Intertek

Annual Report 2007

Creating value on a global scale

Creating Value on a Global Scale

Contents

Intertek is a leading provider of quality and safety solutions serving a wide range of industries around the world.

From auditing and inspection, to testing, quality assurance and certification, Intertek people are dedicated to adding value to customers' products and processes, supporting their success in the global marketplace.

Intertek has the expertise, resources and global reach to support its customers through its network of more than 1,000 laboratories and offices and over 21,000 people in 110 countries around the world.

To find out more go to
www.intertek.com

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

Financial Highlights

Revenue
£775.4m +16.7%
(+22.5% at constant rates[1])

Operating profit
£116.1m +18.3%

Adjusted operating profit[2]
£121.6m +19.0%
(+27.2% at constant rates[1])

Adjusted operating profit margin[2]
15.7% +30 basis points
(+60 basis points at constant rates[1])

Operating cash flow
£149.1m +19.7%

Profit before income tax
£105.8m +15.8%

Basic earnings per share
46.7p +14.2%
(Diluted adjusted EPS[3] +15.0%)

Dividend per share[4]
18.0p +21.6%

Revenue £m
CAGR 15.6%

Adjusted operating profit[2] £m
CAGR 18.2%

Dividend per share (pence)[4]
CAGR 22.5%

Basic earnings per share (pence)
CAGR 12.7%

1. Growth at constant rates compares revenue and adjusted operating profit for 2007 and 2006 at the average exchange rates for 2007.
2. Adjusted to remove the amortisation of intangible assets arising on acquisitions of £5.1m (2006: £3.8m) and goodwill impairment of £0.4m (2006: £0.3m) (see reconciliation in note 3 to the financial statements).
3. Diluted adjusted EPS based on adjusted profit (see note 8 to the financial statements).
4. Dividend per share is based on the interim dividend paid of 5.8p (2006: 4.6p) plus the proposed final dividend of 12.2p (2006: 10.2p).

Intertek combines unparalleled experience, an extensive global network and a strong customer focus to provide the added value our clients seek.

What we do

We provide the services our clients need to deal with increasingly complex global quality and safety challenges.

- Testing
- Inspection
- Certification
- Auditing
- Quality Assurance
- Advisory Services

The industries in which we operate

We operate in industries where we can use our global network, international expertise and combination of services to support our customers in their local and global markets.

- Agriculture
- Automotive
- Chemical
- Consumer Products
- Electrical & Electronic
- Energy & Fuels
- Food
- Government
- Industrial
- IT & Telecom
- Minerals
- Pharmaceutical
- Retailers









Our leading customers

We have a strong customer ethos that has attracted some of the world's leading brands.

ARI, Bangladesh, Bosch, BP, Canon, Certified Automotive Parts Association, ChevronTexaco, Citgo, ConocoPhillips, DSM, ExxonMobil, First Alert, Gap Inc, General Mills Inc, Glencore, Guinea, Haagen-Dazs, Haier, Hanesbrands Inc, Highlights for Children, IKEA, Infineum, KB Toys, Kenya, Kohl's, Kuwait, Levi Strauss & Co, LG, LIDL, Lloyd's Register, Marks & Spencer, McDonald's® Corporation, MeadWestco Corporation, Mexico, Mothercare, Morgan Stanley, Mozambique, Nestlé, Nigeria, Nikon, Nordstrom Inc, Oriental Trading Company, Panasonic, Qualcomm Incorporated, Raymond Geddes and Company, Redcats Group, Sabic, Safety Equipment Institute, Samsung, Sasol, Saudi Arabia, Shell, Sierra Leone, StatoilHydro, Sunoco, Tesco, TOKYO ELECTRON LIMITED, Toshiba, Total, Toys "R" Us, Trafigura, Uzbekistan, Vale, Valero, Vermont Teddy Bear Company, Vitol.




Our market has grown strongly as our customers expand product lines, increase speed to market and keep up with changes in regulation.

Intertek growth
Our growth is a result of our clear and effective growth strategy.

A global presence

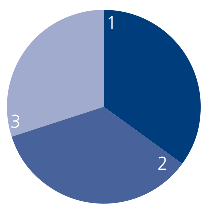
● Intertek labs and offices

21,300
Intertek people

110
Countries

Revenue by region

1 Asia Pacific 35%
2 Americas 35%
3 EMEA 30%



+16.7%
Revenue growth in 2007

+3,100
New employees in 2007

1 Paris
2 Kuala Lumpur

Customer demands

Our customers look to us as partners that will help them meet their safety and quality challenges.

A global perspective

Drawing in world-class resources and capabilities through our network of laboratories wherever and whenever they're needed.

Speed and responsiveness

A partner who understands the importance of time-to-market to help customers gain a competitive edge.

Expertise

An appreciation of local legislation and in-depth industry know-how, offering customers a one-stop-shop for all their safety and quality requirements.

Quality of service

By offering one global, consistently exceptional service, adapted to local needs.

Creating value

By utilising Intertek's resources, we add value to our customers' products and processes.

Local knowledge, global network

Our global network of more than 1,000 offices and laboratories serving customers in more than 100 countries means that we are able to deliver the most comprehensive solutions in a range of diverse markets.

Equipped to service our clients

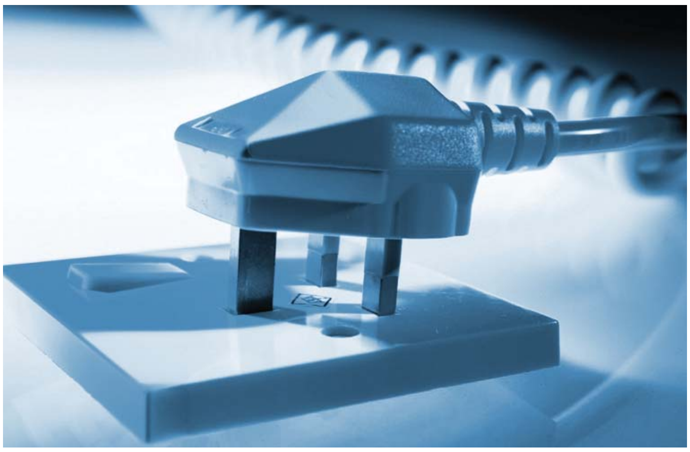
Our expanding range of high specification laboratory equipment coupled with experienced scientists and engineers is at the disposal of our clients. By outsourcing their quality and safety needs to Intertek, our customers can dedicate their primary energies to their core business activities.

Expertise

By combining a legacy of innovation and creative thinking with detailed knowledge of local legislation, culture, industry and market conditions, our people are in the best position to understand the needs of our customers and deliver time-critical, optimised solutions to meet those needs.

Respected and recognised marks

Intertek offers one of the broadest ranges of certification and accreditation marks to help our customers' services or products be accepted in markets around the world.



Intertek – the mark of quality

A symbol can speak volumes. With a recognised safety mark on your product you can meet regulatory requirements, win new customers and open up markets.

We have a comprehensive suite of safety marks:

- ETL mark for US
- S mark, BEAB mark, GS mark and CE mark for European access
- ASTA Diamond mark accepted across Europe, Asia and beyond

Introduction by the Chairman

Record revenue growth

Vanni Treves
Chairman

Results

I am delighted to report that Intertek performed strongly in 2007, demonstrating the effectiveness of our business model and strategy. Revenue increased to £775.4m, up a record 16.7% over last year. This was achieved despite the average exchange rate for the US dollar being nearly 9% weaker against sterling, which reduced reported revenue when translated into sterling.

Operating profit was £116.1m, up 18.3% over last year. Operating profit before the amortisation of intangible assets arising on acquisitions and impairment of goodwill ('adjusted operating profit') increased to £121.6m, up 19.0%. Our adjusted operating margin increased by 30 basis points to 15.7%.

At constant exchange rates, revenue and adjusted operating profit grew 22.5% and 27.2% respectively, and on a like-for-like basis, organic revenue and adjusted operating profit increased by 13.0% and 15.2% respectively, reflecting the strong growth in our underlying businesses.

Acquisitions

We completed 16 acquisitions in 2007 for total consideration of £100.0m (2006: £36.9m). Details of the acquisitions are given in the business review by division. We continue to see many opportunities to acquire businesses in our chosen industry sectors and so far in 2008 we have completed for total consideration of £17.5m, five acquisitions which further widen the scope and range of the services we offer.

Earnings per share

Basic earnings per share were 46.7p, up 14.2% over last year. Diluted adjusted earnings per share, before amortisation of intangibles arising on acquisitions and impairment of goodwill were 49.7p, up 15.0%.

Dividends

An interim dividend of 5.8p per share (2006: 4.6p) was paid to shareholders on 13 November 2007. The Directors will propose a final dividend of 12.2p per share at the Annual General Meeting on 9 May 2008, to be paid on 19 June 2008 to shareholders on the register at close of business on 6 June 2008. If approved, this will make a full year dividend of 18.0p per share (2006: 14.8p), an increase of 21.6%. This is in line with our dividend policy and reflects the good performance of the Group. As announced in our last Annual Report, our intention is to pay an annual dividend that is covered at least two and a half times by earnings.

Board changes

As previously announced, after 34 years with the Group, Raymond Kong retired on 11 May 2007. I would like to express my deep gratitude to him, on behalf of his fellow Directors, employees and customers, for his outstanding contribution towards building the Consumer Goods division into the successful business it is today and for his excellent contribution to the Board, on which he served for the past three years. We wish him a happy and healthy retirement.

On 1 January 2008, Mark Loughead joined the Intertek Board as Executive Director and Chief Operating Officer for the Group. Mark was previously Executive Vice President of our Oil, Chemical & Agri division and has 30 years experience in the industry, 19 of which have been with Intertek. I congratulate and welcome Mark and look forward to his pursuit of opportunities to increase our growth and value for our customers and shareholders.

1 London
2 Rio de Janeiro

Biographies of each of the Board members are set out on page 31.

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 2007, the Group employed over 21,300 people in 110 countries, an increase of 3,100 people over last year. Almost 900 new employees joined the Group in the businesses that we acquired in the year. On behalf of the Board, I would like to welcome all new employees to Intertek and to thank all our employees around the world for their commitment to making 2007 such a successful year.

Climate change
Intertek is committed to play an important and positive role with respect to climate change. We advise our clients as an integral part of our business, on many issues which have an impact on the environment, such as the chemical content of their products and packaging, the energy efficiency of their equipment, CO_2 emissions and the disposal of harmful substances and waste electrical products. We also provide advisory and consultancy services to help retailers and manufacturers design their products and services to comply with current and future environmental regulations around the world. Through our services we help our clients to minimise the environmental impact of their products for the benefit of society as a whole. We are also mindful of our own impact on the environment and are working on various initiatives to reduce this. This is discussed further in the Corporate Social Responsibility Report on pages 25 to 29.

Organisation changes
In 2008, we are dividing our four operating divisions into seven. This reflects the growth and change in composition of our business, particularly in the Oil, Chemical & Agri division which will be split into three to better support the needs of our customers. Each division will build on the strong foundations already in place to grow both organically and through strategic acquisitions. This new structure and the dedication of our management and employees will enable us to concentrate on developing our business sectors to create value for our customers and shareholders.

Outlook
Demand for Intertek's services is driven by product variety and innovation, growth in regulatory requirements and standards, and increasing environmental awareness, as well as global trade and the drive to increase quality and safety. Therefore, our growth drivers are not directly correlated to total consumer or business expenditure, which means we are well placed to withstand a global economic slowdown. Indeed, our services can help our customers remain competitive in more challenging market conditions. Furthermore, we are also very well diversified, both geographically and across industry sectors, which would help mitigate any impact in the event of an economic downturn.

We expect 2008 to be another good year for Intertek.

Vanni Treves

Vanni Treves
Chairman

Basic earnings per share

46.7p

Dividend per share[1]

18.0p

1. Dividend per share is based on the interim dividend paid of 5.8p (2006: 4.6p) plus the proposed final dividend of 12.2p (2006: 10.2p).

Our strategy for success

Wolfhart Hauser
Chief Executive Officer

Introduction
Our financial results speak for themselves – we have enjoyed a very successful year, with record revenue growth. This outstanding performance was due to our clear and effective growth strategy, favourable conditions in some of our markets and the dedication and expertise of our people. In the paragraphs below, I describe how our strategy works in practice.

Add value to our clients' business and products

Our mission is to support our clients in their global and local trade by adding value to their products and processes. But what does this really mean? As our clients buy, sell or receive products around the world, we help them to achieve the quality, safety, social and environmental standards that they need for trading these products successfully and within critical time frames. Manufacturers, retailers and traders operate in an increasingly competitive global marketplace. We act in partnership with them to help them to succeed. By doing this we create value for our shareholders.

Combine and increase services to meet clients' future needs

We constantly review the services that we offer our clients and identify where their future needs are developing. By being in regular and close contact with them, we listen, anticipate and then plan the key areas in which to expand our services and resources to best support their changing needs. For example, we have long provided clients with electromagnetic compatibility, safety certification and performance testing for mobile devices. By acquiring Product Quality Partners and National Software Technology Laboratories in the United States, we now offer a full suite of hardware testing, including advanced testing applications and software compatibility services which are becoming increasingly sought after in many markets. This is exactly the support that our clients now require from us, as their products and the environment in which they operate, evolve.

We grew the breadth of our emissions service offerings to engine, lubricant and additive manufacturer and automotive industries substantially, by acquiring Carnot Emission Services, a company based in San Antonio, Texas, US. Carnot provides emissions testing services to small engine and industrial equipment manufacturers and certifies engines to the latest recently enacted Environmental Protection Agency (EPA) off-road regulations. These services expand and complement the heavy diesel on-highway and off-road emission services we provide at our neighbouring Intertek Automotive Research facility.

Acquisitions bring new clients into the Group who can benefit from our services on a global scale and also allow us to provide new services to our existing customers. By listening to and foreseeing our clients' future needs we are growing our business.

Get closer to customers – organise ourselves to their industry lines

In response to the growth opportunities in new sectors and to increase the focus on customers in their specific industries, we have changed the organisational structure from four divisions to seven: Consumer Goods; Commercial & Electrical; Analytical Services; Minerals; Oil, Chemical & Agri; Industrial Services; and Government Services. This will enable the leaders of each division to focus on the needs of their customers and pursue a growth strategy more directly focused on the industries that they serve and thereby continue to diversify the revenue streams into different industries.

To support these seven divisions, our 'Intertek as One' initiative launched two years ago, will ensure there is cross-divisional integration and co-operation. It has led to more service offerings and added value for our customers and at the same time allowed us to pursue opportunities for sharing of resources.

Our Strategy

Add value

Combine and increase services

Customer focus

To be the service provider of choice in our industry sectors

Drive outsourcing

1 Hong Kong
2 Houston

Our global brand of one Intertek, with thirteen main industry groupings, ensures our customers can rapidly identify themselves with us and helps us to offer a full range of services to each industry. The main industries we reach are shown on page 2 and we expect this to expand in the future through greenfield and acquisition growth.

To be a leader in our core service industries

Our strategy is to concentrate on industry sectors which provide us with an opportunity to service customers globally. We have developed a list of industries that meet our criteria. In many of these, we are already a leading provider and maintain a strong reputation. Where we are not, we aim to gain sufficient market share to become the first or second service provider.

For example, the global demand for minerals is accelerating due to rapid industrialisation and increasing development in emerging economies. This growth leads to increased demand for testing services at the point of extraction and inspection at the point of shipment. We lacked market presence in Australia, which is a key location for the mining industry, so we acquired two companies: Genalysis which provides testing and analytical services to the mining industry in Western and Southern Australia and Africa; and Northern Territories Environmental Laboratories which covers Northern Australia. These companies have given us a strong presence in the Australian minerals sector and helped us to win a significant seven-year contract with Fortescue Metals Group (FMG) to provide analytical testing of mine samples to a major mining company. These two acquisitions complement our existing minerals operations in Asia and the Americas and give us the market penetration to pursue other opportunities in the minerals testing market.

Our strategy of growing Intertek in our core industry sectors means that we can focus our acquisition strategy, building a complete portfolio of services which maximises the value we can add to our customers.

Drive the outsourcing trend in our core industries

We developed the laboratory outsourcing strategy initially in the oil sector over eight years ago, but have now extended our reach to the chemical, pharmaceutical, personal care, automotive and minerals industries. Major outsourcing contracts won in 2007 include:

- ICI outsourced its Measurement Science Group in the UK;
- Kodak outsourced the analytical services of its Eastman Gelatine Corporation in the US;
- FMG outsourced its minerals sample preparation to Intertek Robotics in Australia;
- Limburg Water Board outsourced its water and environmental laboratory activities in the Netherlands.

Our outstanding track record is attracting more opportunity and has established Intertek as the market leader in laboratory outsourcing in the oil and chemical sectors.

Many companies still run their quality and safety services in-house. These are often non-core activities within a large, complex organisation. We take the time to understand these companies' quality requirements and offer outsourced solutions to maximise value to our customers, including the resources and skills available from our global network of 1,000 laboratories and offices. We expect more outsourcing of these services across a variety of industries, especially if the business environment for our customers becomes more challenging, as there may be increased pressure to optimise value from scarcer resources, presenting a strong growth opportunity for Intertek.

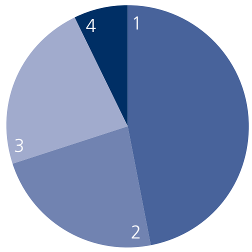
Our business is underpinned by global trade but more importantly depends on product variety, increasing demands for quality and safety and the growing volume of regulations concerning the environment and quality and safety issues. I am confident that our proven strategy and the dedication of our people will continue to drive strong demand for our services, providing added value for our customers and increased value creation for our shareholders.

Wolfhart Hauser
Chief Executive Officer

Intertek provides safety and quality services to customers to add value to their products and processes and support their success in the global marketplace.

Intertek Group revenue

1 Oil, Chemical & Agri 47%
2 Commercial & Electrical 23%
3 Consumer Goods 23%
4 Government Services 7%



Revenue

+16.7%

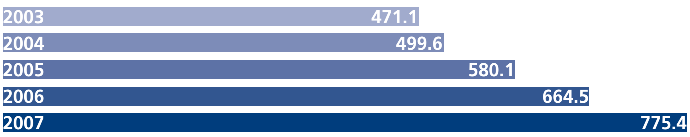
Adjusted operating profit[1]

+19.0%

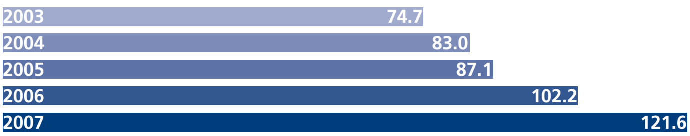
Adjusted operating margin[1]

+30bp

Revenue £m



Adjusted operating profit[1] £m



1. Before amortisation of intangible assets arising on acquisitions and goodwill impairment.

Group overview

This Business and Financial Review is provided to help shareholders gain an understanding of our business and the issues affecting the Group. The Group overview sets out our performance for the year and highlights any significant issues that affected the Group. This is followed by a more detailed commentary on the performance of each division. We continue with a Financial Review and conclude with a summary of the risks and uncertainties affecting our business.

Results

The Group had an excellent year and reported record revenue growth. Revenue increased by 16.7% (22.5% at constant rates). The adjusted operating profit increased by 19.0% (27.2% at constant rates). The adjusted operating margin was 15.7%, up 30 basis points from last year.

The results for 2007 by division are summarised on the next page.

For statutory reporting purposes, operating profit is stated after the deduction of the amortisation of intangible assets arising on acquisitions and goodwill impairment. For management purposes, we adjust operating profit to remove these charges as we consider that adjusted operating profit is a better figure on which to judge year-on-year growth.

The percentage change at actual rates compares the results for 2007 and 2006 translated into sterling at the average exchange rates applicable in each of those years. The percentage change at constant rates compares the results for 2007 and 2006 at the average exchange rates applicable in 2007. For management purposes we measure growth in revenue and adjusted operating profit at constant rates, as we consider that it provides a better like-for-like comparison of the underlying performance.

Summary of results for 2007	Revenue			Operating profit[1]		
	2007 £m	Change at actual rates	Change at constant rates	2007 £m	Change at actual rates	Change at constant rates
Oil, Chemical & Agri	**364.0**	29.3%	35.3%	**45.8**	52.7%	61.8%
Commercial & Electrical	**179.1**	6.7%	12.9%	**27.2**	10.6%	18.8%
Consumer Goods	**181.2**	12.1%	17.7%	**55.2**	7.0%	12.9%
Government Services	**51.1**	(4.3)%	(0.8)%	**7.6**	15.2%	26.7%
Central overheads	**–**	–	–	**(14.2)**	(34.0)%	(35.2)%
	775.4	**16.7%**	**22.5%**	**121.6**	**19.0%**	**27.2%**
Amortisation	**–**			**(5.1)**		
Impairment	**–**			**(0.4)**		
Operating profit	**–**			**116.1**	**18.3%**	
Net financing costs	**–**			**(10.2)**		
Share of loss of associates	**–**			**(0.1)**		
Profit before income tax	**–**			**105.8**	**15.8%**	
Income tax expense	**–**			**(27.0)**		
Result for the year	**775.4**	**16.7%**	**22.5%**	**78.8**	**14.4%**	

1. Before amortisation of intangible assets arising on acquisitions and goodwill impairment.

We calculate organic growth by excluding the results of acquisitions made in 2006 and 2007. On an organic basis, revenue grew by 7.6% (13.0% at constant rates) and adjusted operating profit grew by 7.8% (15.2% at constant rates). The organic growth was generated primarily by growth in the market for quality and safety services, an increase in environmental regulations, an increase in outsourcing and increased global trade.

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. We made 16 such acquisitions in 2007 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 minerals, plastics, food, pharmaceutical and chemical industries and have increased the Group's footprint in strategically important countries such as the United States (US), the United Kingdom (UK), Australia, 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.

Details of the performance of each division, including more information about the acquisitions are given in the Business review by division which starts on page 12.

The Group operates in 110 countries and revenue is relatively evenly spread over the three key regions. Our largest contributors are the US and China (including Hong Kong), which accounted for 28% and 20% respectively of the Group's revenue in 2007. Growth in the US was driven partly by acquisitions but also by the strong petroleum market. Growth in China was driven mainly by the increased demand for quality and safety services. The Group has been established in China for many years and continues to expand its facilities into new locations with three laboratories and seven offices opened in 2007 offering services to a wide range of industries. There was substantial growth in revenue in Australia in 2007 which was mainly in the minerals sector where we acquired two new companies in the year.

Outlook

The market for our services continues to expand. Consumers and regulatory bodies are increasingly concerned about the quality and safety of products and services and their impact on the environment. The number of global and domestic regulations concerning issues such as the environment and the safety and quality of products has increased and this trend is set to continue. Manufacturers and retailers need to meet the demands of their customers and ensure that they comply with the increasingly complex array of legislation. We work in partnership with our customers to help them meet those demands and increase the value of their products and services.

Our business is based partly on global trade but also on product variety and increasing consumer demand for variety, quality and safety. Whilst a significant recession in key countries such as the US and China would probably slowdown our growth, we are very well diversified, both geographically and across industry sectors, which would help mitigate any impact.

Each of our divisions offers opportunities for organic growth through increasing our service offering to customers, to add value to their products and processes and help them compete in the global market. We have been very successful in finding businesses to acquire which extend the range of services we are able to offer. We have a pipeline of potential acquisitions which we are pursuing and we will continue to seek other opportunities.

