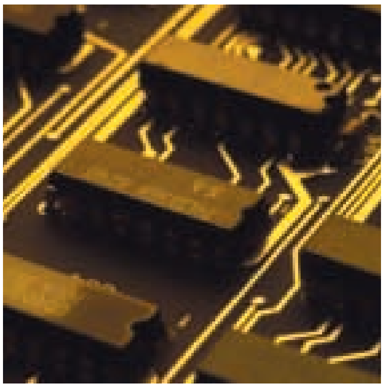
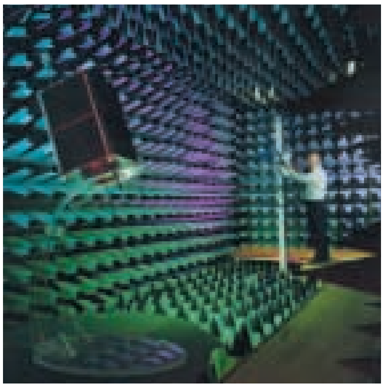
ITS Intertek Testing Services






Joint Global Co-ordinators and Joint Bookrunners

Goldman Sachs International Schroder Salomon Smith Barney

Listing Particulars


worldwide presence
504 Offices
254 Laboratories

ITS

Intertek Testing Services plc

Global Offer of 98,282,896
Ordinary Shares

at a price of 400p per Ordinary Share
and admission to the Official List
and to trading on the London Stock Exchange

Joint Global Co-ordinators and Joint Bookrunners

Goldman Sachs International **Schroder Salomon Smith Barney**

Co-Lead Managers

Cazenove **UBS Warburg**

24 May 2002

A copy of this document, which comprises listing particulars relating to Intertek Testing Services plc in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000, has been delivered for registration to the Registrar of Companies pursuant to section 83 of that Act.

Application has been made to the UK Listing Authority for the Ordinary Shares of Intertek Testing Services plc to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission to listing and trading will become effective, and that dealings will commence, at 8.00 a.m. on 29 May 2002. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis, will be of no effect if Admission does not take place and any such dealings will be at the sole risk of the parties concerned.

The Directors of Intertek Testing Services plc, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

INTERTEK TESTING SERVICES PLC

(incorporated under the Companies Act 1985 and registered in England and Wales with registered number 4267576)

Global Offer of 98,282,896 Ordinary Shares at a price of 400p per Ordinary Share

Expected ordinary share capital immediately following the Global Offer

Authorised			Issued	
Number	**Amount**		**Number**	**Amount**
200,000,000	£2,000,000	**Ordinary Shares of 1p each**	153,379,478	£1,533,795

For a discussion of factors about the Group and the Global Offer that should be taken into account in considering whether to invest in the Ordinary Shares, see Part II: Risk Factors.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act of 1933, as amended (the "Securities Act"), or under the applicable state securities laws of any state of the United States, or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in the United States, Australia, Canada or Japan or to or for the account or benefit of any national, resident or citizen of Australia, Canada or Japan. The Underwriters may offer and sell or arrange for the offer and sale of Ordinary Shares in the United States only to persons reasonably believed to be qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

In connection with the Global Offer, the Institutional Selling Shareholders have granted Goldman Sachs International, on behalf of the Underwriters, an option (the "Over-allotment Option") pursuant to which Goldman Sachs International may require such Institutional Selling Shareholders to sell up to an aggregate of 14,742,434 additional Existing Shares at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions. The Over-allotment Option may be exercised, in whole or in part, at any time during the period commencing with the date of this document and ending 30 days after Admission.

In connection with the Global Offer, Goldman Sachs International or its affiliates may over-allot or effect other transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail for a limited period after the Offer Price is announced.

Such transactions may be effected on the London Stock Exchange, in the over-the-counter markets or otherwise. There is no obligation on Goldman Sachs International or any of its affiliates to undertake stabilisation transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Save as required by law, Goldman Sachs International does not intend to disclose the extent of any stabilisation transactions under the Global Offer.

Goldman Sachs International and Schroder Salomon Smith Barney are acting for the Company, Charterhouse General Partners Limited and Dominion Corporate Trustees Limited (together "Charterhouse") and no one else in connection with the Global Offer and will not be responsible to anyone other than the Company and Charterhouse for providing the protections afforded to their respective clients or for providing advice in relation to the Global Offer. "Schroder" is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers International Limited and Salomon Brothers U.K. Equity Limited.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. Neither the delivery of this document nor any subscription or sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in it is correct as of any time subsequent to its date.

The distribution of this document and the offering and sale of the Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The distribution of this document and the offering and sale of the Ordinary Shares are subject to the restrictions set out in paragraph 11 of Part VIII: Additional Information.

Forward-looking statements

The statements contained in this document that are not historical facts are "forward-looking" statements (as such term is defined in the United States Private Securities Litigation Reform Act of 1995). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In addition, from time to time, the Company or its representatives have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in, but are not limited to, press releases or oral statements made by or with the approval of an authorised executive officer of the Company.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. Such risks and certainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. See Part II: Risk Factors. The forward-looking statements contained in this document speak only as of the date of this document.

Currency and financial statement presentation

Unless otherwise indicated, all references in this document to "pounds sterling", "sterling", "GBP", "£" or "p" are to the lawful currency of the United Kingdom and all references to "US$", "US dollars", "USD", "dollars" or "$" are to the lawful currency of the United States. The Company prepares its financial statements in pounds sterling.

Unless otherwise indicated, financial information in this document, including the financial information in Part VI: Accountants' Reports and the pro forma information in Part VII: Pro Forma Financial Information, has been prepared in accordance with UK GAAP. UK GAAP differs in certain significant respects from US GAAP. For a discussion of the most significant differences between UK GAAP and US GAAP relevant to the Company, see note 7.35 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports.

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DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Vanni Emanuele Treves – Chairman
Richard Campbell Nelson – Chief Executive Officer
William Spencer – Chief Financial Officer
David Philip Allvey – Non-Executive Director
Ross Edward Sayers – Non-Executive Director

Company Secretary

Martin Christopher Black

Registered and Head Office

25 Savile Row
London
W1S 2ES

Joint Global Co-ordinators, Joint Bookrunners, Joint Lead Managers, Joint Sponsors and Joint Brokers

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB

Schroder Salomon Smith Barney
Citigroup Centre
33 Canada Square
Canary Wharf
London
E14 5LB

English and US Legal Advisers to the Company

Allen & Overy
One New Change
London
EC4M 9QQ

English and US Legal Advisers to the Underwriters

Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Auditors and Reporting Accountants

KPMG Audit Plc
PO Box 486
8 Salisbury Square
London
EC4Y 8BB

Principal Bankers

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Registrars and Receiving Bank

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Commencement of conditional dealings	12 noon on 24 May 2002
Admission and commencement of unconditional dealings	8 a.m. on 29 May 2002
Ordinary Shares credited to CREST accounts	29 May 2002
Despatch of definitive share certificates (where applicable)	29 May 2002

Each of the times and dates in the above timetable is subject to change without further notice. References to times are to London time. Temporary documents of title will not be issued.

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

MARKET INFORMATION

Offer Price	400p
Gross proceeds to be raised by the Company and the Selling Shareholders(1)	£393,131,584
Number of Ordinary Shares being offered(1)	98,282,896
New Ordinary Shares	64,010,990
Existing Shares(1)	34,271,906
Number of Existing Shares subject to Over-allotment Option(2)	14,742,434
Number of Ordinary Shares in issue following the Global Offer(1)(4)	153,379,478
Market capitalisation of the Company	£613,517,912
Net proceeds of the Global Offer receivable by the Company(3)	£244,521,982

(1) Assumes the Over-allotment Option is not exercised.

(2) The number of Existing Shares subject to the Over-allotment Option is 15 per cent. of the number of Ordinary Shares in the Global Offer.

(3) The net proceeds receivable by the Company pursuant to the Global Offer are stated after deduction of underwriting commissions payable on New Ordinary Shares of approximately £11.5 million, including an additional commission, potentially payable as described in page 166.

(4) Assumes the issue of 1,514,621 Ordinary Shares on Admission resulting from the exercise of options by employee optionholders and assumes the issue of 7,103,171 Ordinary Shares issued pursuant to the exercise of warrants over Ordinary Shares which are exercised conditional on, but prior to, Admission.

SUMMARY

Investors should read this document as a whole and not rely solely on this summary. Save where otherwise indicated, the financial information contained in this document has been extracted from Part VI: Accountants' Reports without material adjustment. Investors should review Part II: Risk Factors for a discussion of factors about the Group and the Global Offer that should be taken into account in considering whether to invest in the Ordinary Shares.

Overview

The Group is a leading international testing, inspection and certification organisation which assesses the products and commodities bought or sold by its customers against a wide range of safety, regulatory, quality and performance standards.

The Group operates in a large number of market segments and is organised into the following four operating divisions, each focusing on the testing, inspection and certification of particular goods or commodities:

- ***Labtest*** is a leading international provider of testing and inspection services for a range of consumer goods including textiles, footwear, toys and hardlines (such as ceramics, bicycles, cosmetic products, sporting goods, juvenile products, furniture and fireworks).

- ***Caleb Brett*** is a leading international provider of testing and inspection services in connection with crude oil, petroleum and chemical products and provides independent verification and internationally recognised certification of the quantity and quality of these products.

- ***ETL SEMKO*** primarily tests electrical and electronic products, telecommunications equipment, heating, ventilation and air conditioning ("HVAC") equipment and building products against standards relating to safety and performance and provides recognised safety certificates and other industry-specific approvals to manufacturers of those products.

- ***Foreign Trade Standards*** provides independent PSI services to governments of less developed countries to assist them in the enforcement of customs duties and/or to verify that imports of specified products meet safety and other national standards of a client country.

For the year ended 31 December 2001, Intertek reported revenues of £451.4 million and operating profit before amortisation and operating exceptional items of £69.8 million.

Competitive strengths

The Directors believe that the Group has a number of competitive advantages and strengths, including the following:

- Worldwide network of facilities with strong local presence
- Portfolio of brand names, safety labels, approvals and accreditations
- Strong positions in the principal market segments in which the Group operates
- Diversified customer base
- Customer-focused and decentralised divisional structure
- Management accountability
- Local management expertise reinforced by strong group culture
- Taking advantage of opportunities
- Depth of management experience
- Active risk management procedures and internal controls
- Track record of organic growth and investment

Further details in relation to "Competitive Strengths" are set out in Part III: Business Description.

Group strategy

The Group's strategy is to maximise its market share and profitability in high growth markets globally. Divisional strategies have core themes, which are common across the Group and can be summarised as follows:

- Strengthen leadership positions
- Invest in high growth businesses
- Maintain or grow profit margins and develop high-margin businesses
- Expand network in response to sales and sourcing changes
- Expand portfolio of approvals
- Develop opportunities
- Pursue selected bolt-on acquisition opportunities
- Develop management at both a local and Group level

Further details in relation to "Group Strategy" are set out in Part III: Business Description.

Summary financial information

The table below sets out selected key financial data for the Group on a consolidated basis for the periods indicated. This data has been extracted from Part VI: Accountants' Reports, which have been prepared in accordance with UK GAAP. UK GAAP differs in certain significant respects from US GAAP. A description of the material differences between UK and US GAAP as they relate to the Group is set out in note 7.35 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports. Investors should read this document as a whole and not rely solely on the summarised financial information set out below.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Total revenues	362.5	399.1	451.4	104.1	108.9
Operating profit before amortisation and operating exceptional items	46.3	59.6	69.8	13.3	15.4
Amortisation	0.8	1.1	1.3	0.3	0.2
Exceptional items credited/(charged) against operating profit – continuing operations	10.5	6.9	(10.7)	—	—
Exceptional items charged against operating profit – discontinued operations	(5.0)	(7.8)	(12.4)	—	—
Total operating profit	51.0	57.6	45.4	13.0	15.2

Current trading and prospects

The Group's financial year ended on 31 December 2001 and a summary of results of continuing operations for the three month period ended 31 March 2002 compared to the three month period ended 31 March 2001 is set out in Part V: Management's Discussion and Analysis of Financial Condition and Results of Operations. In the limited time since 31 March 2002, the Directors believe that trading is continuing in accordance with their expectations. The Directors are confident about the trading prospects of the Group for the current financial year.

Dividend policy

The Ordinary Shares which are the subject of the Global Offer will rank in full for all dividends or other distributions declared, made or paid in respect of the Ordinary Share capital of the Company after Admission. Following Admission, the Directors intend to pay, in respect of future financial years, an interim dividend in November and a final dividend in June of the following year. In respect of the current financial year ending 31 December 2002, the Directors expect to recommend payment only of a final dividend. This will be payable in June 2003.

The Directors intend to follow a progressive dividend policy and, in determining the level of future dividends, expect the dividend to be covered at least three times by earnings. The Directors are confident that the Group will have sufficient distributable profits to support this dividend policy going forward.

The Global Offer

There will be 98,282,896 Ordinary Shares available under the Global Offer, comprising 64,010,990 New Ordinary Shares to be issued by the Company and 34,271,906 Existing Shares to be sold by the Selling Shareholders. The number of Ordinary Shares offered reflects the election by two Institutional Shareholders to retain their Ordinary Shares and not sell any of their Ordinary Shares in the Global Offer.

In the Global Offer, the Ordinary Shares will be issued or sold to certain institutional investors in the United Kingdom and elsewhere outside of the United States in reliance on Regulation S under the Securities Act ("Regulation S") and to QIBs in the United States in reliance on Rule 144A under the Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The distribution of this document and the offer and sale of the Ordinary Shares are subject to the restrictions set out in paragraph 11 of Part VIII: Additional Information.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 12 noon on 24 May 2002. The earliest date for settlement of such dealings will be 29 May 2002. All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued basis", will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned.

Admission is expected to become effective, and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange, at 8.00 a.m. on 29 May 2002.

Over-allotment Option

In connection with the Global Offer, the Institutional Selling Shareholders have granted Goldman Sachs International, on behalf of the Underwriters, the Over-allotment Option pursuant to which Goldman Sachs International may require such Institutional Selling Shareholders to sell up to an aggregate of 14,742,434 additional Existing Shares at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions. The Over-allotment Option may be exercised, in whole or in part, at any time during the period commencing with the date of this document and ending 30 days after Admission.

Use of proceeds

The net proceeds receivable by the Company pursuant to the Global Offer will be approximately £244.5 million after deduction of underwriting commissions payable on New Ordinary Shares of a maximum of approximately £11.5 million.

As at 31 March 2002, the Group had outstanding: £48.2 million under the Senior Term Loan A, £35.6 million under the Senior Term Loan B, £2.8 million under the Senior Term Loan C, £16.5 million under the Senior Revolver, £142.0 million under the Senior Subordinated Notes and £105.3 million under the Subordinated PIK Debentures, totalling £350.4 million. In addition, 105,478,482 Preference Shares (redeemable at £1 per Preference Share) are currently outstanding.

The Group intends to use the net proceeds received by it under the Global Offer plus approximately £250 million drawn down under the New Credit Agreement to repay those amounts and to redeem the Preference Shares. The remaining proceeds are intended to be used to pay any accrued interest, costs of repayment or redemption on the Group's Existing Debt, as well as fees relating to the New Credit Agreement of £4.0 million and advisers' fees of £16.3 million.

Further information about the Group's indebtedness is set out in note 7.18 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports and Part VII: Pro Forma Financial Information.

Lock-up arrangements

The Company has agreed, save for certain limited exceptions and other than pursuant to the Global Offer, not to offer, sell, issue options in respect of, contract to sell or otherwise dispose of, directly or indirectly, any Ordinary Shares or any other securities of the Company that are substantially similar to the Ordinary Shares or related securities during the period beginning on the date of this document and continuing to and including the date one year after the date of Admission, without the prior written consent of the Global Co-ordinators. Further details are set out in paragraph 10(g) of Part VIII: Additional Information.

Each of the Directors, the Executive Officers and the Selling Shareholders (other than the Institutional Selling Shareholders) has agreed, save for certain limited exceptions and other than pursuant to the Global Offer, not to offer, sell, issue options in respect of, contract to sell, or otherwise dispose of, directly or indirectly, any Ordinary Shares or any other securities of the Company that are substantially similar to the Ordinary Shares or related securities during the period beginning on the date of this document and continuing to and including the date one year after the date of Admission (the "Lock-up Period"), without the prior written consent of the Global Co-ordinators provided, however, that the Directors, the Executive Officers and the Selling Shareholders (other than the Institutional Shareholders) are entitled to sell such securities to the extent that the proceeds of such sale are applied to pay any National Insurance payment or any other tax which becomes payable by such Director, Executive Officer or Selling Shareholder after Admission in respect of securities of the Company held by them immediately prior to Admission (other than arising as a result of the sale of such securities), provided that the proceeds from the sale of any Existing Shares in the Global Offer by such Director, Executive Officer or Selling Shareholder must be used to meet any such liability before any additional Ordinary Shares or securities may be sold, and provided further that each of the Company and the Global Co-ordinators receive prior written notice of such sale or disposal from such Director, Executive Officer or Selling Shareholder specifying the number of Shares to be sold and the proposed date of such sale or disposal. The number of Ordinary Shares subject to this lock-up are 9,229,095. All of the Company's optionholders under the 1997 Plan whose options are exercisable on Admission or during the Lock-up Period have entered into a similar lock-up. Options exercisable into 1,348,959 Ordinary Shares are subject to this lock-up. Further details are set out in paragraph 10(h) of Part VIII: Additional Information.

Each of the Institutional Selling Shareholders and the other Institutional Shareholders has agreed, severally and not jointly, save for certain limited exceptions and other than pursuant to the Global Offer, not to offer, sell, issue options in respect of, contract to sell or otherwise dispose of, directly or indirectly, any securities of the Company that are substantially similar to the Ordinary Shares or related securities during the period beginning on the date of this document and continuing to and including the date nine months after the date of Admission, without the prior written consent of the Global Co-ordinators, provided that in the final three months of such period, the Global Co-ordinators will, at their discretion, give consent to such sale or other disposal if the sale or other disposal is structured as a marketed offering managed by the Global Co-ordinators and open to all Institutional Shareholders existing on the date of this document provided, however, that an Institutional Shareholder may transfer securities of the Company to any affiliate of such Institutional Shareholder, and provided further that, prior to such transfer, such affiliate undertakes in writing with the Global Co-ordinators, to be subject to the lock-up restrictions applicable to such Institutional Shareholder as though it held such securities at the date of this document. The number of Ordinary Shares subject to this lock-up are 44,150,383. In relation to 1,717,104 Ordinary Shares, the Company's Institutional Shareholders (other than the Institutional Selling Shareholders) have entered into certain orderly marketing arrangements with the Company and the Underwriters pursuant to which they have confirmed that, while they have no current intention of selling such Ordinary Shares, they may decide to make sales of such Ordinary Shares in the future and, if they do so, they have agreed to advise the Global Co-ordinators prior to making any sales of such Ordinary Shares during the 270 days from Admission and they will normally deal through one or both of the Global Co-ordinators. Further details are set out in paragraph 10(i) of Part VIII: Additional Information.

Risk factors

Prior to investing in Ordinary Shares, investors should carefully consider, together with all other information contained in this document, the risk factors about the Group and the Global Offer described in Part II: Risk Factors.

PART I – THE GLOBAL OFFER

Shares subject to the Global Offer

There will be 98,282,896 Ordinary Shares available under the Global Offer, comprising 64,010,990 New Ordinary Shares to be issued by the Company and 34,271,906 Existing Shares to be sold by the Selling Shareholders. The number of Ordinary Shares offered reflects the election by two Institutional Shareholders to retain their Ordinary Shares and not sell any of their Ordinary Shares in the Global Offer. The issue is raising approximately £244.5 million for the Company, after deduction of underwriting commissions payable on New Ordinary Shares of a maximum of approximately £11.5 million.

The Selling Shareholders are the Institutional Selling Shareholders, certain Executive Officers, certain employees of the Group and certain other investors. The Selling Shareholders are selling in total 34,271,906 Existing Shares in the Global Offer. The Institutional Selling Shareholders are selling 30,407,745 Existing Shares representing 39.9 per cent. of their aggregate holdings, and Executive Officers and employees, taken as a whole, are selling 3,864,161 Existing Shares representing 26.8 per cent. of their aggregate holdings. The Directors are not selling any Ordinary Shares in the Global Offer.

The Company will not receive any proceeds from the sale of Existing Shares by the Selling Shareholders.

The Global Offer

In the Global Offer, the Ordinary Shares will be issued or sold to institutional and certain other investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the Securities Act and to QIBs in the United States in reliance on Rule 144A under the Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The distribution of this document and the offer and sale of the Ordinary Shares are subject to the restrictions set out in paragraph 11 of Part VIII: Additional Information.

Dealing arrangements

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 12 noon on 24 May 2002. The earliest date for settlement of such dealings will be 29 May 2002. All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued basis", will be of no effect if Admission does not take place and any such dealings will be at the sole risk of the parties concerned.

Admission is expected to become effective and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 29 May 2002. It is intended that, where applicable, definitive share certificates in respect of the Global Offer will be distributed from 29 May 2002 or as soon thereafter as is practicable. Temporary documents of title will not be issued.

Over-allotment Option and stabilisation

In connection with the Global Offer, the Institutional Selling Shareholders have granted to Goldman Sachs, on behalf of the Underwriters, the Over-allotment Option pursuant to which Goldman Sachs may require such Institutional Selling Shareholders to sell up to an aggregate of 14,742,434 additional Existing Shares at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions. The Over-allotment Option may be exercised, in whole or in part, at any time during the period commencing with the date of this document and ending 30 days after Admission.

In connection with the Global Offer, Goldman Sachs or its affiliates may over-allot or effect other transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail for a limited period after the Offer Price is announced. Such transactions may be effected on the London Stock Exchange, in the over-the-counter markets or otherwise. There is no obligation on Goldman Sachs International or any of its affiliates to undertake stabilisation transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Save as required by law, Goldman Sachs does not intend to disclose the extent of any stabilisation transactions under the Global Offer.

Underwriting arrangements

The Company, the Directors, the Selling Shareholders, the Executive Officers and the Underwriters have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained in the Underwriting Agreement, the Underwriters have severally agreed to procure subscribers (or subscribe themselves) for New Ordinary Shares to be allotted and to procure purchasers for (or purchase themselves) Existing Shares to be sold pursuant to the Global Offer.

The Underwriting Agreement provides that the obligations of the Underwriters are conditional upon certain conditions being satisfied, including Admission occuring by no later than 8.00 a.m. on 29 May 2002 or such later time and/or date as the Company and the Global Co-ordinators may agree in writing.

Further details of the terms and conditions of the Underwriting Agreement are set out in paragraph 10 of Part VIII: Additional Information.

Lock-up arrangements

The Company has agreed, save for certain limited exceptions and other than pursuant to the Global Offer, not to offer, sell, issue options in respect of, contract to sell or otherwise dispose of, directly or indirectly, any Ordinary Shares or any other securities of the Company that are substantially similar to the Ordinary Shares or related securities during the period beginning on the date of this document and continuing to and including the date one year after the date of Admission, without the prior written consent of the Global Co-ordinators. Further details are set out in paragraph 10(g) of Part VIII: Additional Information.

