Officer on its review of risks and how they are managed. Each year senior managers throughout the Group confirm the adequacy of their systems of internal controls, compliance with Group policies, local laws and regulations and report any control weaknesses identified in the past year. One of the Audit and Risk Committee's main roles is to review, on behalf of the Board, the key risks inherent in the business and the system of controls necessary to ensure such risks are properly managed.

The Chief Financial Officer heads a central compliance team, which co-ordinates the quality assurance function. Quality assurance audits are carried out by the divisions and the findings reported to divisional management and to compliance officers. Each division has at least one dedicated compliance officer who undertakes investigations of issues that arise either from quality assurance audits or by other means such as the employee hotline. Reports of significant findings are presented to the Audit and Risk Committee. Each geographic region has an internal auditor who is independent of the divisions. The main reporting sites are reviewed annually. The other sites are reviewed regularly on a schedule based on materiality and risk. Reports of significant findings are presented to the Audit and Risk Committee and it monitors and reviews the effectiveness of the internal audit function. The internal audit department was awarded ISO 9001:2000 accreditation in 2003 and was re-accredited in 2006.

The Group will, from time to time, be required by its customers to operate in countries where there is potential political and economic risk. In doing so, the Group maintains a policy of facilitating international trade inspection and audit services that help to prevent corruption and assist with humanitarian aid. Where there are no laws in place that prohibit business dealings in certain countries, the Group will consider operating in those countries, but only in strict accordance with its stringent Code of Ethics.

The Audit and Risk Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to attain the level of assurance required by the Board.

The Chief Executive Officer also reports to the Board on significant changes in the business and the external environment, which could impact on risk. The Chief Financial Officer provides the Board with monthly financial information, which includes the comparison of key performance figures against budget and forecasts, risk indicators and compliance with covenants. Where areas for improvement in the system are identified, the Board considers the recommendations made by management and the Audit and Risk Committee. The Board approves the treasury policy and that department's activities are also subject to internal audit.

Relations with shareholders

Communications with shareholders are given a high priority. The Company produces an Annual Report which is sent to shareholders. At the half year, an Interim Report is published. The Group also has a website www.intertek.com which contains up-to-date information on the Group's activities and published financial results. Shareholders can subscribe via the Investor Relations section of www.intertek.com to receive email alerts of important announcements made by the Group.

Going concern

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

Corporate responsibility

The Board recognises that the Group has a responsibility to act ethically in relation to the physical and social environment in which it operates and that failure to do so could adversely impact on the Group's long and short-term value, as a result of financial penalty and loss of customer support. It takes such responsibilities seriously, paying due regard to international and local laws in all its dealings. Further details are disclosed in the Corporate Responsibility statement on pages 35 to 36.

Corporate social responsibility

This Corporate Responsibility statement examines how, during the year under review, Intertek managed its own relationships with stakeholders including business partners, employees and local communities, and how the management of corporate responsibility issues fits within the Group's overall business aims. Specific corporate governance issues are reported in the Corporate Governance Report on pages 31 to 34.

In this Annual Report are examples of the positive impact that Intertek's business has had, through its services, on consumers and on the environment. It is the very nature of Intertek's business to test, measure and analyse products, commodities and systems, contributing to a safer, healthier environment. The Group's work with clients and their supply chains increases energy efficiency and reduces waste and risks from hazardous substances. Products are made safer and systems more reliable.

Intertek's business

Intertek is a service business and its commitment to supporting and adding value for its customers drives everything it does. The Group delivers innovative solutions to facilitate its customers' success in the global marketplace and through its local service and global network Intertek enables its customers to dedicate their energies to their core business activities. The Group offers comprehensive programmes and services which draw on its industry-specific knowledge and technical expertise and it provides its customers with confidence.

Intertek's services are wide-ranging and produce diverse benefits through its customers. Intertek provides Social Compliance Monitoring, which monitors manufacturers, including the carrying out of on-site audit, to help ensure that work practices and factory conditions are legal, humane and ethical, and that no enforced or child labour is used. Intertek tests fuels for purity and performance, measures air and noise emissions, reviews imports to assess their safety and quality, provides scanning services for security programmes, tests products for compliance with hazardous substance requirements and has been instrumental in developing the European Union's product recall guide. These are some examples of the many ways Intertek's services impact on a range of stakeholders.

The Group's focus over the last year has been principally on "people issues". The commitments Intertek has made in its mission statement include the delivery of outstanding results through sound financial practices, through stable growth and through supporting and adding value for its customers and these aims can only be achieved through the development of the technical and local expertise of Intertek staff, the provision of a robust structure in which to work and beneficial relationships with a variety of stakeholders.

Intertek has adopted and published the following values for the Group and for the individuals who work for it, the Group will:

- value trust and personal responsibility;
- act with integrity, honesty and respect;
- value each employee's contribution toward achieving our business objectives;
- promote a culture where motivated customer-orientated employees can flourish, experience professional fulfilment and reach their highest potential; and
- respect diverse perspectives, experiences and traditions as essential.

These values feed into the Group's relationships with staff, customers, suppliers and other stakeholders.

Corporate responsibility structure

The Chief Executive Officer is responsible for all the Group's corporate responsibility policies and their overall implementation. Certain standards adopted by the Group, such as the requirement for each employee to commit to the Group's Code of Ethics, have global application. In other cases, for example charitable giving, because of the geographically and socially diverse nature of the Group's staff, Intertek has adopted a framework approach to enable local managers to tailor their relationships with employees, customers or local communities so that they are appropriate but always remaining within the Group's value framework. As a result of Intertek's decentralised management style, local managers have responsibility for the implementation of the Group's corporate responsibility practices in their own area.

Intertek is a member of a number of institutions and associations that have as their aim the achievement of benefits, both social and financial, through improvements in corporate citizenship practices. The Group's participation in CSR Europe, the Ethos Institute of Business and Social Responsibility, Business of Social Responsibility and Canadian Business of Social Responsibility provides the opportunity to play a role in translating responsible business policies into practice. It is Intertek's intention to pursue similar memberships in order to benefit from current thinking on best practice and to provide assurance to stakeholders in an easily accessible way that accepted benchmarks are met by the Group.

The Ethical Sourcing Multi-Stakeholder forum that Intertek established in 2005 encourages dialogue between a range of stakeholders on important issues with respect to global supply chains and the Group actively leads and sponsors several working groups which connect leading stakeholders such as non-governmental organisations, companies, investors, federations and the media on the advancement of corporate responsibility in international business practices.

The Group provides expert technical input to a number of national, regional and international standards development committees which contribute to ensuring that the safety, electro-magnetic compatibility and environmental requirements of products remain adequate in the changing environment, where new technologies and applications require constant review to maintain an acceptable level of safety and performance.

The Group is also involved in the development and management of recognised and globally accepted conformity assessment schemes which include assessment of production processes in addition to compliance to national or international standards. Intertek is an accepted leader in this regard.

Employees

Diversity

Intertek's practice is to recruit local people and the Group considers the diversity of its staff one of its greatest assets, enabling it to act sensitively to the needs and cultures of its staff and to be open to different ways of doing business, in line with local practices and customs. As a result of the rapid growth of the Group (and of normal staff turnover), some one-fifth of current employees have been recruited in the last year. The Group is therefore developing its statistical reporting to provide a regularly updated picture of its staff profile, to track staff turnover, qualification, training, equality of opportunity and selection issues and to identify the best ways to communicate with staff. A shared human resources knowledge database incorporating local best practice is being developed for

Corporate social responsibility

access across the Group. In addition, on-line training in the application of the Group's ethical values has recently been introduced to improve effectiveness and provide consistency of approach. The Group increasingly uses surveys as a gauge of employee sentiment on a number of issues.

Development

As outlined in the Group human resources framework policy, Intertek's strategy for the development of its staff is:

- to invest in the competence of employees and provide a stimulating work environment;
- to improve the Group's capacity to attract, develop, and retain the best people who share in the mission, values and success of the Group; and
- to provide employees with the opportunity to make their best contribution both individually and in teams, for their personal satisfaction and the success of Intertek's business and customers.

In pursuance of this strategy each employee will be supported so that they may contribute their best in a role suited to their personal abilities, competence and preferences. Each employee should have a face-to-face discussion with their direct manager at least once every 12 months. The Group provides continuous learning opportunities and training for personal growth so that employees remain up-to-date and highly expert in the services delivered to customers. The Group's management development initiatives focus on leadership workshops to develop its existing teams as well as identifying and growing talent. Intertek has recently carried out a talent mapping review of senior management to ensure that its management team is the right one for the future.

Equality

The Group aims to ensure that all employees are assessed solely on the basis of their ability irrespective of their race, religion, colour, age, disabilities, gender or sexual orientation.

In accordance with the Group's equal opportunities policy, people with disabilities are given the same consideration as others when they apply for jobs. Depending on their skills and aptitudes, they enjoy the same career prospects as other employees. Where employees become disabled every effort will be made to retain them in their current role or to explore possibilities for retraining or redeployment within the Group. Where necessary the Group aims to provide such employees with facilities, equipment and training to assist them in doing their jobs.

Health, safety and risk

The health and safety of the Group's employees is a matter of primary concern. Accordingly, the Group manages its activities so as to avoid any unnecessary or unacceptable risks and local labour laws, best practice codes and regulations are applied. Intertek has employees and facilities in areas where there is a risk of disruption from natural disasters such as hurricanes, floods and earthquakes. The Group has comprehensive disaster recovery plans which include securing the safety and wellbeing of employees. Following the hurricane Katrina and Rita in the US, Intertek benefitted from its support to employees by being among the first in its line of business to recommence operations.

Intertek has employees in many countries, is aware that they may be subject to a number of risks and is supportive of their needs. The Group has comprehensive disaster recovery plans in place. Following the hurricanes Katrina and Rita in the US, Intertek benefited from its support to employees by being among the first in its line of business to recommence operations.

Share plans

The Group is committed to encouraging its key executives to align themselves with the interests of shareholders and the Group's performance, through the ownership of the Company's shares. The Company operates share schemes for senior executives and details are contained in the Remuneration Report on pages 22 to 30.

Unions

Some of the Group's employees are members of trade unions and work councils, mostly in continental Europe. The Group communicates regularly with the union representatives and aims to maintain good labour relations with all its employees.

Business standards and ethics

The reliability of Intertek's work is absolutely crucial to its continuing success. Trust in the employees who provide the Group's services is underpinned by the Group's Code of Ethics, which every employee must sign and on which each employee receives briefing. The Code addresses matters of honesty and integrity, conflicts of interest, confidentiality, the potential for bribery and violation of local or global laws or guidelines. It can be found in full on the Group's website as can the Zero Tolerance policy which states that all reports issued by the Group must be accurate and no deviation from this standard is tolerated. A telephone hotline, which can be used in a number of languages, is provided to staff and also via the website to raise concerns about this or any other aspect of the Group's operations. All instances are investigated by an appropriate person, who is likely to be a compliance officer, a member of the Internal Audit team or a human resources professional depending on the nature of the concern. The results are reported to Executive Directors fortnightly and to the Audit and Risk Committee on a regular basis. On average some 30–50 reports per year are received by the Group through the hotline and other means with most concerns relating to workplace conduct. Regular Internal Audit reviews also include ethical compliance matters. The Internal Controls section of the Corporate Governance Report on pages 33 to 34 contains more details on the audit of controls.

Community involvement and charitable giving

The Group operates at a large number of sites in 109 countries. Intertek's strategy is to allow local management to manage relationships with local communities and stakeholders in order to maximise local knowledge and benefit. The following examples demonstrate how this approach has worked during 2006.

In St John's, Canada, where a great deal of emphasis is placed on environmental issues, Intertek has recently agreed to donate £9,500 a year for the next five years to a new Environmental University Trust.

Intertek's principal office in the People's Republic of China encourages employees to volunteer for seaside cleaning operations and sponsors tree-planting. Some 100 employees and their families take part in the planting activity. Staff have also collected school materials for poor areas in China. The Group also contributes some £19,000 per year to a scholarship fund for HuaDong University.

In the US, staff contribute time to promote the Ronald McDonald House charity and Intertek has sponsored events in connection with the same charity. The Houston client Christmas party supports a local charity each year and in 2006 it raised £1,000 cash and contributed 300 toys for needy families in the Houston area. The Group's Cortland site in New York state was involved in some twenty projects, some of a national nature and many local, raising amounts of up to £4,200. Other projects in the US included the donation of 350 Thanksgiving dinners and volunteering for river clean-up operations.