The outlook for our business is positive and we look forward to continued growth and value creation for our shareholders. We expect 2008 to be another good year for Intertek.

Oil, Chemical & Agri

	2007 £m	Change at actual rates	Change at constant rates
Revenue	**364.0**	29.3%	35.3%
Adjusted operating profit	**45.8**	52.7%	61.8%
Margin	**12.6%**	190bp	210bp

Business review by division

For management purposes the Group is organised into four operating divisions, each covering certain industry sectors. The contribution of each division to the revenue of the Group is shown in the pie chart on page 10.

For management purposes and in the discussion that follows, we calculate growth at constant rates because we consider it gives a better comparison of year-on-year growth. We also use adjusted operating profit which is a non-GAAP measure of operating profit before deducting amortisation of intangible assets arising on acquisitions and impairment of goodwill. Organic growth is calculated by excluding the results of acquisitions made in 2006 and 2007.

Oil, Chemical & Agri

The Oil, Chemical & Agri 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.

Cargo inspection and testing 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 of establishing a global network of operations and laboratories. Analytical services continue to expand as a variety of industries continue to outsource non-core services including testing. More stringent environmental and regulatory requirements for fossil fuels and the drive for alternative energy sources are also expanding the market for testing services. Intertek developed laboratory outsourcing initially in the oil sector, but has now extended its reach to the chemical, pharmaceutical, cosmetics/personal care, automotive/aerospace and minerals industries. Intertek's outstanding track record is attracting more opportunity and has established Intertek as the market leader in laboratory outsourcing in the oil and chemical sectors.

Oil, Chemical & Agri had an excellent performance with strong organic growth across all regions, enhanced by several acquisitions. Total revenue increased by 35.3% to £364.0m and total adjusted operating profit increased by 61.8% to £45.8m. Adjusted operating profit is stated before amortisation of intangible assets arising on acquisitions of £2.9m (2006: £1.2m) and goodwill impairment of £nil (2006: £0.3m). The adjusted operating margin improved by 210 basis points to 12.6%. On an organic basis, revenue growth was 15.6% and adjusted operating profit growth was 27.5%. Organic growth was driven by favourable market conditions, including high demand for alternative fuels and more stringent regulations, resulting in increased testing and inspection services. In addition, optimising the utilisation of our laboratories and equipment has helped to drive growth in operating profit. Demand for outsourced analytical services also continued to grow. This sector accounted for half of the division's revenue in 2007, up from 43% in 2006.

We continue to extend the breadth and depth of the services we can offer our customers by acquiring businesses which complement our existing services. The division made 11 acquisitions in 2007 and a further four in January and February 2008. In January 2007, upstream services were extended by the acquisition of 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. These businesses allow our analytical services stream to extend the range of services provided by its upstream operations globally and especially in Europe, North and West Africa and the Middle East. The acquisition of Geotechnical Services Pty Ltd, located near Perth, Australia, in July 2007, extended Intertek's global reach in upstream services and reinforced the national spread of petroleum testing services for the division across Australia.

The global demand for minerals is accelerating due to rapid industrialisation and growing numbers of new consumers in emerging economies. This growth leads to increased demand for testing and inspection services.

In April 2007, the Group acquired Genalysis Laboratory Services Pty Ltd, which provides testing and analytical services to the mining industry in Western and Southern Australia and Africa. In September 2007, we acquired Northern Territories Environmental Laboratories Pty Ltd, a company based in Darwin, Australia, which provides environmental and geochemical analysis services in Northern Australia. These acquisitions give us a strong presence in the minerals sector in Australia and helped us to win a significant seven-year contract to provide analytical testing of mine samples to a major mining company. These acquisitions complement our existing minerals operations in Asia and the Americas and give us the market penetration to pursue other opportunities in the minerals testing market.

Our analytical services stream increased its range of offerings for the pharmaceutical industry in June 2007, with the acquisition of Quantitative Technologies Inc. (QTI). Located in New Jersey, US, QTI established an East Coast presence for pharmaceutical support services for Intertek, building upon our existing operations in California and Europe. QTI provides product quality testing services to pharmaceutical, medical device and biotechnology companies. This acquisition further extends our growth in the provision of expert analytical support to the global pharmaceutical, medical device and drug delivery industries.

We also made two strategic acquisitions in the petroleum inspection and testing sector. In June 2007, we acquired Union Lab which is a key local petroleum testing and inspection company in Singapore. The business was absorbed into our existing operations in Singapore and further strengthens our market position in this strategically important country. In July 2007, we acquired VIP Cargo Surveys Inc.(VIP), a petroleum inspection and testing company based in Texas, US. VIP will further strengthen our operations in Texas and provide us with a platform to develop our offshore lightering business.

Global reach, local knowledge

Expertise on a global scale:

Houston
Stockholm
Hong Kong
Singapore
Beijing
Taipei
London
Tokyo
Vancouver
Milan
Rotterdam
New Delhi
Jakarta
Rio de Janeiro
Paris
Perth

Commercial & Electrical

	2007 £m	Change at actual rates	Change at constant rates
Revenue	**179.1**	6.7%	12.9%
Adjusted operating profit	**27.2**	10.6%	18.8%
Margin	**15.2%**	50bp	80bp

In August 2007, we announced two new laboratory outsourcing contracts. At Teesside in the UK, ICI has outsourced its Measurement Science Group (MSG) to Intertek under a four-year contract for highly advanced analytical services. As part of this agreement, MSG sold its business assets to Intertek and transferred all 42 of its employees. At the same time, and building from the success of our outsourcing contracts with them in Harrow, UK and Chalon sur Saône, France, Eastman Kodak's Gelatine Corporation outsourced its analytical laboratory services in Peabody, Massachusetts, US, to Intertek under a three-year contract. Both laboratories provide significant new materials expertise and measurement capability to Intertek's existing network.

In March 2008, the Limburg water authorities in Holland will transfer all their laboratory activities from Waterschapsbedrijf Limburg (WBL) to Intertek Polychemlab. Intertek will provide extended analytical and consultancy services to the Limburg water authorities and other environmental branches of WBL. This contract serves as a model towards establishing further public and private sector partnerships in analysis and testing in Europe.

On 31 August 2007, we acquired Carnot Emission Services LLC (Carnot), a company based in San Antonio, Texas, US, which provides niche emissions testing services to small engine and industrial equipment manufacturers, certifying engines to the latest recently enacted Environmental Protection Agency (EPA) off-road regulations. Carnot's services are highly complementary to the heavy diesel on-highway and off-road emission services at our neighbouring Intertek Automotive Research facility and enable the Group to substantially grow the breadth of our emissions service offerings to the engine, lubricant and additive manufacturer and automotive industries, both in the US and internationally.

In October 2007, we acquired Ageus Solutions, a company based in Canada offering environmental and compliance consultancy services addressing global environmental regulations such as Waste Electrical and Electronic Equipment (WEEE), Restriction of Hazardous Substances (RoHS), and Registration, Evaluation and Authorisation of Chemicals (REACH) amongst others. The environmental compliance market is fast growing, driven by increased regulations and wider application, and we expect this to lead to an increasing demand for compliance advice.

In November 2007, we acquired Plastics Technologies Laboratories Inc. (PTLI), a company based in Massachusetts, US, which provides plastics testing services. This business slots neatly into our emerging network of polymer and plastics testing laboratories with strong technical complementarity to the capabilities of Polychemlab in the Netherlands and MSG in the UK, for whom it also provides an important portal to the marketplace in the US.

We have been very successful in making acquisitions to extend the service offerings of the division and we continue to see more opportunities. In January 2008, we acquired Electrical Mechanical Instrument Services (UK) Ltd, a company which provides calibration services to the oil and gas industries, and in February 2008, we acquired Bioclin Research Laboratories Ltd (Bioclin), a specialist pharmaceutical testing laboratory located in Athlone, Ireland. Bioclin provides product quality testing and bio-analytical services to pharmaceutical, medical device and biotechnology companies locally and internationally. It holds Good Laboratory Practice (GLP) and Good Manufacturing Practice (cGMP) certifications and presents an excellent geographic site for further penetration of one of Europe's key centres for pharmaceutical and medical device manufacture. In February we also acquired CML Biotech Ltd (CML), a company which has expertise in the measurement and management of microbial bacteria in oil and gas production infrastructure. The majority of CML's operations are in the North Sea and the Gulf of Mexico, but it also supports other main oil reserve regions including North and West Coast Africa, the Caspian Sea and the Middle East.

In 2007, the Oil, Chemical & Agri division accounted for almost half of the revenue in the Group and through the numerous acquisitions made in the past few years, its activities have diversified into three main activities: Oil, Chemical & Agri, Analytical Services and Minerals. In 2008, these activities will become separate operating divisions which will enable the leaders of each new divisional sector to pursue a growth strategy more directly focused on the industries that they serve, whilst retaining the benefits of their historical close co-operation.

Commercial & Electrical

The Commercial & Electrical division provides services to a wide range of industries including those in the home appliances, lighting, medical, building, industrial and HVAC/R (heating, ventilation, air conditioning and refrigeration), IT and telecom and automotive sectors. On 1 January 2007, the Electrical and Electronic retail inspection (E&E) business was transferred from Commercial & Electrical to Consumer Goods. Revenue and operating profit for prior periods have been restated to show a like-for-like comparison.

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 and Warnock Hersey mark for North America and the S mark, as well as being a leader in providing CB certification and the CE mark and GS mark for Europe.

The market for the services of the Commercial & Electrical division is driven primarily by increasing regulations over the safety of products, increased product variety and growing environmental concerns. 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

Capability to enhance our customers' performance

Industry know-how:	**Agriculture**	**Automotive**	**Chemical**	**Consumer Products**	**Electrical & Electronic**
	Energy & Fuels	**Food**	**Government**	**Industrial**	**IT & Telecom**
	Minerals	**Pharmaceutical**	**Retailers**		

Consumer Goods

	2007 £m	Change at actual rates	Change at constant rates
Revenue	**181.2**	12.1%	17.7%
Adjusted operating profit	**55.2**	7.0%	12.9%
Margin	**30.5%**	(140)bp	(130)bp

States in automotive component testing and building products testing has been extended into China by the opening of an automotive facility in Shanghai and a building products facility in Guangzhou.

The division performed well in 2007, with revenue and adjusted operating profit growth of 12.9% and 18.8% respectively. Adjusted operating profit is stated before amortisation of intangible assets arising on acquisitions of £1.6m (2006: £2.0m) and goodwill impairment of £0.4m (2006: £nil). On an organic basis, revenue increased by 8.6% and adjusted operating profit increased by 11.9%.

The electrical, building products and HVAC/R businesses which accounted for 75% of the division's revenue grew strongly, with double digit organic revenue growth. The performance of the automotive sector was mixed, with strong growth in China reduced by weak results in the United States where the domestic automotive market remained depressed. The systems certification sector also under performed in some regions, particularly the United States where automotive certification declined.

In March 2007, the Group acquired the Finnish company Natlabs Oy which provides electro-magnetic compatibility testing. This gives us a significant presence in Finland and allows us to improve service to our customers in the Baltic region.

In June 2007, we acquired UK based ASTA BEAB, which provides product and systems certification services and is the owner of the ASTA and BEAB certification marks. These marks are an important addition to our leading portfolio of marks, which are recognised around the world, giving us a competitive advantage and providing manufacturers with seamless global market access. We have made progress in gaining acceptance of the ETL mark by retailers in the US and this has helped to drive revenue growth in Asia and the rest of the world.

In August 2007, we acquired Product Quality Partners Inc., which is a leader in North America in wireless device and application testing and in September 2007, we acquired National Software Technology Laboratories Inc. (NSTL), which tests applications software, based primarily in North America. Combining these businesses with our existing EMC, safety certification and performance testing services, gave us a strategic platform to launch a full suite of software testing services to existing and new customers. Our strategy is to establish a leading position in the growing cellular/mobile application software market in the United States and globally.

In February 2008, we acquired Epsilon Technical Services Ltd, a company in the UK which provides testing and certification of equipment and systems in explosive atmospheres. This business will complement our existing explosive environment certification services.

Customer demand for safe, reliable, energy efficient products continues to increase and the market for Commercial & Electrical continues to evolve presenting opportunities for growth. Concerns over climate change are driving new directives regarding the energy usage of products. This is particularly evident in the HVAC/R industry and is expected to extend over other industries.

There are many small niche players in the market and this provides opportunities for continued bolt-on acquisitions.

Consumer Goods

The Consumer Goods 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. On 1 January 2007, the Electrical and Electronic retail inspection (E&E) business was transferred from Commercial & Electrical to Consumer Goods. Revenue and operating profit for prior periods have been restated to show a like-for-like comparison.

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, materials are sourced and goods are manufactured in locations that are remote from the eventual consumer, causing supply chains to be longer and more complex. 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 reported good results in 2007, with revenue growth of 17.7% and adjusted operating profit growth of 12.9%. Adjusted operating profit is stated before amortisation of intangible assets arising on acquisitions of £0.5m (2006: £0.5m). The high adjusted operating margin in Consumer Goods was maintained at over 30% but decreased by 130 basis points over last year. This decline was due to a change in market conditions in Restriction of Hazardous Substances (RoHS) testing and the changing mix of services in the division. On an organic basis, revenue growth was 17.4% and adjusted operating profit growth was 12.7%.

Toy testing finished the year with a very strong performance, driven by an increase in heavy metals testing. Product recalls received considerable publicity in the second half of 2007 and this prompted customers to increase the volume of testing performed by independent service providers such as ourselves. We are uncertain whether this increased volume will continue at the same level in 2008, but we expect to benefit from any increase in the market.

The textile market was stable. Good growth was reported in many countries, including China, and we continue to invest in this region. New facilities in Vietnam, Pakistan, Brazil, Colombia, Romania and Egypt, contributed to revenue growth but are not expected to cover their costs until 2008.

Quality to meet customer demand

A comprehensive range of services: **Testing** **Inspection** **Auditing** **Certification** **Quality assurance** **Advisory services**

Government Services

	2007 £m	Change at actual rates	Change at constant rates
Revenue	**51.1**	(4.3)%	(0.8)%
Adjusted operating profit	**7.6**	15.2%	26.7%
Margin	**14.9%**	250bp	320bp

Revenue from RoHS testing declined in 2007 compared to 2006. The RoHS directive became mandatory in the European Union on 1 July 2006, prompting a peak in RoHS testing in 2006 as companies rushed to meet the deadline. However, subsequent limited enforcement of the legislation has reduced the demand for testing. This volatility is common with new legislation and going forward we expect demand to stabilise. We anticipate that the acquisition of Ageus Solutions in the Oil, Chemical & Agri division will help to drive growth in the RoHS sector as it provides consultancy and advisory services on environmental regulations.

The market for corporate social responsibility services is growing and our revenue in this sector, which was 7% of the division's total revenue, grew well. We expect this sector to develop as the demand for sustainability reporting increases and environmental issues become more prominent. We also expect regulation in this area to increase, which will lead to increased demand for our services.

Revenue from inspection work declined slightly, due to a reduction in the volume of E&E retail inspections.

In September 2007, we acquired Biodata Analytik GmbH, a small food testing company based in Germany. This provides us with a centre of excellence in Europe from which to develop our food testing business.

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 and shorter product lifecycles. Also, the recent public concerns over the safety of consumer products will increase demand from consumers and regulatory bodies for independent assurance of quality and safety. However, the mix of businesses in this division is changing, with developing services such as RoHS, consultancy, inspection, food and corporate social responsibility not always having the high margins earned by the established services.

Government Services

The Government Services division offers a range of services to governments, national standards organisations, customs departments and industrial companies. Services include cargo scanning, fiscal support services (including pre-shipment inspection), standards programmes and industrial services. 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 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.

The division performed well in 2007, with a small decline in revenue of 0.8%, but an increase of 26.7% in adjusted operating profit. Adjusted operating profit is stated before amortisation of intangible assets arising on acquisitions of £0.1m (2006: £0.1m). The adjusted operating margin increased by 320 basis points to 14.9%.

The slight decline in revenue in 2007 over 2006 was due to the inclusion in 2006 of £3.8m for the final work performed on the discontinued Nigerian pre-shipment inspection (PSI) contract. Revenue from continuing business increased by 7.2% in 2007 compared to 2006.

The division's reliance on traditional PSI contracts has reduced and two-thirds of revenue is now generated by other services such as standards programmes, supply chain security and industrial services. The container scanning contract in Guinea is now fully operational and performing well. The PSI contract in Mozambique was extended for a further two years. The government of Ecuador announced the termination of their PSI programme, two years earlier than the official end date, but the contract has continued to operate. If the contract does cease in March 2008 as expected, annual revenue will be reduced by about £5.0m. Closure costs are fully provided.

The Government Services division continues to seek new opportunities with governments in the PSI market and is committed to developing innovative solutions to the cargo security issues facing international trade. There are a number of potential opportunities for new contracts, particularly in the areas of container scanning and standards programmes.

Operating cash flow

+19.7%

Profit before income tax

+15.8%

Financial review

Results for the year

Profit before income tax increased by 15.8% to £105.8m (2006: £91.4m) and diluted adjusted earnings per share were 49.7p (2006: 43.2p). Basic earnings per share were 46.7p (2006: 40.9p).

Key performance indicators

We use a variety of key performance indicators (KPIs) to monitor the performance of the Group. Similar indicators are used to review the performance of the operating divisions. 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 a range of targets set for the year. Further information on management incentives is given in the Remuneration Report which starts on page 39.

Key performance indicators	
Revenue	+16.7%
Operating profit	+18.3%
Adjusted operating profit	+19.0%
Adjusted operating margin	+30bp
Operating cash flow	+19.7%
Profit before income tax	+15.8%
Basic earnings per share	+14.2%
Dividend per share	+21.6%
Return on business assets	+10bp

Growth in revenue

Top line revenue growth is a key performance measure. Revenue increased by £110.9m to £775.4m in 2007, up 16.7% over the prior year (22.5% at constant rates).

The Group operates in 67 different currencies, although the majority of the Group's earnings are denominated in US dollars or currencies linked to the US or which historically have moved in line with the dollar. Other currencies such as the Euro and the Chinese renminbi are also an important constituent of overseas earnings. Therefore the Group's results when translated into sterling, are exposed to changes in the value of the US dollar and other currencies. We show below the main currencies that make up the Group's earnings and the cumulative average exchange rates that we have used when translating results into sterling in 2007 and 2006.

Value of £1	**2007**	2006
US dollar	**2.00**	1.84
Euro	**1.46**	1.47
Chinese renminbi	**15.24**	14.67
Hong Kong dollar	**15.62**	14.30

Growth in adjusted operating profit and margin

	2007 £m	2006 £m	Change
Operating profit	**116.1**	98.1	18.3%
Amortisation of intangible assets arising on acquisitions	**5.1**	3.8	34.2%
Impairment of goodwill	**0.4**	0.3	33.3%
Adjusted operating profit	**121.6**	102.2	19.0%
Adjusted operating margin	**15.7%**	15.4%	+30bp

For management purposes, the Group adjusts operating profit and operating margin to exclude the amortisation of intangible assets arising on acquisitions and the impairment of goodwill. In 2007, adjusted operating profit was £121.6m, up 19.0% over the previous year. The adjusted operating margin was 15.7%, up 30 basis points from 15.4%.

Amortisation of intangible assets arising on acquisitions

Amortisation of intangible assets arising on acquisitions is provided on a straight line basis over the life of the assets, which is normally five years but can be up to ten years. The charge increased in 2007 due to the number of acquisitions made in 2006 and 2007.

Impairment of goodwill

As described in note 10 to the financial statements, we perform a detailed review of goodwill each year to consider whether there is any impairment in its carrying value. The capitalised goodwill at 31 December 2007 was £148.4m (2006: £71.1m) which relates to acquisitions made since 1998. Our review revealed that an acquisition made by the Commercial & Electrical division in 2005, had underperformed our expectations, mainly due to the loss of key employees. We therefore considered that the goodwill associated with this business should be reduced by £0.4m to £0.8m. This business is now under new management and is expected to improve in the future.

Net financing costs

As set out in note 6 to the financial statements, the Group reported finance income in 2007 of £5.4m (2006: £6.3m). This comprised the expected return on pension assets, interest on bank balances, the change in fair value of financial instruments, foreign exchange differences on interest accruals and the ineffective portion of hedge of net investment in foreign operations. The decrease was mainly due to a reduction in the change in fair value of financial instruments.

The Group's finance expense for 2007 was £15.6m compared to £13.3m in 2006. The charge comprised interest on borrowings, pension interest cost, other foreign exchange differences and other financing fees. The increase was primarily due to higher levels of debt.

Income tax expense

As set out in note 7 to the financial statements, income tax expense for 2007 was £27.0m (2006: £22.5m), comprising a current tax charge of £29.3m (2006: £22.0m) less a deferred tax credit of £2.3m (2006: charge £0.5m). The tax rate was 25.5%, up from 24.6% in 2006. The main reason for the increase in the tax rate was increased earnings in higher taxed jurisdictions.

Sources of cash

1 Operations 2 Drawdown of debt 3 Issue of share capital

Cash outflow and increase in cash

1 Acquisitions 2 Capital expenditure 3 Dividends 4 Tax
5 Interest 6 Working capital 7 Increase in cash

Profit for the year

Profit for the year after income tax was £78.8m (2006: £68.9m) of which £73.2m (2006: £63.8m) 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 £5.6m in 2007 (2006: £5.1m). The increase was mainly due to the strong growth in the Group's non-wholly owned subsidiaries in Asia.

Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. As set out in note 8 to the financial statements, basic earnings per share at the end of the year were 46.7p (2006: 40.9p), an increase of 14.2%. A diluted adjusted earnings per share calculation is also shown which removes the impact of amortisation of intangible assets arising on acquisitions and impairment of goodwill from earnings, and includes potentially dilutive share options in the number of shares, to give diluted adjusted earnings per share of 49.7p (2006: 43.2p), an increase of 15.0%. We consider that growth in the diluted adjusted earnings per share figure gives a more representative measure of underlying performance and 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 £25.2m (2006: £19.8m), which comprised £16.1m in respect of the final dividend for the year ended 31 December 2006, paid on 15 June 2007 at the rate of 10.2p per share and £9.1m being the interim dividend in respect of the year ended 31 December 2007, paid on 13 November 2007 at a rate of 5.8p per share. These amounts were charged to retained earnings (see note 19 to the financial statements). After the balance sheet date, the Board recommended a 19.6% increase in the final dividend in respect of the year ended 31 December 2007, to 12.2p per share (2006: 10.2p) which together with the interim dividend will give a full year dividend of 18.0p per share (2006: 14.8p), an increase of 21.6% over last year. If approved, the final dividend will be paid to shareholders on 19 June 2008. The total cost of the final dividend is expected to be £19.2m, giving a total cost of £28.3m for the dividends paid in respect of the year ended 31 December 2007. Dividend cover is 2.8 times (2006: 2.9 times).

Cash and liquidity

	2007 £m	2006 £m	Increase
Cash generated from operations	**149.1**	124.6	19.7%
Less net acquisition of property, plant, equipment and software	**(43.5)**	(42.3)	2.8%
Operating cash flow after capital expenditure	**105.6**	82.3	28.3%
Adjusted operating profit	**121.6**	102.2	19.0%
Operating cash flow/adjusted operating profit	**86.8%**	80.5%	+630bp

The primary source of the Group's cash liquidity over the last two financial years has been cash generated from operations and the drawdown of debt. A portion of these funds has been used to fund acquisitions and capital expenditure and to pay interest, dividends and taxes.