Each of the Directors, the Executive Officers and the Selling Shareholders (other than the Institutional Selling Shareholders) has agreed, save for certain limited exceptions and other than pursuant to the Global Offer, not to offer, sell, issue options in respect of, contract to sell, or otherwise dispose of, directly or indirectly, any Ordinary Shares or any other securities of the Company that are substantially similar to the Ordinary Shares or related securities during the period beginning on the date of this document and continuing to and including the date one year after the date of Admission (the "Lock-up Period"), without the prior written consent of the Global Co-ordinators provided, however, that the Directors, the Executive Officers and the Selling Shareholders (other than the Institutional Shareholders) are entitled to sell such securities to the extent that the proceeds of such sale are applied to pay any National Insurance payment or any other tax which becomes payable by such Director, Executive Officer or Selling Shareholder after Admission in respect of securities of the Company held by them immediately prior to Admission (other than arising as a result of the sale of such securities), provided that the proceeds from the sale of any Existing Shares in the Global Offer by such Director, Executive Officer or Selling Shareholder must be used to meet any such liability before any additional Ordinary Shares or securities may be sold, and provided further that each of the Company and the Global Co-ordinators receive prior written notice of such sale or disposal from such Director, Executive Officer or Selling Shareholder specifying the number of Shares to be sold and the proposed date of such sale or disposal. The number of Ordinary Shares subject to this lock-up are 9,229,095. All of the Company's optionholders under the 1997 Plan whose options are exercisable on Admission or during the Lock-up Period have entered into a similar lock-up. Options exercisable into 1,348,959 Ordinary Shares are subject to this lock-up. Further details are set out in paragraph 10(h) of Part VIII: Additional Information.

Each of the Institutional Selling Shareholders and the other Institutional Shareholders has agreed, severally and not jointly, save for certain limited exceptions and other than pursuant to the Global Offer, not to offer, sell, issue options in respect of, contract to sell or otherwise dispose of, directly or indirectly, any securities of the Company that are substantially similar to the Ordinary Shares or related securities during the period beginning on the date of this document and continuing to and including the date nine months after the date of Admission, without the prior written consent of the Global Co-ordinators, provided that in the final three months of such period, the Global Co-ordinators will, at their discretion, give consent to such sale or other disposal if the sale or other disposal is structured as a marketed offering managed by the Global Co-ordinators and open to all Institutional Shareholders existing on the date of this document provided, however, that an Institutional Shareholder may transfer securities of the Company to any affiliate of such Institutional Shareholder, and provided further that, prior to such transfer, such affiliate undertakes in writing with the Global Co-ordinators, to be subject to the lock-up restrictions applicable to such Institutional Shareholder as though it held such securities at the date of this document. The number of Ordinary Shares subject to this lock-up are 44,150,383. In relation to 1,717,104 Ordinary Shares, the Company's Institutional Shareholders (other than the Institutional Selling Shareholders) have entered into certain orderly marketing arrangements with the Company and the Underwriters pursuant to which they have confirmed that, while they have no current intention of selling such Ordinary Shares, they may decide to make sales of such Ordinary Shares in the future and, if they do so, they have agreed to advise the Global Co-ordinators prior to making any sales of such Ordinary Shares during the 270 days from Admission and they will normally deal through one or both of the Global Co-ordinators. Further details are set out in paragraph 10(i) of Part VII: Additional Information.

PART II – RISK FACTORS

Prior to investing in Ordinary Shares, investors should carefully consider, together with all other information contained in this document, the risk factors about the Group and the Global Offer described below. Additional risks and uncertainties not presently known to the Group or that the Group currently deems immaterial may also have a material adverse effect on the financial condition or business success of the Group.

RISKS RELATING TO THE GROUP'S BUSINESS

Legal and regulatory compliance

The Group is subject worldwide to laws and regulations (including the FCPA, the OECD Convention and regulations promulgated by OFAC, in respect of business transacted in or with countries with respect to which the United States, among others, has implemented economic and trade sanctions) that govern and/or affect where and how the Group's business may be conducted. The Group has implemented internal audit systems to facilitate compliance with the requirements of the FCPA, the OECD Convention, OFAC and similar laws and regulations affecting its business conduct, and the Directors believe the Group has taken appropriate steps to comply with these requirements. In certain divisions, particularly the FTS division, the Group's business relies on outside contractors to secure and service its customers. While the Group has implemented procedures specific to its outside contractors which the Directors believe are appropriate to achieve compliance in relation to their activities on behalf of the Group, these outside contractors are not subject to all of the internal compliance procedures to which the Group's employees are subject. There can be no assurance that compliance issues under the FCPA, the OECD Convention, OFAC or similar laws and regulations will not arise with respect to the Group, its employees or the contractors acting on its behalf. Non-compliance with applicable laws and regulations could result in criminal liability on behalf of the Group and/or the Directors, imposition of significant fines, debarment from the ability to contract with the United States government or its agencies, as well as negative publicity and reputational damage. Any of the foregoing could result in a material adverse effect on the Group's business or financial results.

Regulatory compliance in China

The Group's activities in China are subject to local laws and regulations. The Group has approvals at the regional level, and in some cases the national level, to conduct operations in China. However, laws, regulations and the jurisdiction of regulatory authorities in China are sometimes unclear and contradictory and may be subject to differing interpretation by different Chinese regulatory authorities at national and regional levels. Regulations were introduced in April 2002 which require all foreign-invested entities engaged in the certification, certification training or certification consultancy businesses in China to register as foreign invested certification companies with the China National Certification and Accreditation Administration prior to 31 July 2002. Certain majority foreign-owned joint ventures and wholly foreign-owned companies will not be approved under the new regulations prior to December 2003 and 2005, respectively. The Directors do not believe that the new regulations apply to the activities that the Group currently conducts in China, and the Company has received informal assurances from certain governmental officials to this effect. However, there can be no assurance that the national authorities would view the Group as being in compliance with all applicable Chinese laws and regulations or that the regulations introduced in April 2002, which are broadly drafted and whose precise scope is unclear, will not be interpreted as applying to the Group's activities. In addition, new laws and regulations may be enacted in the future that may impact on the Group's operations. The Directors believe that the Group enjoys good relationships with the relevant Chinese authorities and that the risk of any action by any of these authorities which may hinder the operations of the Group in China is low, especially in light of China's admission to the World Trade Organisation, the resulting trend to deregulation of trade-related sectors previously regulated by the government and the need for independent certification and testing organisations to assist with exports from China. Although the Directors believe that the risk of action is remote, there can be no assurance that one or more regulatory authorities in China will not seek to interfere with the operations of the Group in China, which could potentially result in fines and other penalties being imposed and disruption to the Group's current and planned future operations. The Company could also be required to divest a portion of its ownership interest in its Chinese subsidiaries, or otherwise to restructure its operations in China. Although there can be no assurances, the Directors believe that the Group would be able to complete such a restructuring in a way that would not have a material adverse effect on its business or financial results or compromise its business activities significantly.

Claims

One characteristic of the Group's business is that it is regularly notified of or involved in a large number of claims and proceedings relating to services it has performed. A number of these claims 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 period in respect of such 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 damages in significant amounts. Further details in relation to claims in which the Group is involved are set out in Part III: Business Description and further details in relation to litigation are set out in paragraph 15 of Part VIII: Additional Information.

The Group endeavours to maintain insurance against potential claims, but there can be no assurance that claims brought against the Group would be covered by insurance, particularly where fraud is alleged, or that such insurance, if available, would be sufficient to cover fully the damages or other expenses (including any insurance deductible amount) which the Group may be required to pay in respect of claims.

In addition to the potential to pay damages, claims brought against the Group often require it to incur significant legal and other expenses in investigating and defending such claims, which may fluctuate significantly between accounting periods depending on activity levels with respect to claims in any particular accounting period. Claims also can distract the attention of management from other aspects of the Group's business. Accordingly, there can be no assurance that claims asserted against the Group, individually or in the aggregate, will not have a material adverse effect on the Group.

Reputational Risk

The Group's continued success is dependent upon its ability to maintain its reputation in the marketplace as an independent and trustworthy entity. The Group cannot guarantee that it will be free from adverse publicity which could have a negative effect upon its reputation among its customers. For example, negative publicity arose in relation to various EPA investigations in 1997 and before and subsequent to guilty pleas submitted by the Company and by a former employee in relation to such investigations. Despite its internal controls which seek to prevent such events from occurring, the Group cannot guarantee that its association with such events will not have an adverse effect upon public opinion and a consequential impact on its business. Further details in relation to internal controls and compliance are set out in Part III: Business Description and further details in relation to litigation are set out in paragraph 15 of Part VIII: Additional Information.

Dependence on Government Contracts

FTS is dependent upon a limited number of government contracts. FTS currently has contracts for PSI services with nine governments or governmental agencies, consisting of Bangladesh, Ecuador, Iran, Kenya, Mexico, Mozambique, Nigeria, Uzbekistan and the Saudi Arabian Standards Organisation ("SASO"). These contracts are typically of a short-term nature, subject to renewal every two to three years, and most of these contracts may be terminated at short notice by the relevant government authority without cause. For instance, in January 1999, the Nigerian government unexpectedly announced that its PSI programmes would cease in March 1999. This had a negative effect on the Group's revenues and operating income in 1999. In September 1999, the new government in Nigeria re-introduced PSI programmes but awarded the Group a smaller part of the total business. PSI programmes in Colombia and Ghana ceased in 2000 and the governments of Argentina, Georgia and Uganda ended their PSI programmes in 2001, which had a negative effect on FTS' revenue and operating profit in 2001. The cancellation of or failure to renew FTS' contracts with the government of Nigeria or SASO or a significant number of other government contracts would have a material adverse effect on the results of operations of FTS.

The Group also faces risks from non-payment on these government contracts, and the cash requirements of the FTS division, in particular, may be adversely affected by delays in the payment of debts by foreign governments. In certain circumstances, the Group may accrue material indebtedness before it reasonably foresees the government's financial risk in respect of its contract. For example, in September 2001, the government of Argentina ended without prior notice its PSI programme for imports, resulting in approximately £4.1 million in unpaid invoices issued to the government of Argentina.

Decentralised Business Structure

Because of the diverse nature of the Company's testing, inspection and certification businesses, its global coverage and its relatively flat management organisation, the Company operates a comparatively decentralised business structure that devolves significant responsibility to each of its operating divisions. Within a division, responsibility is further devolved to the individual inspection offices and testing laboratories. This structure focuses profit and loss accountability locally within each business unit, which the Company believes enhances profitability. However, this structure also makes irregularities that occur on a local basis more difficult to detect and monitor centrally, with management reliant on operational and reporting systems in order to oversee the Company's global business on a centralised basis. Historically, certain of the claims brought against the Group have resulted from employee misconduct at a local level, such as falsification of test results or the unauthorised release of goods under Collateral Management Agreement ("CMA") contracts. Although the Group is currently involved in the CMA business to a limited extent, it has decided not to pursue the CMA business as part of its ongoing strategy. In 1998, the Group instituted new compliance procedures intended to minimise the possibility that such events may occur in the future and also intended to ensure that any such events that do occur are detected promptly so that appropriate action may be taken. While the Group has put into place systems that it believes are appropriate to its decentralised structure, no procedures can eliminate entirely the possibility of employee misconduct, and, accordingly, there can be no assurance that such events will not occur in the future. Moreover, as referred to above, certain of the Group's divisions rely on the services of outside contractors and certain of the Group's business is conducted through joint ventures. The outside contractors and joint venture partners are not subject to all of the internal compliance procedures to which the Group's employees are subject. Further details in relation to internal controls and compliance are set out in Part III: Business Description.

Reliance on Key Personnel

The Group's success has been, and continues to be, largely dependent upon its senior management team. In particular, Richard Nelson and Raymond Kong together have 55 years of experience with the Group and have significant accumulated knowledge of the Group and the markets in which it operates. Additionally, other key members of the management team have strong personal relationships with certain of the Group's customers, and the maintenance and development of these customer relationships may be dependent on such employees. The loss of the services of one or more of the Group's management team could have a material adverse effect on the Group.

The Group's continued business success is also dependent upon its ability to attract and retain additional qualified personnel who possess the skills and experience necessary to service the Group's customers. The Group from time to time has experienced difficulties in attracting and retaining sufficient numbers of skilled technicians in certain markets, such as the United States and the United Kingdom, particularly in relation to the ETL SEMKO division. The inability to attract and retain qualified personnel in sufficient numbers, or to upgrade the base of qualified personnel to keep pace with changing customer needs and technological developments, could have a material adverse effect on the Group's business.

Exposure to Variable and Diverse Economic and Political Climates

Each division of the Group services a different customer segment, and the revenues of each division are dependent upon conditions in the market it services. In particular, the revenues of Labtest are dependent on the market for consumer goods; the revenues of Caleb Brett are dependent upon trading activity in the oil and chemical markets and the amount of testing services sought by companies in these industries; the revenues of ETL SEMKO are dependent upon the rate of product development in the electrical and electronic industries, as well as in the telecommunications, information technology, the HVAC and building markets; and the revenues of FTS are dependent on governments and governmental agencies, generally of less developed countries, requiring PSI services in connection with their imports. The Directors believe that the diversified nature of the Group's operations reduces the effect of fluctuations in the various markets in which it operates. However, there can be no assurance that future changes in underlying markets will not adversely affect the Group's revenues.

In addition, the Group has operations in 99 countries throughout the world and intends to expand its operations both within these geographic markets and into new markets. Accordingly, the Group's business is subject to certain risks inherent in international operations, including political and economic conditions, diverse legal systems, difficulties in staffing and managing operations, delays in receiving payments and difficulties in pursuing remedies for unpaid debt and potentially adverse tax consequences. Although the Group takes steps to mitigate these risks where possible, political, economic or social instability or other developments could make less developed countries less suitable for the Group's expansion plans and may have a material adverse effect on the Group's ability to operate in and contract with countries which are, or become, politically or economically unstable.

Dependence on Existing Regulatory Regimes

A portion of the Group's revenues is derived from the testing of products to determine if such products meet legally mandated government safety standards and from the issuance of safety marks certifying product compliance with the relevant standards. The Group's revenues could be negatively affected by the trend towards self-certification against various safety standards. For example, the European Union has recently allowed manufacturers to self-declare many of their products under the "CE" safety mark. Moreover, if certain governmental authorities adopt uniform safety standards, agree to mutual recognition of each other's safety standards or eliminate various safety requirements, there could be a decrease in demand for testing and certification services, which could have an adverse effect on the Group's business, particularly in relation to its Labtest and ETL SEMKO divisions.

Need for Continued Investment

Future growth will require the Group to enhance and expand its laboratory facilities, information technology systems and other aspects of its infrastructure, which may require significant capital expenditures, particularly in the case of new outsourcing contracts. Additionally, a significant portion of the Group's business results from the testing of products at or near the point of manufacture where such products are intended for export from less developed countries. The Group's current network of offices and laboratories is extensive, but the trend toward the movement of manufacturing to locations offering the most competitive cost of labour, such as China and other Far Eastern countries, could require additional expenditures by the Group to relocate to new geographic areas. The Group cannot assure potential investors that it will be able to manage future growth effectively, or that its business and financial results will not be adversely affected by any growth, diversification or expansion of its operations.

Impact of Fluctuations in Exchange Rates

The Directors believe that the Group's primary financial market risk exposures are foreign currency risks. The Group's consolidated financial statements are reported in sterling. The Group has 149 subsidiary companies, of which 135 report in currencies other than sterling, which poses exchange rate risk to the Group. Subsidiaries report in the currency of the country in which they are domiciled, apart from those based in countries where there is hyperinflation, which report in their functional currency, which is US dollars. The results of overseas operations are translated into sterling at the cumulative average exchange rates for the period. Therefore, the Group's results can vary from year to year because of fluctuations in exchange rates which are unrelated to its underlying operational performance. The Company does not hedge translation rate exposure.

Over 80 per cent. of the Group's revenues are generated by operations outside the United Kingdom and therefore fluctuations in exchange rates between the currencies in which these revenues are denominated and sterling may have a material impact on the Group's results of operations and financial condition. Over 50 per cent. of the Group's revenues and borrowings, interest payments and debt repayments are denominated in US dollars or currencies linked to the US dollar, such as the Hong Kong dollar. Where there is material transaction exposure from currency rate movements, the Group takes out foreign exchange forward contracts to reduce this exposure.

Ability to Protect or Enforce Intellectual Property Rights

The Group owns or has the right to use various trademarks, service marks and certification marks worldwide. The Group seeks to protect its intellectual property in the countries in which it operates. The Group's success in expanding in existing markets and entering new markets is facilitated by its ability to capitalise on its intellectual property, particularly its safety marks. Invalidation of some or all of the Group's marks, through a lawsuit or governmental proceeding, could have a material adverse effect on the Group's business. The invalidation of a mark with great commercial importance in a particular country would likely have a material adverse effect on the Group's business in that country. The Directors believe that the Group's use of intellectual property does not infringe the intellectual property rights of third parties. However, the Group cannot ensure that competitors or other third parties will not assert infringement or royalty claims against it in the future, or otherwise seek to invalidate the Group's intellectual property rights.

In addition, counterfeiting of the Group's marks is difficult to discover, and the Group relies principally on government authorities that become aware of such counterfeiting to notify the Group of the occurrence, so that it may pursue available legal remedies to the maximum extent practicable. If the Group is not successful in protecting the use of its marks, the Group may lose some or all of its accreditations. Additionally, there could be a diminution of public confidence in some or all of the Group's marks, which may ultimately result in decreased demand for them. Loss of some or all of the Group's accreditations or decreased demand for the Group's marks would have a direct and material adverse effect on the Group's results of operations from certification services.

Competition

The Group is engaged in a large number of different and competitive market segments in its service areas. Although the Group is confident of the competitive advantages it enjoys due to its existing global network of facilities, accreditations and long-standing relationships with its customers, the Directors cannot provide assurances that the Group will be able to retain its current market shares in the face of greater competition. Further, additional competition may reduce the profit margins achievable by the Group in certain markets.

Environmental, Health and Safety

The Group is subject worldwide to laws and regulations governing activities that may have adverse environmental effects, such as discharges to air and water and handling, storage and disposal of hazardous wastes and chemicals. In many jurisdictions these laws are complex, change frequently, and have tended to become more stringent over time. The Group's operations are also subject to various health and safety laws and regulations. The Directors believe that the Group is in material compliance with applicable environmental and health and safety laws where failure to comply would materially and adversely affect the Group. However, there can be no assurance that breaches of these laws have not occurred or will not occur or be identified or that these laws will not change in the future in a manner that could materially and adversely affect the Group.

Environmental laws and regulations may also impose obligations to investigate and remediate or pay for the investigation and remediation of environmental contamination, and compensate public and private parties for related damages. If an environmental issue arises in relation to a property and it is not remedied, or not capable of being remedied, this may result in such property either being sold at a reduced sale price or becoming unsaleable. There can be no assurance that future remediation will not be required or that any such work will not have a material adverse effect on the Group's business, results of operations or financial condition.

In some jurisdictions, notably the United States, these obligations (including but not limited to those under the US Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund")) may impose joint and several liabilities and may apply to properties presently or formerly owned or operated by the Group, as well as to properties at which wastes or other contamination attributable to the Group have been sent or otherwise come to be located. The Group can give no assurance that it, or entities for which it may be responsible, will not incur such obligations or liabilities in connection with facilities it currently owns, leases, occupies or operates, or that it previously owned, leased, occupied or operated, or with other locations, in a manner that could materially and adversely affect the Group.

RISKS RELATING TO THE GLOBAL OFFER

Shares Available for Future Sale and Possible Volatility of Share Price

The Group is unable to predict whether substantial amounts of Ordinary Shares in addition to those which will be available in the Global Offer will be sold in the open market following the termination of the lock-up arrangements, further details of which are contained in paragraph 10 of Part VIII: Additional Information. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

Following Admission, the market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Ordinary Shares or securities similar to them or in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's interim or yearly operating results and business developments of the Group or its competitors.

Absence of Prior Public Trading

Prior to the Global Offer, there has been no public trading market for the Ordinary Shares. The Offer Price has been agreed between the Global Co-ordinators, the Company and the Selling Shareholders and may not be indicative of the market price for the Ordinary Shares following Admission. The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Part II: Risk Factors as well as stock market fluctuations and general economic conditions or changes in political sentiment that may adversely affect the market price of the Ordinary Shares, regardless of the Group's actual performance or conditions in its key markets.

Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a material decline in the market price of the Ordinary Shares.

Possible Unavailability of Pre-emptive Rights for Non-UK Holders of Ordinary Shares

In the case of an increase of the share capital of the Company, existing shareholders of the Company are entitled to pre-emptive rights pursuant to the Company's articles of association unless waived by a resolution of the shareholders at a general meeting or in the certain circumstances stated in the Company's articles of association. To the extent that pre-emptive rights are granted, holders of the Ordinary Shares in the United States, South Africa, Australia, Canada and other jurisdictions outside the United Kingdom may not be able to exercise pre-emptive rights over their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of holders of the Ordinary Shares in the United States, a registration statement under the Securities Act is effective with respect to such rights, or an exemption from the registration requirements thereunder is available. The Company intends to evaluate at the time of any rights offering the costs and potential liabilities associated with any such registration statement and compliance with other applicable local laws and regulations, as well as the indirect benefits to it of thereby enabling the exercise by holders of the Ordinary Shares in the United States and such other jurisdictions of the pre-emptive rights for their Ordinary Shares and any other factors the Company considers appropriate at the time, and then to make a decision as to how to proceed and whether to file such a registration statement or comply with such other applicable local laws and regulations. No assurance can be given that any registration statement would be filed or any such other local laws and regulations would be complied with to enable the exercise of such holders' pre-emptive rights.

PART III – BUSINESS DESCRIPTION

Overview

The Group is a leading international testing, inspection and certification organisation which assesses the products and commodities bought or sold by its customers against a wide range of safety, regulatory, quality and performance standards. The Group's customers include retailers, distributors, manufacturers, traders, industrial bodies, oil and chemical companies and governments. The products and commodities tested, inspected and certified include textiles, toys and other consumer goods, electrical and electronic goods, HVAC equipment and building products, crude oil, petroleum and chemical products and agricultural produce. The Group tests products against safety standards decreed by governmental or regulatory bodies or recognised standards authorities for such items as toys and electrical goods, as well as against quality and performance standards established by recognised standards bodies or customers themselves.

The Group operates around the world near the points of manufacture and design and buying offices. The Group has a broad range of accreditations, approvals and certifications to assist customers in qualifying their products and commodities for sale in all the principal markets of the world.

The Group also reviews and certifies the systems of certain of its customers in conformity with their requirements and the requirements of regulators.

The Group operates in a large number of market segments and is organised into the following four operating divisions, each focusing on the testing, inspection and certification of particular goods or commodities:

- ***Labtest*** (revenues £108.5 million; operating profit £34.2 million[(1)]) is a leading international provider of testing and inspection services for a range of consumer goods including textiles, footwear, toys and hardlines (such as ceramics, bicycles, cosmetic products, sporting goods, juvenile products, furniture and fireworks). Labtest's main customers are retailers, importers and manufacturers for whom it performs testing against applicable safety, regulatory, quality and performance standards. Labtest also provides inspection services at manufacturers' plants to confirm that goods meet buyers' specifications before being shipped. In addition, Labtest carries out Systems Certification Services ("SCS") work which involves certifying management systems to standards such as ISO 9000 (quality management) and ISO 14000 (environmental management) and Code of Conduct work, comprising the audits of social and safety conditions of workers in less developed countries ("Code of Conduct"). Another service provided is Risk Analysis and Management ("RAM"), which assists a range of companies in minimising the safety risks associated with products such as toys, gift items and children's clothing.