In South Africa, as part of the Black Economic Empowerment programme encouraged by the government, one quarter of the local company, Intertek Testing Services SA Pty Ltd, is owned by a trust which holds the shares on behalf of black employees. Procurement policies which assist black businesses have been adopted. In addition employees are encouraged to contribute time and expertise to programmes assisting underprivileged communities. These include donating food, clothing and equipment to an orphanage caring for AIDS orphans and donating computers to schools.

Environment
The Group's impact on the environment through its services includes assisting its clients to meet compliance and effectiveness targets in the production of bio fuels and ethanol. Intertek assists compliance with ultra low sulphur diesel legislation affecting retail outlets and distribution channels and also contributes towards the production of low energy and low emission equipment.

As a service business, the Group's own operations have limited direct impact on the environment. Many of the sites the Group occupies are not owned or managed by Intertek. However, Intertek recognises that its day-to-day activities do have an impact on the environment. The Group is committed to reducing any adverse impact on the environment as a result of its operations and to benefiting from reductions in operating costs. Since the Group's flotation in 2002 a review of the more significant Group sites has been carried out through the Health, Safety and Environment (HSE) programme, with 12–15 sites being subjected to review each year. Any concerns arising have been of a minor and easily remedied nature. In addition, the Group has recently concluded the first stage of an HSE survey of all Intertek sites designed to assess how the operational sites managed by Intertek are implementing and auditing HSE policy and minimising their impact on the environment as part of their HSE management procedures. In order to increase the transparency, ease and comparability of reporting across the Group Intertek's risk management team has identified a number of measures including energy and water consumption, use of fuel by Group vehicles, use of ozone-depleting substances and waste and by-product production.

In certain cases, the Group occupies facilities where contamination occurred prior to the Group's use of the site. In each case the Group has implemented remedial works, on the advice of third party specialists, to minimise further damage to the environment. Environmental due diligence is carried out before the acquisition of any new sites. The disposal of product samples is audited to ensure compliance with HSE guidelines.

Customers, suppliers and shareholders
As the Group's mission statement sets out, the adding of value for its customers is a key aim and is embedded in its service offerings. One of Intertek's most important commercial initiatives during the year has been the introduction of a more unified service structure to enable its customers, a number of whom are present in several geographical areas and deal with several of the Group's divisions, to deal with Intertek on a one-stop shop basis. Our websites and other promotional and advertising materials contain extensive details of the Group's services and other information about the Group. Many of Intertek's customers have been given access to extensive databases containing information relevant to our services.

Every email sent by the Group's Oil, Chemical & Agri division includes a customer service feedback link. The results are reported to local management and the head of the division and any issues arising are followed up by area and branch managers.

Intertek has formal quality management systems in place in most of its larger facilities. These are based on internationally recognised quality management standards including ISO 9001, ISO 9000 and ISO 17025 and include complaint handling procedures, staff assessment and operational systems. Quality metrics are compiled both locally and globally, including performance monitoring statistics that report the accuracy, speed and reliability of testing carried out. In addition, meetings are held with customers during which they may visit the Group's facilities and review everything from invoice accuracy to laboratory charts. These meetings are usually followed by a formal report and corrective action if any deficiencies are identified. Regular customer satisfaction surveys are carried out.

Intertek aims to develop relationships with suppliers that are based upon mutual trust. The Group is aware of the importance of prompt payment, especially to small businesses, and it undertakes to pay suppliers on time and according to agreed terms of trade. The Group has a wide range of suppliers and no individual supplier is of critical importance to the Group.

There have been over 200 individual meetings with shareholders and investment managers during the year, two week-long roadshows in the UK and several overseas roadshows, regular analyst briefings and an "investor day" at which significant investors and analysts were able to view our activities at two UK sites. Intertek's investor relations team is readily available to handle enquiries. Feedback on the Group's investor programme has been positive and Intertek has good relationships with investors and their representatives.

Consolidated income statement

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Revenue	3	**664.5**	580.1
Cost of sales		**(523.6)**	(447.6)
Gross profit		**140.9**	132.5
Amortisation of business combination intangible assets	10	**(3.8)**	(2.1)
Impairment of goodwill	10	**(0.3)**	(2.0)
Administrative expenses		**(38.7)**	(45.4)
Total administrative expenses		**(42.8)**	(49.5)
Group operating profit	3	**98.1**	83.0
Finance income	6	**4.5**	3.5
Finance expense	6	**(11.5)**	(9.4)
Net financing costs		**(7.0)**	(5.9)
Share of profit of associates	11	**0.3**	0.7
Profit on sale of interest in associate	11	**–**	1.6
Profit before taxation		**91.4**	79.4
Income tax expense	7	**(22.5)**	(18.7)
Profit for the year		**68.9**	60.7
Attributable to:			
Equity holders of the Company	19	**63.8**	57.1
Minority interest	20	**5.1**	3.6
Profit for the year		**68.9**	60.7

Earnings per share			
Basic	8	**40.9p**	36.8p
Diluted	8	**40.6p**	36.5p

Consolidated balance sheet

As at 31 December 2006

	Notes	2006 £m	2005 £m
Assets			
Property, plant and equipment	9	**123.7**	115.9
Goodwill	10	**71.1**	55.7
Other intangible assets	10	**19.6**	12.8
Investments in associates	11	**0.7**	0.7
Deferred tax assets	12	**13.3**	14.4
Total non–current assets		**228.4**	199.5
Inventories	13	**3.2**	3.1
Trade and other receivables	14	**151.9**	146.3
Derivative financial instruments	26	**0.4**	1.7
Cash and cash equivalents	23	**49.5**	50.8
Total current assets		**205.0**	201.9
Total assets		**433.4**	401.4
Liabilities			
Interest bearing loans and borrowings	15	**(13.6)**	(15.3)
Current taxes payable		**(24.1)**	(25.8)
Trade and other payables	16	**(101.3)**	(93.9)
Provisions	17	**(4.5)**	(8.9)
Total current liabilities		**(143.5)**	(143.9)
Interest bearing loans and borrowings	15	**(164.8)**	(175.4)
Deferred tax liabilities	12	**(3.8)**	(3.4)
Net pension liabilities	22	**(15.2)**	(17.8)
Other payables	16	**(0.9)**	(1.2)
Total non-current liabilities		**(184.7)**	(197.8)
Total liabilities		**(328.2)**	(341.7)
Net assets		**105.2**	59.7
Equity			
Share capital	18	**1.6**	1.6
Share premium account	19	**242.4**	238.2
Other reserves	19	**6.0**	13.4
Retained earnings	19	**(153.6)**	(201.3)
Total equity attributable to equity holders of the Company		**96.4**	51.9
Minority interest	20	**8.8**	7.8
Total equity		**105.2**	59.7

The financial statements on pages 38 to 72 were approved by the Board on 5 March 2007 and were signed on its behalf by:

Wolfhart Hauser
Director

Bill Spencer
Director

Consolidated statement of cash flows

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Cash flows from operating activities			
Profit for the year	3	**68.9**	60.7
Adjustments for:			
Depreciation charge	9	**24.1**	22.0
Amortisation of software	10	**2.2**	–
Amortisation of business combination intangibles	10	**3.8**	2.1
Impairment of goodwill	10	**0.3**	2.0
Share option expense	22	**2.4**	1.9
Share of profit of associates	11	**(0.3)**	(0.7)
Profit on sale of interest in associate	11	**–**	(1.6)
Net financing costs	6	**7.0**	5.9
Income tax expense	7	**22.5**	18.7
(Profit)/loss on disposal of property, plant and equipment	4	**(0.3)**	0.1
Operating profit before changes in working capital and provisions		**130.6**	111.1
(Increase)/decrease in inventories		**(0.4)**	0.1
Increase in trade and other receivables		**(13.7)**	(23.7)
Increase in trade and other payables		**12.3**	5.9
(Decrease)/increase in provisions		**(4.2)**	3.3
Cash generated from operations		**124.6**	96.7
Interest paid		**(7.7)**	(6.5)
Income taxes paid		**(24.6)**	(17.8)
Net cash flows from operating activities		**92.3**	72.4
Investing activities			
Proceeds from sale of property, plant and equipment		**0.9**	0.3
Proceeds from disposal of interest in associate	11	**–**	2.7
Interest received		**1.1**	0.6
Dividends received from associated undertakings	11	**–**	0.8
Acquisition of subsidiaries, net of cash acquired	24	**(36.9)**	(44.5)
Additions to property, plant and equipment	9	**(42.0)**	(31.3)
Additions to software	10	**(1.2)**	–
Net cash flows from investing activities		**(78.1)**	(71.4)
Financing activities			
Proceeds from the issue of share capital	19	**4.2**	3.8
Proceeds from disposal of own shares by ESOT	19	**–**	0.4
Drawdown of debt		**104.8**	62.8
Repayment of debt		**(96.6)**	(53.1)
Dividends paid to minorities	20	**(3.8)**	(2.9)
Dividends paid	19	**(19.8)**	(16.9)
Net cash flows from financing activities		**(11.2)**	(5.9)
Net increase/(decrease) in cash and cash equivalents		**3.0**	(4.9)
Cash and cash equivalents at 1 January		**50.8**	52.5
Effect of exchange rate fluctuations on cash held	23	**(4.3)**	3.2
Cash and cash equivalents at 31 December		**49.5**	50.8

Consolidated statement of recognised income and expense

For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Foreign exchange translation differences	19	**(6.1)**	(1.7)
Actuarial gains and losses on defined benefit pension schemes	22	**3.2**	(3.7)
Tax on income and expenses recognised directly in equity	19	**(1.9)**	1.4
Effective portion of changes in fair value of cash flow hedges, net of recycling	19	**(1.3)**	2.6
Net expense recognised directly in equity		**(6.1)**	(1.4)
Profit for the year		**68.9**	60.7
Total recognised income and expense for the year		**62.8**	59.3
Total recognised income and expense for the year attributable to:			
Equity holders of the Company		**58.2**	54.8
Minority interest		**4.6**	4.5
Total recognised income and expense for the year		**62.8**	59.3

Notes to the financial statements

1 General

Intertek Group plc is a company incorporated in the UK.

The Group financial statements as at and for the year ended 31 December 2006 consolidate those of the Company and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group's activities are the testing, inspection and certification of products and commodities against a wide range of safety, regulatory, quality and performance standards. Note 3 provides a segmental analysis of the Group's performance.

2 Significant accounting policies

(a) Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 73 to 76.

(b) Basis of preparation

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

Judgements made by the Directors in the application of accounting policies that have a significant effect on the financial statements and estimates and which carry a risk of material adjustment in the next year are discussed in note (w) below.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at fair value and non–current assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

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 hundred thousand.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group does not consider the associate to be an integral part of the Group's operations and therefore its results are presented outside of the Group operating profit.

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 gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except those arising on the retranslation of a financial liability designated as a hedge of net investment in a foreign operation. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at cumulative average rates of exchange during the year. Foreign exchange differences arising on translation are recognised directly in equity in a translation reserve.

Exchange differences arising from the translation of foreign operations, and of related qualifying hedges are taken directly to the translation reserve. They are released into the income statement upon disposal. The Group has taken advantage of relief available in IFRS 1, to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS on 1 January 2004.

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

	Balance sheet		Income statement	
Value of £1	Actual rates		Cumulative average rates	
	31 Dec 06	31 Dec 05	**2006**	2005
US dollar	**1.96**	1.73	**1.84**	1.82
Hong Kong dollar	**15.2**	13.4	**14.3**	14.2
Chinese renminbi	**15.3**	13.9	**14.7**	14.9
Euro	**1.49**	1.45	**1.47**	1.46

(e) Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

2 Significant accounting policies continued

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

(f) Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement except where derivatives qualify for hedge accounting, in which case the recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g)). Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the difference between the quoted forward price and the exercise price of the contract.

(g) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. The ineffective part of any gain or loss on the derivative financial instrument is recognised in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

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.

Hedge of net investment in a foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity in a translation reserve. The ineffective portion is recognised immediately in the income statement. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss on disposal.

(h) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Leased assets

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

Other leases are operating leases. These leased assets are not recognised on the Group's balance sheet.

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. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings and long leasehold land and buildings	50 years
Short leasehold land and buildings	Term of lease
Plant and equipment	3–10 years

Depreciation methods, residual values and the useful lives of all assets are re-assessed annually.