Cash flow for the year was excellent. Cash generated from operations was £149.1m for 2007, compared to £124.6m for 2006. The increase of 19.7% was due to improved profitability and effective working capital management. One of the key performance indicators we use to measure the efficiency of our cash generation is the percentage of adjusted operating profit that is converted into cash. As shown in the table above, in 2007, 86.8% of adjusted operating profit was converted into cash compared to 80.5% in 2006.

In order to support our growth strategy we need to invest continually in our operations. In 2007, net cash flows used in investing activities were £128.2m (2006: £78.1m). In 2007, we invested net £129.3m (2006: £79.2m) in acquisitions and property, plant, equipment and software. We paid £85.8m net of cash acquired, (2006: £36.9m) for 16 new businesses and £43.5m (2006: £42.3m) for the acquisition of property, plant and equipment and computer software. Historically our level of capital expenditure has been less than 7% of revenue. In 2007, the ratio was 5.6% compared to 6.4% the year before.

Cash flows from financing activities comprised cash inflows from the issue of share capital following the exercise of employee share options of £4.9m (2006: £4.2m) and the net drawdown of debt of £49.4m (2006: £8.2m), and cash outflows of dividends paid to minorities of £3.6m (2006: £3.8m) and dividends paid to Group shareholders of £25.2m (2006: £19.8m), which resulted in a net cash inflow of £25.5m (2006: outflow £11.2m).

As set out in note 15 to the financial statements, interest bearing loans and borrowings were £231.2m at 31 December 2007, an increase of 29.6% over 2006. The Group's borrowings are in currencies which match its asset base. The increase in borrowings comprised exchange adjustments of £3.4m due to the translation into sterling of borrowings denominated in other currencies and the net drawdown of debt of £49.4m. The debt drawdown was mainly used to finance acquisitions. Cash and cash equivalents at 31 December 2007, were £58.6m, an increase of 18.4% over 2006. As shown in note 23 to the financial statements, net debt at 31 December 2007 was £172.6m (2006: £128.9m).

Borrowings

The Group has a multi-currency senior debt facility that was placed in December 2004. This facility 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 is now due to expire in December 2011. The margins currently paid on borrowings are in the range of 0.3% to

Dividend per share (pence)[1]

1. Dividend per share is based on the interim dividend paid and the proposed final dividend in each financial year.

0.6% over LIBOR in the relevant currency. In August 2007, the Group extended the commitments of the senior debt facility by a further £100m. This was achieved through adding an additional Term D tranche of finance. Term D margins are in the range of 0.3% to 0.5% over LIBOR. The maturity of the Group's borrowings is set out below:

Borrowings	2007 £m	2006 £m
Due within one year	**13.7**	13.6
Due between one and two years	**82.7**	87.5
Due between two and five years	**134.8**	77.3
Total	**231.2**	178.4

The Group's gross borrowings are denominated in the following currencies:

	2007 £m	2006 £m
Hong Kong dollar	**36%**	31%
US dollar	**30%**	43%
Euro	**13%**	14%
Swedish kroner	**10%**	4%
Japanese yen	**5%**	6%
Other	**6%**	2%

The Group's policy is to ensure that a liquidity buffer is available, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. At 31 December the Group had the following liquid funds:

	2007 £m	2006 £m
Senior debt facility	**400.0**	300.0
Senior debt repayments to 31 December	**(50.0)**	(28.0)
Borrowings	**(230.7)**	(178.4)
Letters of credit and guarantees	**(7.0)**	(7.1)
Undrawn committed borrowing facilities	**112.3**	86.5
Cash and cash equivalents	**58.6**	49.5
Liquid funds	**170.9**	136.0

Where appropriate, cash is managed in currency based cash pools and is put on overnight deposit, bearing interest at rates fixed daily in advance. At 31 December 2007, 75.1% of cash was on overnight deposit (2006: 80.6%).

Acquisitions and disposals

As described earlier, during 2007 the Group made 16 acquisitions for a net cash outflow of £85.8m (2006: £36.9m). To date in 2008, five businesses have been acquired for a net cash outflow of £17.5m. Further information on acquisitions is given in the business review by division which starts on page 12 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 2007, the return on business assets was 57.1%, up 10 basis points from 57.0% in 2006.

Critical accounting policies

The consolidated financial statements are prepared in accordance with IFRS. Intertek's accounting policies are set out in the notes to the consolidated financial statements in this Annual Report. In applying these policies we are required to make estimates and subjective judgements that may affect the reported amounts of assets and liabilities at the balance sheet date and reported profit for the year. These are based on a combination of past experience and any other evidence that is relevant to the particular circumstance. The actual outcome could differ from those estimates. Of Intertek's accounting policies, we consider that policies in relation to the following areas are of greater complexity and are particularly subject to the exercise of judgement.

Goodwill

Acquired goodwill is held on the consolidated balance sheet at cost. Impairment reviews are carried out to ensure that goodwill is not carried at above its recoverable amount. A discounted cash flow analysis is performed annually to compare the discounted estimated future operating cash flows of cash generating units of the Group, to the net assets attributable to the cash generating units including goodwill. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, long-term growth rates and the discount rate applied to these cash flows.

Taxation

The Group is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included within the balance sheet. Deferred tax assets and liabilities are measured using tax rates expected to apply when the temporary differences reverse. The Group operates in many countries in the world and is subject to many tax jurisdictions and rules. As a consequence the Group is subject to tax audits, which by their nature are often complex and can require several years to conclude. Management judgement is required to determine the total provision for income tax. Amounts accrued are based on our interpretation of country specific tax law and the likelihood of settlement. However, the actual tax liabilities could differ from the provision and in such an event, the Group would be required to make an adjustment in a subsequent period which could have a material impact on the Group's profit and loss and/or cash position. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, we review each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future. This evaluation requires judgements to be made including the forecast of future taxable income.

New accounting standards

The Group has adopted in the year a new standard, International Financial Reporting Standard 7 (IFRS 7) Financial Instruments: Disclosures. This IFRS requires the Group to provide disclosures in the consolidated financial statements that enable users to evaluate the significance of financial instruments on the Group's financial position and performance. It also requires the disclosure of the nature and extent of risks arising from financial instruments to which the Group is exposed during the year and at the reporting date, and how those risks are managed. This information is set out in note 26 to the consolidated financial statements and in the discussion below on risk and risk management which is an integral part of the audited financial statements.

Risk and risk management

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an established, structured approach to risk management, which is described in the Corporate Governance Report which starts on page 32. The Vice President of Risk Management and Internal Audit, who reports to the Chief Financial Officer, has accountability for the system of risk management and reporting the key risks and mitigating actions. Risks are formally identified and recorded in a risk matrix for each operating division, which calculates gross risk and net risk after mitigating controls are applied. The risk matrix is updated annually and is used to plan the Group's internal audit strategy. In addition to the risk matrix, all senior executives and their direct reports are required to complete an annual return to confirm that management controls have been effectively applied during the year. The return covers operations, compliance, risk management and finance. The Vice President of Risk Management and Internal Audit attends the meetings of the Audit and Risk Committee (which is a sub-group of the Board) and meets with the members of that committee alone, at least once a year.

In common with all businesses, the Group is affected by a number of risk factors, some of which are outside our 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 we 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its assets and liabilities. These risks are managed by the Group's treasury function as described below.

Treasury management

The Board is responsible for approving the treasury policy for the Group. The Group's treasury and funding activities are undertaken by a centralised treasury function which reports to the Chief Financial Officer. 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 financial transactions. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss. There have been no significant changes in the Group's policies in the last year. 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 Group operates in 110 (2006: 109) countries and has 180 (2006: 166) subsidiaries, of which 161 (2006: 143) report in currencies other than sterling. 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.

(i) 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.

Key rates used during the year were as follows:

Balance sheet Value of £1	Actual rates 31 Dec 2007	31 Dec 2006
US dollar	**1.99**	1.96
Euro	**1.36**	1.49
Chinese renminbi	**14.57**	15.28
Hong Kong dollar	**15.51**	15.20

Income statement Value of £1	Actual rates 31 Dec 2007	31 Dec 2006
US dollar	**2.00**	1.84
Euro	**1.46**	1.47
Chinese renminbi	**15.24**	14.67
Hong Kong dollar	**15.62**	14.30

Material changes in the exchange rates can create volatility in the results when they are translated into sterling. In order to mitigate this translation exposure, the Group's policy is to match the currency of external borrowings to the currency of expected cash flows and the currency of net investments. At 31 December 2007, two-thirds of the Group's borrowings were denominated in US dollars and Hong Kong dollars.

(ii) 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 which mature in less than 12 months.

Interest rate risk and exposure
The Group's policy is to ensure that between 33% and 67% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps. The balance between fixed and variable rate debt is 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 2007 are given in note 26 to the financial statements.

Liquidity risk
Liquidity risk is the risk that the Group fails to meet its financial obligations as and when they fall due.

The management of operational liquidity risk aims primarily at ensuring that the Group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has a multi-currency senior debt facility that was placed in December 2004. This facility 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 is now due to expire in December 2011. The margins currently paid on borrowings are in the range of 0.3% to 0.6% over LIBOR. In August 2007, the Group extended the commitments of the senior debt facility by a further £100m. This was achieved through adding an additional Term D tranche of finance. Term D margins are in the range of 0.3% to 0.5% over LIBOR.

At 31 December 2007, there was £231.2m of debt outstanding (2006: £178.4m) and the undrawn committed borrowing facilities were £112.3m (2006: £86.5m) having taken into account £7.0m (2006: £7.1m) 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.

Credit risk
Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade receivables
There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers who are internationally dispersed. All companies in the Group are required to operate a credit policy under which each new customer is analysed individually for creditworthiness before the company transacts any business with the customer. The Group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Counterparty
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
Tax risk is the risk that the value of tax assets and liabilities in the Group's balance sheet is misstated resulting in financial loss to the Group.

The Group operates in 110 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 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 judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

Risk of financial irregularities
Risk of financial irregularities is the risk that assets of the Group could be misappropriated resulting in financial loss to the Group, as well as the risk of management misrepresenting results.

The Group comprises 180 subsidiaries, operating in 110 countries. Despite a rigorous programme of internal audits and management reviews, we cannot be certain that internal and external audit procedures will always identify any financial irregularity. The Group regularly reminds the operating company officers of their fiduciary responsibilities and maintains a culture of openness to promote disclosure. As described above, each of the senior executives and their direct reports are required to complete an annual return to confirm that management controls have been effectively applied during the year.

Risk of litigation

Risk of litigation is the risk that the Group could suffer a material financial loss resulting from a legal judgement against the Group or one of its subsidiaries. Such a judgement could also result in adverse publicity which could damage the reputation of the Group.

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.

To reduce the likelihood of claims arising, the Group has extensive quality assurance and control procedures to ensure that work is performed in accordance with proper protocols. All incidents that could potentially result in a claim against the Group are reported to compliance officers and the Vice President of Risk Management and Internal Audit and are logged in a data base of incidents. Legal counsel is appointed if appropriate. The Group mitigates the risk of financial loss arising from litigation by maintaining 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 risk

Environmental risk is the risk that assets of the Group could be damaged or destroyed by an environmental incident and that the Group could incur loss of revenue as a result of the ensuing disruption to operations.

Intertek operates facilities in 110 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.

Political risk

Political risk is the risk that the Group could suffer financial losses due to the action of a government. The Group operates in some countries where there is potential 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. The Group manages this risk by maintaining close relationships with government representatives, however the risk cannot be entirely mitigated.

Capital structure and management

The Group is committed to enhancing shareholder value, both by investing in the business so as to improve the return on investment in the longer term and by managing our capital structure. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors both the demographic spread of shareholders, as well as the return on capital. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Return on invested capital in 2007 (as calculated in the following table) was 24.2% compared to 29.3% in 2006. The decrease was primarily due to the capital invested in acquisitions during the year, which did not contribute a full year's profits in 2007.

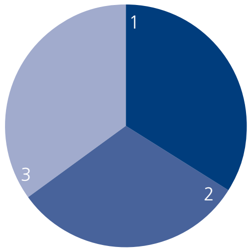
Return on invested capital	**2007 £m**	2006 £m
Operating profit	**116.1**	98.1
Amortisation of intangible assets arising on acquisitions	**5.1**	3.8
Impairment of goodwill	**0.4**	0.3
Adjusted operating profit	**121.6**	102.2
Tax rate	**25.5%**	24.6%
Adjusted operating profit after tax	**90.6**	77.1
Property, plant and equipment	**149.2**	123.7
Goodwill	**148.4**	71.1
Other intangible assets	**35.0**	19.6
Inventories	**4.0**	3.2
Trade and other receivables	**191.0**	151.9
Trade and other payables	**(129.5)**	(101.4)
Provisions	**(23.6)**	(5.3)
Invested capital	**374.5**	262.8
Return on invested capital	**24.2%**	29.3%

There were no changes to the Group's approach to capital management during the year and neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Corporate Social Responsibility Report

Location of facilities

1 Asia Pacific 35%
2 EMEA 31%
3 Americas 34%



In this report we consider corporate social responsibility (CSR) matters under the following headings:

Our business
gives an overview of our operations and how they impact CSR issues

Our values
sets out our approach to business

Our employees
describes our CSR policy as it relates to our staff

Our communities
shows our commitment to making an effective social contribution

Our environment
demonstrates our determination to reduce our own and our customers' impact on the environment

Our customers, suppliers and shareholders
shows the value we place on strong relationships and integrity

Our corporate social responsibility structure
sets out how Intertek is organised with regard to CSR issues

Our business

Intertek is a leading international provider of quality and safety services to a wide range of industries, including:

- Agriculture
- Automotive
- Chemical
- Consumer Products
- Electrical & Electronic
- Energy & Fuels
- Food
- Government
- Industrial
- IT & Telecom
- Minerals
- Pharmaceutical
- Retailers

Operating in more than 100 countries worldwide, we meet the needs of our customers and are committed to supporting them and adding value to their businesses. The chart above shows how our facilities are distributed geographically.

Intertek's services by their very nature improve quality and safety in the products and processes in people's lives around the world. We guide many of the world's largest multinational corporations and best-known brands on how to improve the social, ethical and environmental consequences of their products, services and supply chains.

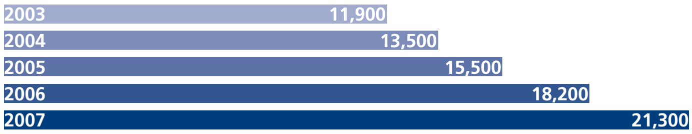
We inject the expertise of our people, some of the world's leading scientific analysts and experts, into industries to bring scientific solutions or analytical advances that will reduce adverse impact on the environment now and into the future.

In 2007, UBS, the global investment bank, identified Intertek as a group set to benefit from climate change due to its exposure to climate change related activities.

Our work includes testing compliance and effectiveness targets in the production of bio fuels and ethanol, assisting customers to comply with ultra low sulphur diesel legislation, and helping to assess low energy and low emission equipment.

During 2007, we partnered with clients on new carbon dioxide reducing solutions in many industries. In the oil and gas sector our experts are supporting a project that will clean and re-use carbon dioxide emissions for enhanced oil recovery in the Norwegian Sea. We worked with clients throughout the year to reduce carbon dioxide emissions across a range of electrical products.

Employee numbers



We guide organisations on how to reduce the use of hazardous materials in substances in their products and sourcing. We also partner with governments and regulatory bodies to help enforce and monitor adherence to environmental protocols. In 2007, we helped Swedish authorities monitor electrical and electronics products for restricted hazardous substances. Our work brought greater protection to consumers and the environment and support to local regulations.

We have made solid investments during the year, in our people and world-class equipment and infrastructure in our laboratories, to meet the world's need for more environmentally friendly products and appliances.

In 2007, we made a sizeable investment to build the first independent air-conditioner energy efficiency laboratory in Guangzhou. We are now working with manufacturers and suppliers who supply heating and ventilation equipment to the world, to improve the environmental impact and emissions of their products.

We provide audit and consultancy services to corporations, non-governmental and regulatory organisations to improve the social and ethical impact of their operations. Increasingly consumers around the world want peace of mind that products they have purchased have not been created through social or ethical abuses of workers or unfair trade. We audit factory conditions and work practices to ensure that they are legal, ethical and humane. We work with corporations to develop bespoke global CSR standards and programmes to ensure that they exceed minimum social and ethical thresholds across all of their sourcing. We have successfully initiated partnerships and collaborations with non-governmental and not-for-profit organisations to pursue and improve standards. In January 2007 Intertek launched the China Center for Labor and Environment to provide strategic support to local industries in meeting international social responsibility and sustainability protocols in manufacturing and exported products.

Intertek is a world leader in the design of safe products, with particular expertise in children's toys. Our centres of excellence in Chicago and London provide counsel to some of the world's largest product brands to advance the design of safe products in the market place. In partnership with industry and health bodies, we collect and analyse safety data in connection with child accidents. This data is used to help our clients improve the safety of their products.

The growth in global trade has led to increasing demand for our CSR programmes. We have provided programmes and standards-based approaches specially tailored for our clients and we have hosted a number of forums, including a Worldwide Responsible Accredited Production seminar in Vietnam and Ethical Sourcing forums in France and the US.

Our values

Intertek has adopted and published the following values for the Group and for the individuals who work for us. We will:

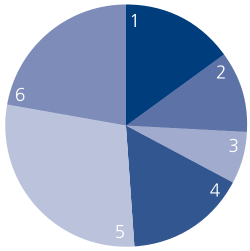
- value trust and personal responsibility;
- act with integrity, honesty and respect;
- value each employee's contribution toward achieving our business objectives;
- promote a culture where motivated customer-orientated employees can flourish, experience professional fulfilment and reach their highest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

We believe that the highest standard of integrity is essential in business.

In all our activities we aim to:

- be both commercial and fair;
- recognise the importance to all stakeholders of ensuring the health and safety of all our employees;
- maintain our integrity and professionalism; and
- strive for continual improvement and innovation.

Employee distribution by region



1 US 15%
2 Rest of Americas 11%
3 UK 7%
4 EMEA 16%
5 China 29%
6 Rest of Asia Pacific 22%

Our employees

Our principal strength is the talent of our staff. For this reason our main CSR focus is on employee issues.

Q&A with the Chief Executive Officer, Wolfhart Hauser

Intertek's CSR report for 2006 stated 'the Group's focus over the last year has been principally on people issues.' How has this developed during 2007?

Our focus is very much employee-orientated. Our intention is to unlock the potential of every employee to perform to the best of his or her abilities. This enables us to achieve maximum value for them, our customers and shareholders.

How does this work in practice?

Following regular and detailed discussions, we have adopted a number of objectives which include:

- adopting a number of framework policies;
- developing better analysis of employee statistics; and
- improving communication with employees.

What sort of framework policies?

We now have remuneration and recruitment frameworks in place that enable us to treat employees fairly across the Group, whilst still giving local managers the authority and flexibility to adopt what is right for their local area.

The chart above shows how our workforce is distributed geographically, and why a 'one-size fits all' set of policies is not always appropriate.

Why do you need better analysis of employee statistics?

It is important to monitor progress in matters such as diversity, employment of disabled staff, training, staff turnover and safety to attain the best results for the Group. The more information we have, the more we will be able to achieve. The decentralised nature of the Group has led to some information being less comprehensive than we need, so Group-wide human resource meetings and intranet-based sharing of information have begun to address these shortcomings.

Some of the matters I have mentioned are the subject of formal policy, so we need to be especially sure we get those right. For example, as part of our 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. If employees become disabled every effort will be made to retain them in their current role or to look at possibilities for retraining or redeployment within the Group. Where necessary the Group aims to provide these employees with facilities, equipment and training to assist them in doing their jobs.

What about communication?

Good communication is the basis of every successful relationship and we are always looking for ways to increase communication opportunities with our employees, especially with regard to two-way communication. We particularly need to ensure that our employees are aware of our ethical, risk and safety procedures. We use annual face-to-face review meetings, regular management meetings and newsletters to give and receive information. Employees are also able to use our telephone and email hotlines if there is anything they feel should be communicated. The values we promote at Intertek feed into the Group's relationships with staff, customers, suppliers and other stakeholders.

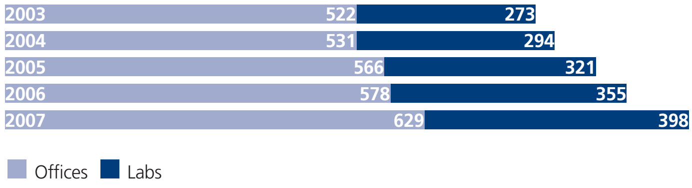
Does that include encouraging senior management to become shareholders?

We are committed to encouraging our 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 requires the most senior executives to retain some of the shares they obtain through these schemes.

How is the success of your health and safety policy measured?

The health and safety of our employees is of paramount importance to the Group and the necessary local health and safety procedures are subject to audit by our compliance team. We are committed always to comply with the relevant local legislation and guidelines in any area in which we operate. We continually seek to minimise injuries to our employees. For example in the Oil, Chemical & Agri division in the US we reduced the Department of Labour defined injury rate per 100 full time employees from 1.12 in 2006 to 0.72 in 2007 – a noteworthy accomplishment, but we aim to reduce this further.

Number of labs and offices



Our communities
Because of the decentralised structure of our Group and the nature of our activities, community involvement is organised at local level by local managers. We recognise the importance of our relationship with the communities in which we operate and actively encourage our businesses and employees to undertake community service and charitable giving. Some examples of charitable work undertaken by Intertek are as follows:

Intertek made a donation to the Msafiri Express charity road trip which distributed branded soccer balls in Gambia and was delighted to be associated with the goodwill engendered by that project in West Africa.

In Sri Lanka employees collected money and donated to a housing project for families affected by the Tsunami.

In Norway we issued a Christmas gift to ‘Plan Norway’ which works to improve children’s standard of living in developing countries, particularly in the medical area.

In the US, toys were collected from employees and clients for the ‘Toys for Tots’ organisation who distribute toys to deprived families.

Our environment
Although our own environmental impact is low (for 2007, electricity and gas costs represented only about 1% of our total costs), we recognise the importance of minimising the impact our businesses have on the environment.

Our operations are conducted in laboratories and offices, most of which are leased properties.

The chart above shows the Group’s expansion during the past five years.

We carry out a number of environmental audits on our sites each year to assess the level of environmental impact and ensure that any issues are identified and dealt with appropriately.

As for many areas of Intertek’s business, the implementation of our framework policy on the environment is operated by local management in accordance with relevant local legislation and guidelines. A number of projects have been carried out at the local level during the year.

We are delighted to report that our Automotive Research Laboratory in Texas, US has received an Environmental Excellence award from the San Antonio Water System and the City of San Antonio for environmental stewardship and site management.

Our Cortland, US testing facility commissioned a study on electricity usage for their lighting which led them to invest in a new energy-efficient lighting system which is expected to cut electricity costs for lighting in half.

In addition to the scheduled environmental audits we currently perform, the Group will be introducing random audits in 2008.