- ***Caleb Brett*** (revenues £176.0 million; operating profit £17.4 million[(1)]) is a leading international provider of testing and inspection services in connection with crude oil, petroleum and chemical products and provides independent verification and internationally recognised certification of the quantity and quality of these products. Caleb Brett carries out a similar service with regard to agricultural produce. Caleb Brett has increasingly positioned itself to carry out the internal testing and analytical work of oil and chemical companies, which has in some cases resulted in such companies outsourcing this work to Caleb Brett through long term contracts.

- ***ETL SEMKO*** (revenues £109.0 million; operating profit £14.3 million[(1)]) primarily tests electrical and electronic products, telecommunications equipment, HVAC equipment and building products against standards relating to safety and performance and provides recognised safety certificates and other industry-specific approvals to manufacturers of those products.

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(1) Financial information is for the year ended 31 December 2001 and operating profit is stated before amortisation and operating exceptional items and excludes central costs.

- ***Foreign Trade Standards ("FTS")*** (revenues £57.9 million; operating profit £9.4 million[(1)]) provides PSI services to governments of less developed countries to assist them in the enforcement of customs duties and/or to verify that imports of specified products meet safety and other national standards of a client country. FTS inspects and, where appropriate, tests products and commodities in the country of export before they are shipped. FTS also provides customs modernisation services.

Each division of the Group has its own management structure which manages that particular division globally. The Group and the divisions operate in a decentralised manner, with a relatively flat management structure and a high degree of responsibility for operations devolved to local management. The Group's customer base is diverse and varies by division, with the majority of the Group's work being carried out on a "job by job" basis, except in FTS where over 90 per cent. of revenues are derived from term contracts. The Group currently employs over 10,300 people and operates an extensive global network of 504 inspection offices and 254 testing laboratories from over 440 sites in 99 countries.[(2)]

For the year ended 31 December 2001, Intertek reported revenues of £451.4 million and operating profit before amortisation and operating exceptional items of £69.8 million.

Prior to November 1996, the Group's business operated as a division of Inchcape plc called Inchcape Testing Services. In November 1996, Inchcape plc sold the Inchcape Testing Services division to a newly-established holding company owned by funds managed by Charterhouse Development Capital Limited and other institutional investors as well as the Executive Directors and members of the executive management team. The business was subsequently renamed Intertek Testing Services. The Company acquired Intertek, the then holding company of the Group, on 24 May 2002 by way of a share for share exchange.

The Group sold its environmental testing division in 1998 and its mineral division (known as Bondar Clegg) in 2000 following unsatisfactory returns from these divisions.

The Testing, Inspection and Certification Market

The Group's services comprise testing, inspection and certification, enabling its customers to determine whether products they are buying or selling meet applicable safety, regulatory, quality and performance standards, and also independent certification of the quantity and quality of certain goods and commodities being bought and sold.

Although the business drivers are different in each division, there are common features which apply throughout the Group. The three key activities are described below:

- *Testing:* This is the testing of products and commodities against safety, regulatory, quality and performance standards. It involves the use of different types of equipment to establish various properties of the product or commodity being tested. The relevant standards define the testing methods and equipment to be used. As a result, testing laboratories must be extensively equipped, have skilled employees and be able to manage a substantial amount of knowledge relating to testing procedures. In addition, with manufacturing becoming increasingly global, the Group's experience is that customers increasingly prefer one laboratory to test their products or commodities against the appropriate standards for all of the markets in which they intend to sell or distribute that product or commodity. This in turn means that each laboratory must be widely accredited and approved by the relevant authorities in a broad range of countries. The volume of testing activity is typically more directly linked to the number of designs or variants of a product, rather than to the production volumes of that product. Many of the characteristics of testing activity, such as capital investment and the specialised knowledge required, may favour the outsourcing of these non-core activities by customers over the medium term.

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(1) Financial information is for the year ended 31 December 2001 and operating profit is stated before amortisation and operating exceptional items and excludes central costs.

(2) As at 31 March 2002.

- *Inspection:* This is a service which involves trained staff examining (but not testing) goods or commodities, usually when they are being traded. Some inspection procedures are prescribed by industrial bodies, but many are prescribed by customers themselves, or are defined by the Group on behalf of customers. In order to be cost effective while delivering a high quality service, it is necessary to have a substantial network of inspectors who are located near to where the inspections take place and who possess a specialised knowledge of the product or commodity being inspected. Inspection activities require less specialised equipment than testing and are therefore less capital-intensive, but can offer relatively high returns on capital employed. There is also frequently a need for testing work to support inspection activities.

- *Certification:* Certification is the process of confirmation of the result of a test or inspection – for example assessing a product against a range of pre-specified standards and, if those standards are met, applying a certifying or safety mark to the product to demonstrate compliance. In order to issue customers' products with safety marks or to certify compliance with regulations or performance levels, a company must first be accredited so that it is authorised to issue these marks and certificates. The accreditation bodies are usually under the control of governments but may also be industry-sponsored bodies. Obtaining accreditations involves some expense and can be difficult for new applicants. The accreditation bodies usually require that the applicant has relevant experience. However, until it obtains the accreditation, an applicant is normally unable to obtain any testing or inspection work to gain the relevant experience.

Global trade creates a need for testing, inspection and certification work. Buyers and sellers require independent certification of products and commodities being traded to establish whether or not they meet safety or other requirements in the markets in which they are to be sold. This is particularly relevant for American and European buyers of products from less developed countries, such as China and other parts of Asia and the countries of the Mediterranean rim.

As manufacturing has increasingly shifted to less developed countries, the demand for the Group's services has increased. The Group also sometimes acts as an independent testing and inspection company for both buyer and seller to allow them to agree the quantity, quality and specification of the goods or commodities they are trading. Further, less developed countries often need assistance in controlling their import duty collections and preventing sub-standard goods from being imported.

In the Group's experience, American and European buyers generally demand, on balance, a greater level of testing, inspection and certification at the point of manufacture when they are buying goods from less developed countries. The Group's international network of facilities provides buyers with local testing, inspection and certification services close to where they source products. The Directors believe that the expected growth of manufacturing in China and other Far Eastern countries should lead to continued increased demand for its services.

Companies are increasingly outsourcing their internal testing work to companies such as ITS, and the Directors believe that the Group has positioned itself well to be a preferred partner when its customers decide to outsource their testing. The Group undertakes outsourcing work either at one of its existing laboratories or at a laboratory built by the Group to meet the requirements of a specific customer.

Industry Growth Drivers

The Directors consider the testing, inspection and certification industry to be a developing industry sector and expect the markets in which the Group operates to continue to grow in response to the following trends, which the Directors believe will result in an increase in demand across the Group's divisions:

- a worldwide trend towards increasing levels of safety requirements, regulations and standards and greater emphasis on the quality and/or performance of goods and commodities;

- increasing product varieties for consumer goods, for example, shirts in different colours, fabrics and designs (as the number of variants determines testing requirements more than the overall volume of product flows);
- decreasing product life-cycles, which lead to an increase in the number of new products developed, each of which requires testing;
- the continuing migration of manufacturing operations from developed countries to less developed countries;
- an increase in global trade flows; and
- a growing trend towards, and increasing customer acceptance of, the validity and benefits of outsourcing testing.

Competitive Strengths

The Directors believe that the Group has a number of competitive advantages and strengths, including the following:

- *Worldwide network of facilities with strong local presence*

  The Group's 254 testing laboratories and 504 inspection offices are staffed principally with local nationals and located around the world near manufacturers, buying offices, refineries and chemical plants, ports and storage centres. The Directors believe that this enables testing, inspection and certification services to be performed quickly, efficiently and without language barriers. The Directors believe that this worldwide network would be extremely difficult for any new entrant to its markets to replicate.

- *Portfolio of brand names, safety labels, approvals and accreditations*

  The Group has a broad range of accreditations and approvals, allowing it to test and certify products for the American, European and Asian markets. The Directors believe that the Group's safety marks, such as the "ETL", "WH" and "S" marks, and its trade names, such as "Caleb Brett" (which has been in use since the 1880s) and "Labtest", are accepted in markets around the world as symbols of quality and scientific integrity. The Directors believe that these accreditations, approvals, safety marks and brand names provide the Group with a competitive advantage in marketing its services.

- *Strong positions in the principal market segments in which the Group operates*

  Although the Group operates over a variety of different market segments, it has strong positions in the principal segments in which each division operates: Labtest is a leading provider of testing and inspection services for textiles and consumer goods; Caleb Brett is one of the two leading international providers of testing and inspection of petroleum and chemicals; ETL SEMKO is one of the largest companies which carries out international testing and certification of electrical and electronic goods; and the FTS division is one of the four principal companies providing PSI services to less developed countries and partners SASO in one of only two major government mandated standards programmes currently in operation. The Group continues to strive to improve its leadership positions in its target markets.

- *Diversified customer base*

  The Group's customers are broadly diversified across a wide range of industry groups with a wide geographic spread, reducing exposure to downturns in any one particular industry or region and allowing the Group to capitalise on growth opportunities in a number of different sectors and regions. In 2001, the Group's largest customer accounted for 3.9 per cent. of total Group revenues, and its top ten customers accounted for approximately 18 per cent. of total Group revenues.

- *Customer-focused and decentralised divisional structure*

  The Group organises its business into four global divisions to match the requirements of its customers. This divisional structure facilitates the development of specialist skills and best practices within a division and enables the Group to respond to the key drivers of its growth and to changing customer requirements. For instance, the divisional culture encourages managers in each division to offer customers a consistent quality of service around the world and the flexibility and expertise to provide that service in new countries, or to develop new services, as required.

- *Management accountability*

  The Group's organisational structure promotes accountability through clear reporting lines within the divisions. Each manager has full responsibility for the financial performance of the office or laboratory under his control, with management bonuses closely tied to this performance. There is a strong performance culture, with regular budgeting and financial reviews, and an emphasis on information flows and financial controls.

- *Local management expertise reinforced by strong group culture*

  The Group has a culture of promoting properly qualified local nationals as its managers and as a result has particular strengths in both understanding local cultural and business issues and being close to local customers. Through over 30 years of international operating experience, the Group has developed a strong corporate culture, which supports these managers working together and which contributes to the Group's ability to satisfy customers and establish durable customer relationships. This culture also encourages a high degree of cooperation between divisions to ensure that customer relationships are developed to the overall benefit of the Group. The Group structure is strengthened by, among other things, annual seminars which bring together the senior managers from all areas of the Group, as well as by broad management participation in the Company's equity.

- *Taking advantage of opportunities*

  The Directors believe that the Group's management structure and culture bring operations close to customers, which enables the operational management to meet customers' needs, understand how these needs change and realise opportunities to provide more extensive and better services. Examples of this include; the Group's success in being one of the first foreign testing companies to establish a joint venture in China; the development of Code of Conduct work in response to customer demand; and the ongoing development of the Group's outsourcing business, capitalising on successful projects already undertaken.

- *Depth of management experience*

  The Group benefits from an experienced and stable management team with a demonstrable record of success, fostering an entrepreneurial and customer-driven service. Both Executive Directors and nearly all of the executive management team have extensive experience with the Group and significant experience in testing services. Further information relating to the management team is set out in Part IV: Management.

- *Active risk management procedures and internal controls*

  The Directors believe that the Group sets a high standard of compliance in its industry, with extensive internal controls and audit functions which enable it continually to monitor and control the quality of its operations and services. Compliance and ethical behaviour are a key priority at all levels within the Group. Further information relating to the Group's internal controls and compliance is set out under the heading "Compliance" in this Part III: Business Description.

- *Track record of organic growth and investment*

  Management has demonstrated an ability to deliver significant and consistent organic growth in both revenues and operating profit. The Group has consistently invested in capital expenditure and selected bolt-on acquisitions to support its growth strategy and expects to continue to do so.

Group Strategy

The Group's strategy is to maximise its market share and profitability in high growth markets globally. Divisional strategies have core themes, which are common across the Group and can be summarised as follows:

- *Strengthen leadership positions*

  The Group focuses in particular on those sectors in which it already has strong market positions or in which it believes that strong positions are achievable. Examples include the textile and other consumer product testing operations of Labtest, the inspection, analytical testing and outsourcing operations of Caleb Brett and the testing and certification of electrical and electronic products for markets worldwide by ETL SEMKO.

- *Invest in high growth businesses*

  The Group invests in markets where it is experiencing and expects high growth. Current examples include textile and hardlines testing in China, Code of Conduct work, outsourcing in Caleb Brett and electrical and electronic testing in Asia.

- *Maintain or grow profit margins, and develop high-margin businesses*

  Certain of the Group's operations already enjoy attractive profit margins, and in these areas the Group's objective will be to at least maintain margins, for example in Labtest by expanding operations in lower cost countries. In other areas, such as the US operations of ETL SEMKO and Caleb Brett, the immediate focus is on improving margins to at least historical levels through cost reductions and operational efficiencies. Investment will also be targeted to higher margin businesses or those offering particularly attractive returns on capital.

- *Expand network in response to sales and sourcing changes*

  Manufacturers of consumer goods and electrical and electronic goods increasingly wish to sell their products in as many countries as possible, while importers and retailers wish to diversify the countries of product sourcing while maintaining their quality and performance standards.

  The Directors believe that the Group will be able to increase its market share by continuing to provide a global solution, which is to expand its geographic presence into new regions to match customer requirements and by extending further its safety labels, accreditations and approvals.

- *Expand portfolio of approvals*

  As developing countries grow, they increasingly seek to establish their own safety and performance standards, normally based on existing international standards. These developments necessitate the formation of local regulatory organisations to monitor and maintain the standards and create an increase in demand for testing of products for compliance with such standards. Examples of countries where standards requirements are currently developing include China and Saudi Arabia. Both of these represent significant opportunities for the Group, as do similar situations worldwide.

- *Develop opportunities*

  The Group will continue to focus investment on services with significant growth potential such as, but not limited to, the following:

  > *Development of operations in China:* China represents a particular opportunity for growth in all parts of the Group because the manufacturing in China of all the goods and commodities that the Group tests, inspects and certifies is expected to grow significantly. The Group is well placed to capitalise on this opportunity as it has already established an infrastructure in China with over 1,100 employees, supervised by a local Chinese management team.

Promotion of ETL SEMKO services for retailers: Retailers are increasingly requesting ETL SEMKO to undertake performance testing of the products they sell. This in turn may lead to an increase in the use of the ETL safety mark on domestic appliances in North America, where at present ETL SEMKO only holds a small share of this market segment.

Expansion of Systems Certification Services: These services include Code of Conduct work and the certification of management systems to standards such as ISO 9000 and ISO 14000. The Directors intend to respond to the increasing demand in this sector by consolidating within Labtest the North American SCS and Code of Conduct work currently carried out separately by ETL SEMKO and Labtest. Labtest is already one of the leading providers of Code of Conduct work, whereby Labtest auditors check the social and the safety conditions of workers in less developed countries.

Gaining contracts with standards bodies: The Directors intend to capitalise on the success of the Group's contract with SASO to develop similar programmes with other standards bodies worldwide. The Directors believe there are opportunities to do this in the near term, particularly in the Middle East.

Outsourcing: The Directors believe that outsourcing of testing and analytical activities is the most efficient business model for oil and chemical companies, as well as many product manufacturers, because it relieves them of the fixed costs involved in maintaining the technology and skilled labour force essential to an internal testing laboratory. In attracting outsourcing contracts, the Group emphasises its ability to carry out the testing more cost effectively, to a higher standard and in a more efficient manner than the customer can achieve independently.

- *Pursue selected bolt-on acquisition opportunities*

  The Group has a proven record of acquiring complementary businesses and integrating them into its existing operations. The Group uses these acquisitions to further its strategic aims of increasing market share and expanding in fast growing regions. The Directors actively continue to seek such opportunities. Additional integration benefits can also be gained by providing newly acquired businesses with access to the Group's safety labels, accreditations, approvals and reputation for quality.

- *Develop management at both a local and Group level*

  The Group operates internal leadership, management and skills training courses. These not only develop management but also help to promote the Group's culture by which management work together to achieve the strategic aims of the Group. These courses have been on-going for over ten years and have resulted in a strong corporate culture and a co-operative spirit.

The Divisions

Labtest

Business overview and growth prospects

Labtest is a leading international provider of testing and inspection services for textiles, toys and other consumer products. The Labtest brand name has been established since 1973.

The Labtest division tests and inspects products against applicable safety, regulatory, quality and performance standards which are either set by regulatory bodies, such as standards bodies, or are specified by retailers or importers. Manufacturers and retailers operating in less developed countries routinely seek such testing and inspection of consumer goods to assist them in selling their products to developed markets, such as North America and Europe.

Labtest provides a wide range of testing services near the points of manufacture and design and buying offices. Labtest is able to provide testing against appropriate standards to allow goods to be sold in all major markets in the world, as it has a broad range of accreditations required by standards bodies to meet the requirements of different retailers and other customers worldwide.

The table below presents Labtest's financial and operating performance for the three years ended 31 December 1999 to 2001 and for the 3 month periods ended 31 March 2001 and 2002. This data has been extracted from Part VI: Accountants' Reports. Investors should read this document as a whole and not rely solely on the summarised financial information set out below.

	Year ended 31 December			3 months ended 31 March	
	1999	**2000**	**2001**	**2001**	**2002**
Revenues (£m)	78.3	94.0	108.5	22.8	25.4
Operating profit(1) (£m)	21.6	27.8	34.2	5.4	7.0
Operating margin	27.6%	29.6%	31.5%	23.7%	27.6%
Average number of employees	2,272	2,439	2,739	2,664	3,048

(1) Operating profit is stated before amortisation and exceptional items and excludes central costs.

Asia is the dominant region within the Labtest business, with approximately 60 per cent. of Labtest's revenues generated in Hong Kong, Taiwan and China. Labtest's business can largely be characterised as testing and inspecting products manufactured in Asia for export to Europe and North America.

Demand for testing and inspection is driven by a number of factors. European and North American retailers and importers are increasingly sourcing products from less developed countries, especially China and other parts of Asia, and the countries of the Mediterranean rim. This increase in overseas sourcing in turn increases the need for testing and inspection in order that products sourced abroad are compliant with a retailer's home market requirements and meet the retailer's standards. There is also a growing demand for testing and inspection as customers become more quality conscious and retailers and manufacturers wish to improve or protect their reputations and reduce returns of sub-standard products to manufacturers. Accordingly, it is often these Western retailers or importers, who make or influence the decision as to which testing company is used. Shorter product life cycles, new fabrics, a greater number of designs and more "own brand" merchandise also increase the need for Labtest's services.

New safety standards drive the demand for toys and hardline testing and, to a lesser degree, textiles testing. The European Union in particular has established a number of new standards and is expected to continue to do so. New standards in the last two years include safety standards relating to textile dyes in Germany and other European countries and safety standards relating to juvenile products, bedding items and hardlines (such as furniture and cookware). In the next two years, the textile dye standard is expected to be adopted by more countries and more standards on juvenile products and other hardlines (such as sports equipment) are anticipated.

Labtest divides its activities into the following sub-divisions for management purposes: Textile testing, Toys and Hardline testing, Inspection of consumer products, SCS (formerly Quality Management Systems), Code of Conduct and RAM.

Textile testing is carried out to provide retailers and importers with confidence that they are buying merchandise that meets their requirements with respect to fibre composition, colour fastness, shrinkage, sizing, flammability and other standards, and it also helps manufacturers to meet these standards. The Directors believe that Labtest has one of the largest and most comprehensive networks of laboratories located near retailer buying offices and manufacturers' factories.

Toy testing is carried out during both the design and manufacturing processes to evaluate toys against the mandatory safety standards of the countries in which they will be sold. Tests carried out include testing for sharp edges, choking hazards, toxicity of paint, flammability and electrical safety. The Directors believe that Labtest has one of the largest networks of laboratories located near design centres and manufacturers and has the certifications and approvals needed for testing toys to meet relevant safety standards in all the major markets in the world.

Hardline testing is carried out on various products, such as ceramics, bicycles, cosmetic products, sporting goods, juvenile products, furniture, fireworks and other products against retailers' performance standards and, where applicable, mandatory safety standards.

Inspection of consumer products involves the inspection of a wide range of consumer goods carried out at manufacturers' plants in order to confirm that the goods meet buyers' specifications during manufacture and when they are shipped. The goods are statistically inspected to check such matters as sizing, quantities, colours, packaging and labelling. Labtest has built a network of inspectors in China and other Asian and developing countries, around the Mediterranean rim and in Latin America. These inspectors are located close to the manufacturers and have the skills necessary to carry out this inspection work.

SCS involves the certification of a customer's processes and systems to external standards, such as ISO 9000 and ISO 14000, or to customers' own standards. Certification involves Labtest checking that a company has properly defined and documented its business processes and standards of service. Companies receiving certifications are subject to regular audits over time as a condition of continuing certification. In Europe, this activity is performed through the Group's associate companies, Dekra-ITS in Germany and SEMKO-Dekra in Sweden, in each of which the Group has a 49 per cent. holding. In Asia and North America this activity is carried out within the Labtest division.

RAM works with its customers to reduce the risk of accidents caused by products, particularly toys. RAM has built an extensive database of accidents caused by different consumer products and it uses this to provide consultancy and training services to customers so that products are designed and manufactured to be safe. To date, the main customer has been McDonalds and its suppliers of promotional items, such as toys. The customer base is growing, however, and the range of products tested is extending, for example to children's clothing.

Code of Conduct involves audits of the social and safety conditions of workers in less developed countries. Code of Conduct audit work includes factory inspections, document review and employee interviews. Retailers usually commission the audits and Labtest works closely with both manufacturers and retailers to outline problems that have been identified. The main focus of these audits is the review of the use of child labour, involuntary labour, coercion and harassment, health and safety, working hours, compensation and environmental protection. The development of this business has resulted from consumers and pressure groups being increasingly concerned about the social conditions and safety of workers in factories.

Labtest's other services include Valuation and Monitoring ("V&M") and Equipment services work. V&M is undertaken in France for industries operating under ultra-clean or sterile manufacturing conditions. Equipment services work involves the purchase and resale of specialist testing equipment, primarily in Hong Kong and China.

Divisional strategy

Labtest aims to exploit the continuing strong growth in its markets while maintaining its operating margins. The Directors expect the markets for Labtest to continue to grow as a result of increasing sourcing of products from Asia and less developed countries, particularly China. Labtest intends to continue to build its network of laboratories, grow its inspection network to expand its international coverage and adapt its laboratory presence and service range to meet customers' needs. Local management is being recruited and developed to build the operations.

Labtest also aims to continue building its relationships with retailers, especially in North America and Europe. The management and sales resources in these areas are regularly being strengthened and developed. The relationships with manufacturers and retailers' local buying offices of consumer products are important both for the testing and inspection they demand and for the influence they can exercise over manufacturers and retailers for Labtest to be appointed. The Directors believe that Labtest is well-positioned to sell to these manufacturers and buying offices as it has strong local management and sales resources in Asia and other developing countries.

The Directors expect SCS to be an area of strong growth and they are in the process of consolidating this activity in the Group within Labtest. The North American SCS activities, which currently form part of ETL SEMKO, are being transferred to Labtest. Most of the growth in the SCS business is expected to come from Asia.