(i) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost less any accumulated impairment losses (see accounting policy (m)). Goodwill is allocated to cash generating units (CGUs) and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associate.

The Group has taken advantage of the exemption permitted by IFRS 1 and has not restated goodwill on acquisitions prior to 1 January 2004, the date of transition to IFRS.

Notes to the financial statements

2 Significant accounting policies continued
Purchased goodwill in respect of acquisitions before 1 January 1998 was written off to reserves in the year of acquisition, in accordance with the accounting standard then in force.

Negative goodwill arising on an acquisition is recognised in the income statement.

Fair value adjustments are made in respect of acquisitions. If at the balance sheet date the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities can only be established provisionally then these values are used. Any adjustments to these values made within 12 months of the acquisition date are taken as adjustments to goodwill.

Other intangible assets
Intangible assets, other than goodwill, that are acquired by the Group and computer software are stated at cost less accumulated amortisation and impairment losses. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

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 5 years
Customer relationships	Up to 10 years
Know how	Up to 5 years
Licenses	Contractual life
Covenants not to compete	Contractual life

(j) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy (m)).

(k) Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of the inventories is based on the LIFO principle. Cost comprises expenditure incurred in the normal course of business in bringing inventories to their present condition and location and net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

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

(m) Impairment
The carrying amount of the Group's assets other than inventories, financial assets within the scope of IAS 39 and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount
The recoverable amount is the greater of the asset's 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Receivables with a short duration are not discounted.

Reversal of impairment
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount including a change in fair value less cost to sell.

(n) Dividends
Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

(o) Interest-bearing borrowings
Interest-bearing borrowings are initially recognised at fair value, less attributable 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.

(p) Employee benefits
Defined contribution plan
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans
The net liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligations at the balance sheet date less the fair value of the plan assets and less any unrecognised past service costs. Any net asset is subject to a ceiling test. The discount rate used to calculate the present value of the obligations is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Group's obligations. An independent 'IAS 19' actuarial valuation, using the projected unit credit method, is carried out at each balance sheet date.

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. Actuarial gains and losses are recognised immediately in equity.

2 Significant accounting policies continued

Share based payment transactions

The share based compensation plans operated by the Group allow employees to acquire shares of the Company. The fair value of the employee services received in exchange for the grant of share options or shares is measured at the grant date and is recognised as an expense with a corresponding increase in equity. The charge is calculated using the Black Scholes method and expensed to the income statement over the vesting period of the relevant award. The charge is adjusted to reflect expected and actual levels of vesting where conditions are non-market based. The expense of the share awards under the deferred bonus plan is adjusted for the probability of performance conditions being achieved. The Group has taken advantage of the provisions of IFRS 1: First-time Adoption of International Financial Reporting Standards, and has recognised an expense only in respect of share options and share awards granted since 7 November 2002.

Own shares held by ESOT trust

Transactions of the Group sponsored ESOT trust are included in the Group financial statements. In particular, the trust's purchase of shares in the Company are debited directly to equity.

(q) Provisions

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

(r) Trade and other payables

Trade and other payables are stated at their cost.

(s) Revenue

Revenue represents the total amount receivable for services rendered, excluding sales related taxes and intra group transactions. Revenue from services rendered is recognised in the income statement when the relevant service is completed or in certain circumstances, in proportion to the stage of completion, normally determined by reference to costs incurred to date in proportion to the total anticipated costs of the transaction at the balance sheet date.

(t) Expenses

Operating lease payments

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

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, amortisation of debt issuance costs, facility fees, interest receivable on funds invested, foreign exchange gains or losses on external interest, income and expense relating to pension assets and liabilities and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (g)). Interest income is recognised in the income statement as it accrues using the effective interest rate method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(u) Income tax

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

Current tax is the expected tax payable on the taxable income 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 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. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, overseas retained earnings the distribution of which is under the control of the Group and which are not likely to be distributed in the foreseeable future, 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 asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment) or in providing services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

(w) Significant accounting judgments and estimates

Judgments

In applying the Group's accounting policies described above, the management has made the following judgments that have a significant impact on the amounts recognised in the financial statements.

Claims

Note 17 sets out the provisions made in respect of claims at 31 December 2006 and note 27 explains contingent liabilities in respect of certain litigation. In making provision for claims, the management bases its judgment on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by senior management.

Notes to the financial statements

2 Significant accounting policies continued

Estimates

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

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 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. Details of intangible assets are given in note 10.

Impairment of goodwill

The Group determines whether goodwill is impaired at a minimum on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit that holds the goodwill at a determined discount rate to calculate the present value of those cash flows. Note 10 sets out details of the testing of impairment at the balance sheet date.

Recoverability of trade receivables

Trade receivables are reflected net of an estimated provision for doubtful accounts. This provision is based primarily on a review of all outstanding accounts and considers the past payment history and creditworthiness of each account and the length of time that the debt has remained unpaid. The actual amounts of debts that ultimately prove irrecoverable could vary from the actual provision made.

Employee post retirement benefit obligations

The Group has two principal defined pension benefit plans. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of the assumptions used and sensitivity analysis in relation to the mortality and discount rate assumptions are provided in note 22.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Income tax

The actual tax on our profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determinaton of prior year tax liabilities could be different from the estimates reflected in the financial statements.

(x) Adopted IFRSs not yet applied

The following Adopted IFRSs were available for early application but have not been applied by the Group in these financial statements:

- IFRS 7: Financial Instruments: Disclosures
- Amendments to IAS 1: Presentation of Financial Statements: Capital Disclosures
- Amendment to IAS 21: The Effects of Changes in Foreign Exchange Rates-Net Investment in a Foreign Operation
- IFRIC 8: Scope of IFRS 2: Share-based Payment
- IFRIC 9: Reassessment of Embedded Derivatives

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group.

3 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly borrowings, pension fund liabilities, and corporate expenses and assets.

Business segments

The Group comprises the following main business segments:

Consumer Goods (Labtest), which provides services to the textiles, footwear, toys, food and hardlines industries.

Commercial & Electrical (ETL SEMKO), which provides testing, inspection and certification services to industries including those in the home appliances, medical, building, industrial and HVAC/R, IT and telecom and automotive sectors.

Oil, Chemical & Agri (Caleb Brett), which provides cargo inspection, testing and analytical services to the oil and gas, chemical, agricultural, mineral and pharmaceutical sectors.

Government Services (FTS), which provides trade services to standards bodies and governments.

Central overheads comprise the costs of the corporate head office and non-operating holding companies and other costs which are not controlled by the operating divisions.

On 1 January 2006, the systems certification business was transferred from Consumer Goods to Commercial & Electrical and prior year figures have been restated to show a like-for-like comparison.

Geographical segments

All the business segments are managed on a worldwide basis but can be divided into the following geographic regions:

- Americas
- Europe, Middle East and Africa
- Asia

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

3 Segment reporting continued

Segment reporting

Business analysis (primary segment)

	Consumer Goods		Commercial & Electrical		Oil, Chemical & Agri		Government Services		Central overheads		Eliminations		Consolidated	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Revenue from external customers	**155.2**	136.7*	**174.4**	150.9*	**281.5**	218.0	**53.4**	74.5	**–**	–	**–**	–	**664.5**	580.1
Inter-segment revenue	**0.3**	0.1	**1.4**	1.1	**2.4**	2.3	**1.3**	1.4	**–**	–	**(5.4)**	(4.9)	**–**	–
Revenue	**155.5**	136.8	**175.8**	152.0	**283.9**	220.3	**54.7**	75.9	**–**	–	**(5.4)**	(4.9)	**664.5**	580.1
Operating profit before amortisation and impairment	**49.5**	44.2*	**26.7**	22.7*	**30.0**	17.9	**6.6**	16.3	**(10.6)**	(14.0)	**–**	–	**102.2**	87.1
Amortisation of business combination intangibles	**(0.5)**	(0.2)	**(2.0)**	(1.2)	**(1.2)**	(0.7)	**(0.1)**	–	**–**	–	**–**	–	**(3.8)**	(2.1)
Impairment of goodwill	**–**	(2.0)	**–**	–	**(0.3)**	–	**–**	–	**–**	–	**–**	–	**(0.3)**	(2.0)
Group operating profit	**49.0**	42.0	**24.7**	21.5	**28.5**	17.2	**6.5**	16.3	**(10.6)**	(14.0)	**–**	–	**98.1**	83.0
Net financing costs													**(7.0)**	(5.9)
Share of profit of associates													**0.3**	0.7
Profit on sale of interest in associate													**–**	1.6
Income tax expense													**(22.5)**	(18.7)
Profit for the year													**68.9**	60.7
Segment assets	**64.9**	57.9	**95.0**	85.7	**188.0**	158.1	**18.1**	26.6	**2.4**	4.3			**368.4**	332.6
Investment in associates													**0.7**	0.7
Unallocated assets													**64.3**	68.1
Total assets													**433.4**	401.4
Segment liabilities	**21.5**	20.3	**31.3**	27.2	**40.3**	37.3	**9.1**	12.0	**3.1**	6.5			**105.3**	103.3
Unallocated liabilities													**222.9**	238.4
Total liabilities													**328.2**	341.7
Depreciation and software amortisation	**6.2**	5.3	**7.6**	6.9	**11.0**	8.7	**1.4**	1.0	**0.1**	0.1	**–**	–	**26.3**	22.0
Capital expenditure including software	**14.3**	7.4	**9.9**	9.3	**16.7**	13.0	**2.2**	1.5	**0.1**	0.1	**–**	–	**43.2**	31.3

* On 1 January 2006, the systems certification business was transferred from Consumer Goods to Commercial & Electrical and the 2005 figures have been restated to show a like-for-like comparison.

Geographic analysis (secondary segment)

	Americas		Europe, Middle East and Africa		Asia		Consolidated	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Revenue from external customers	**245.1**	203.6	**190.3**	186.8	**229.1**	189.7	**664.5**	580.1
Operating profit	**29.6**	21.0	**(2.0)**	2.5	**70.5**	59.5	**98.1**	83.0
Amortisation of business combination intangibles	**1.7**	1.3	**1.1**	0.6	**1.0**	0.2	**3.8**	2.1
Impairment of goodwill	**–**	–	**0.3**	2.0	**–**	–	**0.3**	2.0
Segment assets	**142.8**	141.2	**128.2**	113.3	**97.4**	78.1	**368.4**	332.6
Capital expenditure including software	**11.5**	10.4	**10.1**	9.3	**21.6**	11.6	**43.2**	31.3

Notes to the financial statements

4 Expenses and auditors' remuneration

	2006 £m	2005 £m
Included in profit for the year are the following:		
Property rentals	**22.2**	19.2
Lease and hire charges – plant and equipment	**4.6**	4.5
Depreciation and software amortisation	**26.3**	22.0
Profit/(loss) on disposal of property, plant and equipment	**0.3**	(0.1)
Foreign exchange differences	**–**	0.2

	£000	£000
Auditors' remuneration:		
Audit of these financial statements	**221**	241
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**537**	501
Other services pursuant to such legislation – review of interim financial statements	**67**	59
Other services relating to taxation	**84**	60
Actuarial services	**14**	15
Other services – advice in relation to IFRS conversion	**–**	69
– other	**62**	32
	985	977

5 Employees

Employee costs	2006 £m	2005 £m
Wages and salaries	**243.9**	211.2
Equity-settled transactions	**2.4**	1.9
Social security costs	**24.5**	21.3
Pension costs	**10.6**	9.7
Total employee costs	**281.4**	244.1

Details of the remuneration of the Directors are set out in the Remuneration Report. Details of pension arrangements and share based payments are set out in note 22.