Specific initiatives we are working on include:

- reducing paper usage by using electronic document management systems; introducing electronic communication with shareholders and increasing the use of the internet and intranet for communications;
- increasing investment in low-energy equipment;
- increasing recycling schemes throughout the Group; and
- reducing carbon-fuel travel by holding meetings by conference call.

Intertek’s compliance team takes an active role in identifying areas where the Group and employees can have a positive effect on reducing our environmental impact. These include energy and water consumption, use of fuel by Group vehicles, reduced use of ozone-depleting substances and waste and by-product production.

We aim to educate our employees so that we can all work towards a better future for the environment. The circulation of information concerning, for example, energy consumption, is one way of identifying and enlisting the help of all employees in minimising specific and overall usage.

Our customers, suppliers and shareholders

'Strong customer focus produces strong results.' Vanni Treves, Chairman

At Intertek we:

- value and serve our customers as embodied in our customer focused mission statement;
- offer an integrated and unified service on a global basis;
- welcome feedback from all stakeholders;
- maintain quality management systems in our divisions and continually monitor the service we provide;
- hold regular feedback meetings with customers and welcome their inspection of our premises;
- provide an accessible feedback service to assess the quality of service provided; and
- conduct regular customer satisfaction surveys.

BP Azerbaijan's award for Best Employer of the Year was awarded to Intertek Azerbaijan. According to BP's announcement 'The awards recognise outstanding local and international companies and business personalities whose entrepreneurial skills contribute to the success of BP-operated oil and gas projects and make a lasting impact on the local business environment.'

As a Group, we do not have any individual suppliers on whom we are overly reliant and we aim to treat all suppliers with fairness and integrity. We strive to create relationships based on mutual trust and ensure payment of all invoices on a timely basis.

Communication with shareholders is given a high priority and a number of means are used to promote greater understanding and dialogue with investment audiences. Our investor programme includes:

- regular individual meetings with shareholders and investment managers during the year;
- road shows in the UK and overseas;
- regular analyst briefings; and
- 'investor days' where analysts and investors are invited to visit some of our laboratories to meet staff and observe work being performed.

In addition, Intertek has an experienced investor relations team to handle enquiries and report investor-related matters to the Board. Feedback on the Group's investor programme has been positive and Intertek has a good relationship with investors and their representatives.

During the course of the year, shareholders are kept informed on the progress of the Group through reports on our financial results, and other announcements of significant developments that are released through the London Stock Exchange and our own website. We have introduced the option of electronic communications with shareholders as a way of reducing paper-based reporting.

Our corporate social responsibility structure

Intertek has businesses in many locations around the world. Our activities are organised to permit local or where appropriate, functional managers, to manage operations within the framework established by the Board of Intertek Group plc. We consider local managers are best placed to understand and react to their local business environment. They have the knowledge to apply policies with due regard to their relationships with local stakeholders such as employees, customers and communities.

Overall and ultimate responsibility for the Group's CSR policies, issues and their implementation lies with the Chief Executive Officer.

We take a responsible and active role in the business communities in which we operate. Intertek is a member of a number of CSR related associations such as CSR Europe, the Ethos Institute of Business and Social Responsibility, Business for Social Responsibility and Canadian Business for Social Responsibility. We aim to increase our participation and membership of such bodies in the future to show our commitment to being a significant player in the corporate social responsibility arena.

Board of Directors

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1 Vanni Treves (67)
Chairman

Appointed to the Board in January 2001*, he became Chairman in April 2001. He is a corporate solicitor and was a Partner of a 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 Senior Advisor to Oliver Wyman, a leading management consultancy, and a Trustee of the J Paul Getty Charitable Trust.

2 Wolfhart Hauser (58)
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 and President 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.

3 Bill Spencer (48)
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 the Oil, Chemical & Agri division for Europe, Middle East and Africa and has held financial positions in 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.

4 Richard Nelson (65)
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 Chief Executive Officer of Inchcape Testing Services Ltd from 1987 and before then of Transcontinental Services Ltd, which was bought by Inchcape plc in 1985. A Chartered Accountant, he is also Chairman of Wogen plc.

5 David Allvey (62)
Senior Independent Non-Executive Director

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 Chairman of Costain Group plc and Arena Coventry Ltd and a Non-Executive Director of Resolution Plc, William Hill plc and Thomas Cook Plc, and is a former board member of the UK Accounting Standards Board.

6 Debra Rade (54)
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 Of Counsel to Katten Muchin Rosenman LLP a major national US law firm.

7 Christopher Knight (61)
Non-Executive Director

Appointed to the Board in March 2006. He was an investment banker for nearly 30 years, for much of that time with Morgan Grenfell and Deutsche Bank, of which he was a managing director until 2001. He has extensive corporate finance experience gained during his banking career in London, New York and Hong Kong. A Chartered Accountant, he is Chairman of Brooks Macdonald Group plc and NB Real Estate Group Limited and a Non-Executive Director of Lloyds Register Holdings.

8 Mark Loughead (48)
Chief Operating Officer

Appointed to the Board and appointed Chief Operating Officer (COO) of Intertek Group plc on 1 January 2008. As COO, he leads the global integration of sales, key account management, global information systems and country-focused activities across the Group. Previously, he was Chief Executive of Intertek's Oil, Chemical & Agri division. Before this, he was Vice President of the division in the Americas and prior to that, divisional Vice President in Europe, Middle East and Africa. He joined the Group in 1988 as Operations Manager in Liverpool and in 1993 he was promoted to Regional Manager for Scotland, based in Aberdeen. Prior to joining Intertek, he spent 13 years at Inspectorate including six years in the Middle East.

* 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.

Introduction

The Group is committed to high standards of corporate governance and this report outlines its compliance with the provisions of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the Code). During 2007, the Group complied with almost all of the provisions of the Code. The areas of non-compliance are as follows, and are further discussed and explained below:

- the Board did not comprise at least half independent Non-Executive Directors for the whole of the year; and
- the membership of the Audit and Risk Committee and the Remuneration Committee each included two independent Non-Executive Directors instead of three.

The Board is accountable to 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 appropriate financial and other resources as required 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 nine scheduled Board meetings held in 2007. There was, in addition, frequent informal contact between Directors to discuss the Group's affairs and develop its business. Directors' attendance at Board meetings is shown in the table on page 33. Also, on several occasions, the Chairman met with the Non-Executive Directors without the Executive Directors being present. The Non-Executive Directors have also had discussions without the Chairman 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 the 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 was reviewed, amended and approved by the Board during 2007.

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 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 Vanni Treves, the Non-Executive Deputy Chairman Richard Nelson, the Chief Executive Officer Wolfhart Hauser, the Chief Financial Officer Bill Spencer, Raymond Kong, a Non-Executive Director who retired on 11 May 2007, and three independent Non-Executive Directors, David Allvey, who is also the Senior Independent Director, Debra Rade and Christopher Knight. Mark Loughead was appointed to the Board on 1 January 2008, as Chief Operating Officer. The Directors' biographies appear on page 31. The Senior Independent Director is readily available to shareholders if they have concerns that remain unresolved after contacting the Group through the usual channels of Chairman, Chief Executive Officer or Chief Financial Officer or where such contact is inappropriate. If a Director has any concerns about the Group or a proposed action, then such concerns are recorded in the Board minutes as a matter of course.

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 as set out in the Code.

The responsibilities of Vanni 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 the Non-Executive Directors in particular; and ensuring constructive relationships between the Executive and Non-Executive Directors. The Chairman's other main commitments are detailed in his biography on page 31. 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.

David Allvey, Debra Rade and Christopher Knight are clearly independent Non-Executive Directors as they have been Directors for less than nine years, were never employed by the Group and have no material relationships or links to the business which would compromise their independence. Richard Nelson and Raymond Kong were not 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 Richard Nelson and Raymond Kong, until his retirement in May 2007, brought valuable expertise to the Board through their extensive knowledge of the business and industry.

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, employees and other stakeholders. 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.

The Code requires that half of the Board comprises independent Non-Executive Directors. After the retirement of Raymond Kong on 11 May 2007, the Board, excluding the Chairman, met this requirement. However, following the appointment of Mark Loughead to the Board on 1 January 2008 independent Directors now represent less than half the Board. Nevertheless, 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 as necessary and visits to sites arranged to further their knowledge of the Group's operations. Directors are regularly briefed on changes to legislation and best practice.

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

All Directors are entitled to obtain independent professional advice, at the Group's expense, in the performance of their duties as Directors. No such advice was sought during the year. Insurance cover is in place in respect of legal action against the Directors.

The Board believes that strong corporate governance improves the performance of the business and enhances shareholder value. During its meetings in 2007, 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, litigation reports, claims and risk reports, final and interim dividend recommendations, potential contract bids, road show and investor feedback, divisional budgets, marketing initiatives, treasury policy, Annual and Interim Reports and announcements 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 Group 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
Vanni Treves Chairman	9 (9)	4 (4)	2 (2)	8 (8)
Richard Nelson Non-Executive Deputy Chairman	8 (9)	n/a	n/a	n/a
Wolfhart Hauser Chief Executive Officer	9 (9)	n/a	n/a	n/a
Bill Spencer Chief Financial Officer	9 (9)	n/a	n/a	n/a
David Allvey Senior Independent Non-Executive Director	8 (9)	4 (4)	2 (2)	8 (8)
Debra Rade Independent Non-Executive Director	9 (9)	n/a	n/a	n/a
Christopher Knight Independent Non-Executive Director	9 (9)	4 (4)	2 (2)	8 (8)
Raymond Kong Non-Executive Director (retired 11 May 2007)	3 (3)	n/a	n/a	n/a

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, David Allvey (Chairman), Vanni Treves and Christopher Knight. The Code requires the Remuneration Committee to have at least three independent Non-Executive Directors whilst allowing the Chairman of the Board of Directors of the Company, if considered independent on appointment, to be a member. The Committee, therefore, does not currently comply with the Code. During 2007, the Remuneration Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective.

The Committee has responsibility for making recommendations to the Board on the remuneration of the Chairman, 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 2007, the Remuneration Committee met eight times. At those meetings the Committee discussed, amongst other things, the financial status and investment strategy of the Company's UK final salary pension scheme, determined bonus awards for 2006 and bonus targets for 2007, determined salary increases for senior members of the executive team, determined the criteria for awards made under the 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, pension entitlements, service contracts and compensation payments are given in the Remuneration Report on pages 39 to 46.

The Nomination Committee

This Committee currently comprises three Non-Executive Directors, Vanni Treves (Chairman), David Allvey and Christopher Knight. During 2007, this Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective. The composition of the Committee is in compliance with the Code.

This Committee, which met twice during the year, nominates candidates to fill board vacancies, reviews the talent mapping and succession planning for the Board and senior management and makes recommendations on the balance and composition of the Board. Bearing in mind the balance of existing skills, knowledge and experience of 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 subject to re-election by shareholders once every three years.

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, David Allvey (Chairman), Vanni Treves and Christopher Knight. The Code requires the Audit and Risk Committee to have at least three independent Non-Executive Directors. As Chairman of the Company, Vanni Treves is not viewed as independent by the Code and therefore the Committee does not currently comply with the Code. During 2007, the Audit and Risk Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective. David Allvey and Christopher Knight have recent and relevant financial experience as detailed in their biographies on page 31.

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, reappointment 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 reviews the progress of internal audit activity against the annual plan, and reviews the strategy, scope and approach of the internal audit and compliance teams. It reviews the corrective action taken by management to address any control issues identified by the internal audit and compliance function. It is responsible for approving the appointment and termination of the Vice President Risk Management and 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 and the Vice President Risk Management and 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 auditors has been approved by the Board to ensure that auditors 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 2007, the Committee reviewed and endorsed, prior to submission to the Board, the Group's 2006 Annual Report, 2007 Interim Report and results announcements. The Committee also monitored and reviewed the standards and effectiveness of risk management and internal control, the Group's internal audit function and its plans and performance. It also reviewed the Group's arrangements for the avoidance and detection of fraud and related matters, whistle blowing and hotlines, compliance, training, e-learning, quality assurance systems 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 2007, the Audit and Risk Committee met four times. The Chairman and other Committee members also attend meetings held twice a year with the external auditors and management to discuss any accounting issues associated with the annual audit and interim review.

Performance evaluation

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

The Chairman assesses the individual performance of each Director, taking into account discussions with 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 an appropriate 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.

After a rigorous review of performance and in view of their continued robust contribution and commitment to the Board, Vanni Treves and David Allvey are to continue in their roles on the Board for a third three-year term, subject to re-election at the AGM in accordance with the Articles of Association.

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 Group Company Secretary. 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

The Group's primary business objectives require adherence to local, national and international laws and insist that the Group's employees 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 the Group provides 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 can realistically only 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 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. 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 all 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 summary dismissal of the employee concerned. To support Group policies and to facilitate the raising of concerns about possible improprieties in matters of financial reporting or any other matters, the Group provides and publicises 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 at least one 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 2007.

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 fulfils its 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 and risk indicators. 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 the Treasury department's activities are also subject to internal audit on an annual basis.

Relations with shareholders

Communications with shareholders are given a high priority. The Group produces an Annual Report which is available 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 Investors' section of www.intertek.com to receive email alerts of important announcements made by the Group. At the Annual General Meeting on 11 May 2007, the Company took advantage of provisions contained within the Companies Act 2006 and the Disclosure and Transparency Rules of the Financial Services Authority enabling communication with shareholders using electronic means via the Group website or by email. The Group's Annual Report and Accounts, notices of meetings and proxy forms are now provided electronically as a default option. However, shareholders are also able to request paper copies of documents if they so choose.

The Chairman ensures that any comments he receives from institutional shareholders are communicated directly to the Board and all analysts' and brokers' reports on the Group are emailed directly to each Director.

The Board views the Annual General Meeting as an opportunity to communicate with private and institutional investors and welcomes their participation. All Board members attend the Annual General Meeting and in particular, the Chairmen of the Audit and Risk, Nomination and Remuneration Committees are available to answer questions. At General Meetings, a schedule of the proxy votes cast is made available to all shareholders and is also put onto the website. The Company proposes a resolution on each substantially separate issue and does not combine resolutions inappropriately.

Going concern

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

Corporate social responsibility

The Board welcomes the Group's responsibility to act ethically in relation to the physical and social environment in which it operates and recognises 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 full regard to international and local laws in all its dealings. Further details are disclosed in the Corporate Social Responsibility Report on pages 25 to 29.

Directors' Report

The Directors of Intertek Group plc have pleasure in presenting their Annual Report for the year ended 31 December 2007.

Business review

The Company has set out a Business and Financial Review in this report which contains a fair review of the business of the Group during the financial year ended 31 December 2007 and a description of the principal risks and uncertainties facing the Group. The purpose of this review is to inform members of the Company and help them assess how the Directors have performed their duties. The information that fulfils the Business Review requirements can be found in the following sections of the Annual Report which are incorporated into this report by reference:

Key performance indicators on page 19 and the Business and Financial Review incorporating principal risks and uncertainties affecting the Group on pages 10 to 24 and in note 26 to the financial statements.

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 12.2p per share (2006: 10.2p) making a full year dividend of 18.0p per share (2006: 14.8p) which will, if approved at the AGM, be paid on 19 June 2008 to shareholders on the register at close of business on 6 June 2008.

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. There are no special restrictions on the transfer of the Company's shares, which are admitted to trading on the London Stock Exchange and may be traded through the CREST system.

Allotment of own shares

At the AGM held in 2007, the shareholders generally and unconditionally, authorised the Directors to allot relevant securities up to approximately one-third of the nominal amount of issued share capital, for a period of five years, under section 80 of the Companies Act 1985. This authority was not exercised during the year and the Directors currently have no intention to do so although it is their intention to renew this authority, for up to one-third of the nominal amount of issued share capital, at the forthcoming AGM.

Also at the AGM in 2007, the Directors were empowered by the shareholders to allot equity securities, up to 5%, for cash under section 95 of the Companies Act 1985. It is intended that this authority be renewed, up to 5%, at the forthcoming AGM.

Purchase of own shares

At the AGM held in 2007, shareholders generally and unconditionally authorised the Company to buy back up to 10% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. 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. This power will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and, accordingly, that the purchase is in the interests of shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position. Any shares purchased in this way may be held in treasury which, the Directors believe, will provide the Company with flexibility in the management of its share capital. Where treasury shares are used to satisfy share options or awards, they will be classed as new issue shares for the purpose of the 10% limit on the number of shares that may be issued over a ten-year period under our relevant share plan rules.

Directors

The Directors who held office during the year are set out below. In addition, Mark Loughead was appointed on 1 January 2008.

Vanni Treves	Chairman
Richard Nelson	Non-Executive Deputy Chairman
Wolfhart Hauser	Chief Executive Officer
Bill Spencer	Chief Financial Officer
David Allvey	Senior Independent Non-Executive Director
Christopher Knight	Non-Executive Director
Raymond Kong	Non-Executive Director (retired 11 May 2007)
Debra Rade	Non-Executive Director

The Company's Articles of Association contain provisions relating to the retirement, election and re-election of Directors.

- Mark Loughead has been appointed since the last AGM and therefore will offer himself for election at the forthcoming AGM.
- Vanni Treves and Richard Nelson, having not been re-elected at either of the previous two AGMs, 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 page 31.

Raymond Kong had a contract with Intertek Testing Services Pacific Limited for the provision of consultancy services up to the date of his retirement and Richard Nelson may occasionally undertake special project work for the Group. Details of these service arrangements are disclosed in the Remuneration Report on page 42 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 in respect of which transactions are notifiable to the Company under the Disclosure and Transparency Rule 3.1.2. are disclosed in the Remuneration Report on pages 42, 45 and 46.

Directors' indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions (as defined by section 234 of the Act) were accordingly in force during the course of the financial year ended 31 December 2007 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Employment

Information on the Group's employment practices is contained within the Corporate Social Responsibility Report on pages 26 and 27. Information on employee share schemes appears in the Remuneration Report on pages 41 to 46.

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 2008, 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:

Major shareholder	Number of shares	Percentage of voting rights
Eminence Capital, LLC	7,884,091	5.0%
HBOS	7,705,008	4.9%
F & C Asset Management plc	7,566,858	4.8%
Legal & General Group plc	6,347,087	4.0%
Prudential Plc & The Prudential Assurance Co. Ltd	5,953,194	3.8%
AXA S.A. and its subsidiaries	5,446,519	3.5%
Newton Investment Management Limited	4,819,461	3.1%

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

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 market risk is set out in the Business and Financial Review on pages 22 to 24 and in note 26 to the financial statements.

Charitable and political donations

The Group made charitable donations of £68,000 in 2007 (2006: £67,000). The Group did not make any political donations in 2007 (2006: £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, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) 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 IFRSs 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 judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs;
- 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Report that comply with that law and those regulations.

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

Annual General Meeting

The Notice of the AGM, to be held on Friday 9 May 2008, is set out in a letter to shareholders from the Chairman which will be sent separately. The Notice will detail the business to be conducted at the meeting and include information concerning the deadlines for submitting proxy forms and in relation to voting rights.

By order of the Board

Fiona Evans
Group Company Secretary

10 March 2008
Registered Office
25 Savile Row
London
W1S 2ES

Registered Number: 4267576

Remuneration Report

Introduction
This report sets out the Group's policy and disclosures in relation to Directors' remuneration for the year ended 31 December 2007. It will be subject to shareholder vote at the forthcoming AGM.

The report complies fully with the requirements of the Directors' Remuneration Report Regulations 2002 (the Regulations) and the Combined Code on Corporate Governance (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 shareholder bodies.

The Remuneration Committee (the Committee)
Responsibilities
On behalf of the Board the Committee:

- determines the Company's policy on the remuneration of, and incentives for, the Chairman, Executive Directors and other senior executives (mainly the Intertek Operations Committee (IOC) which comprises the Group and Executive Vice Presidents);
- determines their remuneration packages, including any compensation on termination of office;
- provides advice to, and consults with, the Chief Executive Officer on major policy issues affecting the remuneration of senior executives; and
- keeps the remuneration policy under review in the 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.

The Committee met eight times during 2007. Its terms of reference are available on our website.

Composition
For the whole of 2007 the Committee comprised the following Non-Executive Directors of the Company:

David Allvey (Chairman)
Christopher Knight
Vanni Treves

Each Committee member is independent in accordance with the Code (with the exception of Vanni Treves who was independent on appointment). The Committee members have no personal financial interest, other than as shareholders, in the matters to be decided and each director absents himself from matters relating to his own remuneration.

Advisors
To ensure that the Group's remuneration practices are market competitive and to help achieve its objectives, the Committee obtains information from various independent sources. The Committee has appointed and taken independent advice on remuneration matters and share incentive arrangements from New Bridge Street Consultants LLP (NBSC), on remuneration benchmarking from Towers Perrin (TP) and on UK pension matters from Premier Pensions Management Limited (PPM). None of PPM, TP nor NBSC has any other connection with the Company.

Remuneration of executives
Policy
The Committee considers that the Company's long-term success is dependent 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 packages of pay and benefits provided by other global 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 comparable packages paid to employees of other organisations overseas doing a similar-sized job in that region.

The Group is an international service business deriving significant amounts of its revenue from the Americas (35%), Europe, Middle East and Africa (30%) and Asia Pacific (35%). The international nature and complexity of the Group are reflected in salary policy, requiring alignment with the relevant local and international market 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 executives with unambiguous signals about the importance of delivering success to the Company's shareholders in both the short- and long-term.

In January 2008, 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 remains 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 some senior executives within the context of the existing remuneration strategy. In 2008, the maximum potential cash bonus will increase in the case of the Chief Executive Officer from 75% to 100% of base salary, and in the cases of the Chief Operating Officer and Chief Financial Officer, from 60% to 70% of base salary. The 2008 bonus targets have also been changed 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.

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

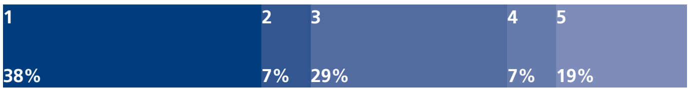
- base salary;
- annual cash performance bonus;
- awards made under the Intertek Deferred Bonus Share Plan;
- pension; and
- other benefits, which may include travel, school fees, car allowances, permanent health insurance, life and private medical insurance and annual medicals.

Remuneration Report

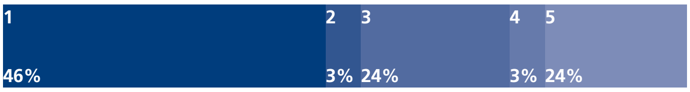
Continued

Balance of remuneration in 2007

Wolfhart Hauser



Bill Spencer



1 Salary 2 Benefits 3 Cash bonus 4 Pensions
5 Deferred share bonus

The balance of remuneration in 2007 for the two Executive Directors is shown on the left.

Base salary

Annual increases in base salary are linked to:

- the growth in size and complexity of the business;
- demonstrable efforts and contribution of an individual to the development of Intertek Group efficiency, synergy and strategy; and
- market movement.