Operations

Labtest testing facilities are usually located near the point of manufacture and design of a product or buying offices of retailers and range from its Hong Kong laboratory, one of the largest textile testing laboratories in the world, to small operations in territories such as Morocco. Labtest employs highly qualified technicians and managers in a number of specialist fields such as textile analysis and toy testing.

Geographic coverage

Labtest operates in 29 countries and has 35 laboratories and 73 offices worldwide[(1)]. Its head office is located in Hong Kong.

Customers

Labtest's customers are retailers, based mainly in North America and Europe but often having buying offices in Asia, and manufacturers, mainly in Asia. Labtest's top 10 global customers represented approximately 22 per cent. of its revenues in 2001 and the largest customer, McDonalds, accounted for 7.6 per cent. of its revenues in the same period. Excluding RAM, the division's top 10 customers accounted for less than 18 per cent. of revenues in 2001.

Sales and marketing

Labtest's marketing efforts focus on the major retailers and importers of North America and Europe. Labtest assigns an account manager to most of these customers. Each account manager is responsible for marketing and providing a full range of services to each client. The account manager is likely to be a specialist in one of the Labtest activities, for example, textiles or inspection, and will draw upon the support of other specialists within the division or other areas of the Group, as and when appropriate, to service the client.

Market and competition

The Directors estimate that Labtest has approximately 40 per cent. of the textile testing market, approximately 20 per cent. of the toys and hardlines testing market and approximately 20 per cent. of the inspection of consumer goods market. Société Générale de Surveillance ("SGS") and the Bureau Veritas group, through MTL-ACTS, compete with Labtest in textile, toys and hardline testing, inspection and Code of Conduct work.

Management and employees

At 31 December 2001, Labtest had a total of 2,872 employees, with 2,345 in Asia, 371 in Europe and 156 in the Americas.

Caleb Brett

Business overview and growth prospects

Caleb Brett was founded in 1885 and is a leading international provider of testing and inspection services in connection with petroleum and chemical products. The Directors believe that Caleb Brett has strong name recognition coupled with an international reputation for reliability and confidentiality. Caleb Brett provides independent and internationally recognised certification of the quality and quantity of cargoes of crude oil, petroleum products, chemicals and agricultural produce and carries out a wide range of testing work for oil and chemical companies on an outsourced basis.

(1) As at 31 March 2002.

The table below presents Caleb Brett's financial and operating performance for the years ended 31 December 1999 to 2001 and for the 3 month periods ended 31 March 2001 and 2002. This data has been extracted from Part VI: Accountants' Reports. Investors should read this document as a whole and not rely solely on the summarised financial information set out below.

	Year ended 31 December			3 months ended 31 March	
	1999	**2000**	**2001**	**2001**	**2002**
Revenues (£m)	137.2	157.5	176.0	42.6	41.7
Operating profit[(1)] (£m)	15.5	17.4	17.4	4.0	4.0
Operating margin	11.3%	11.0%	9.9%	9.4%	9.6%
Average number of employees	3,984	4,293	4,744	4,768	4,893

(1) Operating profit is stated before amortisation and operating exceptional items and excludes central costs.

Petroleum and chemical companies and traders require independent testing services to verify the quality and quantity of petroleum and chemical cargoes at loading and discharge. The Directors believe that this market has benefited from increasingly rigorous environmental regulations in North America and Europe, which require a greater amount of testing. The Group's experience is that there is an increasing trend in the construction of refining and chemical plants in less developed countries, which leads to higher value petroleum products and chemicals being shipped instead of crude oil. This in turn results in an increased need for testing and inspection services.

The main opportunity for growth within Caleb Brett is that multinational oil and chemical companies are increasingly outsourcing their testing activities to companies such as Caleb Brett.

Caleb Brett's activities in petroleum and chemical testing and inspection are divided into three sub-divisions: Inspection, Inspection-related testing and Outsourcing (formerly Free Standing Testing).

Inspection involves inspecting and sampling crude oil, petroleum and chemical cargoes on loading and discharge to verify the quantity and quality of the cargo. Caleb Brett's certificates are relied upon by buyers and sellers of these cargoes as a basis for the financial transaction between them. Caleb Brett has a worldwide network of offices and laboratories in ports dealing with crude oil, petroleum and chemical cargoes. Accurate and efficient inspection is very important for customers as it reduces time in port and thus enhances the efficient use of tankers.

Inspection-related testing is laboratory testing of samples of crude oil, petroleum and chemical cargoes taken to assess and certify their composition, and whether they comply with specifications demanded by customers (such as, viscosity in oil and water testing) or by legislation.

Outsourcing involves the provision by Caleb Brett of testing and analytical services to supplement or replace the customer's own activities. This may involve analysing and testing crude oil, petroleum products and chemicals for oil companies and chemical companies. The Directors believe that outsourcing testing provides customers with a value-added service at a lower cost than they can provide in-house.

Caleb Brett also performs agricultural inspection and marine surveying. Agricultural inspection and testing is the physical sampling, quantification, inspection and testing of commodities such as cereals, vegetable oils and cotton, for organisations trading them and for government bodies. Marine surveying is the evaluation of cargo damage, primarily for insurance purposes. The Directors have decided that Caleb Brett will reduce its focus on marine surveying, which currently offers low margins and is a small business for the Group, but increase its focus on services related to agricultural products.

Divisional strategy

The Directors anticipate that low growth in the market for conventional inspection-related testing in Europe and the United States will be offset by the expansion of the petroleum industry in the former Soviet Union countries and the expected opening of the Chinese market. The Directors intend to maintain and expand Caleb Brett's conventional business by extending its network of inspection offices and laboratories where there are growth opportunities and by continuing to add value to its services by responding to its customers' needs.

Caleb Brett is developing information technology solutions which add value for the customer, such as Caleb Brett's internet ordering and reporting system called MyCaleb-Brett.com, which went online in 2001. MyCaleb-Brett.com is designed to interface with customers' existing technology platforms, so that customers are able to view order information in a format that interacts with their own internal systems. MyCaleb-Brett.com's system-to-system paperless order management capabilities are expected to help increase efficiency and reduce costs for Caleb Brett as well as its customers.

Caleb Brett has recently entered into a joint venture with Air Products and Chemicals, Inc., The Dow Chemical Company and Thermo Lab Systems, a thermo electron business, to form Neolytica, a web-enabled, single point of contact for outsourcing and contracting analytical testing services. Neolytica was formed to address the growing demand for cost reduction through outsourcing analytical testing and laboratory information management. The operational launch of Neolytica is planned for the first half of 2002.

The Directors believe that outsourcing contracts will be a key area of growth in Caleb Brett for the testing of crude oil, petroleum products and chemicals. The Directors believe that outsourcing testing and analysis is an efficient business model for oil and chemical companies. Caleb Brett performs outsourced work in its existing laboratories or, as it has done with BP in the United Kingdom, by setting up a new facility near the customer. Caleb Brett is marketing the benefits of outsourcing to customers by promoting the service and the cost benefits of outsourcing.

Caleb Brett has taken steps that the Directors believe will build its market share in the agricultural produce testing and inspection market, such as the purchase of Socotec, a small agricultural product testing business, in September 2000, and intends to recruit sales people with pre-existing contacts in the market.

Operations

All of Caleb Brett's offices are staffed by employees capable of performing relevant inspection, sampling and testing operations. Field inspectors attend the ship during loading or discharge, sample the cargo and measure the cargo quantity. Caleb Brett also employs sophisticated information systems to allow it to enhance reporting accuracy and reduce operating costs and turn-around times. All of Caleb Brett's testing facilities are either ISO 9000 accredited or operating to that standard pending certification.

Geographic coverage

Caleb Brett operates in 93 countries with 348 offices and 184 laboratories worldwide.(1) Head offices are located in Singapore for Caleb Brett Asia, the United Kingdom for Caleb Brett Europe, Africa and the Middle East, and the United States (Houston, Texas) for Caleb Brett Americas.

Customers

Caleb Brett's customers include oil and chemical companies and traders, with whom Caleb Brett has well established, long-term relationships. Major global customers include Shell, ExxonMobil and BP. The majority of Caleb Brett's oil company customers purchase services from Caleb Brett on a "job-by-job" basis.

Caleb Brett's top ten customers represented approximately 24 per cent. of revenues in 2001 and its largest customer accounted for 5.5 per cent. of revenues in the same period.

Sales and marketing

The Directors believe that Caleb Brett has been able to increase its market share through its extensive network of inspection and sampling facilities, its well equipped, quality controlled and technically proficient laboratories, its reputation for service and its international co-ordination which leads to close contact with multinational customers.

Marketing is carried out at global, regional and local levels. The Directors expect that the internet will become an important route to market through MyCaleb-Brett.com.

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(1) As at 31 March 2002.

Market and competition

The Directors estimate the worldwide market for Caleb Brett's and its competitors' field of testing and inspection services to total approximately £600 million. The Directors estimate that Caleb Brett has approximately 25 per cent. of the oil and chemical testing market. Multinational oil companies typically split inspection and testing contracts between two or more suppliers to sustain competition. Caleb Brett and the Redwood division of SGS are regarded as market leaders in this industry, each with approximately 25 per cent. of the market in 2001. Other global competitors include Inspectorate and Saybolt, which each have approximately 15 per cent. of the market. The Directors believe that competition will continue to be relatively stable as a result of the high start-up and fixed costs involved in maintaining a global network, as well as the importance of brand name recognition in work involving counterparties.

Management and employees

Caleb Brett is managed as three regional business streams. At 31 December 2001, Caleb Brett had a total of 4,891 employees worldwide with 1,775 in Europe, Africa and the Middle East, 1,611 in the Americas and 1,505 in Asia. As part of a restructuring of Caleb Brett's operations in the Americas in 2001, Caleb Brett reduced its headcount by 130 employees. Redundancies were made selectively, and primarily affected employees involved in positions requiring less advanced technical skills.

ETL SEMKO

Business overview and growth prospects

ETL SEMKO primarily tests electrical and electronic products, telecommunications equipment, HVAC equipment and building products against standards relating to safety and performance, and then issues safety labels and performance certificates to manufacturers of those products.

The ETL brand name is long established in the United States and Canada and can trace its origins back to 1896 from Thomas Edison's Electrical Testing Laboratories. SEMKO is the name of the former state-owned certification body in Sweden that was acquired by the Group's former owner in 1994. Prior to January 1999, the ETL SEMKO division was known as Conformity Assessment and prior to January 1998 this business was part of the Group's Quality Systems division.

The table below presents ETL SEMKO's financial and operating performance for the years ended 31 December 1999 to 2001 and for the 3 month periods ended 31 March 2001 and 2002. This data has been extracted from Part VI: Accountants' Reports. Investors should read this document as a whole and not rely solely on the summarised financial information set out below.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
Revenues (£m)	88.2	99.5	109.0	26.5	26.9
Operating profit[(1)] (£m)	12.5	15.3	14.3	3.7	3.6
Operating margin	14.2%	15.4%	13.1%	14.0%	13.4%
Average number of employees	1,391	1,510	1,667	1,587	1,636

(1) Operating profit is stated before amortisation and exceptional items and excludes central costs.

The rate of electrical and electronic product development has increased consistently over the past ten years. This has led to a commensurate increase in the demand for testing, because each new product must be tested against safety standards.

Manufacturing has also increasingly migrated from Europe and North America to developing countries in Asia, especially China, and elsewhere. The Group is well positioned to take advantage of this migration of business due to its extensive Asian network of testing and inspection capabilities. In addition, manufacturers are increasingly becoming global, exporting products to many markets and requiring them to comply with a wide range of different regulations and to test products to new standards. Further, the demand for testing is increasing in developed countries as they become more focused on safety standards and regulations.

The other key driver of growth relates to increasing demand from retailers for performance testing of electrical and electronic products so that they can compare the products of different manufacturers, especially when they are sourcing own-brand products from Asia. Performance testing data can also be used to verify data in advertisements. The Directors believe that developing this business with retailers gives rise to another growth opportunity. In the United States, retailers have typically preferred that consumer and home electronics products be safety labelled by Underwriters Laboratories ("UL"), a non-profit organisation in the United States, which both writes standards and provides testing, inspection and certification services. From a legal and regulatory standpoint, the ETL label is similar to that of UL, and ETL SEMKO intends to use its increasing contact with retailers to raise the profile of the ETL mark in the United States.

European legislation requires certain products to have a CE mark, which is a self-declaration that the manufacturer of the product has complied with all relevant European standards and Directives pertaining to the product. Despite the national mandatory marking schemes in member countries being replaced by the CE marking scheme, there still remains significant demand for ETL SEMKO's "S" mark. The Directors believe that this is principally because national marks may only be issued by laboratories duly accredited and notified by governments, and retailers buying electrical goods and industrial users of electrical goods still require safety marks on the products which are controlled by a body which is independent of the manufacturer.

ETL SEMKO's activities are divided into the following four sub-divisions:

- *Safety testing and certification of electrical and electronic products.* This involves the testing of products in ETL SEMKO laboratories against internationally recognised safety, electro magnetic compatability ("EMC") or telecom-specific standards. The laboratories are, in most cases, accredited or recognised by national government bodies, for example, UKAS (UK Accreditation Service) in the United Kingdom and OSHA (Occupational Safety and Health Administration) in United States. The test results demonstrate conformity with the standards and are used either as part of the technical file for verifying conformity with regulations or used as the basis for a certificate to be issued to the manufacturer, which in turn means that the manufacturer may apply a "mark" to the product to demonstrate that the product meets the appropriate safety standards. In some cases, certificates or marks are "owned" by and are unique to ETL SEMKO, such as the "ETL" mark in the United States and the "S" mark in Europe. In other cases, ETL SEMKO may be one of a number of organisations authorised to act as an agent in issuing the certificate or mark on behalf of another body, such as the "GS" mark on behalf of the German government. In still other cases, ETL SEMKO will work closely with a third party certification body, which will issue a certificate on the basis of the ETL SEMKO test results, such as BEAB (British Electro Technical Approvals Board) in the United Kingdom. Certification schemes may be mandatory or voluntary depending on product type and geography. These activities are conducted worldwide.

- *Performance testing of HVAC equipment and domestic appliances.* These services include performance verification (including energy, capacity, acoustics, reliability, power and durability), comparison evaluation (testing multiple suppliers' products against international, national or proprietary specifications) and performance verification and certification (certification programmes sponsored by industry associations or manufacturers). In addition to the HVAC and the appliance sector, similar services are provided to manufacturers, distributors and users of industrial machinery, industrial control equipment and components, personal protective equipment, lighting, power systems and equipment for use in explosive atmospheres. Major third party testing programmes are operated for Air Conditioning and Refrigeration Institute (ARI), Association of Home Appliance Manufacturers (AHAM), Gas Appliance Manufacturers Association (GAMA), Pool Heat Pump Manufacturers Association (PHPMA), Safety Equipment Institute (SEI), US Department of Transportation (DOT) and the US Federal Aviation Administration (FAA). These activities are mainly conducted in the United States (Cortland, New York and Columbus, Ohio).

- *Testing and certification of building products and materials.* The services provided include testing for fire resistance, structural, mechanical, physical and accelerated ageing of materials as well as electrical and gas testing. The main products that ETL SEMKO tests are firedoors, which accounted for 65 per cent. of revenues in the building products and materials sector in 2001. Other market segments include hardware, hearth products, glazing, plumbing, roofing, manufactured wood, fenestration, gypsum board and insulation materials. ETL SEMKO owns the "Warnock Hersey" certification mark in North America, which is used to demonstrate product compliance to standards referenced in building codes.

- *Risk assessment and regulatory compliance testing and certification of semiconductor manufacturing equipment.* Under the brand Global Semiconductor Safety Services (GS3), ETL SEMKO provides comprehensive third-party equipment evaluations to semiconductor industry standards as well as product safety testing in order to comply with regulatory requirements in the United States and Europe. Based in California, these activities are conducted throughout the United States, Europe and Asia.

Divisional strategy

ETL SEMKO's objective is to increase its market share while increasing its operating margin. It aims to achieve this by continuing to promote and provide manufacturers with local testing which gives them global market access by testing against the standards of the broadest possible range of countries, while at the same time helping customers to reduce the time it takes to bring their products to market. In particular, ETL SEMKO intends to continue to expand its presence in Asia, especially in China.

Over 95 per cent. of the revenue in ETL SEMKO in 2001 was generated from equipment manufacturers or, in the United States, equipment manufacturers' trade associations, and over 65 per cent. was generated from safety testing activities. The Directors believe that additional opportunities for growth arise in performance testing services for retailers and manufacturers, and in increasing ETL SEMKO's share of the North American consumer and home electronics and domestic appliance safety testing and certification market, where it currently has a small share. The Group is pursuing a strategy to increase the level of business undertaken for retailers. This includes the inspection work currently undertaken in Labtest and developing the performance testing business for retailers in ETL SEMKO. The Directors believe that focus on and development of the Group's relationship with key retailers should in turn promote greater acceptance by retailers of the ETL safety mark in the United States. This in turn may potentially lead to an increased share of the North American domestic appliance, consumer and home electronics safety markets for ETL SEMKO.

The Directors also expect that outsourcing contracts will continue to be a growth area for ETL SEMKO. ETL SEMKO has outsourcing partnerships with ABB, Electrolux and Ericsson. ETL SEMKO's relationship with Electrolux was further enhanced in March 2000, when it acquired the assets of a small laboratory in Italy from Electrolux. This laboratory carries out EMC testing for Electrolux and others, providing ETL SEMKO with a facility in the Italian market.

In addition to the above initiatives, the Directors intend to continue to broaden ETL SEMKO's geographical spread by making strategic bolt-on acquisitions, particularly in regions where the Group feels there may be growth opportunities. ETL SEMKO can add value to these acquisitions by making available to the acquired businesses its safety labels and other accreditations and approvals.

As well as pursuing this acquisition strategy, the Directors' objective is to continue to develop ETL SEMKO's sales organisation and skills to win more business. In particular, ETL SEMKO is focusing on European manufacturers exporting industrial products to the United States who currently apply the UL label, where it sees a potential demand for its services.

The Directors expect less developed countries and the countries of the former Soviet Union to become more focused on safety standards and expect opportunities to arise to enter into co-operative arrangements with the standards bodies of those countries with a view to testing and certifying products to their standards. The test results would be used by the client country to issue safety compliance certificates. ETL SEMKO has entered into such agreements with a number of testing and certification bodies in various countries such as Belarus, Brazil and Singapore. These arrangements position the Group strongly with respect to manufacturers wanting to gain access to these emerging markets.

Operations

ETL SEMKO has the experience and facilities to test and certify an extensive range of products against a wide range of performance and safety standards such as the electromagnetic emission of telecommunications, computers and other electronic equipment, the energy efficiency of HVAC equipment, the thermal and acoustic insulation properties of fire doors, glass and other building products and the safety performance of sporting goods. ETL SEMKO uses a wide range of laboratory equipment and specialist test engineers for this testing and certification work.

Geographic coverage

ETL SEMKO operates in 13 countries and has 32 offices and 35 laboratories worldwide(1). Head offices are located in Sweden for Europe, Hong Kong for Asia, and the United States (Boxborough, Massachusetts) for the Americas.

Customers

ETL SEMKO's customers are diverse and vary by geographic location. They include manufacturers, retailers and industry organisations. ETL SEMKO's top ten customers represented approximately 9 per cent. of its revenues in 2001, and the largest customer accounted for 2.2 per cent. of such revenues in the same period. Long-standing relationships with various industry organisations include the Air Conditioning and Refrigeration Industry Association (ARI) in the United States, which has been a customer since the late 1950's.

Sales and marketing

With its network of testing centres and internationally co-ordinated local sales resources, ETL SEMKO is benefiting from the migration of manufacturing centres from North America and Europe to Asia and other parts of the developing world. For example, telephones manufactured in China for export to the United States are primarily tested in China to comply with the US Federal Communications Commission standards; ETL SEMKO's sales force communicate with the retailer in the United States and the retailer's buying office and the manufacturer in Asia.

New business is obtained through a variety of means, including direct mailing, advertisements, tele-sales, seminars, trade shows, trade associations, customer visits by sales representatives and referrals. In Europe, ETL SEMKO's customers tend to be larger, quality-conscious manufacturers with a wide range of testing requirements. New business is often obtained by the engineers, who are the primary point of contact with customers, offering new services to existing customers. In North America, ETL SEMKO has a national sales and marketing team under the control of its North American head office. Each member of this team is responsible for the marketing of a defined range of services; for example, telecommunications, building products or electrical products. In Asia, marketing is mainly carried out by marketing and sales executives.

Market and competition

The market for ETL SEMKO's services varies by geographical area and product type. For example, the US market for safety testing is estimated by the Directors to be approximately £600 million and ETL SEMKO's share is estimated by the Directors to be approximately 9 per cent. In Europe, the market is estimated to be approximately £300 million with ETL SEMKO's share estimated to be approximately 7 per cent. and in Asia, the market is estimated to be approximately £250 million with ETL SEMKO's share estimated to be approximately 8 per cent. In the United States, the market for performance testing is estimated to be approximately £40 million and ETL SEMKO's share is estimated to be approximately 25 per cent. In total, the Directors estimate that ETL SEMKO has about 8 per cent. of the worldwide market for the safety testing of electrical and electronic products.

The Directors believe that ETL SEMKO has few direct competitors with a similar market profile. UL, which is primarily engaged in safety testing and certification, has the major share of the market in the United States, especially in domestic appliances, home and consumer electronics products, but a smaller presence in Europe. The German Technische Überwachungsvereine (TÜVs) have the major market share in Germany, as well as operations in the United States and Asia. Both SGS and Bureau Veritas are also competitors to ETL SEMKO.

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(1) At 31 March 2002.

Management and employees

At 31 December 2001, ETL SEMKO had a total of 1,740 employees, with 451 in Europe, Africa and the Middle East, 482 in Asia and 807 in the Americas. As part of a restructuring of ETL SEMKO's business in the United States late in 2001, which was implemented with a view to reducing costs and centralising the management of this business, two safety testing facilities were closed in the United States and the work force was reduced by six per cent. (52 employees).

FOREIGN TRADE STANDARDS ("FTS")

Business overview and growth prospects

FTS inspects and tests, in the country of export, shipments to less developed countries in order to certify these shipments. This inspection is undertaken mainly for import duty purposes and/or to establish whether the goods being imported meet the safety and other national standards of the importing country. In providing these services, FTS inspects, tests and reviews at the point of shipment the quantity, quality and price of goods to check that import duties are correctly calculated and that such goods comply with the laws, standards and relevant customs regulations in the importing country. This PSI work is contracted directly with the governments and standards organisations of the importing countries. This division also provides customs training services to customs departments.

The table below presents FTS' financial and operating performance for the years ended 31 December 1999 to 2001 and for the 3 month periods ended 31 March 2001 and 2002. This data has been extracted from Part VI: Accountants' Reports. Investors should read this document as a whole and not rely solely on the summarised financial information set out below.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
Revenues (£m)	47.5	47.4	57.9	12.2	14.9
Operating profit (£m)(1)	3.1	5.8	9.4	1.3	2.2
Operating margin	6.5%	12.2%	16.2%	10.7%	14.8%
Average number of employees	904	829	783	825	817

(1) Operating profit is stated before amortisation and operating exceptional items and excludes central costs.

Less developed countries employ PSI providers primarily to maximise their import duty revenues.