Average number of employees by activity	2006	2005
Consumer Goods	**5,376**	4,565
Commercial & Electrical	**3,091**	2,681
Oil, Chemical & Agri	**7,499**	6,298
Government Services	**857**	940
Central overheads	**49**	47
Total	**16,872**	14,531
Actual number at 31 December	**18,198**	15,545

6 Net financing costs

	2006 £m	2005 £m
Finance income		
Interest on bank balances	**1.1**	0.6
Expected return on pension assets (note 22)	**3.3**	2.8
Ineffective portion of cash flow hedges	**–**	0.1
Foreign exchange differences on interest accruals	**0.1**	–
Total finance income	**4.5**	3.5
Finance expense		
Interest on borrowings	**7.8**	5.7
Pension interest cost (note 22)	**3.4**	3.1
Facility fees and other	**0.3**	0.6
Total finance expense	**11.5**	9.4
Net financing costs	**7.0**	5.9

7 Income tax expense

	2006 £m	2005 £m
UK corporation tax at 30% (2005: 30%)	**0.9**	4.4
Double taxation relief	**(0.9)**	(4.4)
UK taxation	**–**	–
Overseas taxation	**25.1**	22.4
Adjustments relating to prior year liabilities	**(3.1)**	1.7
Current tax	**22.0**	24.1
Deferred tax – origination and reversal of temporary differences	**0.5**	(5.4)
Total tax in income statement	**22.5**	18.7

Reconciliation of the notional tax charge at UK standard rate to the actual current tax charge:

	2006 £m	2005 £m
Profit before taxation	**91.4**	79.4
Notional tax charge at UK standard rate 30% (2005: 30%)	**27.4**	23.8
Differences in overseas tax rates	**(5.0)**	(5.1)
Tax on dividends	**1.5**	1.8
Permanent differences – disallowables	**2.8**	2.9
Permanent differences – untaxed income	**(0.4)**	(0.8)
Losses brought forward utilised	**(0.8)**	(1.6)
Current year losses not recognised	**0.5**	0.5
Accelerated capital allowances and temporary differences not recognised	**1.2**	0.1
Brought forward accelerated capital allowances and temporary differences utilised	**(2.2)**	(1.5)
Recognition of previously unprovided accelerated capital allowances and temporary differences	**(0.1)**	(3.9)
Tax impact of associates	**(0.1)**	(0.1)
Adjustments in respect of prior years	**(3.1)**	1.7
Other	**0.8**	0.9
Total tax in income statement	**22.5**	18.7

During the year there was a current tax charge of £1.3m on share options and foreign exchange differences (2005: credit of £0.8m) and deferred tax charge of £0.6m on pension deficit and share options (2005: credit of £0.6m) charged directly to equity (see notes 12 and 19).

The tax rate was 24.6% (2005: 23.6%). The main reason for the increase in the tax rate was due to an increase in earnings in higher taxed jurisdictions. The tax rate is expected to be sustainable at close to current year levels for the short to medium term.

8 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year. In addition to the earnings per share required by IAS 33: Earnings Per Share, an adjusted earnings per share has also been calculated and is based on earnings excluding the effect of amortisation of business combination intangibles and goodwill impairment. 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:

Based on the profit for the year:	2006 £m	2005 £m
Profit attributable to equity shareholders	**63.8**	57.1
Amortisation of business combination intangibles	**3.8**	2.1
Impairment of goodwill	**0.3**	2.0
Adjusted earnings	**67.9**	61.2
Number of shares (millions):		
Basic weighted average number of shares	**156.0**	155.1
Potentially dilutive share options*	**1.2**	1.3
Diluted weighted average number of shares	**157.2**	156.4
Basic earnings per share	**40.9p**	36.8p
Options	**(0.3)p**	(0.3)p
Diluted earnings per share	**40.6p**	36.5p
Basic adjusted earnings per share	**43.5p**	39.5p
Options	**(0.3)p**	(0.4)p
Diluted adjusted earnings per share	**43.2p**	39.1p

* The weighted average number of shares used in the calculation of the diluted earnings per share for the year to 31 December 2006, excludes nil potential shares (2005: 1,456,156) as these were not dilutive in accordance with IAS 33: Earnings Per Share and 128,194 (2005: nil) contingently issuable shares as the performance conditions were not met.

9 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2005	12.2	140.8	153.0
Exchange adjustments	0.2	14.4	14.6
Additions	0.2	31.1	31.3
Disposals	–	(4.0)	(4.0)
Businesses acquired (note 24)	8.2	3.4	11.6
At 31 December 2005	20.8	185.7	206.5
Depreciation			
At 1 January 2005	2.1	62.4	64.5
Exchange adjustments	–	7.7	7.7
Charge for the year	0.4	21.6	22.0
Disposals	–	(3.6)	(3.6)
At 31 December 2005	2.5	88.1	90.6
Net book value at 31 December 2005	18.3	97.6	115.9
Net book value at 1 January 2005	10.1	78.4	88.5
Cost			
At 1 January 2006	20.8	185.7	206.5
Exchange adjustments	(1.7)	(19.0)	(20.7)
Transfer to intangibles (note 10)	–	(8.0)	(8.0)
Additions	1.9	40.1	42.0
Disposals	–	(5.8)	(5.8)
Businesses acquired (note 24)	3.8	4.6	8.4
At 31 December 2006	**24.8**	**197.6**	**222.4**
Depreciation			
At 1 January 2006	2.5	88.1	90.6
Exchange adjustments	(0.1)	(10.7)	(10.8)
Charge for the year	0.7	23.4	24.1
Disposals	–	(5.2)	(5.2)
At 31 December 2006	**3.1**	**95.6**	**98.7**
Net book value at 31 December 2006	**21.7**	**102.0**	**123.7**

Computer software of £8.0m, previously included as assets under construction in plant and equipment has been transferred as an intangible asset following completion of construction during 2006 (see note 10).

Plant and equipment includes assets in the course of construction at 31 December 2006, comprising mainly of laboratories under construction of £1.0m (2005: £4.8m). These assets will not be depreciated until they are brought into use.

The net book value of land and buildings comprised:

	2006 £m	2005 £m
Freehold	**19.3**	17.6
Long leasehold	**0.6**	0.7
Short leasehold	**1.8**	–
Total	**21.7**	18.3

Notes to the financial statements

10 Goodwill and other intangible assets

	Goodwill £m	Other intangible assets: Business combination intangibles £m	Computer software £m	Total £m
Cost				
At 1 January 2005	42.4	4.9	–	4.9
Exchange adjustments	2.5	0.9	–	0.9
Businesses acquired (note 24)	21.7	10.7	–	10.7
At 31 December 2005	66.6	16.5	–	16.5
Amortisation and impairment				
At 1 January 2005	8.9	1.4	–	1.4
Exchange adjustments	–	0.2	–	0.2
Charged in year	–	2.1	–	2.1
Impairment charge	2.0	–	–	–
At 31 December 2005	10.9	3.7	–	3.7
Net book value at 31 December 2005	55.7	12.8	–	12.8
Net book value at 1 January 2005	33.5	3.5	–	3.5
Cost				
At 1 January 2006	66.6	16.5	–	16.5
Transfer from property, plant and equipment	–	–	8.0	8.0
Exchange adjustments	(5.6)	(1.8)	(1.3)	(3.1)
Additions	–	–	1.2	1.2
Disposals	–	–	(0.1)	(0.1)
Businesses acquired (note 24)	20.9	5.6	–	5.6
At 31 December 2006	**81.9**	**20.3**	**7.8**	**28.1**
Amortisation and impairment				
At 1 January 2006	10.9	3.7	–	3.7
Exchange adjustments	(0.4)	(0.5)	(0.6)	(1.1)
Charged in year	–	3.8	2.2	6.0
Disposals	–	–	(0.1)	(0.1)
Impairment charge	0.3	–	–	–
At 31 December 2006	**10.8**	**7.0**	**1.5**	**8.5**
Net book value	**71.1**	**13.3**	**6.3**	**19.6**

The business combination intangibles consist of contractual and non-contractual customer relationships with a net book value of £9.1m (2005: £6.9m), licenses £2.5m (2005: £2.9m), covenants not to compete £0.9m (2005: £1.6m) and know how of £0.8m (2005: £1.4m). The average remaining amortisation period for customer relationships is 4.5 years.

Computer software, previously included as assets under construction in plant and equipment has been transferred as an intangible asset following completion of construction during 2006 (see note 9).

Goodwill arising from business combinations in the year has been allocated to business segments as follows:

	2006 £m
Commercial & Electrical	**3.1**
Oil, Chemical & Agri	**17.8**
Total goodwill	**20.9**

10 Goodwill and other intangible assets continued

The carrying amount of goodwill by business segment is as follows:

	2006 £m	2005 £m
Consumer Goods	**5.0**	5.2
Commercial & Electrical	**19.5**	17.9
Oil, Chemical & Agri	**46.6**	32.6
Total goodwill net book value at 31 December	**71.1**	55.7

Total goodwill of £71.1m (2005: £55.7m) is attributable to 50 (2005: 43) acquired businesses which are grouped into 39 (2005: 33) cash generating units. Each of these cash generating units has been tested for impairment in accordance with the Group's accounting policy described on page 44.

Detailed results of the impairment tests for material acquisitions with goodwill in excess of 10% of total goodwill are presented below.

Material acquisitions

	2006 £m	2005 £m
Commercial & Electrical – Entela	**8.8**	9.6
Oil, Chemical & Agri – Alta Analytical Laboratories	**10.2**	–
Oil, Chemical & Agri – Automotive Research	**9.1**	10.2
Other (each less than 10% of total goodwill)	**43.0**	35.9
Total goodwill net book value at 31 December	**71.1**	55.7

The goodwill for Entela is denominated in US dollars and the decrease in value of goodwill from £9.6m to £8.8m is due to foreign currency translation. The goodwill for Automotive Research is denominated in US dollars and the decrease in value of goodwill from £10.2m to £9.1m is due to foreign currency translation.

Each of the acquisitions offers similar services to those already offered by the Intertek Group's existing businesses, therefore it is considered appropriate to use the same assumptions in each of the impairment calculations. In each case the recoverable amount of the acquired business determined upon the value-in-use calculation, was higher than its carrying amount.

Management approved forecasts for each cash generating unit are used in these calculations. These forecasts cover a two year period and are based on the most current information relating to each business unit. Beyond two years, management consider that it is difficult to accurately forecast business growth for each individual unit. In Intertek's business, most contractual relationships with customers are short term. Despite this, the Group has a strong historical track record of growth. Intertek is supporting global trade which grows faster than GDP and our underlying markets are expected to continue to show good growth. Therefore, when looking at longer term growth, a steady growth rate of 5% is used for all business units. This is considered to be a reasonable assumption based on the long term historical growth rate in profits of the Intertek business, and the post acquisition performance of businesses acquired.

A pre-tax discount rate of 12% has been used in these calculations. The characteristics of the businesses acquired are that they are not capital intensive and are largely similar to each other and the Group, and therefore the pre-tax discount rate of 12% which is based on the Group's cost of capital, is considered the most appropriate rate.

The key sensitivity for the impairment test is the growth in operating profit. Had the overall growth rate been reduced by 1% to 4%, the carrying amount would still not have exceeded the recoverable amount.

Notes to the financial statements

10 Goodwill and other intangible assets continued

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment tests.

There are 36 (2005: 31) cash generating units with a goodwill amount that is not significant in relation to the carrying value of goodwill of £71.1m (2005: £55.7m). The aggregate balance of goodwill for these multiple cash generating units is £43.0 (2005: £35.8m). The recoverable amount of all these units was determined following the same assumptions as for the individually significant units disclosed above.

An impairment charge of £0.3m was recognised within administrative expenses in the Oil, Chemical & Agri division in respect of the goodwill of Eurolabo, a company registered in Estonia and acquired by the Group in 2005. This was necessitated by lower than expected trading results in the period since acquisition. The goodwill impairment was based on a calculation of the recoverable amount based on value-in-use, using projected cash flows for this company, discounted by a pre-tax rate of 12%. The charge of £0.3m represented the shortfall of the recoverable amount to the carrying value which, after the impairment, was £0.1m.

No other goodwill impairment losses were identified.

In 2005, an impairment charge of £2.0m was recognised within administrative expenses in the Consumer Goods division, in respect of the goodwill of Fastech, a company acquired by the Group in 2003. This was necessitated by lower than expected trading results in the period since acquisition. The goodwill impairment was based on a calculation of the recoverable amount based on value-in-use, using projected cash flows for this company, discounted by a pre-tax rate of 12%. The charge of £2.0m represented the shortfall of the recoverable amount to the carrying value which, after the impairment, was £3.3m.

There are no intangible assets with indefinite lives.