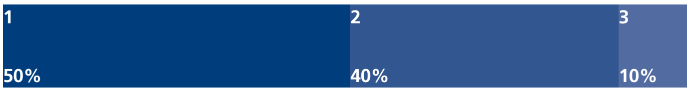
When the Committee takes benchmarking information into account, it reviews the performance of the individual concerned against the above measures to ensure that there is no unjustified upward ratchet in remuneration. Where a decision is made to increase base salary over the amount suggested by market movements, the Committee will expect the individual, taking into account levels of experience, to have demonstrated good and solid leadership within the business and a results-orientated approach, as well as considering the requirement to retain senior executives. When determining salary increases for Executive Directors, the Committee is sensitive to pay and employment conditions elsewhere in the Group. This is achieved by reviewing information on the top four countries, by employees, within the Group. The salary increases granted to the Executive Directors for 2008 reflect recognition of achievement ahead of expectations, together with retention requirements and are as follows:

	2007 Salary (£)	2008 Salary (£)	% increase
Wolfhart Hauser	473,000	533,500	12.8%
Bill Spencer	251,462	270,070	7.4%

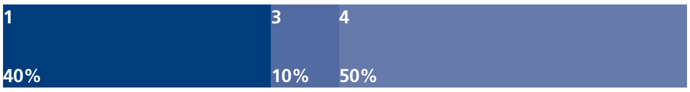
Bonus proportions 2007

CEO and CFO

Group Vice Presidents



Executive Vice Presidents



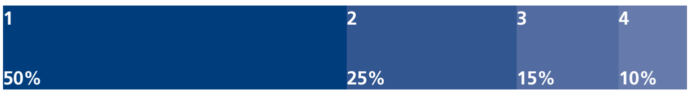
1 Group target 2 Personal objectives 3 Discretionary 4 Divisional targets

Annual incentives

The Executive Directors and senior executives are eligible for annual cash performance payments for the achievement of the financial and strategic goals of the Group and its businesses. All targets are established and approved by the Committee. The level of bonus achieved is also taken into account in determining the size of awards under the Intertek Deferred Bonus Share Plan described on page 41. Bonuses are not pensionable.

The financial targets are derived from the goals determined by the annual planning process for the Group and its businesses, which are the cornerstone of the Group's results-focused culture. Executive Directors' and senior executives' bonus criteria comprise the following: (i) Group performance elements; (ii) personal objectives or divisional performance elements; and (iii) discretionary elements. Shown on the left are the relevant proportions for different groups of senior executives for 2007.

Group growth measures 2007 and 2008



1 Diluted adjusted EPS 2 Operating profit (excluding amortisation of intangible assets arising on acquisitions and goodwill impairment) translated at constant exchange rates 3 Operating cash flow/Operating profit 4 Return on invested capital

Divisional targets

The Committee reviews the bonus targets used each year to ensure that they remain relevant and appropriate for the Group. For 2007 and 2008 the Group growth measures and their respective weightings are shown on the left.

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

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

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 responsibility 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. The Committee also retains the discretion to reclaim payments if the performance achievements are subsequently found to have been significantly misstated.

Based on the performance measures for 2007, cash bonuses of 75% and 49.6% of salary will be paid to Wolfhart Hauser and Bill Spencer respectively.

The maximum annual cash bonus potential for 2007 and 2008 is outlined below:

Percentage of base salary	2007	2008
Chief Executive Officer	**75%**	100%
Chief Operating Officer	**–**	70%
Chief Financial Officer	**60%**	70%
Executive Vice Presidents	**60%**	60%

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.

Executive Directors and other employees are eligible to participate in the share plans, Non-Executive Directors are not.

The only long-term incentive plan currently in use is the Intertek Deferred Bonus Share Plan (the Plan). This was approved in 2005 and supersedes all previous Executive Share Option Plans, creating more effective rewards for executives throughout the Group's global operations by linking their share rewards to the achievement of the bonus targets which are directly relevant to them. Awards have been made in 2006 and 2007. Information about the Plan, awards granted under the Plan and the Directors' participation in them is given on pages 45 and 46.

The Company had established a share option scheme for executives in March 1997. This scheme was discontinued and replaced by the Intertek Group 2002 Share Option Plan and the Intertek Group 2002 Approved Share Option 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 Committee. All awards were discretionary. No options have been granted since 2005. Information about the schemes and the Directors' participation in them is given on page 46.

The Committee regularly reviews the appropriateness of the Company's share incentive arrangements and targets to ensure that they remain challenging. Having done so during the year, the Committee is proposing that changes should be made to the level of awards available under the current Plan. Shareholder approval will be sought for these proposals, which are described fully in the Notice of AGM.

The purpose of the Plan is to assist in the retention of senior executives and to align their interests with shareholders by linking their rewards to Intertek's share price performance.

The Plan has two elements:

- Deferred Shares are awarded to executives based on their annual bonus achievement. They will therefore be rewarded for the achievement of performance which is directly within their sphere of influence. The awards vest after three years. For the Executive Directors and IOC the value of Deferred Shares will be equal to the cash bonus, currently subject to a maximum of 50% of salary. The Committee believes that this provides a simple and well-targeted form of reward.
- Matching Share awards, which are subject to performance requirements, are, at the discretion of the Committee, awarded to the most senior executives. Awards of Matching Shares are linked to awards of Deferred Shares, and for the Executive Directors and IOC are granted at a ratio of two Matching Shares for every Deferred Share. Matching Shares vest after three years depending on the Company's relative Total Shareholder Return (TSR) measured against the FTSE 250 (excluding investment trusts). Awards vest as follows:

TSR Ranking	% 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%

In addition, irrespective of the company's TSR performance, no part of a Matching Award will vest unless the Company's normalised EPS growth over the performance period is, on average, at least 2% per annum above the growth in the UK Retail Price Index (RPI).

The Company has undertaken to limit the number of awards satisfied by newly issued shares under the Plan in the ten-year period from the time the plan was adopted to 5% of the Company's issued share capital. The awards granted amounted to 0.48% of the Company's issued share capital as at 31 December 2007.

Pensions

Wolfhart Hauser

Wolfhart Hauser is not a member of a Group company pension scheme. Instead the Group contributes an amount equal to 20% of his base salary to a personal pension arrangement. During 2007 this amounted to £94,600 (2006: £86,000). Wolfhart Hauser is entitled to life cover benefit comprising a lump sum payment equivalent to four times his base salary.

Bill Spencer

Bill 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 shown on page 44.

Share retention

A shareholding retention requirement has been set by the Committee. Executive Directors and the members of the IOC are now expected, within five years, to build up a shareholding in the Company worth at least 100% of base salary. To assist in the building of this holding, it is expected that, after allowing for tax and similar liabilities, all the shares subject to each vested award under the Intertek Deferred Bonus Share Plan will be retained by the executive until the ownership target is attained.

Non-Executive Directors

The Board determines the remuneration of the Non-Executive Directors of the Company, for their work as Directors and as members of committees. Their remuneration is assessed relative to the Group's peer groups and following a review, fees increased on 1 March 2007. Remuneration is neither pensionable nor eligible for annual incentive payments and the Non-Executive Directors are not allowed to participate in the Company's share incentive plan. Other than Vanni Treves, who has the benefit of a company car, and Richard 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.

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, subject to reappointment at the AGM. 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.

Vanni Treves and David Allvey are each engaged by the Group as Non-Executive Directors under the terms of a letter of appointment commencing 29 May 2002. Both appointments were renewed for three years at the end of their three-year initial period.

Richard 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 Richard Nelson is entitled to remuneration of £1,000 per working day for any special project work agreed in advance by the Chairman.

Debra 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.

Christopher 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.

Raymond Kong, who ceased to be a Non-Executive Director on 11 May 2007, had been engaged by the Group under the terms of a letter of appointment commencing 1 July 2006. On the same date, he 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 was terminable at one month's notice without compensation for loss of office and Raymond Kong's remuneration thereunder was £1,000 per working day.

With effect from 1 March 2007, the Non-Executive Directors are paid as follows:

The Chairman is paid £140,000 per annum. The Deputy Chairman is paid £55,000 per annum. Each remaining Non-Executive Director is paid £43,000 per annum, with the following additional amounts being paid for serving on Committees. David Allvey receives £24,500 in total for acting as Chairman of the Audit and Risk and Remuneration Committees and serving on each of the Board Committees and Christopher Knight receives £12,000 in total per annum for serving on each of the Board Committees.

Service contracts

Details of the service contracts currently in place for Executive Directors who have served during the year are as follows: Wolfhart Hauser has a service contract dated 1 March 2005; Bill Spencer has a service contract dated 24 May 2002. Both are 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. Wolfhart 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 Wolfhart 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.

Policy on external appointments

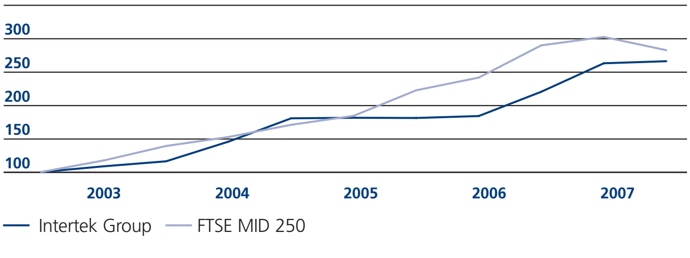
The Company recognises that, during their employment with the Company, Executive Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden their experience and knowledge. Executive Directors may, with written consent of the Company, accept such appointments outside the Company, and the policy is that any fees may be retained by the Director. On 1 January 2007 Wolfhart Hauser joined the Board of LogicaCMG plc as a Non-Executive Director. His earnings for this appointment for 2007 were £35,000.

Performance graph

Total Shareholder Return (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 the TSR in respect of the Company over five years. 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 and as its TSR comparator group in assessing performance for the vesting of Matching Shares under the Intertek Deferred Bonus Share Plan.

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 2007 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

		2007							2006				
	Notes	Base salary and fees £000	Consultancy fees £000	Cash bonuses £000	Other benefits £000	Total emoluments £000	Pension contributions £000	Total £000	Total emoluments £000	Pension contributions £000	Total £000	Deferred bonus 2007[7] £000	Deferred bonus 2006[7] £000
Executive Directors													
Wolfhart Hauser	1	**473**	**–**	**363**	**88**	**924**	**95**	**1,019**	700	86	786	**242**	209
Bill Spencer	2	**251**	**–**	**126**	**17**	**394**	**18**	**412**	343	17	360	**126**	90
Non-Executive Directors													
David Allvey		**66**	**–**	**–**	**–**	**66**	**–**	**66**	57	–	57	**–**	–
Raymond Kong	3	**15**	**4**	**–**	**–**	**19**	**–**	**19**	236	14	250	**–**	–
Christopher Knight	4	**54**	**–**	**–**	**–**	**54**	**–**	**54**	38	–	38	**–**	–
Richard Nelson	5	**54**	**1**	**–**	**51**	**106**	**–**	**106**	106	–	106	**–**	–
Debra Rade		**43**	**–**	**–**	**–**	**43**	**–**	**43**	38	–	38	**–**	–
Vanni Treves	6	**135**	**–**	**–**	**13**	**148**	**–**	**148**	118	–	118	**–**	–
Total		**1,091**	**5**	**489**	**169**	**1,754**	**113**	**1,867**	1,636	117	1,753	**368**	299

1. Other benefits for Wolfhart Hauser of £88,000 (2006: £60,917) include long-term disability insurance, school fees, company car allowances and healthcare.
2. Other benefits for Bill Spencer comprise long-term disability insurance, healthcare and company car allowances.
3. In addition to his Non-Executive Director's fees, Raymond Kong received £3,500 (2006: £29,000) under a consultancy agreement and £34,745 in lieu of shares vested under the deferred bonus plan (see page 45). Remuneration for 2007 is reported up to date of resignation, 11 May 2007. No pension contribution was made in respect of Raymond Kong following his retirement from executive service on 30 June 2006. All his vested benefit was paid as a lump sum of £1,270,143 in July 2006.
4. Remuneration for 2006 is reported from date of appointment, 30 March 2006.
5. In addition to his Non-Executive Director's fees, Richard Nelson received £1,000 (2006: £5,000) for special project work undertaken during the year. The other benefits for Richard Nelson of £50,880 (2006: £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. Other benefits for Vanni Treves comprise a company car.
7. Under the 2005 Deferred Bonus Share Plan, Deferred Awards are made to Executive Directors based on their previous year's bonus achievement. Awards vest after three years. Matching Awards, which are subject to additional performance conditions, are also made. Details of Deferred and Matching Awards are given in the table on page 45.

Transactions with Directors

These are disclosed in note 28 to the financial statements.

Pensions

In order to ensure that there is no adverse impact on liabilities, the Group 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 on page 44.

Bill Spencer

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 pensionable service, except, for those members who were active members of the Scheme on 5 April 1996, the accrual rate is 1/45 for pensionable service in the period after 5 April 1996 and before 6 April 1999. 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 currently 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 4.0% 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 5.0% 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 6 April 1997, excess pension benefits will increase at the rate of 3% p.a. ii) 6 April 1997 to 5 April 2005, excess pension benefits will increase at the rate of the lower of 5% per annum or the increase in Retail Price Index. iii) Post 5 April 2005 excess pension benefits will increase at the rate of the lower of 2.5% per annum or the increase in Retail Price Index. iv) Pre 1988 GMP will not increase. v) Post 1988 GMP will increase at the rate of 3% per annum or the 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 company-set earnings cap which was £112,028 for the 2007/2008 tax year (£109,296 for 2006/2007).
Employer contributions	As determined by the Company and the Trustees: currently 16% of base salary (excluding incentive payments) up to the company-set 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 a refund of his own contributions plus 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 (based on prospective pensionable service to normal retirement date and final pensionable salary immediately prior to the member's death); 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 Bill Spencer is entitled to on leaving service and the changes during the year are shown in the table below:

Name	Age at 31 December 2007	Contributions made by the Director during the year £	Increase in accrued entitlement during the year[1] £	Accrued entitlement[1] 2007 £	Transfer value[2] 2006 £	Transfer value[2] 2007 £	Increase in transfer value in year less contributions made by Director £
Bill Spencer	48	9,464	1,535	30,311	272,511	303,124	21,149

1. The accrued pension entitlement is the amount that would be paid each year on retirement at 65 based on service to 31 December 2007, excluding the effect of inflation. Including inflation, the increase was £2,616 during the year.
2. The transfer value has 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.

Directors' interests in ordinary shares

The interests of the Directors in the shares of the Company as at the year end are set out below:

Number of ordinary shares of 1p	31 December 2006	Acquired	Sold	**31 December 2007**
David Allvey	5,270	–	–	**5,270**
Wolfhart Hauser	–	–	–	**–**
Christopher Knight	5,000	–	–	**5,000**
Richard Nelson	500,000	–	–	**500,000**
Debra Rade	–	–	–	**–**
Bill Spencer	210,000	–	78,000	**132,000**
Vanni Treves	50,000	–	–	**50,000**

Save as stated in this report, during the course of the year, no Director, nor any member of his or her immediate family, had any other interest in the ordinary share capital of the Company or any of its subsidiaries. No changes in the above Directors' interests have taken place between 31 December 2007 and the date of this report.

Directors' interests in Long Term Incentive Plan and share options

Non-Executive Directors are not allowed to participate in the Company's share incentive plans. Awards made under the Intertek Deferred Bonus Share Plan and options granted to the Executive Directors under the 2002 Plan and the Approved Plan are shown below.
No options have been granted to the Executive Directors under the 1997 Plan.

The Intertek Deferred Bonus Share Plan

	31 December 2006 Number of shares	Granted in 2007 Number of shares	Award price[1] £	Vested in 2007 Number of shares	Lapsed in 2007 Number of shares	**31 December 2007 Number of shares**	Date award vests[2]
Wolfhart Hauser							
Deferred 2006	14,514	–	8.276	–	–	**14,514**	April 2009
Deferred 2007	–	22,753	9.166	–	–	**22,753**	April 2010
Matching 2006	29,028	–	8.276	–	–	**29,028**	April 2009
Matching 2007	–	45,506	9.166	–	–	**45,506**	April 2010
Total	**43,542**	**68,259**		**–**	**–**	**111,801**	
Bill Spencer							
Deferred 2006	6,391	–	8.276	–	–	**6,391**	April 2009
Deferred 2007	–	9,774	9.166	–	–	**9,774**	April 2010
Matching 2006	12,782	–	8.276	–	–	**12,782**	April 2009
Matching 2007	–	19,548	9.166	–	–	**19,548**	April 2010
Total	**19,173**	**29,322**		**–**	**–**	**48,495**	
Raymond Kong[3]							
Deferred 2006	3,732	–	8.276	3,732	–	**–**	–
Matching 2006	7,464	–	8.276	–	7,464	**–**	–
Total	**11,196**	**–**		**3,732**	**7,464**	**–**	

1. DBP awards are made based on a share price obtained by averaging the closing share prices for the five dealing days before the date of grant. At date of grant in 2007, the share price was 931p. No payment is made by participants in the Plan.
2. The vesting of Matching Awards is subject to additional performance conditions described on page 41.
3. Following his retirement from executive service Raymond Kong retained his interest under the Intertek Deferred Bonus Share Plan until his retirement from the Board on 11 May 2007. At that date 3,732 shares vested, but were satisfied by the payment of cash in lieu of shares of £34,745. The vested award had been granted on 7 April 2006. The share price applicable at vesting was 931p. No performance conditions applied to the vested award. The Matching Award lapsed on the same date.

Additional information about the Intertek Deferred Bonus Share Plan

The annual maximum value of Deferred Awards, which are not subject to a performance condition, is the amount of the annual cash bonus to which it is linked or 50% of basic salary. 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.

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).

Vesting Awards

Deferred Awards will normally vest on the third anniversary of grant provided the participant is still employed in the Group. It is the current intention of the Company to satisfy vested awards by the issue of new shares.

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 for certain reasons beyond the participant's control 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. In the event of a change of control, vesting of Matching Awards will occur on the same basis as for leaving employment, described above. Deferred Awards will vest in full.

The Committee can set different performance conditions from those described on page 41 for future awards or those for existing ones. Any such new targets will not, in the reasonable opinion of the Committee, be materially less challenging in the circumstances than those described above.

The 2002 Share Option Plans

	31 December 2006 Number of shares	Options granted in 2007 Number of shares	Option price £	Options exercised in 2007 Number of shares	Options lapsed in 2007 Number of shares	**31 December 2007 Number of shares**	Date option becomes exercisable	Date option expires
Wolfhart 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
Total	**51,414**	**–**		**–**	**–**	**51,414**		
Bill 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	–	951	**20,406**	April 2006	April 2013
2002 Plan	24,069	–	5.24	–	–	**24,069**	April 2007	April 2014
2002 Plan	29,563	–	7.78	–	–	**29,563**	April 2008	April 2015
Total	**97,319**	**–**		**–**	**951**	**96,368**		

Additional information about the 2002 Share Option Plans

Exercise prices were 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 are exercisable between three and ten years after the date of grant, provided the performance condition has been satisfied. The Committee will decide whether the performance condition has been met at the appropriate time.

No options have been granted since 2005, but prior to that there were annual grants within 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 two-thirds 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 were not met in full for the initial performance period of three years, the performance period could 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.

The key features of the Approved Plan (which was approved by HM Revenue & Customs) were 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.

Share information

On 31 December 2007, the closing market price of Intertek ordinary shares was 990p. The highest and lowest prices of the shares during the year were 1,043p and 843p respectively.

Approval of the Remuneration Report

The Remuneration Report was approved by the Board on 10 March 2008.

David Allvey
Chairman, Remuneration Committee

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Revenue		**775.4**	664.5
Cost of sales		**(615.9)**	(523.6)
Gross profit		**159.5**	140.9
Amortisation of intangible assets arising on acquisitions	10	**(5.1)**	(3.8)
Impairment of goodwill	10	**(0.4)**	(0.3)
Other administrative expenses		**(37.9)**	(38.7)
Total administrative expenses		**(43.4)**	(42.8)
Group operating profit	3	**116.1**	98.1
Finance income	6	**5.4**	6.3
Finance expense	6	**(15.6)**	(13.3)
Net financing costs		**(10.2)**	(7.0)
Share of (loss)/profit of associates	11	**(0.1)**	0.3
Profit before income tax		**105.8**	91.4
Income tax expense	7	**(27.0)**	(22.5)
Profit for the year		**78.8**	68.9
Attributable to:			
Equity holders of the Company	19	**73.2**	63.8
Minority interest	20	**5.6**	5.1
Profit for the year		**78.8**	68.9
Earnings per share			
Basic	8	**46.7p**	40.9p
Diluted	8	**46.2p**	40.6p

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 £m	2006 £m
Assets			
Property, plant and equipment	9	**149.2**	123.7
Goodwill	10	**148.4**	71.1
Other intangible assets	10	**35.0**	19.6
Investments in associates	11	**0.6**	0.7
Deferred tax assets	12	**11.9**	13.3
Total non-current assets		**345.1**	228.4
Inventories	13	**4.0**	3.2
Trade and other receivables	14	**191.0**	151.9
Derivative financial instruments	26	**–**	0.4
Cash and cash equivalents	23	**58.6**	49.5
Total current assets		**253.6**	205.0
Total assets		**598.7**	433.4
Liabilities			
Interest bearing loans and borrowings	15	**(13.7)**	(13.6)
Derivative financial instruments	26	**(0.7)**	–
Current taxes payable		**(25.3)**	(24.1)
Trade and other payables	16	**(128.6)**	(101.0)
Provisions	17	**(22.7)**	(4.8)
Total current liabilities		**(191.0)**	(143.5)
Interest bearing loans and borrowings	15	**(217.5)**	(164.8)
Deferred tax liabilities	12	**(5.3)**	(3.8)
Net pension liabilities	22	**(7.3)**	(15.2)
Other payables	16	**(0.9)**	(0.4)
Provisions	17	**(0.9)**	(0.5)
Total non-current liabilities		**(231.9)**	(184.7)
Total liabilities		**(422.9)**	(328.2)
Net assets		**175.8**	105.2
Equity			
Share capital	18	**1.6**	1.6
Share premium	19	**247.3**	242.4
Other reserves	19	**11.7**	6.0
Retained earnings	19	**(96.4)**	(153.6)
Total equity attributable to equity holders of the Company		**164.2**	96.4
Minority interest	20	**11.6**	8.8
Total equity		**175.8**	105.2

The financial statements on pages 47 to 83 were approved by the Board on 10 March 2008 and were signed on its behalf by:

Wolfhart Hauser, Director Bill Spencer, Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2007

	Notes	**2007 £m**	2006 £m
Cash flows from operating activities			
Profit for the year	3	**78.8**	68.9
Adjustments for:			
Depreciation charge	9	**27.7**	24.1
Amortisation of software	10	**2.3**	2.2
Amortisation of intangible assets arising on acquisitions	10	**5.1**	3.8
Impairment of goodwill	10	**0.4**	0.3
Equity-settled transactions	25	**3.0**	2.4
Share of loss/(profit) of associates	11	**0.1**	(0.3)
Net financing costs	6	**10.2**	7.0
Income tax expense	7	**27.0**	22.5
Loss/(profit) on disposal of property, plant and equipment	4	**0.1**	(0.3)
Operating profit before changes in working capital and operating provisions		**154.7**	130.6
Change in inventories		**(0.3)**	(0.4)
Change in trade and other receivables		**(20.7)**	(13.7)
Change in trade and other payables		**11.6**	12.3
Change in claims and other provisions		**3.8**	(4.2)
Cash generated from operations		**149.1**	124.6
Interest paid		**(10.8)**	(7.7)
Income taxes paid		**(28.4)**	(24.6)
Net cash flows from operating activities		**109.9**	92.3
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.3**	0.9
Interest received		**1.1**	1.1
Acquisition of subsidiaries, net of cash acquired	24	**(85.8)**	(36.9)
Acquisition of property, plant and equipment	9	**(41.3)**	(42.0)
Acquisition of software	10	**(2.5)**	(1.2)
Net cash flows used in investing activities		**(128.2)**	(78.1)
Cash flows from financing activities			
Proceeds from the issue of share capital	19	**4.9**	4.2
Drawdown of debt		**70.6**	22.1
Repayment of debt		**(21.2)**	(13.9)
Dividends paid to minorities	20	**(3.6)**	(3.8)
Equity dividends paid	19	**(25.2)**	(19.8)
Net cash flows from/(used in) financing activities		**25.5**	(11.2)
Net increase in cash and cash equivalents		**7.2**	3.0
Cash and cash equivalents at 1 January		**49.5**	50.8
Effect of exchange rate fluctuations on cash held	23	**1.9**	(4.3)
Cash and cash equivalents at 31 December		**58.6**	49.5

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Notes	**2007 £m**	2006 £m
Foreign exchange translation differences for foreign operations	19	**10.0**	(26.6)
Actuarial gains and losses on defined benefit pension schemes	22	**8.5**	3.2
Tax on income and expense recognised directly in equity	19	**(2.3)**	(1.9)
Effective portion of changes in fair value of cash flow hedges	19	**(1.1)**	(1.3)
Net (loss)/gain on hedges of net investments in foreign operations	19	**(3.2)**	20.5
Income and expense recognised directly in equity		**11.9**	(6.1)
Profit for the year		**78.8**	68.9
Total recognised income and expense for the year		**90.7**	62.8
Total recognised income and expense for the year attributable to:			
Equity holders of the Company		**84.5**	58.2
Minority interest		**6.2**	4.6
Total recognised income and expense for the year		**90.7**	62.8

1 General

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

The Group financial statements as at and for the year ended 31 December 2007 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 (IFRSs). The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 84 to 88.