Importers in less developed countries also use PSI certificates as part of the documentation exporters need to draw down on letters of credit, which provide the importer with a degree of protection against exporters delivering goods which do not meet the importer's specifications. PSI also assists less developed countries in preventing low quality goods from being imported.

PSI contracts fall into one of three categories:

- *Single Contracts* – A single PSI organisation is selected by a government to inspect all inbound trade shipments.
- *Shared Contracts* – Two or more PSI organisations are selected by a government to inspect inbound trade shipments and have responsibility of execution divided between them according to the location of the exporter. For example, one inspection organisation may cover imports from the Americas, a second imports from Europe and Africa and a third imports from Asia.
- *Competitive Contracts* – A number of PSI organisations are authorised by a government to inspect inbound trade shipments. Importers or exporters then decide which PSI organisation inspects and certifies their shipments as required. Competitive contracts are common in South America.

In addition to PSI work, FTS provides a range of inspection and expediting activities to commercial organisations, usually focused on larger engineering plants and projects. The service covers review of specifications sent to suppliers and technical inspection activities, including the witnessing of tests on finished products and materials.

Divisional strategy

FTS intends to focus on increasing its share of the global PSI market while maintaining both a satisfactory operating margin and a rigorous compliance programme.

FTS is reducing operating costs and improving its service by developing a web-based computer system which allows importers and exporters to enter their own information and which will allow electronic certification. FTS is also developing an on-line enquiry system which will allow clients to access an on-line database and determine the status of their files. It is also developing information technology systems and the training of personnel in customs reform services.

FTS is important to the Group not only because of its own revenues and profits, but also because of the cross-selling benefits it affords to the Group. For example, PSI contracts which are primarily used to help governments collect import duty also create additional work for Caleb Brett, which inspects commodity shipments in the country of export. Caleb Brett undertakes approximately 50,000 inspections per year for FTS. Also, FTS through the SASO programme in Saudi Arabia utilises the testing services of ETL SEMKO. This should assist ETL SEMKO in expanding its customer base as exporters seeking safety certification for Saudi Arabia may be more likely to use ETL SEMKO for other testing and certification work.

Operations

Inspection requirements typically involve verification of shipment quantity, quality, product specification and value. The requirement for inspection work is normally first notified in the country of import. FTS logs the job in its worldwide information system and notifies one of its regional offices around the world located near the exporter. FTS' information system automatically generates notification to the exporter, informing it of the requirements for inspection and, where appropriate, testing. After the receipt of information from the exporter as to when and where the goods to be shipped may be inspected, FTS will despatch an inspector to the appropriate location. As well as its own full time inspectors, FTS uses the services of sub-contractors around the world who operate on a pay-per-job basis, reducing the fixed cost of FTS' worldwide inspection capability.

The FTS office in the exporter's region will check the invoice for consistency with the inspection result. For import duty control purposes FTS will also check the valuation on the invoice, and for standards purposes FTS will also check that a test report shows that the appropriate standard has been met. At this point, the FTS information system produces customs and other certificates for official use in the country of import. FTS has a number of valuation databases which are regularly updated, giving FTS valuation experts access to up to date valuation information globally.

Geographic coverage

FTS operates in 36 countries, with 50 offices worldwide(1) and its head office is located in the United Kingdom.

Customers

FTS' customers include SASO and the governments of Bangladesh, Ecuador, Iran, Kenya, Mexico, Mozambique, Nigeria and Uzbekistan. The contracts with SASO and the government of Nigeria account for a substantial proportion of FTS' business. The contract with SASO is only concerned with shipments complying with Saudi Arabian standards, whereas the other contracts are mainly focused on the accurate collection of import duty. In any given year, approximately 50 per cent. of FTS' contracts (by number) are up for renewal.

Most of FTS' customer contracts may be cancelled at short notice and without cause. For example, in early 1999, the Nigerian government unexpectedly ended its PSI programme and subsequently implemented a new programme later that year but awarded FTS a smaller part of the total business. The governments of Argentina, Georgia and Uganda all ended their PSI programmes in 2001. This had a negative effect on FTS' revenues and operating profit in 2001. FTS has in the past, and may in the future, experience delays in receiving payment for its services from certain governments. Where this occurs, FTS may seek to obtain payment from the exporter, who is then reimbursed once payment is received from the government concerned. FTS' top ten customers represented about 92 per cent. of its revenues in 2001, and the largest customer (SASO) accounted for 30 per cent. of its revenues in the same period.

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(1) At 31 March 2002.

FTS manages the risk of non-renewal of contracts through its dedicated relationship managers for each major contract, contact with key local consultants and with the Chief Executive taking an active role in managing such relationships. The SASO contract is automatically renewed annually unless notice of termination is given by SASO by 29 May in each year. The Directors believe that this contract will be renewed this year although there can be no assurance that this will be the case.

Although the Government of Nigeria had announced that its PSI programme would end in June 2002, the Directors understand that this decision is currently under review. FTS is taking an active part in the review process being undertaken by an independent consultant to present evidence that the programme has delivered financial benefit to the Government. FTS is also submitting additional proposals to a number of Nigerian Government agencies, which the Directors believe could lead to new business opportunities.

Sales and marketing

FTS' marketing efforts for government contracts are managed by a business development team based in the United Kingdom. Business development efforts require extensive work in the targeted country, including high level lobbying, typically involving consultants, to encourage the government, usually via the local Ministry of Finance or the government Standards Body, to adopt PSI services and customs modernisation. The marketing team also makes regular contact with major international organisations which advise countries on economic policy, such as the World Bank and the International Monetary Fund.

In competitive contracts, such as those in Latin America, importers can choose from one of several appointed agents and marketing is needed to shippers and receivers of products and commodities. Local sales teams are used to promote FTS' services.

Market and competition

The Directors estimate that the current worldwide market for existing PSI contracts is £260 million. The potential world market is considerably higher as countries such as Pakistan, Malaysia and Indonesia, which do not currently operate PSI programmes, could adopt them in the future.

There are four main companies operating in the PSI market. The high cost of entry caused by the requirement to have an extensive worldwide inspection network has prevented newcomers from creating a significant impact. Based on the number of PSI programmes in existence and FTS' knowledge of the main competitors, the Directors estimate that FTS has approximately 14 per cent. of the PSI market, SGS has approximately 43 per cent., Bureau Veritas has approximately 23 per cent. and Cotecna has approximately 13 per cent.

Management and employees

At 31 December 2001, FTS employed a total of 817 employees and used approximately 1,200 subcontractors and freelance inspectors.

CENTRAL FUNCTIONS

The Group operates a decentralised structure where the majority of support functions are provided at the level of the individual divisions and are co-ordinated and monitored by the Group's head office. The operating divisions have financial, human resources, information technology and compliance personnel who report to their respective divisional directors and liaise closely with the appropriate managers at the head office.

In addition to providing central support to these specialist areas, the Group's head office is responsible for centralised functions such as group finance, treasury, group tax, compliance and the company secretary.

The Company's head office is in London, United Kingdom and consists of 24 people. The human resources group and the United States tax manager and his assistant are based in Cortland, New York. There are a total of seven head office employees based in the United States.

COMPLIANCE

The Group actively seeks to implement appropriate risk management procedures and internal controls to monitor and control the quality of its operations and services and to minimise the possibility of violations of its internal policies or applicable laws and regulations. Many of the Group's current compliance controls and procedures have been implemented in response to quality control breaches that were discovered to have taken place in 1997 and before in two subsidiaries in the Group (see paragraph 15 of Part VIII: Additional Information) and which highlighted the need for controls to be strengthened. Within the past five years, the business has also grown significantly, which has resulted in a greater need for internal controls to be standardised throughout the Group and administered by central management.

The creation of the Audit Committee in 1997 led to an increased focus on the implementation and enforcement of comprehensive internal controls. One requirement imposed by the Audit Committee was to increase the number of internal auditors who undertake financial audits of the legal entities within the Group to reduce financial risk. Another requirement was to create a team of compliance officers to oversee each division.

Prior to November 2000, quality assurance was organised and controlled within each division. Regular audits of facilities and procedures were undertaken to provide assurance that the Group's laboratories and inspection offices were operating in accordance with international quality standards appropriate to their functions. In addition to these internal audits, statutory bodies, accreditation agencies and customers also carried out their own independent audits from time to time. The results of these audits were reported to local and regional management. Internal financial audits were carried out by two centrally controlled internal auditors, supplemented by external audit firms. Reports of findings were reviewed by the local and central financial managers.

In November 2000, the Group decided to consolidate and centralise the various internal control functions under the leadership of a Vice President of Compliance. The Vice President of Compliance has established a central compliance team which coordinates the quality assurance function, internal financial audit and claims management.

Quality assurance audits are carried out by the divisions, and the findings are reported to divisional management and to centrally controlled compliance officers who report to the Vice President of Compliance. Each division has at least one dedicated compliance officer (there are currently 10 in total), and they undertake investigations of issues that arise either from quality assurance audits or by other means such as a complaint received on the employee hotline. Reports of findings are presented to the Audit Committee.

The internal financial audit team was strengthened in 2001 with the appointment of a Head of Internal Audit and an additional auditor based in Asia. Each geographic region now has its own internal auditor, and audit coverage is being improved from a three-year to an eighteen-month cycle. Reports of audit findings are presented to the Audit Committee.

The Group has also recently formed a Risk Management Committee, which will report to the Audit Committee. The Risk Management Committee comprises the Vice President of Compliance, one Non-Executive Director and the two Executive Directors.

The Group operates a zero tolerance policy in regard to breaches of ethics. This policy was established in Caleb Brett in 1999 and is being rolled out throughout the Group. All divisions have been required to be compliant since December 2001. Any breach of the Group's code of ethics will result in disciplinary action, which may include dismissal, being taken against the employee concerned. An independent telephone hotline has been set up so that staff may report anonymously any inaccurate or unethical work practices. The Directors intend the hotline to be fully operational in all divisions and all locations shortly.

The Group has implemented internal audit systems to facilitate compliance with applicable requirements of the FCPA, the OFAC, the OECD and similar laws and regulations affecting conduct of its business, and the Directors believe the Group has taken appropriate steps to achieve compliance with these requirements.

The Group has implemented internal audit systems and procedures designed to achieve compliance with the regulations promulgated by OFAC in respect of business transacted in or with countries with respect to which the United States has enacted economic and trade sanctions. The Group operates in 99 countries and some of its subsidiaries (which are registered outside the United States) perform services for customers who operate in countries which are subject to United States' trade sanctions. For example, the FTS division has a contract to provide pre-shipment inspection services to the government of Iran. The Caleb Brett division has customers in Iran, Iraq, Libya, Liberia, Sudan, Syria, Cuba, Angola, Sierra Leone and Yemen. The ETL SEMKO division has a customer in Iran and the Labtest division provides services to customers based in Myanmar and Syria. In total, in the 12 months to the end of December 2001, the Group earned revenues of approximately £2.7 million from customers located in these countries. In addition to OFAC compliance procedures, the Group has implemented procedures designed to achieve compliance with the FCPA and the OECD Convention as well as similar laws and regulations to which it is subject worldwide in relation to its international operations.

LITIGATION AND CLAIMS MANAGEMENT

One characteristic of the Group's business is that it is regularly notified of or involved in a large number of claims and proceedings relating to services it has performed. A number of these claims 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 period in respect of such 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 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 damages in significant amounts.

The Group maintains a centralised claims database under the supervision of the Claims Manager, who has responsibility for monitoring claims for amounts in excess of US$80,000 that have been brought against the Group and disputes among third parties of which the Group becomes aware and which he considers may result in a claim being brought against the Group at a later date. Claims for amounts of less than US$80,000 are handled at the local level. Claims against the Group are characterised in its database as either: (i) active, in which the claim against the Group or dispute among third parties is being pursued or where there have been any developments from the party bringing the claim or of which the Claims Manager is aware within six months; (ii) dormant, in which nothing has been heard from the party bringing the claim and there are no developments of which the Claims Manager is aware for at least six months; (iii) settled, in which the claim has been settled by the parties, typically for a considerably lower amount than the original claim; or (iv) closed, in which the claim has become (or the Claims Manager believes has become) time-barred, or in respect of which a judgment has been rendered. Where a claim is brought alleging specified damages, the Claims Manager assesses the quantum of the claim and enters his estimate of the claim's value, which in certain cases may be greater or less than the notified damages. Where the amount of potential damages cannot reasonably be estimated, either because the claim does not specify damages with sufficient particularity or because the Group is not yet a party to the dispute and lacks sufficient information to make a reasonable estimate, the amount will be entered into the database as zero until a reasonable estimate can be made. As a result and because claims of less than US$80,000 are handled locally and not recorded in the centralised claims database, the total amount of claims listed in the claims database may not represent the total potential liability of the Group in respect of all claims. A significant proportion of the claims in the Group's database are classified as dormant. In general, these will either become closed when the claim is (or the Claims Manager believes the claim has become) time-barred or return to active status when further activity relating to the claim or third party dispute takes place.

Since the acquisition of the Group's business from Inchcape plc in 1996, the Group has exited certain businesses, such as environmental testing, which had historically resulted in claims seeking large amounts in damages. The Group is currently in the process of resolving a limited number of remaining claims from these businesses.

Historically, the Group has generally been successful in dismissing or settling claims relating to its continuing businesses that have been notified to the Group in connection with the Group's continuing operations for considerably lower amounts than those originally claimed. Since 1993, based upon data from its claims database, it has been notified of or has become aware of incidents which might give rise to claims against the Group relating to its continuing businesses of US$279 million. Of that number, claims totalling US$105 million are characterised in the Group's database as active (as described above), US$91 million are characterised in the Group's database as dormant (as described above) and US$83 million have been characterised in the Group's database as closed or settled (as described above). The total amount paid by the Group in respect of settlement of those closed or settled claims is US$5 million. With respect to the Group's discontinued businesses, based upon data from its claims database and its other claims files, it has been notified or become aware of incidents which might give rise to claims of US$122 million, including a US$80 million claim against ITS Environmental in respect of its Richardson, Texas facility described in paragraph 15(a) of Part VIII: Additional Information. Of these claims relating to discontinued businesses, US$104 million are characterised in the Group's database as active (as described above), including the US$80 million claim against ITS Environmental in respect of Richardson, Texas. Although the complaint had been dismissed and the plaintiffs' motion for reconsideration was denied, a notice of appeal has recently been filed and accordingly the claim has been characterised as active. Excluding this claim, US$24 million of claims relating to discontinued businesses are characterised in the Group's database as active (as described above), US$13 million are characterised in the Group's database as dormant (as described above) and US$5 million have been characterised in the Group's database as closed or settled (as described above). The total amount paid by the Group in respect of settlement of those claims is US$2 million (excluding the cost of the criminal and civil claims brought by the EPA, which totalled US$17.7 million). The claims database information has been extracted as at 22 May 2002, the most recent practicable date prior to the date of this document.

The Group has instituted compliance procedures intended to reduce the possibility of employee misconduct that could give rise to claims and which are intended to ensure that any such misconduct is detected promptly so that appropriate action may be taken. These include the zero tolerance policy described under "Compliance" above.

In November 2001, the Group published an internal operating procedure for the reporting of claims, which formalised procedures that were largely already in place. Claims in respect of any amount in excess of US$80,000 are monitored across the Group by the Group's Claims Manager. Whenever the Group receives notice of a claim or dispute in excess of US$80,000, the matter is referred to the Claims Manager who enters the claims onto the central claims database. Non-commercial claims (for example, employee, property, environmental and criminal claims as well as the EPA civil investigation in Richardson, Texas) are not entered into the database as they are managed separately. All claims or incidents of which the Group is aware that the Group's Claims Manager considers could give rise to a claim are reported to the Group's insurers. A report of material claims is presented to the Audit Committee each time it meets.

The Group has historically maintained insurance that the Directors consider appropriate to the Group's operations and intends to continue to maintain such insurance against potential claims. However there can be no assurance that all claims brought against the Group would be covered by insurance, particularly where fraud is alleged, or that such insurance, if available, would be sufficient to cover fully the damages or other expenses (including any insurance deductible amount) which the Group may be required to pay in respect of claims.

The Group accounts for potential liabilities resulting from claims in accordance with Financial Reporting Standard 12 ("FRS 12"): Provisions, contingent liabilities and contingent assets. The Group makes a provision in its financial statements for claims once an obligating event, such as a court decision or settlement has occurred or when the amount of the liability can be reasonably estimated and when the Group is reasonably certain that the liability will crystallise. At 31 March 2002, the Group had made provisions for potential liabilities resulting from claims of £3.2 million and provisions for estimated legal costs in respect of investigations by the EPA of £3.0 million. Further details are set out in notes 7.19 and 7.23 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports.

A discussion of certain of the risks relevant to the Group with respect to claims is set out in Part II: Risk Factors.

The Group is not party to any legal proceedings other than ordinary litigation incidental to the conduct of the Group's business and those set out in paragraph 15 of Part VIII: Additional Information.

PART IV – MANAGEMENT

Directors

The current members of the Board and their positions and ages are:

Name	Position	Age
Vanni Treves	Chairman	61
Richard Nelson	Chief Executive Officer	59
William Spencer	Chief Financial Officer	42
David Allvey	Non-Executive Director	57
Ross Sayers	Non-Executive Director	60

Vanni Treves became a Non-Executive Director and Chairman of the Company on 9 May 2002 and a Non-Executive Director of Intertek in January 2001 and Chairman of Intertek on 1 April 2001. Mr Treves was educated at University College, Oxford and the University of Illinois. He was a partner in Macfarlanes, Solicitors, from 1970 to 30 April 2002 (during which time he served for 12 years as senior partner) and is now a consultant to that firm. Mr Treves serves as chairman of a number of other institutions, including Equitable Life Assurance Society and Channel Four Television Corporation.

Richard Nelson became a Director and Chief Executive Officer of the Company on 9 April 2002 and a Director and Executive Chairman of Intertek in 1996. He became Chief Executive Officer of Intertek on 1 April 2001. Before the acquisition of Intertek from Inchcape plc, Mr Nelson had been the President and Chief Executive Officer of Inchcape Testing Services Limited since 1987. Prior to this, he was a Director of Transcontinental Services from 1972 and Chief Executive from 1982 to the date of its acquisition by Inchcape plc in 1984. Mr Nelson was retained as Chief Executive of Transcontinental Services by Inchcape plc and was nominated to the same position in 1987 when Inchcape plc combined Transcontinental Services with its consumer goods testing and minerals testing businesses to form Inchcape Testing Services Limited. He was educated at Rugby School and Sorbonne University. He qualified as a Chartered Accountant and then attended the London Business School, where he graduated in 1969 with a Master of Science in Economics.

William Spencer became a Director and Chief Financial Officer of the Company on 9 April 2002 and a Director and Chief Financial Officer of Intertek in 1996. Mr Spencer joined the Group in 1992 and was appointed Finance Director of Inchcape Testing Services Ltd in 1995 after serving as Chief Financial Officer of Caleb Brett for Europe and Asia. Prior to joining Inchcape Testing Services Limited, he worked for Olivetti UK Limited, Rexam Plc and Centrica Plc in various financial positions. He was educated at the University of Manchester Institute of Science and Technology, where he graduated with a Bachelor of Science with honours in Management Science. He qualified as a Chartered Management Accountant in 1985 and as a Corporate Treasurer in 1989.

David Allvey became a Non-Executive Director of the Company on 9 May 2002 and of Intertek on 1 May 2001. Mr Allvey studied Civil Engineering at London University and later qualified as a Chartered Accountant working for Price Waterhouse in London. Mr Allvey was Group Finance Director of B.A.T. Industries Plc until 1998, Chief Operations Officer of Zurich Financial Services from 1998 to 1999 and Finance Director of Barclays Bank plc from 1999 to 2000. He is a Non-Executive Director of Costain Group plc and Britannic Assurance plc. Mr Allvey was a Non-Executive Director of McKechnie Group plc for seven years and has been a member of the UK Accounting Standards Board since 1994.

Ross Sayers became a Non-Executive Director of the Company on 9 May 2002 and of Intertek on 1 April 2002. Mr Sayers is currently Chairman of Innogy Holdings plc and Chairman of Associated British Ports plc. Mr Sayers was previously Chief Executive Officer of China Light & Power (Hong Kong). Mr Sayers is a qualified Chartered Accountant and previously held senior management appointments in the public and private sectors in Australia and New Zealand.

Management

In addition to the Executive Directors, the current members of the Senior Management team and their positions and ages are:

Name	Position	Age
Raymond Kong	Executive Vice President (Labtest)	54
Martin Lea	Executive Vice President (ETL SEMKO)	44
Rob Dilworth	Vice President (FTS)	40
Gösta Fredriksson	Vice President (ETL SEMKO Europe, Africa and the Middle East)	55
John Hannaway	Vice President (Caleb Brett Asia)	48
John Hodson	Vice President (Caleb Brett Europe, Africa and the Middle East)	40
Bernard Leroy	Vice President (Labtest Europe, Africa and the Middle East)	51
Albert Lo	Vice President (Labtest Asia)	49
Mark Loughead	Vice President (Caleb Brett Americas)	42
Nigel Lucas	Vice President (Compliance)	45
Brian Pitzer	Vice President and Human Resources Director	50
Dennis Roth	Vice President (ETL SEMKO Americas)	59
Henry Yeung	Vice President (Labtest Greater China)	46
Martin Black	Company Secretary	52

Raymond Kong became an Executive Vice President of the Group in January 1998 and is the Chief Operating Officer of Labtest. He was one of the founders of the Labtest division and has been with Labtest for over 25 years. Mr Kong was responsible for creating the global Labtest networks and service diversification. He was appointed Regional Director responsible for Quality Systems East in 1991. He also serves on a number of advisory committees for The Government of The Hong Kong Special Administrative Region.

Martin Lea joined the Group in October 2001 as an Executive Vice President with responsibility for ETL SEMKO globally. Before joining the Group, Mr Lea worked in the telecommunications sector, most recently as President of Global Crossing UK Limited in the United Kingdom and prior to that as Managing Director of Racal Telecommunications Limited. Mr Lea was educated at Kingston University in the United Kingdom where he obtained a 1st Class Honours degree in Business Studies.

Rob Dilworth became a Vice President of the Group in January 1999 with responsibility for the FTS division globally. Mr Dilworth joined the Group in 1978 as a chemist/inspector with Caleb Brett. He was appointed Director of Environmental services in the United Kingdom in 1988 and further promoted to Regional Director Environmental, Europe, Africa and the Middle East in 1994. After a break of service from September 1997 to September 1998 when he worked for BSI, he rejoined the Group as Managing Director of Intertek Testing Services International Limited. Mr Dilworth studied at Manchester University where he earned a Masters in Business Administration.

Gösta Fredriksson became a Vice President of the Group in January 1998 with responsibility for ETL SEMKO in Europe, Africa and the Middle East. He was head of Safety Testing in SEMKO, where he had been since 1962, when it was acquired by Inchcape plc in 1994. He has participated in the development of European certificate schemes such as CCA, Key-mark, LOVAG, IECEE-CCB and CCB-FCS.

John Hannaway became a Vice President of the Group in January 1998 with responsibility for Caleb Brett in Asia. Mr Hannaway was based in Australia until January 2001 when he relocated the regional head office of Caleb Brett to Singapore. He joined the Group in 1992 as Managing Director of Caleb Brett Australia. Prior to joining the Group, John Hannaway spent three years as Divisional Manager for SGS Australia PTY Limited.