11 Investment in associates

	2006 £m	2005 £m
Cost		
At 1 January	**0.9**	1.5
Exchange adjustments	**(0.3)**	0.1
Disposals	**–**	(0.7)
At 31 December	**0.6**	0.9
Share of post acquisition reserves		
At 1 January	**(0.2)**	0.3
Share of net profit for the year	**0.3**	0.7
Dividends received	**–**	(0.8)
Disposals	**–**	(0.4)
At 31 December	**0.1**	(0.2)
Net book value at 31 December	**0.7**	0.7

11 Investment in associates continued

Throughout the year the Group had a 40% interest in Allium LLC, a company registered in the USA. Summary financial information on associates (100% basis) is set out below:

	Assets £m	Liabilities £m	Equity £m	Revenues £m	Profit/(loss) £m
2006					
Allium LLC	14.2	12.7	1.5	23.3	0.7
2005					
Allium LLC	13.6	13.0	0.6	19.7	(0.1)
DEKRA	–	–	–	11.8	1.1
SEMKO	–	–	–	3.2	0.4

In December 2005, the Group disposed of its 49% interest in DEKRA Intertek Certification GmbH (DEKRA) for £2.7m, resulting in a profit on sale of £1.6m. The Group also acquired an additional 51% interest in SEMKO DEKRA Certification AB (SEMKO), thereby making it a wholly owned subsidiary of the Group.

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2006 £m	Assets 2005 £m	**Liabilities 2006 £m**	Liabilities 2005 £m	**Net 2006 £m**	Net 2005 £m
Property, plant and equipment	**0.9**	0.6	**(1.9)**	(1.7)	**(1.0)**	(1.1)
Pensions	**4.7**	5.4	**–**	–	**4.7**	5.4
Share options	**1.4**	0.8	**–**	–	**1.4**	0.8
Provisions and other temporary differences	**5.8**	7.0	**(1.9)**	(1.7)	**3.9**	5.3
Tax value of losses	**0.5**	0.6	**–**	–	**0.5**	0.6
Total	**13.3**	14.4	**(3.8)**	(3.4)	**9.5**	11.0

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2006 £m	2005 £m
Deductible temporary differences	**12.0**	15.6
Tax losses	**17.6**	21.6
Property, plant and equipment	**1.9**	–
Total	**31.5**	37.2

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

There is a temporary difference of £16.4m (2005: £11.4m) which relates to unremitted post acquisition overseas earnings. No deferred tax is provided for 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.

Movements in temporary differences during the year

	Balance 1 January 2005 £m	Exchange adjustments £m	Recognised in income statement £m	Recognised in equity* £m	Balance 31 December 2005 £m
Property, plant and equipment	(0.3)	–	(0.8)	–	(1.1)
Pensions	4.8	–	–	0.6	5.4
Share option expense	0.7	–	0.1	–	0.8
Provisions and other temporary differences	(0.3)	0.1	5.5	–	5.3
Tax value of losses	–	–	0.6	–	0.6
Total	4.9	0.1	5.4	0.6	11.0

* see notes 7 and 19

Notes to the financial statements

12 Deferred tax assets and liabilities continued

	Balance 1 January 2006 £m	Exchange adjustments £m	Recognised in income statement £m	Recognised in equity* £m	**Balance 31 December 2006 £m**
Property, plant and equipment	(1.1)	0.1	–	–	**(1.0)**
Pensions	5.4	–	–	(0.7)	**4.7**
Share option expense	0.8	–	0.5	0.1	**1.4**
Provisions and other temporary differences	5.3	(0.5)	(0.9)	–	**3.9**
Tax value of losses	0.6	–	(0.1)	–	**0.5**
Total	**11.0**	**(0.4)**	**(0.5)**	**(0.6)**	**9.5**

* see notes 7 and 19

13 Inventories

	2006 £m	2005 £m
Raw materials	**2.0**	2.3
Work in progress	**0.6**	0.7
Finished goods	**0.6**	0.1
Total inventories	**3.2**	3.1

The amount of inventory recognised as an expense in 2006 was £1.5m (2005: £1.7m).
All inventory is expected to be recovered within 12 months. The amount of inventory written off in 2006 was £nil (2005: £nil).

14 Trade and other receivables

	2006 £m	2005 £m
Trade receivables	**120.4**	115.9
Other receivables	**9.8**	11.0
Prepayments and accrued income	**21.7**	19.4
Total trade and other receivables	**151.9**	146.3

Trade receivables are shown net of an allowance for doubtful debts of £5.0m (2005: £6.1m). Impairment on trade receivables charged as part of the operating expenses was £2.6m (2005: £3.3m).

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 whom are internationally dispersed.

15 Interest bearing loans and borrowings

	Current 2006 £m	Current 2005 £m	**Non-current 2006 £m**	Non-current 2005 £m
Senior Term Loans	**13.6**	15.2	**164.8**	175.4
Other borrowings	**–**	0.1	**–**	–
Total	**13.6**	15.3	**164.8**	175.4

Analysis of debt	**2006 £m**	2005 £m
Debt falling due:		
In one year or less	**13.6**	15.3
Between one and two years	**87.5**	98.8
Between two and five years	**77.3**	76.6
Total borrowings	**178.4**	190.7

15 Interest bearing loans and borrowings continued

Description of borrowings

In December 2004, the Group refinanced its existing £300.0m secured facility with a £300.0m non-secured facility. The facility was for five years expiring on 15 December 2009, with the option to extend this for a further two years. The facility was extended by a year in 2005 and by a further year in 2006. The facility now expires in December 2011.

The facility comprises three tranches. Facility A is a £42.0m multi-currency term loan (original £70.0m less repayments to 31 December 2006) with bi-annual amortisations over the remaining three years. Facility B is a £150.0m multi-currency revolving credit facility, available up to 15 December 2011. Facility C is a 364 day, £80.0m multi-currency revolving credit facility, with the option to convert this into a one year loan by the end of the 364 day period.

Advances under Facilities A and B bear interest at a rate equal to LIBOR (as adjusted) plus a margin. The margin over LIBOR is in the range of 0.4% to 0.6% in accordance with a leverage grid. As at 31 December 2006, the margin was 0.45%. Advances under Facility C initially bear interest at a rate equal to LIBOR (as adjusted) plus a margin. The margin over LIBOR is in the range 0.3% to 0.5% in accordance with a leverage grid. As at 31 December 2006, the margin was 0.35%.

The undrawn committed borrowing facilities, which mature in 2011, amounted to £86.4m (2005: £95.5m) having taken into account £7.1m (2005: £5.8m) utilised for letters of credit and guarantees.

16 Trade and other payables

	Current 2006 £m	Current 2005 £m	**Non-current 2006 £m**	Non-current 2005 £m
Trade payables	**33.8**	30.3	**–**	–
Other payables	**15.2**	11.9	**0.9**	0.6
Accruals and deferred income	**52.3**	51.7	**–**	0.6
Total trade and other payables	**101.3**	93.9	**0.9**	1.2

17 Provisions

	Claims £m	Other £m	**Total £m**
At 1 January 2006	8.0	0.9	**8.9**
Exchange adjustments	(0.2)	–	**(0.2)**
Provided in the year	5.3	0.3	**5.6**
Released during the year	(0.4)	–	**(0.4)**
Utilised during the year	(8.7)	(0.7)	**(9.4)**
At 31 December 2006	**4.0**	**0.5**	**4.5**

From time to time, 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 £4.0m (2005: £8.0m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. The timing of the cash outflow relating to the provisions is uncertain but is likely to be within one year. During 2006, a lawsuit filed in Puerto Rico in 2002 against one of the Group's subsidiaries in the US, was settled and the lawsuit dismissed. Details of contingent liabilities in respect of claims are set out in note 27.

On the expiry of certain contracts, the Group is required to incur costs to dispose of assets, repair premises and reduce headcount. The other provision of £0.5m (2005: £0.9m) is an estimate of the cost of meeting these obligations. The provision is likely to be utilised over a period of one to ten years.

Notes to the financial statements

18 Share capital

Group and Company	2006 Number	2006 £m	2005 £m
Authorised:			
Ordinary shares of 1p each	**200,000,000**	**2.0**	2.0
Non equity:			
Zero coupon redeemable preference shares of £1 each	**–**	**105.5**	105.5
	200,000,000	**107.5**	107.5
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	**155,381,473**	**1.6**	1.5
Employee share option schemes – options exercised (note 25)	**1,002,460**	**–**	0.1
Employee Long Term Incentive Plan (note 25)	**5**	**–**	–
Ordinary shares of 1p each at end of year	**156,383,938**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

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

During the year the Company issued 1,002,460 1p ordinary shares in respect of the share options exercised, for a consideration of £4.2m settled in cash and issued 5 shares under the Long Term Incentive Plan for nil consideration.

None of the zero coupon redeemable preference shares were allotted at 31 December 2006 or 31 December 2005. Preference shareholders have the right to a return of capital on winding up but receive no priority over ordinary shareholders with respect to repayment of capital paid up and have no further rights to participate in the profits or assets of the Company.

The Employee Share Ownership Trust (ESOT) is managed and controlled by an independent offshore trustee. The total ESOT costs charged to the Group profits for 2006 were £20,000 (2005: £15,000) of which £7,000 (2005: £7,000) was interest expense. The ESOT did not hold any shares of the company at 31 December 2006 (2005: nil).

19 Shareholders' equity

			Other reserves				
	Share capital £m	Share premium account £m	Translation reserve £m	Hedging reserve £m	Other £m	Retained earnings* £m	Total £m
At 1 January 2005	1.5	234.5	7.1	(1.0)	6.4	(241.5)	7.0
Movement on cash flow hedges	–	–	–	2.6	–	–	2.6
Profit for the year attributable to equity holders	–	–	–	–	–	57.1	57.1
Dividends paid	–	–	–	–	–	(16.9)	(16.9)
Issue of shares	0.1	3.7	–	–	–	–	3.8
Disposal of shares held by ESOT	–	–	–	–	–	0.4	0.4
Equity settled transactions	–	–	–	–	–	1.9	1.9
Actuarial pension loss	–	–	–	–	–	(3.7)	(3.7)
Foreign exchange translation differences	–	–	(1.7)	–	–	–	(1.7)
Tax on income and expense recognised directly in equity	–	–	–	–	–	1.4	1.4
At 31 December 2005	1.6	238.2	5.4	1.6	6.4	(201.3)	51.9
At 1 January 2006	1.6	238.2	5.4	1.6	6.4	(201.3)	51.9
Movement on cash flow hedges	–	–	–	(1.3)	–	–	(1.3)
Profit for the year attributable to equity holders	–	–	–	–	–	63.8	63.8
Dividends paid	–	–	–	–	–	(19.8)	(19.8)
Issue of shares	–	4.2	–	–	–	–	4.2
Equity settled transactions	–	–	–	–	–	2.4	2.4
Actuarial pension gain	–	–	–	–	–	3.2	3.2
Foreign exchange translation differences	–	–	(6.1)	–	–	–	(6.1)
Tax on income and expense recognised directly in equity	–	–	–	–	–	(1.9)	(1.9)
At 31 December 2006	**1.6**	**242.4**	**(0.7)**	**0.3**	**6.4**	**(153.6)**	**96.4**

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

19 Shareholders' equity continued

Dividends

	2006 £m	2006 Pence per share	2005 £m	2005 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2004	–	–	10.8	7.0
Interim dividend for the year ended 31 December 2005	–	–	6.1	3.9
Final dividend for the year ended 31 December 2005	12.6	8.1	–	–
Interim dividend for the year ended 31 December 2006	7.2	4.6	–	–
	19.8	12.7	16.9	10.9

After the balance sheet date, the Directors proposed a final dividend of 10.2p per share in respect of the year ended 31 December 2006, amounting to £16.0m. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with IAS 10: Events after the Balance Sheet Date, it has not been included as a liability in these financial statements. If approved, the final dividend will be paid to shareholders on 15 June 2007.

Translation reserve

The translation reserve comprises all foreign exchange 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 these operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserves

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

20 Minority interests

	2006 £m	2005 £m
At 1 January	7.8	5.7
Exchange adjustments	(0.5)	0.9
Share of profit for the year	5.1	3.6
Additions	0.2	0.5
Dividends	(3.8)	(2.9)
At 31 December	8.8	7.8

21 Commitments

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

	2006			2005		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Within one year	17.8	2.9	20.7	17.1	3.1	20.2
In the second to fifth years inclusive	34.6	2.5	37.1	35.2	3.0	38.2
Over five years	27.8	–	27.8	25.4	–	25.4
Total	80.2	5.4	85.6	77.7	6.1	83.8

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

Contracts for capital expenditure which are not provided in these accounts amounted to £4.5m (2005: £4.3m).

Notes to the financial statements

22 Employee benefits

Pension schemes

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 in Hong Kong. These are funded schemes, with assets held in separate trustee administered funds. Other funded defined benefit schemes are not considered to be material and are therefore accounted for as if they were defined contribution schemes. The schemes in the United Kingdom and Hong Kong were closed to new entrants with effect from 1 April 2002 and 1 December 2000, respectively.