(b) Basis of preparation

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

The Group has adopted in the year a new standard, International Financial Reporting Standard 7 (IFRS 7) Financial Instruments: Disclosures.

The preparation of financial statements in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, is discussed in note (w).

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at fair value.

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 £100,000.

(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. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. 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 of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has a legal or constructive obligation 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 reporting 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 measured at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

2 Significant accounting policies (continued)

Foreign operations

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

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

	Balance sheet Actual rates		Income statement Cumulative average rates	
Value of £1	**31 Dec 2007**	31 Dec 2006	**2007**	2006
US dollar	**1.99**	1.96	**2.00**	1.84
Euro	**1.36**	1.49	**1.46**	1.47
Chinese renminbi	**14.57**	15.28	**15.24**	14.67
Hong Kong dollar	**15.51**	15.20	**15.62**	14.30

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.

Hedges of net investments in foreign operations are discussed in accounting policy (g).

(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:

(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 Group; 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 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; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured 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 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.

2 Significant accounting policies (continued)

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 designated as a hedge of a net investment in a foreign operation that is determined to be an effective hedge, is recognised directly in equity in 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 measured at cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy (m)).

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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 at each reporting date.

(i) Intangible assets

Goodwill

Goodwill arises on the acquisition of businesses. 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 investments in associates.

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

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 immediately 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

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

2 Significant accounting policies (continued)
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
Licences	Contractual life
Covenants not to compete	Contractual life

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

(k) Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of the inventories is based on the last-in-first-out (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
Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

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

The recoverable amount of an asset or a cash generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination. 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. 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.

(n) Dividends
Interim dividends are recognised as a movement in equity when they are paid. Final dividends are reported as a movement in equity in the 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.

2 Significant accounting policies (continued)

(p) Employee benefits

Defined contribution plan

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

Defined benefit plans

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 recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. 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.

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 for the share options and for the share awards 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 also adjusted for the probability of performance conditions being achieved. The Group has taken advantage of the provisions of IFRS 1: First-time Adoption of International Financial Reporting Standards, and has recognised an expense only in respect of share options and 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 purchases 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 that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(r) Trade and other payables

Trade and other payables are stated at their fair value.

(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 over the term of the lease.

Net financing costs

Net financing costs comprise interest expense on borrowings calculated using the effective interest rate method, amortisation of debt issuance costs, facility fees, interest receivable on funds invested, net 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. All borrowing costs are recognised in the income statement using the effective interest rate method.

(u) Income tax

Income tax 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 in 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 reporting date, and any adjustment to tax payable in respect of previous years.

2 Significant accounting policies (continued)

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 in a transaction that is not a business combination and 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and 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 judgements and estimates

Judgements

In applying the Group's accounting policies described above, the management has made judgement in the following area that has 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 2007 and note 27 explains contingent liabilities in respect of litigation. In making provision for claims, management bases its judgement 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.

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 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 impairment losses. 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 three 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 inflation rate 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.

2 Significant accounting policies (continued)
Income tax
The actual tax on 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 determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

(x) New standards and interpretations not yet adopted
The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8: Operating segments
- Revised IAS 23: Borrowing costs
- IFRIC 11 IFRS 2: Group and treasury share transactions

The adoption of these standards and interpretations in future periods is not expected to 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.

Inter-segment pricing is determined on an arm's-length basis.

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.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and computer software.

Business segments
The Group comprises the following main business segments:

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

Commercial & Electrical 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.

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

Government Services 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 2007, the electrical and electronic retail inspection (E&E) business was transferred from the Commercial & Electrical division to the Consumer Goods division and prior period figures for revenue and operating profit have been restated to show a like-for-like comparison.

Geographic 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 Pacific

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)

Business analysis (primary segment)

	Oil, Chemical & Agri		Commercial & Electrical		Consumer Goods		Government Services		Central overheads		Eliminations		Consolidated	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Revenue from external customers	**364.0**	281.5	**179.1**	167.9*	**181.2**	161.7*	**51.1**	53.4	**–**	–	**–**	–	**775.4**	664.5
Inter-segment revenue	**3.1**	2.4	**1.8**	1.4	**0.4**	0.3	**1.3**	1.3	**–**	–	**(6.6)**	(5.4)	**–**	–
Revenue	**367.1**	283.9	**180.9**	169.3	**181.6**	162.0	**52.4**	54.7	**–**	–	**(6.6)**	(5.4)	**775.4**	664.5
Operating profit before amortisation and impairment	**45.8**	30.0	**27.2**	24.6*	**55.2**	51.6*	**7.6**	6.6	**(14.2)**	(10.6)	**–**	–	**121.6**	102.2
Amortisation of intangible assets arising on acquisitions	**(2.9)**	(1.2)	**(1.6)**	(2.0)	**(0.5)**	(0.5)	**(0.1)**	(0.1)	**–**	–	**–**	–	**(5.1)**	(3.8)
Impairment of goodwill	**–**	(0.3)	**(0.4)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(0.4)**	(0.3)
Group operating profit	**42.9**	28.5	**25.2**	22.6	**54.7**	51.1	**7.5**	6.5	**(14.2)**	(10.6)	**–**	–	**116.1**	98.1
Net financing costs													**(10.2)**	(7.0)
Share of (loss)/profit of associates													**(0.1)**	0.3
Income tax expense													**(27.0)**	(22.5)
Profit for the year													**78.8**	68.9
Segment assets	**303.6**	188.0	**121.5**	95.0	**80.7**	64.9	**16.0**	18.1	**4.2**	2.4			**526.0**	368.4
Investment in associates													**0.6**	0.7
Unallocated assets													**72.1**	64.3
Total assets													**598.7**	433.4
Segment liabilities	**55.1**	40.3	**37.1**	31.3	**28.1**	21.5	**9.4**	9.1	**6.7**	3.1			**136.4**	105.3
Unallocated liabilities													**286.5**	222.9
Total liabilities													**422.9**	328.2
Depreciation and software amortisation	**13.4**	11.0	**7.7**	7.6	**7.3**	6.2	**1.5**	1.4	**0.1**	0.1	**–**	–	**30.0**	26.3
Capital expenditure including software	**24.8**	16.7	**9.6**	9.9	**8.7**	14.3	**0.4**	2.2	**0.3**	0.1	**–**	–	**43.8**	43.2

* On 1 January 2007, the electrical and electronic retail inspection (E&E) business was transferred from the Commercial & Electrical division to the Consumer Goods division and the 2006 figures have been restated to show a like-for-like comparison.

Geographic analysis (secondary segment)

	Americas		Europe, Middle East and Africa		Asia Pacific		Consolidated	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Revenue from external customers	**271.7**	245.1	**235.0**	190.3	**268.7**	229.1	**775.4**	664.5
Group operating profit	**36.7**	29.6	**2.5**	(2.0)	**76.9**	70.5	**116.1**	98.1
Amortisation of intangible assets arising on acquisitions	**1.8**	1.7	**1.6**	1.1	**1.7**	1.0	**5.1**	3.8
Impairment of goodwill	**–**	–	**–**	0.3	**0.4**	–	**0.4**	0.3
Segment assets	**198.7**	142.8	**172.2**	128.2	**155.1**	97.4	**526.0**	368.4
Capital expenditure including software	**14.2**	11.5	**10.5**	10.1	**19.1**	21.6	**43.8**	43.2

4 Expenses and auditors' remuneration

	2007 £m	2006 £m
Included in profit for the year are the following expenses/(income):		
Property rentals	**25.7**	22.2
Lease and hire charges – plant and equipment	**5.3**	4.6
Depreciation and software amortisation	**30.0**	26.3
Loss/(profit) on disposal of property, plant and equipment	**0.1**	(0.3)

	2007 £000	2006 £000
Auditors' remuneration:		
Audit of these financial statements	**264**	221
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**661**	537
Other services pursuant to such legislation – review of interim financial statements	**78**	67
Taxation services	**223**	84
Actuarial services	**26**	14
Other	**149**	62
Total	**1,401**	985

5 Employees

Employee costs	2007 £m	2006 £m
Wages and salaries	**279.9**	243.9
Equity-settled transactions	**3.0**	2.4
Social security costs	**28.1**	24.5
Pension costs	**13.2**	10.6
Total employee costs	**324.2**	281.4

Details of the remuneration of the Directors are set out in the Remuneration Report. Details of pension arrangements and equity-settled transactions are set out in notes 22 and 25 respectively.

Average number of employees by activity	2007	2006
Oil, Chemical & Agri	**9,057**	7,499
Commercial & Electrical	**3,395**	3,091
Consumer Goods	**6,400**	5,376
Government Services	**848**	857
Central overheads	**51**	49
Total	**19,751**	16,872
Actual number at 31 December	**21,303**	18,198

6 Net financing costs

Recognised in profit or loss	2007 £m	2006 £m
Finance income		
Interest on bank balances	**1.1**	1.1
Expected return on pension assets (note 22)	**3.5**	3.3
Ineffective portion of hedge of net investment in foreign operations	**0.1**	–
Foreign exchange differences on interest accruals	**–**	0.1
Change in fair value of financial instruments designated at fair value through profit or loss	**0.7**	1.8
Total finance income	**5.4**	6.3
Finance expense		
Interest on borrowings	**10.8**	7.8
Pension interest cost (note 22)	**3.8**	3.4
Other foreign exchange differences	**0.7**	1.8
Facility fees and other	**0.3**	0.3
Total finance expense	**15.6**	13.3
Net financing costs	**10.2**	7.0

6 Net financing costs (continued)

Recognised directly in equity	2007 £m	2006 £m
Foreign currency translation differences for foreign operations	**10.0**	(26.6)
Net exchange (loss)/gain on hedges of net investment in foreign operations	**(3.2)**	20.5
Effective portion of changes in fair value of cash flow hedges	**(1.1)**	(1.3)
Income tax on income and expense above recognised directly in equity	**(0.1)**	(1.9)
Finance income/(expense) recognised directly in equity, net of tax	**5.6**	(9.3)
Attributable to:		
Equity holders of the Company	**6.2**	(9.8)
Minority interest	**(0.6)**	0.5
Finance income/(expense) recognised directly in equity, net of tax	**5.6**	(9.3)
Recognised in:		
Hedging reserve	**(1.1)**	(1.3)
Translation reserve	**6.8**	(6.1)
Retained earnings	**(0.1)**	(1.9)
Finance income/(expense) recognised directly in equity, net of tax	**5.6**	(9.3)

7 Income tax expense

	2007 £m	2006 £m
UK corporation tax at 30% (2006: 30%)	**2.3**	0.9
Double taxation relief	**(2.2)**	(0.9)
UK taxation	**0.1**	–
Overseas taxation	**32.6**	25.1
Adjustments relating to prior year liabilities	**(3.4)**	(3.1)
Current tax	**29.3**	22.0
Deferred tax-origination and reversal of temporary differences	**(2.3)**	0.5
Total tax in income statement	**27.0**	22.5

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

	2007 £m	2006 £m
Profit before taxation	**105.8**	91.4
Notional tax charge at UK standard rate 30% (2006: 30%)	**31.7**	27.4
Differences in overseas tax rates	**(4.8)**	(5.0)
Tax on dividends	**1.5**	1.5
Non-deductible expenses	**3.6**	2.8
Tax exempt income	**(0.3)**	(0.4)
Losses brought forward utilised	**(0.3)**	(0.8)
Current year losses not recognised	**0.6**	0.5
Accelerated capital allowances and temporary differences not recognised	**3.6**	1.2
Brought forward accelerated capital allowances and temporary differences utilised	**(2.0)**	(2.2)
Recognition of previously unprovided accelerated capital allowances and temporary differences	**(3.4)**	(0.1)
Tax impact of associates	**–**	(0.1)
Adjustments in respect of prior years	**(3.4)**	(3.1)
Other	**0.2**	0.8
Total tax in income statement	**27.0**	22.5

During the year there was a current tax credit of £0.3m on equity-settled transactions and foreign exchange differences (2006: charge of £1.3m) and deferred tax charge of £2.6m on pension deficit, interest rate swaps and equity-settled transactions (2006: £0.6m) charged directly to equity (see notes 12 and 19).

The tax rate was 25.5% (2006: 24.6%). The main reason for the increase in the tax rate was due to an increase in earnings in higher taxed jurisdictions.

8 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year. In addition to the earnings per share required by IAS 33: Earnings Per Share, an adjusted earnings per share has also been calculated and is based on earnings excluding the effect of amortisation of intangible assets arising on acquisitions and goodwill impairment. It has been calculated to allow shareholders to have 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	2007 £m	2006 £m
Profit attributable to ordinary shareholders	**73.2**	63.8
Amortisation of intangible assets arising on acquisitions	**5.1**	3.8
Impairment of goodwill	**0.4**	0.3
Adjusted earnings	**78.7**	67.9

Number of shares (millions)		
Basic weighted average number of ordinary shares	**156.9**	156.0
Potentially dilutive share options*	**1.4**	1.2
Diluted weighted average number of shares	**158.3**	157.2
Basic earnings per share	**46.7p**	40.9p
Options	**(0.5)p**	(0.3)p
Diluted earnings per share	**46.2p**	40.6p
Basic adjusted earnings per share	**50.2p**	43.5p
Options	**(0.5)p**	(0.3)p
Diluted adjusted earnings per share	**49.7p**	43.2p

* The weighted average number of shares used in the calculation of the diluted earnings per share for the year to 31 December 2007, excludes nil (2006: 128,194) 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 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**
Net book value at 1 January 2006	18.3	97.6	115.9
Cost			
At 1 January 2007	24.8	197.6	222.4
Exchange adjustments	0.7	7.8	8.5
Additions	0.9	40.4	41.3
Disposals	–	(4.3)	(4.3)
Businesses acquired (note 24)	0.7	7.7	8.4
At 31 December 2007	**27.1**	**249.2**	**276.3**
Depreciation			
At 1 January 2007	3.1	95.6	98.7
Exchange adjustments	0.1	4.5	4.6
Charge for the year	0.7	27.0	27.7
Disposals	–	(3.9)	(3.9)
At 31 December 2007	**3.9**	**123.2**	**127.1**
Net book value at 31 December 2007	**23.2**	**126.0**	**149.2**

9 Property, plant and equipment (continued)
Computer software of £8.0m, previously included as assets under construction in plant and equipment, was transferred out as an intangible asset following completion of construction in 2006 (see note 10).

Plant and equipment includes assets in the course of construction at 31 December 2007, comprising mainly of laboratories under construction of £0.3m (2006: £1.0m). These assets will not be depreciated until they are brought into use.

The net book value of land and buildings comprised:	2007 £m	2006 £m
Freehold	**20.5**	19.3
Long leasehold	**0.6**	0.6
Short leasehold	**2.1**	1.8
Total	**23.2**	21.7

10 Goodwill and other intangible assets

	Goodwill £m	Other intangible assets: Intangible assets arising on acquisitions £m	Other intangible assets: Computer software £m	Other intangible assets: Total £m
Cost				
At 1 January 2006	66.6	16.5	–	16.5
Transfer from property, plant and equipment (note 9)	–	–	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 losses				
At 1 January 2006	10.9	3.7	–	3.7
Exchange adjustments	(0.4)	(0.5)	(0.6)	(1.1)
Charged for the 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 at 31 December 2006	**71.1**	**13.3**	**6.3**	**19.6**
Net book value at 1 January 2006	55.7	12.8	–	12.8
Cost				
At 1 January 2007	81.9	20.3	7.8	28.1
Exchange adjustments	3.9	0.9	0.2	1.1
Additions	–	–	2.5	2.5
Disposals	–	–	(0.1)	(0.1)
Businesses acquired (note 24)	74.5	19.4	0.1	19.5
At 31 December 2007	**160.3**	**40.6**	**10.5**	**51.1**
Amortisation and impairment losses				
At 1 January 2007	10.8	7.0	1.5	8.5
Exchange adjustments	0.7	0.2	–	0.2
Charged for the year	–	5.1	2.3	7.4
Impairment charge	0.4	–	–	–
At 31 December 2007	**11.9**	**12.3**	**3.8**	**16.1**
Net book value at 31 December 2007	**148.4**	**28.3**	**6.7**	**35.0**

The intangible assets arising on acquisitions consist of customer relationships with a net book value of £21.9m (2006: £9.1m), licences of £3.6m (2006: £2.5m), covenants not to compete of £1.8m (2006: £0.9m) and know-how of £1.0m (2006: £0.8m). The average remaining amortisation period for customer relationships is 4.2 years (2006: 4.5).

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

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

	2007 £m	2006 £m
Oil, Chemical & Agri	**56.2**	17.8
Commercial & Electrical	**16.1**	3.1
Consumer Goods	**2.2**	–
Total goodwill	**74.5**	20.9

10 Goodwill and other intangible assets (continued)

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

	2007 £m	2006 £m
Oil, Chemical & Agri	**105.7**	46.6
Commercial & Electrical	**35.3**	19.5
Consumer Goods	**7.4**	5.0
Total goodwill net book value at 31 December	**148.4**	71.1

Total goodwill of £148.4m (2006: £71.1m) is attributable to 66 (2006: 50) acquired businesses which are grouped into 52 (2006: 39) 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 54.

Detailed results of the impairment tests for material acquisitions with goodwill in excess of 5% of total net book value of goodwill, are presented below.

Material acquisitions

	2007 £m	2006 £m
Oil, Chemical & Agri – Genalysis	**21.2**	–
Oil, Chemical & Agri – Alta Analytical Laboratories	**9.5**	9.6
Oil, Chemical & Agri – Quantitative Technologies	**9.3**	–
Oil, Chemical & Agri – Umitek	**9.1**	–
Oil, Chemical & Agri – Automotive Research	**9.0**	9.1
Commercial & Electrical – National Software Testing Laboratories	**8.9**	–
Commercial & Electrical – Entela	**8.7**	8.8
Others (each less than 5% of total goodwill at 31 December 2007)	**72.7**	43.6
Total goodwill net book value at 31 December	**148.4**	71.1

All goodwill is denominated in local currency and is translated into sterling at the rates of exchange ruling at the reporting date.

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 a value-in-use calculation, was higher than its carrying amount except for those discussed below.

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 (not exceeding five years), a steady conservative 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 businesses.

A Group pre-tax, risk adjusted, discount rate of 11% (2006: 12%) has been used in the value-in-use calculations. The characteristics of the businesses acquired are that they are not capital intensive and are largely similar to each other, and therefore the rate of 11%, which is based on the Group's weighted average cost of capital, is considered to be 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.

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

There are 45 (2006: 36) cash generating units with a goodwill amount that is not significant in relation to the carrying value of goodwill of £148.4m (2006: £71.1m). The aggregate balance of goodwill for these multiple cash generating units is £72.7m (2006: £43.6m). 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 £0.4m was recognised within administrative expenses in the Commercial & Electrical division in respect of the goodwill of a certification business in India, which was 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 business, discounted by a pre-tax rate of 11%. The charge of £0.4m represented the shortfall of the recoverable amount to the carrying value. The carrying amount after the impairment was £0.8m.

No other goodwill impairment losses were identified.

In 2006, 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.

There are no intangible assets with indefinite lives.

11 Investment in associates

	2007 £m	2006 £m
Cost		
At 1 January	**0.6**	0.9
Exchange adjustments	**–**	(0.3)
At 31 December	**0.6**	0.6
Share of post-acquisition reserves		
At 1 January	**0.1**	(0.2)
Share of net (loss)/profit for the year	**(0.1)**	0.3
At 31 December	**–**	0.1
Net book value at 31 December	**0.6**	0.7

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

	Assets* £m	Liabilities £m	Equity £m	Revenues £m	(Loss)/profit £m
2007	**13.3**	**12.5**	**0.8**	**19.5**	**(0.3)**
2006	14.2	12.7	1.5	23.3	0.7

* excluding goodwill and intangibles

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2007 £m	Assets 2006 £m	Liabilities 2007 £m	Liabilities 2006 £m	Net 2007 £m	Net 2006 £m
Other intangible assets	**–**	–	**(2.5)**	–	**(2.5)**	–
Property, plant and equipment	**0.7**	0.9	**(2.8)**	(1.9)	**(2.1)**	(1.0)
Pensions	**2.6**	4.7	**(0.5)**	–	**2.1**	4.7
Equity-settled transactions	**1.9**	1.4	**–**	–	**1.9**	1.4
Interest rate swaps	**0.2**	–	**–**	–	**0.2**	–
Provisions and other temporary differences	**8.8**	5.8	**(2.2)**	(1.9)	**6.6**	3.9
Tax value of losses	**0.4**	0.5	**–**	–	**0.4**	0.5
Set-off of tax	**(2.7)**	–	**2.7**	–	**–**	–
Total	**11.9**	13.3	**(5.3)**	(3.8)	**6.6**	9.5

Unrecognised deferred tax assets

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

	2007 £m	2006 £m
Deductible temporary differences	**8.9**	12.0
Tax losses	**16.8**	17.6
Property, plant and equipment	**4.3**	1.9
Total	**30.0**	31.5

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 £10.2m (2006: £16.4m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from or sell the associated subsidiaries in the foreseeable future.