John Hodson became a Vice President of the Group in January 1998. From 1998 until the end of 2001 he was based in Houston and was responsible for Caleb Brett in the Americas. On 1 January 2002 Mr Hodson returned to the United Kingdom and assumed responsibility for Caleb Brett in Europe, Africa and the Middle East. Mr Hodson joined the Group in 1986 as Regional Manager in West Africa, and having spent time working in the United Kingdom, Dubai and Singapore, became Vice President of Caleb Brett Asia in 1995. Prior to joining the Group, Mr Hodson spent four years with Core Laboratories in West Africa, establishing laboratory testing facilities for the oil exploration sector.

Bernard Leroy became a Vice President of the Group in January 2000 with responsibility for Labtest in Europe, Africa and the Middle East. He joined the Group in 1992 as General Manager of ITS Labtest France. Prior to joining the Group, Mr Leroy worked as Quality Assurance Manager at Upjohn Co. and founded Sigma Controle, a French company offering Inspection and Technical services to retailers. The Group acquired Sigma Controle in 1992. He was educated at the University of Paris, where he obtained a Master of Sciences in Biochemistry and a degree in Applied Statistics.

Albert Lo became a Vice President of the Group in January 1998 with responsibility for Labtest Asia. He also leads the global textiles operations of Labtest. Mr Lo joined the Group in 1988 as Assistant Vice President of the textile laboratory in Hong Kong. Mr Lo received a Master of Science from the University of Leeds in the United Kingdom. Before joining the Group, Mr Lo worked in quality assurance for a buying office based in the Asia Pacific region.

Mark Loughead became a Vice President of the Group in January 1998. Until the end of 2001 he was based in the United Kingdom and was responsible for Caleb Brett in Europe, Africa and the Middle East. From 1 January 2002 Mr Loughead relocated to Houston and assumed responsibility for Caleb Brett in the Americas. Mr Loughead joined the Group in 1988 as Operations Manager of Inchcape Testing in Ellsmere Port. In 1993 he was promoted to Scottish Regional Manager. Prior to joining the Group, Mr Loughead spent 13 years at Inspectorate, including six years in the Middle East.

Nigel Lucas became a Vice President of the Group in November 2000 with responsibility for compliance. He joined the Group in 1980 as a chemist/surveyor in the Caleb Brett division. He became head of Quality Assurance in Caleb Brett in 1986 and became General Manager in charge of its UK upstream and downstream inspection and testing services in 1989. From 1997, he was responsible for global inspection and certificate insurance in the FTS division. He was educated at Hull University and holds a Masters in Business from University of Warwick. Prior to joining the Group he was a deck officer with Blue Star Ship Management.

Brian Pitzer became a Vice President and Human Resources Director of the Group in September 1996. He joined the Group in March 1990 and developed the Human Resources function in the Americas region. He also addressed the human resources issue of acquisitions and organic growth in the region through the mid-1990s. Mr Pitzer is responsible for Group leadership development programmes worldwide. Prior to joining the Group, he spent 14 years at NCR Corporation in a variety of management positions.

Dennis Roth joined the Group in March 2002 as Vice President with responsibility for ETL SEMKO in the Americas. Prior to joining the Group, Mr Roth worked in the telecommunications sector, most recently as President and Chief Executive Officer of ViaGate Technologies in the United States and prior to that as Chairman and Chief Executive Officer of Fidelity Holdings's technical subsidiaries and Vice-President & Managing Partner of AT&T Solutions in the United States. Mr Roth was educated at the Polytechnic Institute of New York where he obtained a Master of Science in Industrial Management and at Seton Hall University where he obtained a Doctorate of Jurisprudence in Law.

Henry Yeung became a Vice President of the Group in January 1998 and currently is responsible for Labtest operations in Greater China (Hong Kong, Taiwan and China). He was responsible for Labtest Americas in 2001. Mr Yeung joined the Group in 1977 and has worked in Hong Kong, Taiwan and China. Mr Yeung is a Chartered Colourist, a Fellow of the Society of Dyers and Colourists and a Licentiate of the Textile Institute. He has a Masters in Business Administration from the University of East Asia and a Master of Science from the University of Warwick.

Martin Black is Company Secretary with responsibility for company secretarial and legal matters throughout the Group. He joined the Group in November 2001. Before joining the Group, he managed his own business for three years. From 1976 to 1998, Mr Black was in-house lawyer and Company Secretary for a number of organisations operating in the Lloyds insurance market. These included positions at Stewart Wrightson, Schroders and Sedgwicks. Mr Black graduated with an honours degree in law from the University of Edinburgh in 1972 and qualified as a solicitor in Scotland in 1974.

Employee share schemes

The Directors believe that a key tool in its ability to attract, retain and motivate high quality employees in the Group is its share option plan, the 1997 Plan. Accordingly, two share incentive plans will operate from Admission for the benefit of Group employees, being the Approved Plan and the 2002 Plan (with US and Californian schedules).

It is intended that the Approved Plan will be approved by the UK Inland Revenue under Schedule 9 of the Taxes Act. Neither the 2002 Plan nor the 1997 Plan is approved by the UK Inland Revenue. Options granted under the Approved Plan and the 2002 Plan will normally be subject to performance conditions, determined by the Remuneration Committee from time to time. The Company is proposing to grant options under the 2002 Plan and the Approved Plan to approximately 300 employees over up to 1.25 per cent. of the issued share capital of the Company after Admission. The exercise of the Options granted will (unless there are legal or regulatory difficulties in jurisdictions in which the employee is based) be subject to performance conditions requiring the growth in the Company's earnings per share to outperform the growth in the retail prices index by a minimum of five per cent. per annum over a three year period ending on 31 December 2004. If the condition is met, 25 per cent. of Options would become exercisable. 100 per cent. of Options would only become exercisable if the Company's growth in earnings per share outperformed the growth in the retail prices index by 11 per cent. per annum over a three year period ending on 31 December 2004.

In jurisdictions other than the United Kingdom where there are regulatory or legal difficulties in offering Ordinary Shares, employees may be offered awards under the 2002 Phantom Plan. Awards under the 2002 Phantom Plan will be offered on terms similar to the 2002 Plan save that employees will receive a cash sum (net of any taxes) on exercise, not shares. It is not currently intended that awards will be offered under the 2002 Phantom Plan on Admission.

In any period of ten years following the date of Admission, the maximum number of Ordinary Shares over which options to subscribe will be granted, pursuant to the Approved Plan and the 2002 Plan and any future Group share option or share incentive plans, will represent, in aggregate, no more than 10 per cent. of the issued ordinary share capital of the Company from time to time. The grant of options pursuant to the Approved Plan will be subject to statutory limits. There are, in addition, individual limits relating to the value of shares in respect of which options may be granted to any individual employee both cumulatively in the period of ten years and annually. Further details of the Approved Plan, the 2002 Phantom Plan and the 2002 Plan are set out in paragraph 7 of Part VIII: Additional Information.

Those Group employees who hold options granted under the 1997 Plan which do not become exercisable on Admission will continue to hold such options under the terms of the 1997 Plan. Other than with respect to Ordinary Shares to be sold pursuant to the Global Offer, the Company's optionholders under the 1997 Plan whose options vest within one year of Admission have been requested to enter into lock-up arrangements for the period beginning on the date hereof and continuing to and including the date one year after the date of Admission. These lock-up arrangements are similar to those entered into by the Directors and Executive Officers and non-Institutional Selling Shareholders. Further details of the 1997 Plan and the options outstanding under it as at 23 May 2002 (being the latest practicable date prior to publication of this document) are set out in paragraph 7 of Part VIII: Additional Information. No further options will be granted under the 1997 Plan after Admission.

The Company will consider introducing an employee share purchase plan following Admission, which would be subject to the 10 per cent. limit referred to above.

Corporate governance

The Directors support high standards of corporate governance. Following Admission, the Directors intend to comply with the requirements of the Combined Code and to put in place the procedures required to comply with the internal control aspects of the Combined Code in accordance with the Turnbull report.

The Company's Board of Directors comprises two Executive Directors (including the Chief Executive Officer) and three Non-Executive Directors (including the Chairman). The Company regards all its Non-Executive Directors as independent non-executive directors, free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board has established Audit, Remuneration and Nomination Committees.

The Audit Committee comprises three Non-Executive Directors. The Audit Committee is chaired by David Allvey. It will normally meet at least three times a year. The committee has responsibility for, among other things, the planning and review of the Group's annual report and accounts and half-yearly reports and the involvement of the Group's auditors in that process, focusing particularly on compliance with legal requirements, accounting standards and the rules of the UK Listing Authority and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Remuneration Committee comprises three Non-Executive Directors. The Remuneration Committee is chaired by David Allvey. The committee, which meets at least twice a year, has responsibility for making recommendations to the Board on the Group's policy on the remuneration of senior executives and for the determination, within agreed terms of reference, of specific remuneration packages for each of the Directors, including pension rights and any compensation payments and implementation of employee share schemes.

The Nomination Committee comprises three Non-Executive Directors. The Nomination Committee is chaired by Vanni Treves. This committee, which normally meets at least once a year, nominates candidates to fill board vacancies and makes recommendations to the Board on board composition and balance.

PART V – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Group's financial condition and results of operations should be read in conjunction with its consolidated financial statements and the related notes, and the other financial information included elsewhere in this document. The Group's consolidated financial statements are prepared in accordance with UK GAAP and note 7.35 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports contains a description of the material differences between UK and US GAAP as they relate to the Group. This description contains forward-looking statements based on assumptions about the Group's future business. The Group's actual results could differ materially from those contained in the forward-looking statements.

Overview

The Group is a leading international testing, inspection and certification organisation which assesses the products and commodities bought or sold by its customers against a wide range of safety, regulatory, quality and performance standards.

The Group operates in a large number of market segments and is organised into the following four operating divisions, each focusing on the testing, inspection and certification of particular goods or commodities.

- ***Labtest*** is a leading international provider of testing and inspection services for a range of consumer goods including textiles, footwear, toys and hardlines (such as ceramics, bicycles, cosmetic products, sporting goods, juvenile products, furniture and fireworks).
- ***Caleb Brett*** is a leading international provider of testing and inspection services in connection with crude oil, petroleum and chemical products and provides independent verification and internationally recognised certification of the quantity and quality of these products.
- ***ETL SEMKO*** primarily tests electrical and electronic products, telecommunications equipment, HVAC equipment and building products against standards relating to safety and performance and provides recognised safety certificates and other industry-specific approvals to manufacturers of those products.
- ***Foreign Trade Standards*** provides independent PSI services to governments of less developed countries to assist them in the enforcement of customs duties and/or to verify that imports of specified products meet safety and other national standards of a client country.

The Group's customer base is diverse and varies by division. It includes retailers, distributors, manufacturers, traders, industrial bodies, oil and chemical companies and governments. In 2001, the Group's largest customer accounted for 3.9 per cent. of total Group revenues and the top ten customers accounted for approximately 18 per cent. of total Group revenues. The majority of work is carried out on a "job by job" basis, except in FTS where over 90 per cent. of revenues are derived from term contracts. The Group currently employs over 10,300 people and operates an extensive global network of 504 inspection offices and 254 testing laboratories from over 440 sites in 99 countries.(1)

The Group analyses its results of operations both by division and on a geographic basis. For the purposes of this analysis, it divides its global operations into three groups:

- the Americas,
- Europe, Africa and the Middle East, and
- Asia and the Far East.

(1) As at 31 March 2002.

Factors affecting results of operations

Revenues

The Group's revenues are derived from its testing, inspection and certification activities. It recognises revenues when the relevant service is completed or the goods are delivered. The revenues of each division are dependant on conditions in the markets it serves. For example, the revenues of Labtest are dependant on the market for consumer goods and have benefited from the migration of manufacturing of these goods from developed countries to less developed countries. The revenues of Caleb Brett are affected by trading activity in the oil and chemicals markets and by the relative consumption of fuel oil, for which the Group provides testing, and natural gas, for which the Group does not. The revenues of Caleb Brett can be affected on a short-term basis by events that disrupt shipping of petroleum products, such as Hurricane Allison which hit the Gulf Coast of the United States in June 2001, or the terrorist attack on 11 September 2001, both of which had the effect of closing ports in the United States. During the period under review, the revenues of ETL SEMKO have been adversely affected by the decline in the telecommunications market and the resulting reduction in testing of telecommunications equipment. The revenues of FTS are affected by new pre-shipment inspection contracts or the expansion of existing contracts, and by the expiration or termination of existing contracts. During the period under review, Labtest and Caleb Brett have experienced price pressures in certain markets. This has been offset by increases in volumes and improved control of costs.

Cost of sales

The Group's cost of sales principally comprises personnel costs, property and equipment rental, depreciation, amortisation and laboratory consumables. Personnel costs account for over 50 per cent. of cost of sales, which reflects the labour intensive nature of ITS' operations. Personnel costs in Labtest have been reducing on a relative basis as the division's operations move increasingly to Asia, where personnel costs are generally lower. Personnel costs tend to be higher in Caleb Brett and ETL SEMKO because the operations of these divisions are primarily in more developed countries where labour is more costly. The work of ETL SEMKO also requires staff of a higher level of technical expertise than the other divisions, which also leads to higher costs.

Because cost of sales largely comprises personnel costs, the Group's gross profit margins can be adversely affected by reductions in revenues until a corresponding reduction in personnel costs can be achieved. The Group actively controls costs by monitoring the operating margin achieved by operations and taking action to reduce costs in under-performing areas. For example, the decline in the telecommunications market led to a reduction in staff numbers in ETL SEMKO in the United States and Europe in 2001. Also in 2001, staff numbers were reduced in Caleb Brett's operations on the Eastern coast of the United States to reduce the cost base to match lower revenues in that area.

Amortisation of goodwill

Cost of sales also comprises amortisation of goodwill recognised in connection with acquisitions completed by the Group. Goodwill in respect of acquisitions since 1 January 1998 is capitalised in accordance with the requirements of Financial Reporting Standard 10 and is amortised on a straight line basis over the Directors' estimate of its useful life, which is up to 20 years.

If the goodwill is directly attributable to an asset with a defined life, such as a covenant not to compete or to a specific contract, then the Group amortises the goodwill over the life of that asset. Acquired goodwill with a value of £50,000 or less is amortised fully on acquisition. The Group reviews all acquired goodwill in the year after acquisition to consider whether the carrying value and amortisation period are appropriate. In subsequent years, the Group carries out a review of the carrying value if there are signs of impairment, such as poor operating performance, loss of contracts or loss of key employees. If the Group considers that the carrying value of goodwill on an acquisition has been impaired, it makes an additional amortisation charge to reduce the carrying value to its value in use. This charge may be reported as an exceptional charge if it is material.

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. When a subsequent disposal occurs, any goodwill previously written off to reserves is written back through the profit and loss account.

Net operating expenses

The Group's net operating expenses principally comprise the costs of its regional headquarters around the world including labour costs in respect of headquarters staff, related property and equipment costs and legal fees.

Net interest expense

The Group's net interest expense comprises interest payable on outstanding indebtedness less interest received on bank deposits. As at 31 December 2001, the Group had £83.9 million outstanding under its Senior Term Loans, £22.4 million outstanding under its Senior Revolver, £140.0 million outstanding under its Senior Subordinated Notes and £100.7 million outstanding under its Subordinated PIK Debentures. Total interest payable for the 2001 financial year was £39.6 million and net interest payable was £39.2 million.

Other finance income

In 2001 the Group adopted Financial Reporting Standard 17 ("FRS 17"): Retirement benefits. This resulted in a net credit to other finance income of £0.2 million in 2001. This net credit comprised a credit of £2.6 million for the expected return on pension assets, less a charge of £2.4 million for interest.

In order to give a like-for-like comparison with prior years, 2000 and 1999 have been restated to include the impact of FRS 17. This resulted in an additional credit to other finance income of £0.2 million in 2000 which comprised a credit of £2.2 million for the expected return on pension assets, less a charge of £2.0 million for interest and £0.3 million in 1999 which comprised a credit of £1.7 million for the expected return on pension assets, less a charge of £1.4 million for interest.

Taxation

During the period under review, the Group's tax rate has been affected by a number of exceptional items that are either permanently disallowable, such as the fines imposed by the EPA in connection with environmental testing, or are not absorbed by taxable income. In addition, the Group has not been able to obtain full potential tax relief on interest expense in the United Kingdom and the United States, or on operating losses in other territories. Because taxable profits in one jurisdiction generally cannot be offset by losses and deductible expenses in another jurisdiction, the location of taxable profits and deductible expenses has a significant impact on the Group's tax charge year by year. Further discussion is set forth in note 7.10 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports.

Minority interests

Minority interests are affected by changes in the results of the Group's non-wholly owned subsidiaries and joint ventures, with minority interests increasing as the profitability of these subsidiaries and joint ventures increases. Minority interests can also be affected by the acquisition, disposal or change in the percentage of ownership of a non-wholly owned subsidiary or joint venture during a year.

Restructurings, acquisitions and disposals

During the period under review, ITS has restructured certain of its divisions and has completed a number of acquisitions and disposals that have had an impact on its results of operations. These restructurings and disposals are recorded as exceptional items in the Group's financial statements. For example, at the beginning of 2000, the Bondar Clegg minerals testing division was sold following a restructuring in 1999. This resulted in an exceptional charge to operating profit of £2.2 million in 1999 and an exceptional charge of £12.1 million in 2000.

Although none of the Group's acquisitions individually has had a significant impact on revenues or operating profit, in the aggregate they have had the effect of increasing both items in each of the periods under review. In addition, acquisitions have had the effect of broadening the Group's range of services and geographic spread.

Impact of exchange rates

The Group's financial statements are reported in sterling. ITS has 149 subsidiary companies, of which 135 report in currencies other than sterling. Subsidiaries report in the currency of the country in which they are domiciled, apart from those based in countries where there is hyperinflation, which report in their functional currency, which is US dollars. The results of overseas operations are translated into sterling at the cumulative average exchange rates for the period. Therefore, the Group's results can vary from period to period because of fluctuations in exchange rates which are unrelated to the Group's underlying operational performance. The Company does not hedge translation rate exposure. Further details are set out in note 7.32 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports.

Set out below is a discussion of the Group's operating results and financial condition for the years ended 31 December 1999, 2000 and 2001, and for the three months ended 31 March 2001 and 2002 followed by a detailed review of the performance of each division. The tables below show growth rates of 2000 over 1999, 2001 over 2000 and the three months ended 31 March 2002 over the three months ended 31 March 2001 at actual exchange rates and at a comparable exchange rate. The actual growth rate is the percentage change of one period over the prior period where each period is translated into sterling using the exchange rates applicable in that period. The comparable growth rate is the percentage change of one period over the prior period where both periods are translated into sterling using the exchange rate applicable to the 2001 financial year.

Over 80 per cent. of the Group's revenues are generated by operations outside the United Kingdom, and therefore fluctuations in exchange rates between the currencies in which these revenues are denominated and sterling may have a material impact on the Group's results of operations and financial condition.

Over 50 per cent. of the Group's revenues, borrowings, interest payments and debt repayments are denominated in US dollars or currencies linked to the US dollar, such as the Hong Kong dollar. Where there is material transaction exposure from currency rate movements, the Group enters into forward foreign exchange contracts to reduce this exposure. However, it does not enter into any speculative foreign exchange contracts.

Critical accounting policies

The Group's accounting policies are described in note 7.1 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports. The Group prepares its consolidated financial statements in conformity with UK GAAP, which require it to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The Group considers the following policies to be most critical in understanding the judgments that are involved in preparing its financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

Use of estimates

The Group accounts for contingencies in accordance with FRS 12: Provisions, contingent liabilities and contingent assets. This requires it to record a liability when there is an obligating event, the amount of the liability can be reasonably estimated and there is a reasonable likelihood that the liability will be incurred. Accounting for contingencies such as claims and litigation requires the Group to exercise its judgment. In the case of claims and litigation, the Group regards a court judgement or signed settlement agreement as an obligating event and once one of these events has occurred, and provided it can reasonably estimate the liability and reasonably believes it is more likely than not to make a payment, then it will make a provision for the liability in its financial statements. In many instances, claims are resolved or dismissed before court action is necessary, but the Group may still incur legal costs in defending actions brought against it. As soon as the Group begins to incur such costs, it makes a full provision for the costs it expects it will incur to resolve the action. Certain losses that are incurred as a result of claims, litigation and other matters are potentially recoverable either from the Group's insurers or from its former owners. The Group does not make provisions for such receivables unless the recovery is certain.

The Group considers the recoverability of trade receivables and makes specific provision against those which it considers may either not be fully paid or in respect of which there may be a significant delay in receiving payment. This applies mainly, but not exclusively, to receivables from foreign governments in the FTS division, where the receivables can be large and recoverability can be affected by circumstances outside the Group's control. In addition to any specific provision, the Group also makes a general provision against receivables based on a sliding scale of the age of the receivable.

Reporting financial performance

The Group reports its financial performance in accordance with FRS 3: Reporting financial performance. Operations that are sold or terminated which form a separately identifiable operating division are reported as discontinued operations. Other disposals are classified as continuing operations. When a division is classified as discontinued, the Group restates prior year figures so that continuing operations are reported on a like-for-like basis.

The Group reports certain items as either operating exceptional items or non-operating exceptional items. The Group considers an item to be exceptional if it relates to an unusual occurrence and is sufficiently large that its inclusion within the results of the operating divisions would materially distort their operating performance. Operating exceptional items derive from the ordinary course of the Group's testing, inspection and certification activities and include such items as material bad debt provisions, extensive restructuring programmes, material litigation costs and material asset impairment. A non-operating exceptional item derives from an abnormal event which has arisen outside the Group's ordinary activities and is unlikely to recur. The Group reports such items as the profit or loss on the disposal of operations as a non-operating exceptional item.

Pensions

In 2001 the Group adopted FRS 17: Retirement benefits. This materially affects the way in which it reports its defined benefit pension schemes. Of the pension schemes operated by the Group, the four significant defined benefit schemes, each in different countries, have each been valued in accordance with the principles of FRS 17. The assets owned by the schemes are valued at market value and the present value of the schemes' liabilities are discounted at high quality corporate bond rates to reflect market expectations at the balance sheet date. The increase in the present value of the liabilities expected to arise from the employees' service in the accounting period is charged to operating profits. The expected return on the schemes' assets less the interest on the present value of the schemes' liabilities during the accounting period is included as other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses. The pension schemes' surpluses are recognised to the extent that they are considered recoverable and deficits are recognised in full on the face of the balance sheet, in either case, net of deferred tax.

Goodwill

The Group accounts for purchased goodwill in accordance with FRS 10: Goodwill and intangible assets. The Group capitalises such goodwill and amortises it over its estimated useful life, which is up to 20 years. If the goodwill is directly attributable to an asset with a defined life such as a covenant not to compete or to a specific contract, then the Group amortises the goodwill over the life of that asset. Acquired goodwill with a value of £50,000 or less is amortised fully on acquisition. The Group reviews all acquired goodwill in the year after acquisition to consider whether the carrying value and amortisation period is appropriate. In subsequent years the Group carries out a review of the carrying value if there are signs of impairment, such as poor operating performance, loss of contracts or loss of key employees. If the Group considers that the carrying value of goodwill on an acquisition has been impaired, it will make an additional amortisation charge to reduce the carrying value to its value in use. This charge may be reported as an exceptional operating charge if it is material.