The Group recognises any actuarial gains and losses in each period in equity through the Consolidated statement of recognised income and expense.

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

	2006 £m	2005 £m
Defined contribution schemes	**8.4**	7.9
Defined benefit schemes – current service cost	**2.2**	1.8
Pension cost included in operating profit	**10.6**	9.7

See (b) below for pension interest cost and expected return on scheme assets recognised in the income statement.

b) 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 UK pension scheme was carried out as at 31 March 2004 but this has been updated to 31 December 2006 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2005, for local accounting purposes but this has been updated to 31 December 2006 for IAS 19 purposes.

The amounts recognised in the balance sheet were as follows:

	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**56.4**	55.0	46.7
Present value of funded defined benefit obligations	**(71.6)**	(72.8)	(62.8)
Deficit in the schemes	**(15.2)**	(17.8)	(16.1)
Net actuarial gains/(losses) not recognised in the balance sheet	**–**	–	–
Net liability in the balance sheet	**(15.2)**	(17.8)	(16.1)

The amounts recognised in the income statement were as follows:

	2006 £m	2005 £m
Current service cost	**(2.2)**	(1.8)
Pension interest cost (note 6)	**(3.4)**	(3.1)
Expected return on scheme assets (note 6)	**3.3**	2.8
Total charge	**(2.3)**	(2.1)

The current service cost is included in administrative expenses in the income statement and pension interest cost and expected return on scheme assets are included in net financing costs.

c) Changes in the fair value of scheme assets

	2006 £m	2005 £m
Fair value of scheme assets at 1 January	**55.0**	46.7
Expected return on scheme assets	**3.3**	2.8
Normal contributions by the employer	**1.8**	1.9
Special contribution by the employer	**–**	2.0
Contributions by scheme participants	**0.6**	0.7
Benefits paid	**(4.0)**	(2.3)
Removal of insignificant schemes from valuation	**–**	(2.5)
Effect of exchange rate changes on overseas plan*	**(1.6)**	1.4
Actuarial gains	**1.3**	4.3
Fair value of scheme assets at 31 December	**56.4**	55.0

* These were previously shown as part of actuarial gains.

22 Employee benefits continued

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

	2006 £m	2005 £m
Defined benefit obligations at 1 January	**72.8**	62.8
Current service cost	**2.2**	1.8
Interest cost	**3.4**	3.1
Contributions by scheme participants	**0.6**	0.7
Benefits paid	**(4.0)**	(2.3)
Removal of insignificant schemes from valuation	**–**	(2.7)
Effect of exchange rate changes on overseas plan*	**(1.5)**	1.4
Actuarial (gains)/losses	**(1.9)**	8.0
Defined benefit obligations at 31 December	**71.6**	72.8

* These were previously shown as part of actuarial (gains)/losses.

e) Actuarial losses recognised directly in equity

	2006 £m	2005 £m
Cumulative loss at 1 January	**(12.7)**	(9.0)
Recognised gains/(losses) in the year	**3.2**	(3.7)
Cumulative amount at 31 December	**(9.5)**	(12.7)

f) Company contributions

The Company expects to make normal contributions of £1.2m (2006: £1.2m) to the UK pension scheme and £0.6m (2006: £0.6m) to the Hong Kong pension scheme in 2007.

g) Fair value of scheme assets in each category:

	United Kingdom		Hong Kong	
	2006	2005	**2006**	2005
Equities	**72%**	74%	**63%**	65%
Bonds	**23%**	23%	**36%**	33%
Cash/other	**5%**	3%	**1%**	2%

h) The net pension liabilities of each scheme at 31 December 2006 were as follows:

	United Kingdom £m	Hong Kong £m	Total £m
Fair value of scheme assets	45.2	11.2	56.4
Present value of funded defined benefit obligations	(61.4)	(10.2)	(71.6)
(Deficit)/surplus in schemes	**(16.2)**	**1.0**	**(15.2)**

i) Principal actuarial assumptions:

	United Kingdom		Hong Kong		Weighted average	
	2006	2005	**2006**	2005	**2006**	2005
Discount rate	**5.15%**	4.80%	**3.70%**	4.20%	**4.90%**	4.70%
Inflation rate	**3.00%**	2.80%	**n/a**	n/a	**3.00%**	2.80%
Rate of salary increases	**3.50%**	3.50%	**4.00%**	4.00%	**3.90%**	3.80%
Rate of pension increases	**3.00%**	2.80%	**n/a**	n/a	**3.00%**	2.80%
Annualised expected return on scheme assets	**6.70%**	6.80%	**6.30%**	6.50%	**6.60%**	6.70%

The expected rates of return on scheme assets are determined by reference to relevant indices which take into account the current level of expected returns on risk free investments, the historical level of risk premium associated with equities and the expectation for future returns on such assets. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments. This is based on an out-performance assumption over gilt yields.

Notes to the financial statements

22 Employee benefits continued

The actual return on scheme assets was as follows:

	United Kingdom		Hong Kong	
	2006 £m	2005 £m	**2006 £m**	2005 £m
Actual return	**2.8**	5.9	**1.8**	1.2

j) Life expectancy assumptions at year end for:

	United Kingdom		Hong Kong*	
	2006	2005	**2006**	2005
Male aged 40	**47.3**	42.1	**n/a**	n/a
Male aged 65	**21.8**	19.5	**n/a**	n/a
Female aged 40	**50.2**	47.8	**n/a**	n/a
Female aged 65	**24.7**	24.2	**n/a**	n/a

* The retirement arrangement in Hong Kong pays lump sums to members instead of pensions at the point they retire. Since the amount of the lump sum is not related to the life expectancy of the members, the post retirement mortality is not a relevant assumption for the Hong Kong scheme.

The table above, shows the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The 2006 mortality assumptions are based on an actuarial table 'PA 92 medium cohort, projected by an individual's year of birth'. In 2005 the table used was 'PA (90) with an age rating of -7 years'.

k) Sensitivity analysis

The table below sets out the sensitivity on the pension assets and liabilities as at 31 December 2006 of the two main assumptions. Details of the strengthened mortality assumptions applied in 2006 are given in note (j) above.

Change in assumptions:

	Liabilities £m	Assets £m	Deficit £m	Increase/ (decrease) in deficit £m
No change	71.6	56.4	15.2	–
0.25% rise in discount rate	68.3	56.4	11.9	(3.3)
0.25% fall in discount rate	75.1	56.4	18.7	3.5
0.25% rise in inflation	73.0	56.4	16.6	1.4
0.25% fall in inflation	70.2	56.4	13.8	(1.4)

l) History of experience gains and losses:

	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**56.4**	55.0	46.7
Defined benefit obligations	**(71.6)**	(72.8)	(62.8)
Deficit	**(15.2)**	(17.8)	(16.1)
Experience gains/(losses) on scheme liabilities	**1.6**	(0.5)	(1.6)
Experience gains on scheme assets	**1.3**	4.3	1.3

Share-based payments

The company has a share option scheme and a long-term share incentive plan, details of which are contained in the Remuneration Report and in note 25. The share option scheme has been discontinued and the last options under the scheme were granted on 13 September 2005.

In accordance with IFRS 2, the fair value of services received in return for shares and share options granted to employees, is measured by reference to the fair value of shares and share options granted. In accordance with the transitional provisions in IFRS 1 and IFRS 2, the recognition and measurement principles in IFRS 2 have not been applied to share option grants made prior to 7 November 2002. The estimate of the fair value of the services received is measured based on the Black-Scholes formula, a financial model used to calculate the fair value of shares and share options.

During the year ended 31 December 2006, the Group recognised an expense of £2.4m (2005: £1.9m) in respect of outstanding share and share option awards granted from 7 November 2002 onwards.

22 Employee benefits continued

The fair values and the assumptions used in their calculations are set out below:

	Share options						Share awards	
							Deferred shares	Matching shares
Date of share option grant/shares awarded	7 April 2003	12 Sept 2003	7 April 2004	14 Sept 2004	7 April 2005	13 Sept 2005	7 April 2006	7 April 2006
Price at fair value measurement date (pence)	130.3	139.4	163.9	185.9	240.2	189.8	795.9	435.0
Share price (pence)	375	456	527	611	790	703	827.6	827.6
Exercise price (pence)	359	462	523.5	607	778	711	n/a	n/a
Expected volatility	31.4%	30.1%	28.2%	26.2%	25.4%	24.9%	21.6%	21.6%
Dividend yield	1.4%	1.8%	1.7%	1.5%	1.3%	1.6%	1.4%	1.4%
Risk free interest rate	4.3%	4.4%	4.8%	4.9%	4.6%	4.2%	4.4%	4.4%
Time to maturity (years)	6	6	6	6	6	6	3	3

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

Share options were granted under a service condition and a non-market performance condition. Such conditions are not taken into account in the fair value measurement at grant date. There are no market conditions associated with the share option grants.

The deferred shares, under the Long Term Incentive Plan, are granted under a service condition. Such condition is not taken into account in the fair value measurement at grant date. The matching shares, under the Long Term Incentive Plan, 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.

23 Analysis of net debt

	At 1 January 2006 £m	Cash flow £m	Exchange adjustments £m	**At 31 December 2006 £m**
Cash	50.8	3.0	(4.3)	**49.5**
Borrowings	(190.7)	(8.2)	20.5	**(178.4)**
Total net debt	(139.9)	(5.2)	16.2	**(128.9)**

24 Acquisitions

The Group made seven acquisitions during the year, all of which were paid for in cash.

The main acquisition was that of the business and assets of Alta Analytical Laboratories Inc. (Oil, Chemical & Agri) in California, USA on 30 November 2006, for £14.0m. Alta provides a variety of analytical services to pharmaceutical and clinical research organisations.

a) In respect of Alta, an analysis of the net assets acquired and the fair value to the Group is set out below. The analysis is provisional due to the timing of the acquisition and amendments may be made to these figures in the subsequent accounting period with a corresponding adjustment to goodwill.

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	1.2	–	1.2
Goodwill	–	10.2	10.2
Other intangible assets	–	1.4	1.4
Trade and other receivables	1.6	–	1.6
Trade and other payables	(0.4)	–	(0.4)
Net assets acquired	2.4	11.6	14.0
Net cash outflow			14.0

Goodwill of £10.2m represents the value to the Group of acquiring the services of the highly skilled workforce in Alta which, combined with the customer base which is valued as an intangible asset of £1.4m, allows the Group direct access to the North American market for bioanalysis. The goodwill also reflects the synergies that the Group expects to generate with one of the Group's existing European businesses.

The profit of Alta for the period 1 January 2006 to 30 November 2006 was £0.9m. The profit attributable to the Group from the date of acquisition to 31 December 2006 was £17,000.

24 Acquisitions continued

b) The table below sets out an analysis of the net assets acquired and the fair value to the Group in respect of the remaining acquisitions made during the year. The analysis is provisional due to the timing of some of the acquisitions and amendments may be made to these figures in the subsequent accounting period with a corresponding adjustment to goodwill.

	Book value prior to acquisition £m	Accounting policy alignment £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	8.4	(0.8)	(0.4)	7.2
Goodwill	–	–	10.7	10.7
Other intangible assets	–	–	4.2	4.2
Inventories	0.1	(0.1)	–	–
Trade and other receivables	3.4	–	(0.3)	3.1
Tax payable	(0.5)	–	–	(0.5)
Trade and other payables	(1.8)	–	–	(1.8)
Net assets acquired	9.6	(0.9)	14.2	22.9
Net cash outflow				22.9

The accounting policy alignments relate to depreciation of £0.8m and consumables of £0.1m to bring the accounting for these items into line with Group policy. The fair value adjustment of £0.4m against property, plant and equipment relates to a reduction in property on valuation and £0.3m against receivables relates to additional bad debt provisions. The other intangible assets of £4.2m represent contractual and non-contractual client relationships.

The goodwill of £10.7m arises as follows:

	£m
Akzo Nobel	2.9
Polychemlab	3.1
Caleb Brett Iberica	3.3
Others	1.4
Total goodwill	10.7

Akzo Nobel

The goodwill of £2.9m for Akzo Nobel mainly represents the future income that the Group expects to generate from acquiring an established business in the electrical testing market in Japan, which is regarded as a key strategic country.