12 Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year

	Balance 1 January 2007 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity* £m	**Balance 31 December 2007 £m**
Other intangible assets	–	–	(3.1)	0.6	–	**(2.5)**
Property, plant and equipment	(1.0)	–	(0.2)	(0.9)	–	**(2.1)**
Pensions	4.7	(0.1)	0.7	(0.6)	(2.6)	**2.1**
Equity-settled transactions	1.4	–	–	0.7	(0.2)	**1.9**
Interest rate swaps	–	–	–	–	0.2	**0.2**
Provisions and other temporary differences	3.9	(0.1)	0.1	2.7	–	**6.6**
Tax value of losses	0.5	0.1	–	(0.2)	–	**0.4**
Total	**9.5**	**(0.1)**	**(2.5)**	**2.3**	**(2.6)**	**6.6**

* see notes 7 and 19

	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
Equity-settled transactions	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

	2007 £m	2006 £m
Raw materials and consumables	**3.0**	2.0
Work in progress	**0.7**	0.6
Finished goods	**0.3**	0.6
Total inventories	**4.0**	3.2

The amount of inventory recognised as an expense in 2007 was £5.2m (2006: £1.5m). All inventories are expected to be recovered within 12 months. The amount of inventory written off in 2007 was £nil (2006: £nil).

14 Trade and other receivables

	2007 £m	2006 £m
Trade receivables	**147.5**	120.4
Other receivables	**13.6**	9.8
Prepayments and accrued income	**29.9**	21.7
Total trade and other receivables	**191.0**	151.9

Trade receivables are shown net of an allowance for impairment losses of £6.4m (2006: £5.0m). Impairment on trade receivables charged as part of costs of sales was £3.0m (2006: £2.6m).

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

The Group's exposure to credit and currency risks and further details on impairment losses related to trade and other receivables are disclosed in note 26.

15 Interest bearing loans and borrowings

	Current 2007 £m	Current 2006 £m	Non-current 2007 £m	Non-current 2006 £m
Senior term loans	**13.5**	13.6	**217.2**	164.8
Other borrowings	**0.2**	–	**0.3**	–
Total borrowings	**13.7**	13.6	**217.5**	164.8

Analysis of debt	2007 £m	2006 £m
Debt falling due:		
In one year or less	**13.7**	13.6
Between one and two years	**82.7**	87.5
Between two and five years	**134.8**	77.3
Total borrowings	**231.2**	178.4

Description of borrowings

In December 2004, the Group refinanced its existing £300.0m secured facility with a £300.0m non-secured facility. In August 2007, an additional £100.0m tranche was added making a total facility of £400.0m. The facility was originally for five years expiring on 15 December 2009, with two one-year extension options to extend this up to 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 four tranches. Facility A is a £28.0m multi-currency term loan (original £70.0m less repayments to 31 December 2007) with bi-annual equal amortisations over the remaining two years. Facility B is a £150.0m multi-currency revolving credit facility, available up to 15 December 2011. Facility C is a 364 day, £72.0m multi-currency revolving credit facility, with the option to convert this into a one-year loan by the end of the 364 day period. During the year, £8.0m of this facility was repaid. This amount has been included in debt falling due between one and two years because the Group expects to be able to renew the facility for a further 364 day period. Facility D is a £100.0m multi-currency term loan facility available up to 15 December 2011.

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 2007, the margin was 0.45%. Advances under Facility C and D 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 2007, the margin was 0.35%.

The undrawn committed borrowing facilities, which mature in 2011, amounted to £112.3m (2006: £86.5m), having taken into account £7.0m (2006: £7.1m) utilised for letters of credit and guarantees.

16 Trade and other payables

	Current 2007 £m	Current 2006 £m	Non-current 2007 £m	Non-current 2006 £m
Trade payables	**43.1**	33.8	**–**	–
Other payables	**19.6**	14.9	**0.9**	0.4
Accruals and deferred income	**65.9**	52.3	**–**	–
Total trade and other payables	**128.6**	101.0	**0.9**	0.4

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

17 Provisions

	Contingent consideration £m	Claims £m	Other £m	Total £m
At 1 January 2007	0.8	4.0	0.5	**5.3**
Exchange adjustments	0.6	0.2	–	**0.8**
Provided in the year	13.9	6.3	0.6	**20.8**
Released during the year	(0.2)	(0.7)	–	**(0.9)**
Utilised during the year	–	(2.3)	(0.1)	**(2.4)**
At 31 December 2007	**15.1**	**7.5**	**1.0**	**23.6**
Included in:				
Current liabilities	14.6	7.5	0.6	**22.7**
Non-current liabilities	0.5	–	0.4	**0.9**
At 31 December 2007	**15.1**	**7.5**	**1.0**	**23.6**

Contingent consideration represents the additional amounts payable on acquisitions and which are uncertain in amount, since they are based on earn outs dependent on achievement of prescribed level of profits in the acquisition agreements.

17 Provisions (continued)
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 £7.5m (2006: £4.0m) 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. Details of contingent liabilities in respect of claims are set out in note 27.

On the expiry of certain contracts, the Group will incur costs to dispose of assets, repair premises and reduce headcount. The other provision of £1.0m (2006: £0.5m) is an estimate of the cost of meeting these obligations.

18 Share capital

Group and Company	2007 Number	2007 £m	2006 £m
Authorised:			
Ordinary shares of 1p each	**200,000,000**	**2.0**	2.0
Zero coupon redeemable preference shares of £1 each	**105,478,482**	**105.5**	105.5
		107.5	107.5
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	**156,383,938**	**1.6**	1.6
Employee share option schemes – options exercised (note 25)	**1,007,575**	**–**	–
Employee Long Term Incentive Plan (note 25)	**1,274**	**–**	–
Ordinary shares of 1p each at end of year	**157,392,787**	**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 1,007,575 1p ordinary shares in respect of the share options exercised, for a consideration of £4.9m settled in cash and issued 1,274 shares under the Long Term Incentive Plan for £nil consideration.

None of the zero coupon redeemable preference shares were allotted at 31 December 2007 or 31 December 2006. 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 2007 were £9,000 (2006: £20,000) of which £nil (2006: £7,000) was interest expense. The ESOT did not hold any shares of the Company at 31 December 2007 (2006: nil).

19 Shareholders' equity

	Share capital £m	Share premium £m	Other reserves: Translation reserve £m	Other reserves: Hedging reserve £m	Other reserves: Other £m	Retained earnings* £m	Total £m
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 for foreign operations	–	–	(26.6)	–	–	–	(26.6)
Net gain on hedges of net investments in foreign operations	–	–	20.5	–	–	–	20.5
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
At 1 January 2007	1.6	242.4	(0.7)	0.3	6.4	(153.6)	96.4
Movement on cash flow hedges	–	–	–	(1.1)	–	–	(1.1)
Profit for the year attributable to equity holders	–	–	–	–	–	73.2	73.2
Dividends paid	–	–	–	–	–	(25.2)	(25.2)
Issue of shares	–	4.9	–	–	–	–	4.9
Equity-settled transactions	–	–	–	–	–	3.0	3.0
Actuarial pension gain	–	–	–	–	–	8.5	8.5
Foreign exchange translation differences for foreign operations	–	–	10.0	–	–	–	10.0
Net loss on hedges of net investments in foreign operations	–	–	(3.2)	–	–	–	(3.2)
Tax on income and expense recognised directly in equity	–	–	–	–	–	(2.3)	(2.3)
At 31 December 2007	**1.6**	**247.3**	**6.1**	**(0.8)**	**6.4**	**(96.4)**	**164.2**

* 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.

Dividends

	2007 £m	**2007 Pence per share**	2006 £m	2006 Pence per share
Amounts recognised as distributions to equity holders:				
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
Final dividend for the year ended 31 December 2006	**16.1**	**10.2**	–	–
Interim dividend for the year ended 31 December 2007	**9.1**	**5.8**	–	–
Dividends paid	**25.2**	**16.0**	19.8	12.7

After the balance sheet date, the Directors proposed a final dividend of 12.2p per share in respect of the year ended 31 December 2007, which is expected to amount to £19.2m. 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 19 June 2008.

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

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

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

20 Minority interests

	2007 £m	2006 £m
At 1 January	**8.8**	7.8
Exchange adjustments	**0.6**	(0.5)
Share of profit for the year	**5.6**	5.1
Additions	**0.2**	0.2
Dividends	**(3.6)**	(3.8)
At 31 December	**11.6**	8.8

21 Commitments

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

2007	**Land and buildings £m**	**Other £m**	**Total £m**
Within one year	**22.1**	**3.6**	**25.7**
In the second to fifth years inclusive	**39.9**	**3.5**	**43.4**
Over five years	**26.3**	**–**	**26.3**
Total	**88.3**	**7.1**	**95.4**

2006	Land and buildings £m	Other £m	Total £m
Within one year	17.8	2.9	20.7
In the second to fifth years inclusive	34.6	2.5	37.1
Over five years	27.8	–	27.8
Total	80.2	5.4	85.6

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 £3.8m (2006: £4.5m).

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 one in Hong Kong. The United Kingdom schemes are the Intertek Pension Scheme and the Capcis Limited Pension and Life Assurance Scheme that came into the Group through the acquisition of the Umitek group in January 2007. 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 in 2002 and 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:

	2007 £m	2006 £m
Defined contribution schemes	**11.3**	8.4
Defined benefit schemes – current service cost	**1.9**	2.2
Pension cost included in operating profit	**13.2**	10.6

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 Intertek Pension Scheme in the United Kingdom was carried out as at 1 April 2007, but this has been updated to 31 December 2007 for IAS 19 purposes. The last full triennial actuarial valuation of the Capcis Limited Pension and Life Assurance Scheme in the UK was also carried out as at 1 April 2007, and this has been updated to 31 December 2007 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2006, for local accounting purposes but this has been updated to 31 December 2007 for IAS 19 purposes.

22 Employee benefits (continued)

The amounts recognised in the balance sheet were as follows:

	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	**66.6**	56.4	55.0
Present value of funded defined benefit obligations	**(73.9)**	(71.6)	(72.8)
Net liability in the balance sheet	**(7.3)**	(15.2)	(17.8)

The amounts recognised in the income statement were as follows:

	2007 £m	2006 £m
Current service cost	**(1.9)**	(2.2)
Pension interest cost (note 6)	**(3.8)**	(3.4)
Expected return on scheme assets (note 6)	**3.5**	3.3
Total charge	**(2.2)**	(2.3)

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:

	2007 £m	2006 £m
Fair value of scheme assets at 1 January	**56.4**	55.0
Acquisition of Capcis	**2.3**	–
Expected return on scheme assets	**3.5**	3.3
Normal contributions by the employer	**1.6**	1.8
Special contribution by the employer	**2.8**	–
Contributions by scheme participants	**0.6**	0.6
Benefits paid	**(2.4)**	(4.0)
Effect of exchange rate changes on overseas plan	**(0.3)**	(1.6)
Actuarial gains	**2.1**	1.3
Fair value of scheme assets at 31 December	**66.6**	56.4

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

	2007 £m	2006 £m
Defined benefit obligations at 1 January	**71.6**	72.8
Acquisition of Capcis	**5.1**	–
Current service cost	**1.9**	2.2
Interest cost	**3.8**	3.4
Contributions by scheme participants	**0.6**	0.6
Benefits paid	**(2.4)**	(4.0)
Effect of exchange rate changes on overseas plan	**(0.3)**	(1.5)
Actuarial gains	**(6.4)**	(1.9)
Defined benefit obligations at 31 December	**73.9**	71.6

(e) Actuarial losses recognised directly in equity:

	2007 £m	2006 £m
Cumulative loss at 1 January	**(9.5)**	(12.7)
Recognised gains in the year	**8.5**	3.2
Cumulative loss at 31 December	**(1.0)**	(9.5)

(f) Company contributions

The Group expects to make normal contributions of £1.1m (2007: £1.2m) to the United Kingdom pension schemes and £0.5m (2007: £0.6m) to the Hong Kong pension scheme in 2008.

(g) Fair value of scheme assets in each category

	United Kingdom schemes		Hong Kong	
	2007	2006	**2007**	2006
Equities	**69%**	72%	**63%**	63%
Bonds	**27%**	23%	**36%**	36%
Cash/other	**4%**	5%	**1%**	1%

22 Employee benefits (continued)

(h) The net pension (liabilities)/assets of each scheme at 31 December 2007 were as follows:

	The Intertek Pension Scheme £m	The Capcis Limited Pension and Life Assurance scheme £m	Intertek Hong Kong Retirement scheme £m	Total £m
Fair value of scheme assets	49.0	5.1	12.5	66.6
Present value of funded defined benefit obligations	(58.4)	(4.2)	(11.3)	(73.9)
(Deficit)/surplus in schemes	**(9.4)**	**0.9**	**1.2**	**(7.3)**

(i) Principal actuarial assumptions

	United Kingdom schemes		Hong Kong		Weighted average	
	2007	2006	**2007**	2006	**2007**	2006
Discount rate	**5.70%**	5.15%	**3.50%**	3.70%	**5.40%**	4.90%
Inflation rate	**3.35%**	3.00%	**n/a**	n/a	**3.35%**	3.00%
Rate of salary increases	**3.85%**	3.50%	**4.00%**	4.00%	**3.90%**	3.90%
Rate of pension increases	**3.35%**	3.00%	**n/a**	n/a	**3.35%**	3.00%
Annualised expected return on scheme assets	**6.68%**	6.70%	**6.30%**	6.30%	**6.60%**	6.60%

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.

The actual return on scheme assets was as follows:

	United Kingdom schemes		Hong Kong*	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Actual return	**4.0**	2.8	**1.6**	1.8

(j) Life expectancy assumptions at year end for:

	United Kingdom schemes		Hong Kong*	
	2007	2006	**2007**	2006
Male aged 40	**47.4**	47.3	**n/a**	n/a
Male aged 65	**21.9**	21.8	**n/a**	n/a
Female aged 40	**50.2**	50.2	**n/a**	n/a
Female aged 65	**24.8**	24.7	**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 2007 and 2006 mortality assumptions are based on an actuarial table 'PA 92 medium cohort, projected by an individual's year of birth'.

(k) Sensitivity analysis

The table below sets out the sensitivity on the pension assets and liabilities as at 31 December 2007 of the two main assumptions:

Change in assumptions	Liabilities £m	Assets £m	Deficit £m	Increase/(decrease) in deficit £m
No change	73.9	66.6	7.3	–
0.25% rise in discount rate	70.3	66.6	3.7	(3.6)
0.25% fall in discount rate	77.9	66.6	11.3	4.0
0.25% rise in inflation	75.4	66.6	8.8	1.5
0.25% fall in inflation	72.5	66.6	5.9	(1.4)

22 Employee benefits (continued)

(l) History of experience gains and losses:

	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**66.6**	56.4	55.0	46.7
Defined benefit obligations	**(73.9)**	(71.6)	(72.8)	(62.8)
Deficit	**(7.3)**	(15.2)	(17.8)	(16.1)
Experience gains/(losses) on scheme liabilities	**1.5**	1.6	(0.5)	(1.6)
Experience gains on scheme assets	**2.1**	1.3	4.3	1.3

23 Analysis of net debt

	1 January 2007 £m	Cash flow £m	Exchange adjustments £m	31 December 2007 £m
Cash	49.5	7.2	1.9	**58.6**
Borrowings	(178.4)	(49.4)	(3.4)	**(231.2)**
Total net debt	(128.9)	(42.2)	(1.5)	**(172.6)**

The Group's exposure to interest rate risk, currency risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

24 Acquisitions

The Group made 16 acquisitions during the year, all of which were paid for in cash.

Provisional details of net assets acquired and fair value adjustments are set out below. The analysis is provisional and amendments may be made to these figures in the 12 months following the date of each acquisition, 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	8.2	0.2	8.4
Goodwill	–	74.5	74.5
Other intangible assets	–	19.5	19.5
Inventories	0.4	–	0.4
Trade and other receivables	12.7	(0.2)	12.5
Trade and other payables	(7.6)	(4.6)	(12.2)
Tax payable	(0.7)	0.1	(0.6)
Deferred tax liability	(0.2)	(2.3)	(2.5)
Net assets acquired	**12.8**	**87.2**	**100.0**
Cash outflow (net of cash acquired)			85.8
Contingent and deferred consideration			14.2
Total consideration			**100.0**

(a) The largest acquisition was the purchase on 18 April 2007, of 100% of the share capital of Genalysis Laboratory Services Pty Ltd, a company incorporated in Western Australia. Genalysis provides analytical testing and sample preparation services to mining, ore and minerals companies on a global basis.

Payments totalling £20.6m, net of cash acquired of £0.2m, have been made, and contingent consideration, based on completion accounts, estimated to be £8.3m, will be payable on or before March 2008, making a total estimated consideration for this acquisition of £28.9m.

Provisional details of net assets acquired and fair value adjustments are set in the table that follows. The analysis is provisional and amendments may be made to these figures in the 12 months to 17 April 2008, with a corresponding adjustment to goodwill.

24 Acquisitions (continued)

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	3.8	(0.2)	3.6
Goodwill	–	20.1	20.1
Other intangible assets	–	4.0	4.0
Inventories	0.4	–	0.4
Trade and other receivables	4.1	–	4.1
Trade and other payables	(1.4)	–	(1.4)
Tax payable	(0.7)	–	(0.7)
Deferred tax liability	–	(1.2)	(1.2)
Net assets acquired	**6.2**	**22.7**	**28.9**
Cash outflow (net of cash acquired)			20.6
Contingent consideration			8.3
Total consideration			**28.9**

The goodwill of £20.1m represents the value to the Group of acquiring a presence in an industry sector and in a country in which the Group did not have a significant market share. The other intangible assets of £4.0m represent value placed on client relationships. The fair value adjustment of £0.2m brings the property, plant and equipment to its approximate market value on acquisition. The deferred tax liability of £1.2m arises on intangibles.

The profit of Genalysis for the period 1 January 2007 to 18 April 2007 was £0.5m. The profit attributable to the Group from the date of acquisition to 31 December 2007 was £1.1m.

(b) On 9 January 2007, the Group acquired 100% of the share capital of Umitek Limited, a company incorporated in the UK, for £9.8m, net of cash of £0.6m, of which £0.5m was deferred. The company and its subsidiaries provide specialist testing and consultancy services to the oil and gas industries in the North Sea and globally. The net assets acquired, prior to fair value adjustments, were £2.0m of which £2.7m related to debtors and prepayments. Provisional fair value adjustments totalled £7.8m of which £9.1m was for goodwill, £1.0m for intangibles, £2.8m related to the recognition of a pension deficit and a deferred tax asset of £0.8m thereon and £0.3m for the deferred tax liability on intangibles. Intangibles represent the value placed on client relationships. The goodwill represents the expertise and reputation acquired which will enable Intertek to improve the service offered to its existing customers. The profit of the Umitek group for the period 1 January 2007 to 9 January 2007 was £25,000. The profit attributable to the Group from the date of acquisition to 31 December 2007 was £0.8m.

(c) On 7 June 2007, the Group acquired 100% of the share capital of Quantitative Technologies Inc. (QTI), a US pharmaceutical testing company, for £12.8m, net of cash acquired of £0.3m, of which £2.5m was contingent consideration based on actual 2007 results. The company provides expert analytical support services to the global pharmaceutical, medical device and drug delivery industries. The net assets acquired, prior to fair value adjustments, were £0.9m of which £0.9m related to receivables and prepayments. Provisional fair value revaluations to fixed assets totalled £0.2m. Intangibles of £2.5m, representing value placed on customer relationships, were recognised and goodwill arising was £9.2m. The goodwill represents the benefit of providing the Group with an established presence on the East Coast in the US for pharmaceutical support services and the opportunity for the Group to expand its pharma services in North America, complementing and enhancing the capabilities acquired with the ASG and Alta acquisitions made in 2004 and 2006 respectively. The profit of QTI for the period 1 January 2007 to 7 June 2007 was £0.3m. The profit attributable to the Group from the date of acquisition to 31 December 2007 was £0.7m.

(d) On 14 September 2007, the Group acquired 100% of the share capital of National Software Technology Laboratories Inc. (NSTL), a company incorporated in the US, which tests mobile applications software, for £11.4m, net of cash acquired of £1.1m. The net liabilities acquired, prior to fair value adjustments, were £0.1m, of which £1.4m related to receivables and prepayments, £1.7m related to payables and £0.2m related to property, plant and equipment. There were no fair value adjustments other than for intangibles of £2.7m, representing value placed on client relationships and for goodwill of £8.8m. The goodwill represents the opportunity for the Group to establish a leading position in the growing cellular/mobile application software market within the US. The profit of NSTL for the period 1 January 2007 to 15 September 2007 was £0.4m. The profit attributable to the Group from the date of acquisition to 31 December 2007 was £0.4m.

(e) The following table sets out a provisional analysis of the net assets acquired and the fair value to the Group in respect of the remaining acquisitions made in 2007. The analysis is provisional due to the timing of some of the acquisitions and amendments may be made to these figures in the period up to 12 months from the date each business was acquired, with a corresponding adjustment to goodwill.

24 Acquisitions (continued)

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	3.4	0.3	3.7
Goodwill	–	27.3	27.3
Other intangible assets	–	9.3	9.3
Trade and other receivables	3.3	(0.1)	3.2
Trade and other payables	(2.9)	(1.7)	(4.6)
Tax payable	(0.1)	–	(0.1)
Deferred tax liability	(0.1)	(1.6)	(1.7)
Net assets acquired	**3.6**	**33.5**	**37.1**
Cash outflow (net of cash acquired)			34.2
Contingent consideration			2.9
Total consideration			**37.1**

The other intangible assets of £9.3m represent the value placed on client relationships and certification marks. The fair value adjustment of £0.3m brings the property, plant and equipment to its approximate market value on acquisition. The £1.7m represents pension liabilities recognised and the £1.6m relates to deferred tax liability on intangibles.

The total goodwill of £27.3m is in respect of the following acquisitions:

	£m
Measurement Science Group	5.1
Product Quality Partners	3.2
Carnot Emission Services	3.1
ASTA BEAB	3.1
Plastics Technologies Laboratories	2.5
Biodata Analytik GmbH	2.1
Others (each less than £2.0m)	8.2
Total goodwill	**27.3**

The goodwill of £27.3m represents value to the Group of acquiring presence in new industry sectors and countries, value of the skilled workforce in the acquired companies and the synergies that the Group will achieve in integrating these new businesses.

The profit attributable to the Group from these acquisitions from their respective dates of purchase to 31 December 2007 was £0.6m.

(f) All the acquisitions made during the year contributed revenues of £36.1m and profits of £3.6m to the Group from their respective dates of acquisition to 31 December 2007.

The Group revenue and profit for the year ended 31 December 2007 would have been £799.2m and £81.9m respectively if all the acquisitions were assumed to have been made on 1 January 2007.

(g) Details of 2006 acquisitions

The Group made seven acquisitions in 2006, all of which were paid in cash.

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

(i) In respect of Alta, 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	1.2	–	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**

24 Acquisitions (continued)
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 bio-analysis. 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.

(ii) 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.

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	8.4	(1.2)	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
Trade and other payables	(1.8)	–	(1.8)
Tax payable	(0.5)	–	(0.5)
Net assets acquired	**9.6**	**13.3**	**22.9**
Net cash outflow			**22.9**

The fair value adjustment of £1.2m brings the property, plant and equipment to its approximate market value on acquisition. The £0.3m relates to additional allowance for doubtful receivables. The other intangible assets of £4.2m represent the value placed on 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 laboratory.

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.

(iii) 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)

(h) Details of post balance sheet acquisitions

On 13 February 2008, the Group acquired 100% of the share capital of CML Biotech Limited, the holding company for the Commercial Microbiology Group for a total estimated consideration of £9.6m. The group which is based in Scotland and in the US, provides analytical, consultancy and manufacturing services to the upstream oil and gas industry.