While the Directors believe that the carrying value of the Group's goodwill and the amortisation periods are appropriate, the Directors cannot be certain that goodwill will not be impaired in future and additional amortisation may be required. A significant additional amortisation charge would have a material impact on the Group's results of operations.

Deferred tax

In 2001 the Group adopted FRS 19: Deferred tax, which requires full provision to be made for deferred tax assets and liabilities arising from timing differences if those differences result in an obligation to pay more or less tax in the future. Due to the accumulation of taxable losses and other timing differences, the Group has a substantial unprovided deferred tax asset. The Group uses its judgment to determine the amount of the unprovided deferred tax asset (to the extent that it is available) that it expects to give rise to a reduced tax liability in the future.

Summary of results of continuing operations

Revenues – Group

The Group's revenues are derived from its testing, inspection and certification activities. The customer base is different in each division and includes retailers, distributors, manufacturers, traders, industrial bodies, oil and chemical companies and governments. In 2001, the Group's largest customer accounted for 3.9 per cent. of total Group revenues and the top ten customers accounted for approximately 18 per cent. of the Group's total revenues. Apart from the FTS division, which enters into term contracts, most of the Group's work is done on a "job-by-job" basis.

Three months ended 31 March 2002 compared with the three months ended 31 March 2001

The table below compares the Group's revenues from continuing operations by division for the three months ended 31 March 2002 and the three months ended 31 March 2001 at actual and comparable exchange rates.

	Three months ended 31 March 2001	Three months ended 31 March 2002	Growth	Actual	Comparable
	£m	£m	£m	%	%
Labtest	22.8	25.4	2.6	11.4	12.4
Caleb Brett	42.6	41.7	(0.9)	(2.1)	—
ETL SEMKO	26.5	26.9	0.4	1.5	1.5
Foreign Trade Standards	12.2	14.9	2.7	22.1	23.8
Total	104.1	108.9	4.8	4.6	5.5

Revenues grew by £4.8 million or 5.5 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. The growth was 4.6 per cent. at actual rates. The growth was primarily attributable to Labtest, where volumes of textile testing, toy testing and inspection increased in the three months ended 31 March 2002 over the three months ended 31 March 2001 and to FTS, due to increased inspection volumes for the pre-shipment inspection programmes in Nigeria, Kenya and Saudi Arabia.

In the three months ended 31 March 2002 and the three months ended 31 March 2001 revenues were generated by operations located in the following geographic areas:

	Three months ended 31 March 2001	Three months ended 31 March 2002	Growth	Actual	Comparable
	£m	£m	£m	%	%
Americas	44.0	41.2	(2.8)	(6.4)	(7.0)
Europe, Africa and Middle East	31.0	34.4	3.4	11.0	15.1
Asia and Far East	29.1	33.3	4.2	14.4	14.7
Total	104.1	108.9	4.8	4.6	5.5

In the three months ended 31 March 2002 38 per cent. (three months ended 31 March 2001: 42 per cent.) of revenues from continuing operations were generated in the Americas, 32 per cent. (three months ended 31 March 2001: 30 per cent.) in Europe, Africa and the Middle East, and 30 per cent. (three months ended 31 March 2001: 28 per cent.) in Asia and the Far East.

In the Americas, revenues decreased by £2.8 million or 7.0 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001 principally due to declines in the United States at Caleb Brett, where the relatively warm winter caused a reduction in the consumption of petroleum products and at ETL SEMKO, where the continued stagnation of the telecommunications and semi-conductor markets resulted in lower volumes of electrical testing.

Revenues from Europe, Africa and the Middle East increased by £3.4 million or 15 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001 due to increased volumes of inspection and testing in Caleb Brett in Lithuania, Azerbaijan, Kazakhstan and the Middle East and to increased inspection volumes for the FTS pre-shipment inspection programmes in Nigeria, Kenya and Saudi Arabia.

In Asia and the Far East, revenues increased by £4.2 million or 14.7 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001 due to continued growth in textile testing, toy testing and inspection in Labtest, growth in safety testing in ETL SEMKO in Hong Kong and China and growth in inspection and testing in Caleb Brett in Singapore.

A more detailed discussion of our results is given in the operating and financial review by division.

2001 compared with 2000

The table below compares the Group's revenues from continuing operations by division for 2000 and 2001 at actual and comparable exchange rates:

	2000	**2001**	**Growth**	**Actual**	**Comparable**
	£m	**£m**	**£m**	**%**	**%**
Labtest	94.0	108.5	14.5	15.4	13.4
Caleb Brett	157.5	176.0	18.5	11.7	10.1
ETL SEMKO	99.5	109.0	9.5	9.5	6.5
Foreign Trade Standards	47.4	57.9	10.5	22.2	22.2
Total	398.4	451.4	53.0	13.3	11.3

Revenues from continuing operations grew by £53.0 million or 11.3 per cent. at comparable rates in 2001 over 2000. The growth was 13.3 per cent. at actual rates. The higher growth rate at actual rates is due principally to translation gains arising from the strength of the US dollar, and currencies linked to the US dollar, against sterling.

Revenues in 2000 and 2001 were generated by operations in the following geographic areas:

	2000	**2001**	**Growth**	**Actual**	**Comparable**
	£m	**£m**	**£m**	**%**	**%**
Americas	163.5	177.8	14.3	8.7	4.0
Europe, Africa and Middle East	120.4	136.4	16.0	13.3	15.8
Asia and Far East	114.5	137.2	22.7	19.8	17.7
Total	398.4	451.4	53.0	13.3	11.3

In 2001, 40 per cent. (2000: 41 per cent.) of Group revenues were generated in the Americas, 30 per cent. (2000: 30 per cent.) in Europe, Africa and the Middle East, and 30 per cent. (2000: 29 per cent.) in Asia and the Far East. In 2001, the Group extended its operations into 5 new countries which increased the total number of countries in which it operates to 99 (2000: 94). In 2001, 32 per cent. (2000: 34 per cent.) of revenues were generated in the United States, 14 per cent. (2000: 15 per cent.) in the United Kingdom and 13 per cent. (2000: 14 per cent.) in Hong Kong. No other individual country or reporting unit accounted for more than 10 per cent. of revenues in either 2001 or 2000.

Revenues from the Americas increased by £14.3 million or 4.0 per cent. at comparable rates in 2001 over 2000, primarily due to growth in volumes of petroleum inspection and testing in Caleb Brett in the United States. The growth rate was 8.7 per cent. at actual rates due to currency translation gains caused by the strength of the US dollar, and currencies linked to the US dollar against sterling.

Revenues from Europe, Africa and the Middle East increased by £16.0 million or 15.8 per cent. at comparable rates in 2001 over 2000. The growth was mostly attributable to Caleb Brett, where there was an increase in the volume of petroleum inspections in countries of the former Soviet Union and in the Middle East and growth in the testing of agricultural products in France. The expansion of the FTS pre-shipment inspection contract in Nigeria and the standards contract in Saudi Arabia contributed to the growth in this region. The growth rate was 13.3 per cent. at actual rates due to currency translation reductions caused by the strength of sterling against other European currencies.

In Asia and the Far East, revenues increased by £22.7 million or 17.7 per cent. at comparable rates in 2001 over 2000. Growth of revenues in this region was mainly due to the continuing trend of manufacturing operations to be moved from developed countries to less developed countries. This trend resulted in higher volumes of toy and textiles testing for Labtest in Hong Kong and China in 2001. There is also growing demand for the certification of products produced in less developed countries against recognised safety standards, and this resulted in an increase in the volume of safety testing by ETL SEMKO in Asia. Caleb Brett also gained additional inspection work in Singapore in 2001. The growth rate was 19.8 per cent. at actual rates due to currency translation gains because the Hong Kong dollar reflected the strength of the US dollar against sterling.

2000 compared with 1999

The table below compares the Group's revenues from continuing operations by division for 1999 and 2000 at actual and comparable exchange rates:

	1999	**2000**	**Growth**	**Actual**	**Comparable**
	£m	**£m**	**£m**	**%**	**%**
Labtest	78.3	94.0	15.7	20.1	14.6
Caleb Brett	137.2	157.5	20.3	14.8	12.2
ETL SEMKO	88.2	99.5	11.3	12.8	7.9
Foreign Trade Standards	47.5	47.4	(0.1)	(0.2)	(3.1)
Total	351.2	398.4	47.2	13.4	9.6

Revenues from continuing operations grew by £47.2 million or 9.6 per cent. at comparable rates in 2000 over 1999. The growth was 13.4 per cent. at actual rates. The higher growth rate at actual rates was due principally to translation gains arising from the strength of the US dollar, and currencies linked to the US dollar, against sterling.

In 1999 and 2000, the Group's revenues were generated by operations in the following geographic areas:

	1999	**2000**	**Growth**	**Actual**	**Comparable**
	£m	**£m**	**£m**	**%**	**%**
Americas	143.3	163.5	20.2	14.1	7.1
Europe, Africa and Middle East	117.7	120.4	2.7	2.3	4.9
Asia and Far East	90.2	114.5	24.3	26.9	19.1
Total	351.2	398.4	47.2	13.4	9.6

In 2000, 41 per cent. (1999: 41 per cent.) of revenues from continuing operations were generated in the Americas, 30 per cent. (1999: 33 per cent.) in Europe, Africa and the Middle East, and 29 per cent. (1999: 26 per cent.) in Asia and the Far East. In 2000, the Group extended its operations into nine new countries which increased the total number of countries in which it operated to 94 (1999: 85). In 2000, 34 per cent. (1999: 34 per cent.) of revenues were generated in the United States, 14 per cent. (1999: 15 per cent.) in the United Kingdom and 14 per cent. (1999: 13 per cent.) in Hong Kong. No other individual country or reporting unit accounted for more than 10 per cent. of revenues in either 2000 or 1999.

Revenues from the Americas increased by £20.2 million or 7.1 per cent. at comparable rates in 2000 over 1999, primarily due to growth in Caleb Brett and ETL SEMKO in the United States. The growth rate was 14.1 per cent. at actual rates due to currency translation gains caused by the strength of the US dollar against sterling.

Revenues from Europe, Africa and the Middle East increased by £2.7 million or 4.9 per cent. at comparable rates in 2000 over 1999. Growth in revenues in Europe from outsourcing work and acquisitions was partially offset by the termination of the Nigerian inspection programmes in March 1999 and the cessation of a short term food aid programme for Russia, which boosted Caleb Brett revenues in 1999. The growth rate was 2.3 per cent. at actual rates due to currency translation losses caused by the strength of sterling against other European currencies.

In Asia and the Far East, revenues increased by £24.3 million or 19.1 per cent. at comparable rates, in 2000 over 1999 due to strong growth in textile and toy testing in Labtest and growth in Caleb Brett and ETL SEMKO. The growth rate was 26.9 per cent. at actual rates due to currency translation gains as the Hong Kong dollar reflected the strength of the US dollar against sterling.

Operating costs before exceptional items – Group

In 2001 the Group adopted Financial Reporting Standard 17: Retirement benefits. This resulted in an increased pension cost of £0.3 million in 2001. This additional cost was charged to operating costs in central overheads. The adoption of FRS 17 resulted in an increased pension credit of £45,000 in the three months ended 31 March 2002, which was allocated to central overheads. In order to give a like-for-like comparison with prior years, operating costs for the three months ended 31 March 2001, and the 2000 and 1999 financial years have been restated to include the impact of FRS 17. This resulted in an additional charge to operating costs in central overheads of £0.1 million in the three months ended 31 March 2001, £0.8 million in 2000 and £0.4 million in 1999.

Three months ended 31 March 2002 compared with the three months ended 31 March 2001

Operating costs increased by £2.6 million to £93.7 million in the three months ended 31 March 2002 over the three months ended 31 March 2001. At comparable rates, revenues increased by 5.5 per cent. in the three months ended 31 March 2002 over the corresponding period in 2001 and operating costs increased by 3.5 per cent. which reflects the cost cutting measures described above in "— Factors affecting results of operations — Cost of sales".

2001 compared with 2000

Operating costs for continuing operations increased by £43.7 million or 13.1 per cent. to £382.9 million in 2001 over 2000 (restated). At actual rates, the increase in operating costs was broadly in line with the 13.3 per cent. increase in revenues.

2000 compared with 1999

Operating costs for continuing operations in 2000 increased by £35.6 million or 12 per cent. to £339.2 million in 2000 over 1999. This increase was broadly in line with the increase in revenues across the divisions.

Operating profit before exceptional items – Group

Three months ended 31 March 2002 compared with the three months ended 31 March 2001

The table below compares the Group's operating profit before exceptional items, by division, for the three months ended 31 March 2001 and the three months ended 31 March 2002 at actual and comparable exchange rates:

	Three months ended 31 March 2001 £m	Three months ended 31 March 2002 £m	Growth £m	Actual %	Comparable %
Labtest	5.4	7.0	1.6	29.6	29.6
Caleb Brett	3.8	3.9	0.1	2.6	5.2
ETL SEMKO	3.6	3.5	(0.1)	(2.8)	(2.8)
Foreign Trade Standards	1.3	2.2	0.9	69.2	69.2
Central overheads	(1.1)	(1.4)	(0.3)	(27.3)	(36.3)
Total	13.0	15.2	2.2	16.9	17.7

Operating profit from continuing operations grew by £2.2 million or 17.7 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. The growth was principally driven by increased revenues in Labtest and FTS and a reduced cost base in the Americas in Caleb Brett.

2001 compared with 2000

The table below compares the Group's operating profit before exceptional items, by division, for 2000 and 2001 at actual and comparable exchange rates:

	2000	2001	Growth	Actual	Comparable
	£m	£m	£m	%	%
Labtest	27.8	34.2	6.4	23.0	21.7
Caleb Brett	16.6	16.5	(0.1)	(0.6)	(0.6)
ETL SEMKO	15.0	14.0	(1.0)	(6.7)	(9.0)
Foreign Trade Standards	5.8	9.3	3.5	60.3	60.3
Sub total	65.2	74.0	8.8	13.5	12.3
Central overheads	(6.0)	(5.5)	0.5	8.3	8.3
Total	59.2	68.5	9.3	15.7	14.3

Operating profit from continuing operations grew by £9.3 million or 14.3 per cent. at comparable rates in 2001 over 2000. The growth was 15.7 per cent. at actual rates. The growth was driven principally by Labtest and FTS, offset in part by declines in Caleb Brett and ETL SEMKO.

2000 compared with 1999

The table below compares the Group's operating profit before exceptional items, by division, for 1999 and 2000 at actual and comparable exchange rates:

	1999	2000	Growth	Actual	Comparable
	£m	£m	£m	%	%
Labtest	21.6	27.8	6.2	28.7	19.5
Caleb Brett	14.8	16.6	1.8	12.2	9.9
ETL SEMKO	12.4	15.0	2.6	21.0	16.6
Foreign Trade Standards	3.1	5.8	2.7	87.1	81.2
Sub total	51.9	65.2	13.3	25.6	19.8
Central overheads	(4.3)	(6.0)	(1.7)	(39.5)	(33.3)
Total	47.6	59.2	11.6	24.3	18.6

Operating profit from continuing operations grew by £11.6 million or 18.6 per cent. at comparable rates in 2000 over 1999. The growth was 24.3 per cent. at actual rates. All operating divisions contributed to this growth, particularly Labtest, in which growth in textile and toy testing continued. Caleb Brett benefited from new outsourcing work, and telecommunications testing increased in ETL SEMKO. Existing and new FTS programmes contributed to the growth in operating profit.

Amortisation of goodwill – Group

The table below sets forth the Group's amortisation of goodwill, by division for 1999, 2000, 2001, the three months ended 31 March 2001 and the three months ended 31 March 2002:

	1999	2000	2001	Three months ended 31 March 2001	Three months ended 31 March 2002
	£m	£m	£m	£m	£m
Caleb Brett	0.7	0.8	0.9	0.2	0.1
ETL SEMKO	0.1	0.3	0.3	0.1	0.1
Foreign Trade Standards	—	—	0.1	—	—
Total	0.8	1.1	1.3	0.3	0.2

Exceptional items – Group

Operating exceptional items

	1999	2000	2001
	£m	£m	£m
Caleb Brett			
Provision against Nigerian invoices	(0.5)	—	—
Payments from Nigerian government	2.3	—	—
EPA fine and costs	—	(2.7)	(1.2)
Impairment of goodwill	—	—	(3.1)
	1.8	(2.7)	(4.3)
ETL SEMKO			
Restructuring costs	—	—	(2.3)
Foreign Trade Standards			
Provision against Nigerian invoices	(8.0)	(2.6)	—
Payments from Nigerian government	19.3	12.2	—
Sub total	11.3	9.6	—
Restructuring costs	(2.6)	—	—
Provision against Argentine invoices	—	—	(4.1)
	8.7	9.6	(4.1)
Total continuing operations	10.5	6.9	(10.7)
Discontinued operations			
Bondar Clegg restructuring	(2.2)	—	—
Environmental Testing EPA fines and costs	(2.8)	(7.8)	(15.8)
Environmental Testing recovery of EPA costs	—	—	3.4
Total discontinued operations	(5.0)	(7.8)	(12.4)
Total operating exceptional items	5.5	(0.9)	(23.1)

Operating exceptional items – Continuing operations

Caleb Brett

The exceptional charge of £3.1 million in 2001 related to accelerated amortisation of the goodwill acquired in 1998 in connection with the acquisition of four companies in Belgium. The acquired goodwill was being amortised over an estimated useful life of 20 years. Revenues and operating profit from these companies have been lower than was anticipated on acquisition and are not expected to improve significantly in 2002. In 2001, following the departure of several key employees, the division lost revenues in certain important business sectors and does not expect to regain this work. After carrying out an impairment review, the Group considered that the net realisable value of each of these four companies was nil and therefore the Group has made an exceptional amortisation charge of £3.1 million to reduce the carrying value of goodwill applicable to these companies to nil. The Company intends to liquidate these companies in due course.

The exceptional charges of £2.7 million in 2000 and £1.2 million in 2001 related to legal fees and a fine in connection with investigations by the EPA in the United States. There were two investigations, one in Linden, New Jersey and one in Puerto Rico. The investigation in Linden, New Jersey was concluded in 2000 and a fine of £0.7 million was agreed. A provision was made for the full amount of the fine in 2000. The investigation in Puerto Rico is ongoing and is described in further detail in paragraph 15(c) of Part VIII: Additional Information in this document.

The exceptional credit of £1.8 million in 1999 related to cash received from the Nigerian government less invoices raised for an oil-export monitoring programme. Due to delays in receiving payments from the Nigerian government, in 1997 the Group adopted a policy of making full provision against unpaid invoices. The provision for each year was charged to the profit and loss account as an exceptional cost and the associated debt was removed from working capital. When payments were received, they were credited as exceptional income in the period in which the cash was received. This programme was cancelled by the Nigerian government on 31 March 1999, and the Group received full payment for the remaining debt in 1999.

ETL SEMKO

The exceptional cost of £2.3 million in 2001 related to the costs of restructuring the ETL SEMKO division. The reduced demand for telecommunications testing caused by the downturn in the industry resulted in excess facilities and personnel. Two facilities in the United States and one in Sweden were closed in 2001, and the GSM testing programme in the United Kingdom was discontinued in the same period. This resulted in lease termination costs, redundancy costs for employees and the impairment of obsolete equipment.

FTS

The exceptional charge of £4.1 million in 2001 was a provision against unpaid invoices issued to the Argentine government for pre-shipment inspections. FTS received some payments from the government in 2001 but these have been irregular and for small amounts. In September 2001, the pre-shipment inspection programme effectively ended. The unpaid invoices at 31 December 2001 totalled £4.1 million and full provision was made against this amount. FTS is vigorously pursuing the recovery of the outstanding debt.

The exceptional credits of £9.6 million in 2000 and £11.3 million in 1999 related to cash received from the Nigerian government less invoices raised for pre-shipment inspections. Due to delays in receiving payments from the Nigerian government for work on the Nigerian pre-shipment inspection programmes, in 1997 the Group adopted a policy of making full provision against unpaid invoices. The provision for each year was charged to the profit and loss account as an exceptional cost and the associated debt was removed from working capital. When payments were received, they were credited as exceptional income in the period in which the cash was received.

From 31 March 1999, the Nigerian government cancelled its pre-shipment inspection programme. Due to the significant size of the outstanding receivables from the Nigerian government, shortly before the cessation of the programme, FTS only carried out inspections if it first received payment from exporters or importers in advance of FTS being paid by the Nigerian government. In the period January to March 1999, FTS collected £5.0 million of such payments which are held as creditors in the balance sheet.

In September 1999, the new government in Nigeria re-introduced a pre-shipment inspection programme. FTS is participating in this programme, but since regular payments are received from the government, the Group stopped making exceptional provisions for unpaid invoices issued in respect of the new government pre-shipment inspection programme.

Following the termination of the previous Nigerian inspection programmes in 1999, the Group restructured the FTS division at a cost of £2.6 million. These costs were mostly attributable to personnel redundancies and relocation costs.

Operating exceptional items – Discontinued operations

Bondar Clegg

The exceptional charge of £2.2 million in 1999 related to the restructuring of the Bondar Clegg minerals testing division prior to it being sold in 2000. The costs related to termination payments and closure costs.

ITS Environmental

The exceptional costs of £2.8 million in 1999, £7.8 million in 2000 and £15.8 million in 2001 related to costs incurred as a result of an investigation by the EPA in the United States into data manipulation at the Richardson laboratory of ITS Environmental. The costs in 1999 and 2000 were mostly related to legal and professional fees. The costs in 2001 comprised £3.5 million for legal fees and £12.3 million for fines imposed by the EPA. The criminal investigation was resolved in 2001 and a fine of US$9.0 million (£6.2 million) was agreed. The civil investigation was concluded in March 2002 and a fine of US$8.7 million (£6.1 million) was agreed. The credit of £3.4 million in 2001 related to amounts received from insurers in reimbursement of costs incurred in connection with the civil investigation. The Group received £0.7 million in 2001 and £2.7 million in February 2002 which covered costs through September 2001. Further reimbursements are expected, and the Group is also pursuing possible rights of recovery against its former parent, Inchcape plc, but it has not included a provision for these potential recoveries in the Group's financial statements. The Group sold the ITS Environmental operations in 1998. This matter is discussed further in paragraph 15(a) of Part VIII: Additional Information.

Non-operating exceptional items

	1999	2000	2001
	£m	£m	£m
Net gains/(losses) on disposal of operations			
Caleb Brett	—	(0.5)	—
ETL SEMKO	2.4	—	—
Foreign Trade Standards	—	(2.6)	—
Total continuing businesses	2.4	(3.1)	—
Bondar Clegg			
Proceeds from disposals	—	1.8	—
Less net assets	—	(6.0)	—
Less closure costs	—	(1.0)	—
Less attributable goodwill	—	(6.9)	—
Net loss on disposal and closure of division	—	(12.1)	—
Total non-operating exceptional items	2.4	(15.2)	—

Non-operating exceptional items – Continuing operations

Caleb Brett

In 2000, Caleb Brett sold a small loss adjusting business in Chile for £0.2 million. Goodwill of £0.6 million that was previously written off to reserves was transferred to the profit and loss account, resulting in an exceptional charge of £0.4 million. Caleb Brett also incurred a loss of £0.1 million when a small company in Thailand in which the Group had a 49 per cent. interest was liquidated.