Polychemlab

The goodwill of £3.1m for Polychemlab represents the value of the highly skilled workforce and future income that the Group expects to obtain from being located in a key site in the chemical industry in the Netherlands and the ability to generate revenue by putting third party work through the lab.

Caleb Brett Iberica

The goodwill of £3.3m for Caleb Brett Iberica primarily represents future income that the Group expects to obtain from acquiring established businesses in the strategically important cargo inspection market in Spain and Portugal.

These acquisitions contributed profits to the Group from their respective dates of acquisition to 31 December 2006 of £0.8m.

c) The Group revenue and profit for the year ended 31 December 2006 would have been £690.3m and £71.6m respectively if all the acquisitions made in 2006, were assumed to have been made on 1 January 2006.

24 Acquisitions continued

d) Details of 2005 acquisitions

The Group made a number of acquisitions, all for cash, of which the main one was the acquisition on 11 November 2005 of the business and assets of Automotive Research Laboratory based in Texas, USA for a cash consideration, including costs, of £20.1m.

i) An analysis of the net assets acquired and the fair value to the Group is set out below:

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	1.1	3.7	4.8
Goodwill	–	9.7	9.7
Other intangible assets	–	3.7	3.7
Inventories	1.1	–	1.1
Trade and other receivables	1.6	–	1.6
Trade and other payables	(0.8)	–	(0.8)
Net assets acquired	3.0	17.1	20.1
Net cash outflow			20.1

The fair value adjustment to property, plant and equipment of £3.7m relates to the revaluation of the property.

Goodwill of £9.7m represents primarily the value of its qualified workforce and the anticipated growth that the Group expects to achieve by packaging the services offered by Automotive Research with a complementary business already in the Group to offer a combined service to the Group's global customers.

Intangibles of £3.7m represent the value placed on customer relationships.

The profit of Automotive Research Laboratory for the period 1 January 2005 to 11 November 2005 was approximately £1.3m. The contribution to the Group from the date of acquisition to 31 December 2005 was £0.4m.

ii) The fair values of the assets and liabilities of all other acquisitions made during 2005 and the cash consideration paid is shown below:

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	5.3	1.5	6.8
Goodwill	–	12.0	12.0
Other intangible assets	–	7.0	7.0
Trade and other receivables	3.9	–	3.9
Cash	1.3	–	1.3
Trade and other payables	(4.2)	–	(4.2)
Net assets acquired	6.3	20.5	26.8
Fair value of consideration, including costs			26.8
Deferred and contingent consideration			(1.1)
Cash acquired			(1.3)
Net cash outflow			24.4

The fair value adjustment to property, plant and equipment of £1.5m relates to the revaluation of a property. Goodwill of £12.0m primarily represents the value gained by the Group of extending its service offering or entering a new territory which can then be leveraged through the rest of the Group. Also included within goodwill is the value associated with gaining a highly skilled workforce.

Intangibles of £7.0m represent the value placed on customer relationships.

Notes to the financial statements

24 Acquisitions continued

These acquisitions contributed profit to the Group from the date of acquisition to 31 December 2005 of £0.6m.

iii) The Group revenue and profit for the year ended 31 December 2005 would have been approximately £605.7m and £62.4m respectively if all the acquisitions made in 2005, were assumed to be made on 1 January 2005.

e) On 9 January 2007, the Group acquired the whole of the share capital of Umitek Limited for £12.9m. Due to the timing of the acquisition, the fair value of the net assets acquired has not yet been determined. A provisional analysis of net assets acquired is set out below which will be subject to amendment once the value of these net assets and fair value adjustments are fully determined. The goodwill will also be analysed to determine whether there are any intangible assets which should be recognised separately.

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	0.3	–	0.3
Goodwill	–	9.9	9.9
Inventories	0.1	–	0.1
Trade and other receivables	2.8	–	2.8
Net cash	0.9	–	0.9
Trade and other payables	(1.1)	–	(1.1)
Net assets acquired	3.0	9.9	12.9
Fair value of consideration, including costs			12.9
Deferred consideration, included in above			0.4

25 Share schemes

a) Share option schemes

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

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

	2006		2005	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
At beginning of year	**556p**	**4,495,355**	437p	3,883,150
Granted	**–**	**–**	776p	1,539,046
Exercised	**389p**	**(1,002,460)**	405p	(700,339)
Forfeited	**647p**	**(203,764)**	478p	(226,502)
Outstanding options at end of the year	**714p**	**3,289,131**	556p	4,495,355
Exercisable at end of the year	**388p**	**737,232**	415p	597,206

The weighted average share price of the company at the date of exercise of share options was 790p (2005: 749p).

The options outstanding at the year end have an exercise price in the range of 140p to 778p and a weighted average contractual life of 7.4 years.

25 Share schemes continued

ii) The outstanding options at 31 December 2006, are exercisable as follows:

Option Scheme	Number of options outstanding	Exercise Price per share	Exercisable between	
1997 Plan	11,806	140p	31 December 2003	31 December 2007
	5,903	140p	1 December 2004	1 December 2008
	17,709			
2002 Plan	243,977	437p	30 May 2005	30 May 2012
	7,632	380p	17 July 2005	17 July 2012
	355,906	359p	7 April 2006	7 April 2013
	31,401	462p	12 September 2006	12 September 2013
	1,053,284	523.5p	7 April 2007	7 April 2014
	25,922	607p	14 September 2007	14 September 2014
	1,285,127	778p	7 April 2008	7 April 2015
	29,742	711p	13 September 2008	13 September 2015
	3,032,991			
Approved Plan	31,185	437p	30 May 2005	30 May 2012
	7,894	380p	17 July 2005	17 July 2012
	40,734	359p	7 April 2006	7 April 2013
	794	462p	12 September 2006	12 September 2013
	85,771	523.5p	7 April 2007	7 April 2014
	7,422	607p	14 September 2007	14 September 2014
	58,162	778p	7 April 2008	7 April 2015
	6,469	711p	13 September 2008	13 September 2015
	238,431			
Total	**3,289,131**			

b) Long Term Incentive Plan

As explained in the Remuneration Report on page 25, deferred and matching shares are awarded under this plan. The first awards were granted on 7 April 2006 and consisted of 244,222 deferred shares and 128,194 matching shares. The awards will vest on 7 April 2009, subject to fulfilment of the performance conditions. In respect of the deferred shares there were 5,610 forfeitures and 171 exercises (for which 5 shares had been issued as at 31 December 2006) arising on employees leaving the Group. In respect of the matching shares there were no forfeitures and no exercises during the period.

Details of the share option schemes and the Long Term Incentive Plan are shown in the Remuneration Report on pages 24 to 26.

26 Financial instruments

Details of the Group's treasury controls are set out in the Performance Review on pages 13 and 14.

Exposures to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

a) Credit risk

Transactions involving derivative financial instruments are with counterparties who have sound credit ratings. Given this, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

26 Financial instruments continued

b) Interest rate risk

Hedging

The Group adopts a policy of ensuring that between 33% and 67% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in various currencies, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next two years and have fixed swap rates ranging from 2.9% to 5.3%. At 31 December 2006, the Group had interest rate swaps with a notional contract amount of £97.4m (2005: £110.4m).

The Group designates interest rate swaps as hedging instruments in cash flow hedges and states them at fair value.

The net fair value of swaps at 31 December 2006, was £0.4m (2005: £1.7m) comprising assets of £0.4m (2005: £1.7m) and liabilities of £nil (2005: £nil). These amounts were recognised as fair value derivatives.

Under the interest rate swap agreements, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. The interest rate profile of the Group's financial assets at 31 December 2006, is set out below:

Financial assets	Effective interest rates	At floating interest rates £m	Interest free £m	Total carrying amount £m
Short term deposits and cash*:				
Sterling	4.7%	0.6	–	0.6
US dollar	5.0%	9.3	0.8	10.1
Chinese renminbi	0.8%	13.3	–	13.3
Hong Kong dollar	3.9%	3.5	–	3.5
Euros	2.7%	1.8	4.3	6.1
Other currencies	Various	11.4	4.5	15.9
		39.9	9.6	49.5
Investment in associates:				
US dollar		–	0.7	0.7
Total financial assets		**39.9**	**10.3**	**50.2**

* Short term deposits are overnight deposits bearing interest at rates fixed daily in advance.

The interest rate profile of the Group's financial assets at 31 December 2005 was as follows:

Financial assets	Effective interest rates	At floating interest rates £m	Interest free £m	Total carrying amount £m
Short term deposits and cash*:				
Sterling	4.7%	0.8	–	0.8
US dollar	3.1%	5.7	3.2	8.9
Chinese renminbi	1.5%	15.7	–	15.7
Hong Kong dollar	2.2%	3.6	–	3.6
Euros	2.0%	1.2	4.0	5.2
Other currencies	Various	13.1	3.5	16.6
		40.1	10.7	50.8
Investment in associates:				
US dollar		–	0.7	0.7
Total financial assets		**40.1**	**11.4**	**51.5**

* Short term deposits are overnight deposits bearing interest at rates fixed daily in advance.

The fair value of total financial assets approximates its carrying value.

26 Financial instruments continued

The table below provides information about the maturity and interest rate profile of the Group's borrowings at 31 December 2006:

Liabilities 2006	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	Carrying and fair value £m
Floating rate (USD)	–	59.3	–	–	16.8	76.1
Average interest rate	–	5.5%	–	–	5.6%	–
Floating rate (HKD)	11.4	26.0	11.4	–	5.7	54.5
Average interest rate	4.4%	4.3%	4.5%	–	4.5%	–
Floating rate (SEK)	2.2	2.2	2.2	–	1.1	7.7
Average interest rate	4.3%	4.5%	4.5%	–	4.6%	–
Floating rate (GBP)	–	–	–	–	5.0	5.0
Average interest rate	–	–	–	–	5.8%	–
Floating rate (JPY)	–	–	–	–	10.9	10.9
Average interest rate	–	–	–	–	1.8%	–
Floating rate (EUR)	–	–	–	–	24.2	24.2
Average interest rate	–	–	–	–	4.6%	–
Total	**13.6**	**87.5**	**13.6**	**–**	**63.7**	**178.4**

The table below provides information about the maturity and interest rate profile of the Group's borrowings at 31 December 2005:

Liabilities 2005	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	Carrying and fair value £m
Floating rate (USD)	–	67.1	–	–	37.2	104.3
Average interest rate	–	5.2%	–	–	5.3%	–
Floating rate (HKD)	13.0	29.5	13.0	13.0	6.5	75.0
Average interest rate	4.9%	4.8%	4.9%	4.9%	4.9%	–
Floating rate (SEK)	2.2	2.2	2.2	2.2	1.0	9.8
Average interest rate	3.3%	3.3%	3.6%	3.7%	3.8%	–
Floating rate (GBP)	0.1	–	–	–	1.5	1.6
Average interest rate	5.1%	–	–	–	5.1%	–
Total	**15.3**	**98.8**	**15.2**	**15.2**	**46.2**	**190.7**

c) Foreign currency risk

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.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. At 31 December 2006, the fair value of forward exchange contracts was £nil (2005: £nil).

Hedge of net investment in foreign subsidiaries

The Group's foreign currency denominated loans are designated as a hedge of the Group's investment in its respective subsidiaries. The carrying amount of the loans at 31 December 2006, was £178.4m (2005: £190.7m).

A foreign exchange gain of £20.5m (2005: loss of £16.1m) was recognised in the translation reserve in equity on translation of these loans to sterling.

Notes to the financial statements

26 Financial instruments continued

d) Fair values

The table below sets out a comparison of the book values and corresponding fair values of all the Group's financial instruments by category. Fair values are determined by reference to market values, where available, or calculated by discounting cash flows at prevailing interest rates.

	2006 Book value £m	2006 Fair value £m	2005 Book value £m	2005 Fair value £m
Financial assets				
Cash and cash equivalents	**49.5**	**49.5**	50.8	50.8
Derivatives	**0.4**	**0.4**	1.7	1.7
Trade and other receivables	**151.9**	**151.9**	146.3	146.3
Associates	**0.7**	**0.7**	0.7	0.7
	202.5	**202.5**	199.5	199.5
Financial liabilities				
Interest bearing loans and borrowings	**178.4**	**178.4**	190.7	190.7
Trade and other payables	**101.3**	**101.3**	93.9	93.9
Other non current liabilities	**0.9**	**0.9**	1.2	1.2
	280.6	**280.6**	285.8	285.8

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

Derivatives

For interest rate swaps, bank valuations are used.