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	0.8	–	0.8
Goodwill	–	8.1	8.1
Inventories	0.1	–	0.1
Trade and other receivables	1.2	–	1.2
Trade and other payables	(0.6)	–	(0.6)
Net assets acquired	**1.5**	**8.1**	**9.6**
Fair value of consideration, including costs			**9.6**
Contingent consideration, included in above			**1.5**

In addition to the above there were four other acquisitions made in January and February 2008 for a total consideration of £7.9m.

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:

	2007		2006	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
At beginning of year	**714p**	**3,289,131**	556p	4,495,355
Exercised	**491p**	**(1,007,575)**	389p	(1,002,460)
Forfeited	**596p**	**(255,552)**	647p	(203,764)
Outstanding options at end of year	**654p**	**2,026,004**	714p	3,289,131
Exercisable at end of year	**465p**	**796,606**	388p	737,232

The weighted average share price of the Company at the date of exercise of share options was 921p (2006: 790p).

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 6.7 years.

25 Share schemes (continued)

(ii) The outstanding options at 31 December 2007 are exercisable as follows:

Option scheme	Number of options outstanding	Exercise price per share	Exercisable between	
1997 Plan	5,903	140p	1 December 2004	1 December 2008
2002 Plan	130,945	437p	30 May 2005	30 May 2012
	7,632	380p	17 July 2005	17 July 2012
	163,304	359p	7 April 2006	7 April 2013
	19,831	462p	12 September 2006	12 September 2013
	387,050	523.5p	7 April 2007	7 April 2014
	11,116	607p	14 September 2007	14 September 2014
	1,159,629	778p	7 April 2008	7 April 2015
	19,500	711p	13 September 2008	13 September 2015
	1,899,007			
Approved Plan	12,099	437p	30 May 2005	30 May 2012
	7,894	380p	17 July 2005	17 July 2012
	17,886	359p	7 April 2006	7 April 2013
	262	462p	12 September 2006	12 September 2013
	25,762	523.5p	7 April 2007	7 April 2014
	6,922	607p	14 September 2007	14 September 2014
	49,269	778p	7 April 2008	7 April 2015
	1,000	711p	13 September 2008	13 September 2015
	121,094			
Total	**2,026,004**			

(b) Long Term Incentive Plan

As explained in the Remuneration Report on page 41, deferred and matching shares are awarded under this plan. The first awards were granted on 7 April 2006. The awards under this plan vest three years after grant date, subject to fulfilment of the performance conditions.

	2007		2006	
	Deferred shares	**Matching shares**	Deferred shares	Matching shares
At beginning of year	**239,669**	**128,194**	–	–
Granted	**278,170**	**156,386**	244,222	128,194
Exercised	**(1,108)**	**–**	(171)	–
Forfeited	**(26,605)**	**(11,552)**	(4,382)	–
Outstanding share awards at end of year	**490,126**	**273,028**	239,669	128,194

Of the 171 deferred shares exercised in 2006, there were 166 shares which were allotted in 2007. Total shares allotted in 2007 were 1,274.

Details of the share option schemes and the Long Term Incentive Plan are shown in the Remuneration Report on pages 39 to 46.

(c) Equity-settled transactions

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 2007, the Group recognised an expense of £3.0m (2006: £2.4m) in respect of outstanding share and share option awards granted from 7 November 2002 onwards.

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

	Share options				Share awards			
					Deferred shares	Matching shares	Deferred shares	Matching shares
Date of share option grant/shares awarded	7 April 2004	14 Sept 2004	7 April 2005	13 Sept 2005	7 April 2006	7 April 2006	10 April 2007	10 April 2007
Fair value at measurement date (pence)	163.9	185.9	240.2	189.8	795.9	435.0	887.6	498.8
Share price (pence)	527.0	611.0	790.0	703.0	827.6	827.6	931.0	931.0
Exercise price (pence)	523.5	607.0	778.0	711.0	n/a	n/a	n/a	n/a
Expected volatility	28.2%	26.2%	25.4%	24.9%	21.6%	21.6%	21.4%	21.4%
Dividend yield	1.7%	1.5%	1.3%	1.6%	1.4%	1.4%	1.6%	1.6%
Risk free interest rate	4.8%	4.9%	4.6%	4.2%	4.4%	4.4%	5.4%	5.4%
Time to maturity (years)	6	6	6	6	3	3	3	3

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

25 Share schemes (continued)
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.

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.

26 Financial instruments
Details of the Group's treasury controls, exposures to credit, liquidity, interest rate and currency risks are set out in the Business and Financial Review on pages 22 to 24.

(a) Credit risk
(i) Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	2007 £m	2006 £m
Trade receivables, net of allowance	**147.5**	120.4
Cash and cash equivalents	**58.6**	49.5
Interest rate swaps used for hedging	**(0.7)**	0.4
	205.4	170.3

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

	2007 £m	2006 £m
Americas	**49.5**	40.8
Europe, Middle East and Africa	**51.1**	44.1
Asia Pacific	**46.9**	35.5
	147.5	120.4

(ii) Impairment losses
The ageing of trade receivables at the balance sheet date was as follows:

	2007 £m	2006 £m
Under 6 months	**142.1**	115.5
Between 6 and 12 months	**7.5**	6.7
Over 12 months	**4.3**	3.2
	153.9	125.4
Allowance for impairment	**(6.4)**	(5.0)
Trade receivables, net of allowance	**147.5**	120.4

Included in receivables due under 6 months of £142.1m are receivables of £69.1m (2006: £55.2m) which are not due for payment under the Group's standard terms and conditions of sale.

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

	2007 £m	2006 £m
Balance at beginning of year	**5.0**	6.1
Exchange differences	**0.3**	(0.6)
Cash recovered	**(0.2)**	(1.1)
Impairment loss recognised	**3.0**	2.6
Receivables written off	**(1.7)**	(2.0)
Impairment allowance for doubtful receivables	**6.4**	5.0

There were no significant individual impairments of trade receivables.

Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The Group assesses periodically the creditworthiness of customers. The Group's credit risk is diversified due to the large number of entities that make up the Group's customer base and the diversification across many different industries and geographic regions.

Allowance for impairment is based on the risk profile of the receivable, based on the likelihood of the amount being recovered. Based on historic default rates reflecting the track record of payments by the Group's customers, the Group believes that no impairment allowance is necessary in respect of trade receivables which are less than six months outstanding, unless there are specific circumstances such as the bankruptcy of a customer which would render the receivable irrecoverable. The Group provides fully for all receivables over 12 months old as these are considered likely to be irrecoverable. Where recovery is in doubt, a provision is made against the specific receivable until such time as the Group believes the amount to be irrecoverable. At that time the receivable is written off.

26 Financial instruments (continued)

(iii) Counterparty

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.

(b) Liquidity risk

The table below provides information about the contractual maturities and interest rate profile of the Group's senior term loans at 31 December 2007.

Liabilities 2007	2008 £m	2009 £m	2010 £m	2011 £m	Carrying amount and fair value £m
Floating rate (USD)	–	35.6	–	32.9	68.5
Average interest rate	–	4.1%	–	4.4%	–
Floating rate (HKD)	11.2	29.0	–	43.0	83.2
Average interest rate	3.8%	3.9%	–	4.0%	–
Floating rate (SEK)	2.3	18.0	–	1.8	22.1
Average interest rate	5.1%	5.0%	–	5.2%	–
Floating rate (GBP)	–	–	–	6.0	6.0
Average interest rate	–	–	–	5.5%	–
Floating rate (EUR)	–	–	–	29.5	29.5
Average interest rate	–	–	–	5.2%	–
Floating rate (JPY)	–	–	–	11.1	11.1
Average interest rate	–	–	–	1.4%	–
Floating rate (NOK)	–	–	–	8.3	8.3
Average interest rate	–	–	–	5.8%	–
Floating rate (SGD)	–	–	–	2.0	2.0
Average interest rate	–	–	–	3.3%	–
Total	**13.5**	**82.6**	**–**	**134.6**	**230.7**

Of the other borrowings of £0.5m, £0.2m falls due for repayment in 2008 and the other £0.3m over the next two to ten years.

The table below provides information about the contractual maturities 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 amount 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 following are the contractual maturities of financial liabilities:

2007	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Non-derivative financial liabilities							
Bank loans	230.7	230.7	6.8	6.7	82.6	134.6	–
Other loans	0.5	0.5	0.1	0.1	0.1	0.1	0.1
Trade and other payables	129.5	129.5	128.6	–	0.9	–	–
	360.7	360.7	135.5	6.8	83.6	134.7	0.1
Derivative financial liabilities							
Interest rate swaps used for hedging	0.7	0.7	0.2	0.2	0.2	0.1	–
Forward exchange contracts:							
Outflow	–	10.6	10.6	–	–	–	–
Inflow	–	(10.6)	(10.6)	–	–	–	–
	0.7	0.7	0.2	0.2	0.2	0.1	–
Total	**361.4**	**361.4**	**135.7**	**7.0**	**83.8**	**134.8**	**0.1**

26 Financial instruments (continued)

2006	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Non-derivative financial liabilities							
Bank loans	178.4	178.4	6.8	6.8	87.5	77.3	–
Trade and other payables	101.4	101.4	101.0	–	0.4	–	–
	279.8	279.8	107.8	6.8	87.9	77.3	–
Derivative financial assets							
Interest rate swaps used for hedging	(0.4)	(0.4)	(0.4)	–	–	–	–
Forward exchange contracts:							
Outflow	–	15.7	15.7	–	–	–	–
Inflow	–	(15.7)	(15.7)	–	–	–	–
	(0.4)	(0.4)	(0.4)	–	–	–	–
Total	279.4	279.4	107.4	6.8	87.9	77.3	–

Cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and expected to impact profit or loss.

2007	Carrying amount £m	Expected cash outflows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Interest rate swaps used for hedging – liabilities	**0.7**	**0.7**	**0.2**	**0.2**	**0.2**	**0.1**	**–**

2006	Carrying amount £m	Expected cash outflows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Interest rate swaps used for hedging – assets	(0.4)	(0.4)	(0.4)	–	–	–	–

(c) Interest rate risk

(i) 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 and an interest rate cap 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 three years and have fixed swap rates ranging from 1.1% to 5.3%. At 31 December 2007, the Group had interest rate swaps with a notional contract amount of £55.4m (2006: £97.4m) and an interest rate cap with a notional value of £14.7m (2006: £nil).

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

The net fair value of swaps and caps at 31 December 2007 was £0.7m (2006: £0.4m) comprising assets of £nil (2006: £0.4m) and liabilities of £0.7m (2006: £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.

(ii) Profile

The information about the contractual maturities and interest rate profile of the Group's borrowings is shown in section (b) liquidity risk, above. The interest rate profile of the Group's short-term deposits and cash at 31 December 2007 is set out below:

Financial assets	Effective interest rates	At floating interest rates £m	Interest free £m	Total carrying amount and fair value £m
Short-term deposits and cash*:				
Sterling	5.6%	(6.2)	–	(6.2)
US dollar	5.2%	16.3	–	16.3
Chinese renminbi	1.8%	17.0	–	17.0
Hong Kong dollar	3.9%	1.2	–	1.2
Euro	3.8%	1.5	6.8	8.3
Other currencies	Various	14.2	7.8	22.0
Total cash and cash equivalents		**44.0**	**14.6**	**58.6**

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

26 Financial instruments (continued)

The interest rate profile of the Group's short-term deposits and cash at 31 December 2006 was as follows:

Financial assets	Effective interest rates	At floating interest rates £m	Interest free £m	Total carrying amount and fair value £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
Euro	2.7%	1.8	4.3	6.1
Other currencies	Various	11.4	4.5	15.9
Total cash and cash equivalents		39.9	9.6	49.5

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

(iii) Sensitivity

At 31 December 2007, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately £1.2m (2006: £0.5m). Interest rate swaps have been included in this calculation. This analysis assumes all other variables remain constant.

(d) 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.

(i) 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 2007, the fair value of forward exchange contracts was £nil (2006: £nil).

(ii) 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 2007 was £230.7m (2006: £178.4m). A foreign exchange loss of £3.2m (2006: gain of £20.5m) was recognised in the translation reserve in equity on translation of these loans to sterling.

(iii) Sensitivity

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 2007 by approximately £0.8m (2006: £0.7m). The forward exchange contracts have been included in this calculation. This analysis assumes all other variables remain constant.

(e) Fair values

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

	2007 Book value £m	**2007 Fair value £m**	2006 Book value £m	2006 Fair value £m
Financial assets				
Cash and cash equivalents	**58.6**	**58.6**	49.5	49.5
Interest rate swaps used for hedging	**–**	**–**	0.4	0.4
Trade and other receivables	**191.0**	**191.0**	151.9	151.9
Associates	**0.6**	**0.6**	0.7	0.7
	250.2	**250.2**	202.5	202.5
Financial liabilities				
Interest bearing loans and borrowings	**231.2**	**231.2**	178.4	178.4
Interest rate swaps used for hedging	**0.7**	**0.7**	–	–
Trade and other payables	**129.5**	**129.5**	101.4	101.4
	361.4	**361.4**	279.8	279.8

26 Financial instruments (continued)

Estimation of fair values

The major methods and assumptions used in estimating the fair values of the Group's financial instruments are summarised below.

Interest rate swaps used for hedging

Bank valuations are used to estimate the fair value of interest rate swaps used for hedging. Valuations are tested by considering the equivalent swap rate as at 31 December and calculating the difference in interest earned at this rate compared to the original swap rate.

Forward exchange contracts

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

Interest bearing loans and borrowings

The fair value of interest bearing loans and borrowings is equal to the book value, since the floating interest rates were reset just prior to the year end.

Trade and other receivables/payables

For trade and other 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 estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Interest rates used for determining fair value

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

27 Contingent liabilities

	2007 £m	2006 £m
Guarantees, letters of credit and performance bonds	**7.1**	6.4

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 associates (see note 30) and with its key management.

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

Transactions with associates

As stated in note 11, the Group holds a 40% interest in the associate, Allium LLC, a company registered in the US. Allium LLC and its subsidiaries manufacture testing equipment which it sells to certain Intertek Group companies. In 2007, sales by Allium Group companies to Intertek Group companies amounted to £0.9m (2006: £1.4m). Intertek Group companies had lent dollar equivalent £1.4m to Allium LLC as at 31 December 2007 (2006: £1.5m) against which there was a Group provision of £1.2m (2006: £1.2m). Interest on these loans was charged during 2007 at an average rate of 6.5%. Intertek Group companies owed £0.1m at 31 December 2007 (2006: £0.1m) 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:

	2007 £m	2006 £m
Short-term benefits	**2.3**	1.9
Post-employment benefits	**0.2**	0.2
Equity-settled transactions	**0.7**	0.5
Total	**3.2**	2.6

28 Related parties (continued)

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

R Kong who was engaged by the Group as a Non-Executive Director under the terms of a letter of appointment, commencing 1 July 2006, retired on 11 May 2007. Until that date, R Kong had 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. In 2007, R Kong received £3,500 (2006: £29,000) 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 2007, RC Nelson received remuneration of £1,000 (2006: £5,000) 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) Details of all acquisitions made after 31 December 2007 are given in note 24(h).

b) At a Board meeting on 7 March 2008, the Directors proposed a dividend of 12.2p per ordinary share, which if approved, is payable to shareholders on 19 June 2008.

30 Principal operating subsidiaries and associated companies

The Group comprises 180 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 2007 and 2006 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 2007.

Company name	Country of incorporation	Principal activity by division*	Percentage of ordinary shares held in 2007 and 2006 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	100
Intertek Testing Management Limited	England and Wales	Management company	100	–
Intertek International Limited	England and Wales	GS	100	–
ITS Testing Services (UK) Limited	England and Wales	OCA	100	–
ITS Testing Holdings Canada Limited	Canada	Holding company	100	–
Intertek Testing Services Limited Shanghai	China	CG, C&E and GS	85	–
Intertek Testing Services Shenzhen Limited	China	CG and C&E	85	–
Testing Holdings France EURL	France	Holding company	100	–
Testing Holdings Germany GmbH	Germany	Holding company	100	–
ITS Hong Kong Limited	Hong Kong	CG and C&E	100	–
Yickson Enterprises Limited	Hong Kong	Holding company	100	–
Intertek Testing Services Taiwan Limited	Taiwan	CG and C&E	100	–
Kite Overseas Holdings BV	Netherlands	Holding company	100	–
Testing Holdings Sweden AB	Sweden	Holding company	100	–
Semko AB	Sweden	C&E	100	–
ITS NA Inc	United States	C&E	100	–
Intertek USA Inc	United States	OCA	100	–
Testing Holdings USA Inc	United States	Holding company	100	–
Genalysis Laboratory Services Pty Ltd (acquired in 2007)	Australia	OCA	100	–

Associates	Country of incorporation	Principal activity by division*	Percentage of ordinary shares held in 2007 and 2006 Group	Company
Allium LLC	United States	CG	40	–

* Oil, Chemical & Agri (OCA), Commercial & Electrical (C&E), Consumer Goods (CG) and Government Services (GS).

Intertek Group plc
Company Balance Sheet

As at 31 December 2007

	Notes	2007 £m	Restated note (a) 2006 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**280.9**	277.4
Debtors due after more than one year	(e)	**–**	12.9
Current assets			
Debtors	(f)	**0.4**	–
Cash at bank and in hand		**10.1**	–
		10.5	–
Creditors due within one year:			
Other creditors	(g)	**(1.9)**	(1.6)
Net current assets/(liabilities)		**8.6**	(1.6)
Total assets less current liabilities		**289.5**	288.7
Creditors due after more than one year:			
Other creditors	(h)	**(9.2)**	–
Net assets		**280.3**	288.7
Capital and reserves			
Called up share capital	(i)	**1.6**	1.6
Share premium	(i)	**247.3**	242.4
Profit and loss account	(i)	**31.4**	44.7
Shareholders' funds-equity		**280.3**	288.7

The financial statements on pages 84 to 88 were approved by the Board on 10 March 2008 and were signed on its behalf by:

Wolfhart Hauser, Director

Bill Spencer, Director

(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 except as noted below.

In these financial statements the new standard FRS 20: Share-based payments and UITF 41 – Scope of FRS 20 have been adopted for the first time. The accounting policy under this new standard is set out below together with an indication of the effect of its adoption. The corresponding amounts in these financial statements have been restated in accordance with the new policy.

The effect of adopting this policy is to increase the 2006 investment in subsidiaries by £2.4m with a corresponding increase in the profit and loss account of £2.4m. As such total net assets and total shareholder's funds at 31 December 2006 have also increased by £2.4m.

Basis of preparation

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

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

The Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated 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. All foreign exchange differences are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

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

Investments in subsidiaries

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

(a) Accounting policies – Company (continued)

Intercompany financial guarantees

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

Share-based payments

Intertek Group plc runs a share ownership programme that allows Group employees to acquire shares in the Company. In order to encourage share ownership, a share option scheme for senior management was established in March 1997. This option programme was discontinued in 2006 and was replaced by a new Long Term Incentive Plan.

As permitted by FRS 20, the Company has applied the requirements of this standard to all share-based payment awards granted after 7 November 2002.

The fair value of options granted to employees of the Company is recognised as an employee expense with a corresponding increase in equity. As the Company has no employees, there is no recognition of an employee expense nor the corresponding increase in equity. However, the Company grants options over its own shares to the employees of its subsidiaries and as such the Company recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity.

The fair value is measured at grant date and is spread over the period during which the employee becomes unconditionally entitled to the options. The fair value granted is measured using the Black-Scholes model. This method, in calculating the fair value, takes into account various factors including the expected volatility of the shares, the dividend yield and the risk free interest rate.

The fair value of shares granted under the Long Term Incentive Plan are also measured using the Black-Scholes method and is spread over the period during which the employee becomes unconditionally entitled to the shares.

See note 25 in the Group financial statements for further information on the share schemes.

(b) Employees

The Company does not have any employees.

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

(c) Dividends

The aggregate amount of dividends comprises:

	2007 £m	2006 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	**16.1**	12.6
Interim dividends paid in respect of the current year	**9.1**	7.2
Aggregate amount of dividends paid in the financial year	**25.2**	19.8

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2007 is £nil (2006: £nil).

(d) Investment in subsidiary undertakings

	2007 £m	Restated note (a) 2006 £m
Cost and net book value		
At 1 January, as restated	**277.4**	274.3
Additions	**0.5**	0.7
Additions due to share-based payments	**3.0**	2.4
At 31 December	**280.9**	277.4

During the year, the Company subscribed £0.5m 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 Company has granted options over its own shares and made share awards to the employees of its direct and indirectly-owned subsidiaries and as such, the Company recognises an increase in the cost of investment in subsidiaries of £3.0m (2006: £2.4m). Please see note 30 in the Group financial statements for details of the principal operating subsidiaries.

The other two direct subsidiary undertakings at 31 December 2007, 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.

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

(e) Debtors due after more than one year

	2007 £m	2006 £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 from the balance sheet date.

(f) Debtors due within one year

	2007 £m	2006 £m
Amounts owed by Group undertakings	**0.4**	–

(g) Creditors due within one year

	2007 £m	2006 £m
Amounts owed to Group undertakings	**1.8**	1.4
Accruals and deferred income	**0.1**	0.2
	1.9	1.6

(h) Creditors due after more than one year

	2007 £m	2006 £m
Amounts owed to Group undertakings	**9.2**	–

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 from the balance sheet date.

(i) Shareholders' funds – equity

	Share capital £m	Share premium £m	Restated note (a) Profit and loss £m	Restated note (a) Total £m
At 1 January 2006	1.6	238.2	24.1	**263.9**
Profit for the financial year	–	–	38.0	**38.0**
Dividends	–	–	(19.8)	**(19.8)**
Credit in relation to share-based payments	–	–	2.4	**2.4**
Shares issued	–	4.2	–	**4.2**
At 31 December 2006, as restated	1.6	242.4	44.7	**288.7**
Profit for the financial year	–	–	8.9	**8.9**
Dividends	–	–	(25.2)	**(25.2)**
Credit in relation to share-based payments	–	–	3.0	**3.0**
Shares issued	–	4.9	–	**4.9**
At 31 December 2007	1.6	247.3	31.4	**280.3**

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 £25.2m (2006: £19.8m) was £8.9m (2006: £38.0m) which was mainly in respect of dividends received from subsidiaries.

(j) Related party transactions
Under FRS 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 £29.2m at 31 December 2007 (2006: £20.9m).

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 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated 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 38.

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 Annual Report 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 2006 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 judgements 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 2007 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 2007;
- 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

10 March 2008

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 our Registrars, Equiniti.

Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by email each time the Company distributes documents, instead of receiving a paper version of such documents, by registering a request at the 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 email 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 7930 3737.

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*
Debra Rade*
Wolfhart Hauser, Chief Executive Officer
William Spencer, Chief Financial Officer
Mark Loughead, Chief Operating Officer

* Non-Executive Directors

Company Secretary
Fiona Evans

Investor Relations
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Financial Calendar

Financial year end	31 December 2007
Results announced	10 March 2008
Annual General Meeting	9 May 2008
Ex-dividend date for final dividend	4 June 2008
Record date for final dividend	6 June 2008
Final dividend payable	19 June 2008
Interim results announced	4 August 2008
Interim dividend payable	November 2008

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www.intertek.com

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