Interest bearing loans and borrowings

The fair value is the same as book value as the floating interest rates were reset just prior to the year end.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine fair value.

Interest rates used for determining fair value

Prevailing market interest rates are used to discount cash flows to determine the fair value of financial assets and liabilities.

e) Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 December 2006, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately £0.5m (2005: £0.5m). Interest rate swaps have been included in this calculation.

It is estimated that a general increase of one percentage point in the value of the sterling against the dollar (the main currency impacting the Group) would have decreased the Group's profit before tax for 2006 by approximately £0.7m (2005: £0.6m). The forward exchange contracts have been included in this calculation.

27 Contingent liabilities

	2006 £m	2005 £m
Guarantees, letters of credit and performance bonds	**6.4**	5.8

Litigation

From time to time, 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 former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business.

The outcome of the litigation to which Intertek Group companies are party cannot be readily foreseen. 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 Group holds a professional indemnity insurance policy that provides coverage for certain claims from customers. The Directors consider this policy adequate for normal commercial purposes.

28 Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 30), associates (see note 30) and with its key management.

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

Transactions with associates

As stated in note 11, the Group holds a 40% interest in the associate, Allium LLC, a company registered in the USA. Allium LLC and its subsidiaries manufacture testing equipment which it sells to certain Intertek Group companies. In 2006, sales by Allium Group companies to Intertek Group companies amounted to £1.4m (2005: £0.3 m). Intertek Group companies had lent dollar equivalent £1.5m to Allium LLC as at 31 December 2006 (2005: £1.7 m) against which there was a Group provision of £1.2m (2005: £1.2m). Interest on these loans was charged during 2006 at an average rate of 6.1%. Intertek Group companies owed £0.1m at 31 December 2006 (2005: £nil) to Allium LLC in respect of purchases of testing equipment.

Transactions with key management personnel

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

	2006 £m	2005 £m
Short-term benefits	**1.9**	1.9
Post-employment benefits	**0.2**	0.2
Share-based payments	**0.5**	0.3
Total	**2.6**	2.4

More detailed information concerning Director's remuneration, shareholdings, pensions entitlements, share options and other long-term incentive plans is shown in the audited part of the Remuneration Report.

R Kong is engaged by the Group as a Non-Executive Director under the terms of a letter of appointment, commencing 1 July 2006, terminable by either party on three months' notice. Should the Group terminate the appointment, on such termination R Kong will not be entitled to any compensation for loss of office. On the same date, R Kong entered into an agreement to provide independent professional consultancy services to Intertek Testing Services Pacific Limited, as and when required by the Chief Executive Officer of that company. The agreement is terminable at one month's notice without compensation for loss of office and R Kong's remuneration thereunder is £1,000 per working day. In 2006, R Kong received £29,000 (2005: £nil) for consultancy services.

RC Nelson is engaged by the Group as a Non-Executive Director under the terms of a letter of appointment for an initial period of three years commencing 8 April 2005. Under the terms of the same letter of appointment RC Nelson is entitled to remuneration of £1,000 per working day for any special project work agreed in advance by the Chairman. In 2006, RC Nelson received remuneration of £5,000 (2005: £nil) for special project work.

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

29 Post balance sheet events

a) On 9 January 2007, the Group acquired the whole of the share capital of Umitek Limited for £12.9m. Details are given in Note 24(e).

b) At a Board meeting on 5 March 2007, the Directors proposed a dividend of 10.2p per ordinary share, which if approved, is payable to shareholders on 15 June 2007.

Notes to the financial statements

30 Principal operating subsidiaries and associated companies

The Group comprises 166 subsidiary companies and one associated company. As permitted by Section 231(5) of the Companies Act 1985, only the holding companies and the principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group in 2006 and 2005 have been shown below. A full list of subsidiaries will be attached to the Company's Annual Return filed with the Registrar of Companies. All the subsidiaries were consolidated at 31 December 2006.

			Percentage of ordinary shares held in 2006 and 2005	
Company name	Country of Incorporation	Principal activity by division	Group	Company
Intertek Holdings Limited	England and Wales	Holding company	100	100
Intertek Testing Services UK Limited	England and Wales	Holding company	100	–
Intertek Finance plc	England and Wales	Finance	100	–
Intertek Testing Services Holdings Limited	England and Wales	Holding company	100	–
Intertek Testing Management Limited	England and Wales	Management company	100	–
Intertek International Limited	England and Wales	Government Services	100	–
ITS Testing Services (UK) Limited	England and Wales	Oil, Chemical & Agri	100	–
ITS Testing Holdings Canada Limited	Canada	Holding company	100	–
Testing Holdings France EURL	France	Holding company	100	–
Testing Holdings Germany GmbH	Germany	Holding company	100	–
ITS Hong Kong Limited	Hong Kong	Consumer Goods and Commercial & Electrical	100	–
Yickson Enterprises Limited	Hong Kong	Holding company	100	–
Intertek Testing Services Limited Shanghai	China	Consumer Goods and Commercial & Electrical and Government Services	85	–
Intertek Testing Services Taiwan Limited	Taiwan	Consumer Goods and Commercial & Electrical	100	–
Intertek Testing Services Shenzhen Limited	China	Consumer Goods and Commercial & Electrical	85	–
Kite Overseas Holdings BV	Netherlands	Holding company	100	–
Testing Holdings Sweden AB	Sweden	Holding company	100	–
Semko AB	Sweden	Commercial & Electrical	100	–
ITS NA Inc	USA	Commercial & Electrical	100	–
Entela Inc	USA	Commercial & Electrical	100	–
Caleb Brett USA Inc	USA	Oil, Chemical & Agri	100	–
Testing Holdings USA Inc	USA	Holding company	100	–

			Percentage of shares held in 2006 and 2005	
Associates	Country of Incorporation	Principal activity by division	Group	Company
Allium LLC	United States	Consumer Goods	40	–

Intertek Group plc
Company balance sheet

As at 31 December 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**275.0**	274.3
Debtors due after more than one year	(e)	**12.9**	–
Current assets			
Debtors	(f)	**–**	1.0
Cash at bank and in hand		**–**	0.4
		–	1.4
Creditors due within one year			
Other creditors	(g)	**(1.6)**	(1.7)
Net current liabilities		**(1.6)**	(0.3)
Total assets less current liabilities		**286.3**	274.0
Creditors due after more than one year			
Other creditors	(h)	**–**	(10.1)
Net assets		**286.3**	263.9
Capital and reserves			
Called up share capital	(i)	**1.6**	1.6
Share premium	(i)	**242.4**	238.2
Profit and loss account	(i)	**42.3**	24.1
Shareholders' funds-equity		**286.3**	263.9

The financial statements on pages 73 to 76 were approved by the Board on 5 March 2007 and were signed on its behalf by:

Wolfhart Hauser
Director

Bill Spencer
Director

Notes to the 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. No new accounting standards have been adopted in the year.

Basis of preparation
The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and under the historical accounting rules.

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

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated accounts which it has prepared.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date or at the contracted rate if the transaction is covered by a forward exchange contract. All foreign exchange differences are taken to the profit and loss account.

Taxation
The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred by timing differences.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets in respect of timing differences are only recognised to the extent that it is more likely than not there will be suitable taxable profits to offset the future reversal of these timing differences.

Classification of financial instruments issued by the Company
Following the adoption of the presentation requirements of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds
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.

b) Employees
The Company does not employ any staff.

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

c) Dividends
The aggregate amount of dividends comprises:

	2006 £m	2005 £m
Final dividend paid in respect of prior year but not recognised as liability in that year	**12.6**	10.8
Interim dividends paid in respect of the current year	**7.2**	6.1
Aggregate amount of dividends paid in the financial year	**19.8**	16.9

The aggregate amount of dividends proposed and recognised as liabilities as at year end is £nil (2005: £nil).

d) Investment in subsidiary undertakings

	2006 £m	2005 £m
Cost and net book value		
At 1 January	**274.3**	271.2
Additions	**0.7**	3.1
At 31 December	**275.0**	274.3

During the year, the Company subscribed £0.7m into the share capital of its segregated account in Leeward Insurance Company Limited, registered in Bermuda. This is the insurance captive for the Group.

The other two direct subsidiary undertakings at 31 December 2006, were Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, incorporated in the United Kingdom and registered in England and Wales. All interests are in the ordinary share capital of the companies and both companies 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.

e) Debtors due after more than one year

	2006 £m	2005 £m
Amounts owed by Group undertakings	**12.9**	–

The amounts owed by Group undertakings represent long-term loans which carry interest based on the denomination of the borrowing currency and which are repayable any time after 12 months.

f) Debtors due within one year

	2006 £m	2005 £m
Other receivables	**–**	0.9
Prepayments and accrued income	**–**	0.1
	–	1.0

g) Creditors due within one year

	2006 £m	2005 £m
Amounts due to Group undertakings	**1.4**	1.5
Accruals and deferred income	**0.2**	0.2
	1.6	1.7

h) Creditors due after more than one year

	2006 £m	2005 £m
Amounts owed to Group undertakings	**–**	10.1

The amounts owed to Group undertakings represent long-term loans which carry interest based on the denomination of the borrowing currency and which are repayable any time after 12 months.

Notes to the financial statements

i) Shareholders' funds – equity

	Share capital £m	Share premium £m	Profit and loss £m	**Total £m**
At 1 January 2005	1.5	234.5	28.5	**264.5**
Profit for the financial year	–	–	12.5	**12.5**
Dividends	–	–	(16.9)	**(16.9)**
Shares issued	0.1	3.7	–	**3.8**
At 31 December 2005	1.6	238.2	24.1	**263.9**
Profit for the financial year	–	–	38.0	**38.0**
Dividends	–	–	(19.8)	**(19.8)**
Shares issued	–	4.2	–	**4.2**
At 31 December 2006	1.6	242.4	42.3	**286.3**

Details of share capital are set out in note 18 and details of share options are set out in note 25 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 230(4) of the Companies Act 1985. The profit for the financial year, before dividends paid to shareholders of £19.8m (2005: £16.9m) was £38.0m (2005: £12.5m) which was mainly in respect of dividends received from subsidiaries.

j) Related party transactions
Under Financial Reporting Standard 8: Related Party Disclosures, the Company has taken advantage of the exemption from disclosing transactions with other Group companies.

k) 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 £20.9m at 31 December 2006 (2005: £19.3m).

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

Independent Auditors' report to the members of Intertek Group plc

We have audited the Group and Parent Company financial statements (the ''financial statements'') of Intertek Group plc for the year ended 31 December 2006 which comprise Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 21.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Performance Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2006;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

5 March 2007

Corporate and shareholder information

Shareholders Enquiries and Electronic Communications www.shareview.co.uk
Any shareholders with enquiries relating to their shareholding should, in the first instance, contact Lloyds TSB Registrars.

Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by e-mail each time the Company distributes documents, instead of receiving a paper version of such documents, by registering a request at the Lloyds TSB Registrars website, www.shareview.co.uk.

There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any document in the future, you may do so by contacting the Registrar by e-mail or by post.

To access www.shareview.co.uk, you will need to have your shareholder reference available when you first log in, which may be found on your dividend voucher, share certificate or form of proxy. The facility also allows shareholders to view their holding details, find out how to register a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers.

Share dealing service
A share dealing service for the purchase or sale of shares in Intertek is available through JPMorgan Cazenove, whose details are as follows:

JPMorgan Cazenove (postal service)
20 Moorgate
London
EC2R 6DA
Telephone +44 20 7155 5328

ShareGift
The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. Details of the scheme are available from:

ShareGift at www.sharegift.org
Telephone +44 20 7828 1151.

Share price information
Information on the Company's share price is available from the investor pages of www.intertek.com.

Board of Directors
Vanni Treves *Chairman**
Richard Nelson *Deputy Chairman**
David Allvey*
Christopher Knight*
Raymond Kong*
Debra Rade*
Wolfhart Hauser *Chief Executive Officer*
Bill Spencer *Chief Financial Officer*

* Non-Executive Directors

Company Secretary
Fiona Evans

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Financial calendar

Financial year end	31 December 2006
Results announced	5 March 2007
Annual General Meeting	11 May 2007
Ex-dividend date for final dividend	30 May 2007
Record date for final dividend	1 June 2007
Final dividend payable	15 June 2007
Interim results announced	3 September 2007
Interim dividend payable	November 2007

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We are active in every region around the globe. To find your nearest Intertek office and to see our full range of services, visit our website:

www.intertek.com

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