ETL SEMKO

In 1999, ETL SEMKO sold its compliance engineering magazine business in the United States for net consideration of £3.3 million. Goodwill of £1.1 million that was previously written off to reserves was transferred to the profit and loss account, resulting in an exceptional credit of £2.2 million. This was a non-core business which generated revenues of £0.3 million and a small loss in the first quarter of 1999.

In 1999, ETL SEMKO sold its quality management business in Sweden to a German company in which the Group retains a 49 per cent. interest. In order to facilitate the acquisition of an electrical safety testing business from ERA Technology, the Group sold 20 per cent. of its interest in a testing and certification facility in the United Kingdom to the British Electrotechnical Approvals Board. These disposals generated net income of £0.2 million.

FTS

In 2000, FTS sold its technical services business in the United States for its net asset value of £1.0 million. Goodwill of £2.6 million that was previously written off to reserves was transferred to the profit and loss account, resulting in an exceptional charge of £2.6 million. This was a non-core business which generated revenues of £0.7 million to the date of disposal in 2000 (1999: £4.3 million) and no profit in 2000 or 1999.

Non-operating exceptional items – Discontinued operations

Bondar Clegg

Bondar Clegg, the Group's minerals testing division, was sold at the beginning of 2000. The net assets of businesses in North and South America and Africa were sold for proceeds of £1.8 million, which generated a net loss of £4.2 million. In addition, the Group incurred termination and closure costs of £1.0 million. After deducting goodwill of £6.9 million that was previously written off to reserves, the total exceptional loss on disposal was £12.1 million. The division generated revenues of £0.7 million to the date of closure in 2000 (1999: £11.3 million) and an operating loss of £0.7 million to the date of closure in 2000 (1999: £(2.1) million).

Operating and financial review by division

Set out below is a discussion of the performance of each of the Group's operating divisions for the three months ended 31 March 2002 compared with the three months ended 31 March 2001, 2001 compared with 2000 and 2000 compared with 1999. The operating profit by division given below is before operating exceptional items.

Labtest

	1999	2000	Growth	2001	Growth	Three months ended 31 March 2001	Three months ended 31 March 2002	Growth
	£m	£m	£m/%	£m	£m/%	£m	£m	£m/%
Revenues	78.3	94.0	15.7	108.5	14.5	22.8	25.4	2.6
Actual growth			20.1%		15.4%			11.4%
Comparable growth			14.6%		13.4%			12.3%
Operating profit........	21.6	27.8	6.2	34.2	6.4	5.4	7.0	1.6
Actual growth			28.7%		23.0%			29.6%
Comparable growth			19.6%		21.7%			29.6%
Operating margin	27.6%	29.6%		31.5%		23.7%	27.6%	

Three months ended 31 March 2002 compared with the three months ended 31 March 2001

Revenues

Revenues in Labtest increased £2.6 million, or 12.3 per cent. at comparable rates, in the three months ended 31 March 2002 over the three months ended 31 March 2001 driven primarily by the continued growth in demand for textile and toy testing in Asia and to a lesser extent in Europe.

Revenues from inspection and Code of Conduct work also increased in the three months ended 31 March 2002 over the three months ended 31 March 2001, due to increased volumes of inspections.

Operating profit

Operating profit in Labtest increased £1.6 million or 29.6 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. This increase in operating profit was driven by increased revenues, which outpaced the increase in cost of sales.

2001 compared with 2000

Revenues

Revenues in Labtest increased £14.5 million, or 13.4 per cent. at comparable rates, in 2001 over 2000, driven by growth in demand for textile and toy testing, as well as increases in the inspection of consumer goods in Asia. The division experienced growth in its established operations in Shanghai and Shenzhen and a new hardlines testing laboratory was established in Shanghai, both reflecting the migration of testing from Hong Kong to China. In addition, a new textile facility was opened in Guangzhou in 2001. Operations in Europe experienced an increase in revenues of £2.0 million in 2001 over 2000 from textile testing in Turkey and an increase of £0.5 million in 2001 over 2000 from inspection operations in Germany. Revenues from risk analysis and management work in the United States increased by £1.2 million in 2001 over 2000 due to an increased volume of work. Worldwide revenues from Code of Conduct work increased by £2.5 million in 2001 over 2000.

Operating profit

Operating profit in Labtest increased £6.4 million or 21.7 per cent. at comparable rates in 2001 over 2000. This increase was mainly driven by increased revenues from textile testing, inspection of consumer goods and Code of Conduct work, as well as other revenue increases. Growth in operating profit from toy testing was reduced by the start up costs of new laboratories in Shanghai and Germany. Labtest's operating margin increased from 29.6 per cent. in 2000 to 31.5 per cent. in 2001, partly due to the increase in higher margin work, such as Code of Conduct work, and partly due to the shift in work from Hong Kong to China, where operating costs are lower.

2000 compared with 1999

Revenues

Revenues in Labtest increased £15.7 million, or 14.6 per cent. at comparable rates, in 2000 over 1999. Demand for textile and toy testing continued to grow in 2000, and Code of Conduct work, which was a new sector of inspection in Labtest, added £2.9 million to revenues in 2000.

Operating profit

Operating profit in Labtest increased £6.2 million or 19.6 per cent. at comparable rates in 2000 over 1999. This increase was mainly driven by revenues from textile and toy testing and from Code of Conduct work, as well as other revenue increases.

Caleb Brett

	1999	2000	Growth	2001	Growth	Three months ended 31 March 2001	Three months ended 31 March 2002	Growth
	£m	£m	£m/%	£m	£m/%	£m	£m	£m/%
Revenues	137.2	157.5	20.3	176.0	18.5	42.6	41.7	(0.9)
Actual growth			14.8%		11.7%			(2.1)%
Comparable growth			12.2%		10.1%			—
Operating profit	14.8	16.6	1.8	16.5	(0.1)	3.8	3.9	0.1
Actual (decline)/growth			12.2%		(0.6%)			2.6%
Comparable (decline)/growth			9.9%		(2.5%)			5.2%
Operating margin	10.8%	10.5%		9.4%		8.9%	9.4%	

Three months ended 31 March 2002 compared with the three months ended 31 March 2001

Revenues

Revenues in Caleb Brett declined £0.9 million or 2.1 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. This decline in revenues was primarily attributable to the United States where increased revenues from outsourcing were more than offset by reduced volumes of inspection and testing. This resulted mainly from a decrease in the consumption of petroleum products caused by the relatively warm winter, but also from increased consumption of natural gas due to low gas prices, which does not generate any inspection or testing work for Caleb Brett. Revenues in Lithuania, Azerbaijan, Kazakhstan and the Middle East increased by £0.7 million in the three months ended 31 March 2002 over the three months ended 31 March 2001 due to increased volumes of inspection and testing in those countries. Revenues in Singapore increased by £0.8 million in the three months ended 31 March 2002 over the three months ended 31 March 2001 due to increased volumes of inspection and inspection related testing.

Operating profit

Notwithstanding the decline in revenues, operating profit increased by £0.1 million or 5.2 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. This was primarily due to the reduced cost base in the United States, Canada and Mexico which resulted from the restructuring programme implemented at the end of 2001.

Acquisitions

On 14 March 2002, the Group paid £1.0 million for a founding investment in Neolytica, a web-enabled, single point of contact for outsourcing and contracting analytical testing services. See Part III: Business Description. The Group's investment in Neolytica is included within "Investments" on its balance sheet at 31 March 2002.

2001 compared with 2000

Revenues

Revenues in Caleb Brett increased £18.5 million, or 10.1 per cent. at comparable rates, in 2001 over 2000. This was mainly due to increased revenues of £7.5 million in the United States for the period, where consumption of petroleum products grew strongly in the first half of 2001. The fuel oil market in the United States began to decline in the second half of 2001 and revenue growth slowed. Caleb Brett's business was also adversely affected by the terrorist attack in New York on 11 September 2001. Ship movements in New York were stopped for over a week and many other ports closed for a few days. Travel restrictions and enhanced security measures reduced the level of activity throughout the United States and disrupted courier deliveries of samples to laboratories around the world. Recently, the petroleum market in the United States has suffered from an increase in natural gas consumption, mainly driven by low gas prices. Natural gas does not generate any inspection or testing work for Caleb Brett.

European revenues in 2001 benefited from a full year's income from new businesses in France and Norway which were acquired in the last quarter of 2000 and accounted for £2.7 million of the increase in 2001 over 2000. Revenues in 2001 also increased by £0.5 million in 2001 over 2000 due to the Group's outsourcing contract in the United Kingdom with BP, which commenced in March 2000. Revenues in countries of the former Soviet Union increased by £1.7 million in 2001 over 2000 due to work obtained by new laboratories and inspection facilities in Azerbaijan and Kazakhstan.

In order to develop the Caleb Brett business in Singapore, the regional management team relocated to Singapore in 2001. This resulted in increased revenues of £1.5 million in 2001 over 2000 from hydrocarbon inspections and inspection related testing from the Group's major clients in Singapore. Revenues from outsourcing also increased in Asia by £0.4 million in 2001 over 2000 notwithstanding reduced growth in Indonesia and the Philippines, reflecting the depressed economies in those countries.

Operating profit

Operating profit decreased £0.1 million, or 2.5 per cent. at comparable rates, in 2001 over 2000. The decrease was mainly attributable to revenues in the United States where revenues decreased in the third quarter of 2001, caused by the disruption to business which followed the terrorist attacks, but operating expenses remained unchanged. Operating income in the United States benefited from price increases and market growth in the first part of 2001 but was adversely affected by Hurricane Allison, which hit the Gulf Coast in June 2001, increased health insurance costs, reduced coal testing in Western Canada (in relation to the Americas) and start up costs on new outsourcing agreements. Operating income increased in the former Soviet Union countries and the Middle East due to increased volume of business. Operating income from the new businesses in France and Norway also contributed to the growth in operating income in Europe. Operating income was adversely affected by expansion in Singapore, due to the costs associated with the relocation of the Asia regional management team.

Acquisitions

Caleb Brett made five small acquisitions in 2001 at a total cost of £0.1 million. These acquisitions expanded Caleb Brett's range of services and geographic spread. They did not have a significant impact on revenues or operating profit in 2001.

2000 compared with 1999

Revenues

Revenues in Caleb Brett increased £20.3 million, or 12.2 per cent. at comparable rates, in 2000 over 1999. Revenues from the Americas grew strongly in 2000, primarily due to the sustained growth of the economy in the United States that resulted in increased consumption of petroleum products. Caleb Brett also gained a new coal sampling and analysis contract in Canada. Revenues in Europe benefited from more outsourcing work, including a new outsourcing agreement with BP in the United Kingdom which commenced in March 2000. The European Commission's Russian Food Delivery Programme that benefited revenues in 1999 did not continue in 2000 and had a negative impact on growth. While the market in Asia continued to fluctuate in 2000, in certain countries, such as Singapore and Malaysia, the Group experienced good results. The regional head office for Caleb Brett Asia moved from Australia to Singapore in 2001.

Operating profit

Operating profit increased £1.8 million, or 9.9 per cent. at comparable rates, in 2000 over 1999. Growth was largely driven by increased margins in the United States and outsourcing work in Europe and the United States, offset in part by the cessation of the European Commission's food aid programme in Russia and the oil export monitoring programme in Nigeria.

Acquisitions and disposals

Caleb Brett made four small acquisitions in 2000 at a total cost of £1.4 million. These acquisitions expanded Caleb Brett's range of services and geographic spread, but did not have a significant impact on revenues and operating profit in 2000. In 2000, Caleb Brett sold a small loss-adjusting business in Chile for £0.2 million, and a small loss-making business in Thailand in which the Group had a 49 per cent. interest ceased operating.

ETL SEMKO

	1999	2000	Growth	2001	Growth	Three months ended 31 March 2001	Three months ended 31 March 2002	Growth
	£m	£m	£m/%	£m	£m/%	£m	£m	£m/%
Revenues	88.2	99.5	11.3	109.0	9.5	26.5	26.9	0.4
Actual growth			12.8%		9.5%			1.5%
Comparable growth			7.9%		6.5%			1.5%
Operating profit	12.4	15.0	2.6	14.0	(1.0)	3.6	3.5	(0.1)
Actual (decline)/ growth			21.0%		(6.7%)			(2.8)%
Comparable (decline)/ growth			16.6%		(9.0%)			(2.8)%
Operating margin	14.1%	15.1%		12.8%		13.6%	13.0%	

Three months ended 31 March 2002 compared with the three months ended 31 March 2001

Revenues

Revenues in ETL SEMKO increased £0.4 million or 1.5 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. Revenues in Asia increased by £1.2 million in the three months ended 31 March 2002 over the three months ended 31 March 2001, mainly due to the continued growth in the market for safety testing of household products and appliances manufactured in Hong Kong, China, Taiwan and Korea for export to North America and Europe. Revenues in Europe remained flat with growth in Sweden where there was increased demand for safety testing of domestic appliances and electronic goods and components and Italy where safety testing of domestic appliances increased, offset by a decline in the United Kingdom resulting from fewer tests of telecommunications equipment. Revenues in the United States declined in the three months ended 31 March 2002 compared with the three months ended 31 March 2001, primarily due to reduced volumes of testing caused by the severe slowdown of the telecommunications market and, to a lesser extent, the semi-conductor market, which became very pronounced in the second half of 2001. Revenues from the testing of HVAC equipment increased in the three months ended 31 March 2002 over the three months ended 31 March 2001.

Operating Profit

Operating profit decreased £0.1 million, or 2.8% at comparable rates, in the three months ended 31 March 2002 compared with the three months ended 31 March 2001. Operating profit remained flat in Europe, and declined in the Americas, primarily due to the reduced volume of revenues. The cost base in the United States was reduced at the end of 2001 and this has had a positive impact on the operating profit in the three months ended 31 March 2002.

Acquisitions

On 12 April 2002, the Group acquired the assets and operations of the Consumer's Association Research and Testing Centre in the United Kingdom. This acquisition will provide a base for ETL SEMKO to expand its services into performance testing for the government and retailers in the United Kingdom. The consideration paid was £1.

2001 compared with 2000

Revenues

Revenues in ETL SEMKO increased £9.5 million, or 6.5 per cent. at comparable rates, in 2001 over 2000. The growth in revenues was mainly driven by the continued growth in the market for safety testing of household products and home appliances in Hong Kong, China, Taiwan and Korea. In total, revenues in Asia increased by £6.4 million in 2001 over 2000. The acquisition of a new laboratory in Japan in December 2000 also contributed £1.0 million additional revenue in 2001 over 2000. Revenues in the United States remained static. Semi-conductor testing revenues increased in the first half of 2001 but declined in the second half. The ISO 9000 business in the United States was adversely affected by the travel disruptions following the terrorist attack in New York in September 2001. Customers and ETL SEMKO's inspectors were unable to travel to carry out assessments and shipments of products to be tested were cancelled or delayed. The telecommunications market has suffered a severe slowdown and the resulting reduction in EMC testing has also caused the Group's EMC testing facilities to be under utilised. The Group's building material certification business also suffered from reduced volumes and increased price competition. Revenues increased in Sweden by £0.8 million in 2001 over 2000, due to increased business from safety testing of industrial products and from consultancy services. The Group's GS certification business in Germany also increased in 2001 over 2000, but this increase was offset by a decline in revenues of £0.2 million in 2001 over 2000 in the United Kingdom caused by the slowdown in the telecommunications market.

Operating profit

Operating profit decreased £1.0 million, or 9.0 per cent. at comparable rates, in 2001 over 2000. The decrease was in the Americas and Europe and was principally due to a reduced volume of business relating to the telecommunications market, which resulted in under utilisation of personnel and facilities without a corresponding reduction in costs. A major restructuring programme was implemented at the end of 2001. Headcount in the United States was reduced by 5 per cent. and two facilities in the United States and one in Sweden were closed. The Group's GSM (global system for mobile communications) programme in the United Kingdom was also discontinued. The restructuring resulted in lease termination costs, separation costs for employees and the impairment of obsolete equipment. The cost of the restructuring was £2.3 million, and this charge was reported as an operating exceptional item.

Operating profit in Asia increased in 2001 over 2000 as a result of higher revenues.

2000 compared with 1999

Revenues

Revenues in ETL SEMKO increased £11.3 million, or 7.9 per cent. at comparable rates, in 2000 over 1999. Revenues in 1999 included £2.5 million from magazine and quality management businesses in which controlling interests were sold in 1999. In June 2000, the Federal Communications Commission ("FCC") in the United States designated ETL SEMKO, Americas as a Telecommunications Certification Body. This allows ETL SEMKO to test and certify information technology and telecommunications equipment against FCC requirements. The market for telecommunications testing in the United States grew strongly for the first nine months of 2000 and then declined towards the end of the year, reflecting the volatility of demand in the technology sector. The semi-conductor market grew strongly in 2000, which benefited revenues in the United States and the United Kingdom. The strong economy in the United States resulted in low unemployment, and ETL SEMKO experienced problems in retaining and recruiting skilled technical staff in certain operations. Revenues in Asia continued to show strong growth and new operations opened in Korea and Shanghai during 2000.

Operating profit

Operating profit increased £2.6 million, or 16.6 per cent. at comparable rates, in 2000 over 1999. This was principally due to the acquisitions in 1999 and 2000 discussed below and to improved margins from economies of scale in Hong Kong. The Group's operating company in Sweden was awarded a refund of pension contributions of approximately £2.8 million, of which £0.5 million was recognised in 2000 and the balance will be spread over the next six years.

Acquisitions

ETL SEMKO acquired three businesses in 2000 for total consideration of £0.7 million. In March 2000, the assets of a small laboratory in Italy were acquired from Electrolux. This laboratory carries out electro-magnetic compatability ("EMC") testing for Electrolux and others, providing ETL SEMKO with a facility in the Italian market. Also in March 2000, ETL SEMKO acquired the radio communications testing operation of ERA Technology in the United Kingdom. This operation was merged into the Group's existing facility in Leatherhead, England. Capital expenditure of £1.0 million was made to upgrade the testing facility and equipment. In December 2000, ETL SEMKO acquired a laboratory business in Japan, which has test facilities for EMC, telecom and safety testing. This was merged with the Group's existing operation in Japan and resulted in integration costs in 2001.

FTS

	1999	2000	Growth	2001	Growth	Three months ended 31 March 2001	Three months ended 31 March 2002	Growth
	£m	£m	£m/%	£m	£m/%	£m	£m	£m/%
Revenues	47.5	47.4	(0.1)	57.9	10.5	12.2	14.9	2.7
Actual (decline)/growth			(0.2)%		22.2%			22.1%
Comparable (decline)/ growth			(3.1)%		22.2%			23.8%
Operating profit	3.1	5.8	2.7	9.3	3.5	1.3	2.2	0.9
Actual growth			87.1%		60.3%			69.2%
Comparable growth			81.2%		60.3%			69.2%
Operating margin	6.5%	12.2%		16.2%		10.7%	14.8%	

Three months ended 31 March 2002 compared with the three months ended 31 March 2001

Revenues

Revenues in FTS increased £2.7 million or 23.8 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. The increase in revenues in the three months ended 31 March 2002 over the three months ended 31 March 2001 was attributable to the pre-shipment inspection programme in Nigeria, which expanded in the latter part of 2001, increased inspections for SASO and the pre-shipment inspection programme in Kenya, which was just beginning in the three months ended 31 March 2001. The comparison with the three months ended 31 March 2001 was affected by the discontinued programmes in Uganda and Argentina, which generated revenues of £1.6 million in the three months ended 31 March 2001. The economic and political instability in Bangladesh was responsible for a decline in revenues of £0.2 million in the three months ended 31 March 2002 over the three months ended 31 March 2001.

Operating Profit

Operating profit in FTS increased £0.9 million or 69.2 per cent. at comparable rates in the three months ended 31 March 2002 over the three months ended 31 March 2001. This increase in operating profit was primarily due to increased revenues resulting from higher volumes of inspections, especially in Nigeria, partially offset by a withholding tax liability and increased provisions against receivables.

2001 compared with 2000

Revenues

Revenues in FTS increased £10.5 million, or 22.2 per cent. at comparable rates, in 2001 over 2000. The increase was due to new pre-shipment inspection programmes in Kenya and Bangladesh and increased volumes of inspections under the standards testing contract in Saudi Arabia and the pre-shipment inspection programme in Nigeria. Significant improvements in the enforcement of the standards testing programme in Saudi Arabia and an increase in the scope of regulated products contributed to the growth in revenues from this contract. In October 2001, FTS's zone of the Nigerian programme, where the contract is awarded based on the origin of the goods being imported into Nigeria, was extended to include two new countries. This increased the volume of inspections and therefore the revenues generated by this programme.

The pre-shipment inspection programme in Uganda, which generated revenues of £2.2 million in 2001 (2000: £2.7 million), was cancelled by the Ugandan government. The pre-shipment inspection programme in Georgia, which generated revenues of £2.4 million in 2001 (2000: £3.2 million), was scheduled to end in December 2001, but was extended for a further three months to the end of March 2002. This contract has now ended. The pre-shipment inspection programme in Argentina declined during 2001 and ended at the end of the year. This programme generated revenues of £1.9 million in 2001 (2000: £4.2 million).

Operating profit

Operating profit in FTS increased £3.5 million, or 60.3 per cent. at comparable rates, in 2001 over 2000. This was mainly due to higher revenues and improved operating efficiencies. In September 2001, an exceptional provision was made against unpaid invoices due to delays in receiving payments from the Argentine government. This amounted to £4.1 million at 31 December 2001 and it was charged to the Group's profit and loss account as an exceptional operating item. FTS is vigorously pursuing the recovery of the outstanding debt.

2000 compared with 1999

Revenues

Revenues in FTS decreased £0.1 million, or 3.1 per cent. at comparable rates, in 2000 over 1999. The decrease in revenues was attributable to the disposal of the technical services operation and the cessation of programmes in Ghana and Colombia, notwithstanding revenues from new programmes in Nigeria, Georgia and Bangladesh and existing programmes in Saudi Arabia, Ecuador and Mozambique.

Operating profit

Operating profit in FTS increased £2.7 million, or 81.2 per cent. at comparable rates, in 2000 over 1999, driven by new programmes in Nigeria and Bangladesh, notwithstanding the termination of contracts in Ghana and Colombia.

Disposals

In 2000, FTS sold its technical services operation in the United States for its net asset value of £1.0 million. This was a non-core business which generated revenues of £0.7 million to the date of disposal in 2000 (1999: £4.3 million) and no profit in 2000 or 1999.

Central overheads – Group

Central overheads comprise the costs of the Group's corporate head office in London, the tax and human resources team in the United States and costs associated with non-trading holding companies. Principally, these costs comprise salaries, property rental, travel and legal and professional fees. In 2001, the Group adopted Financial Reporting Standard 17: Retirement benefits. This resulted in an increased pension cost of £0.3 million in 2001 which was charged to operating costs in central overheads and increased pension costs of £45,000 in the three months ended 31 March 2002 which was credited against operating costs in central overheads. In order to give a like-for-like comparison with prior years, operating costs for the three months ended 31 March 2001, 2000 and 1999 have been restated to include the impact of FRS 17. This resulted in an additional charge to operating costs in central overheads of £0.1 million in the three months ended 31 March 2001, £0.8 million in 2000 and £0.4 million in 1999.

Overheads increased by £1.7 million, or 39.5 per cent. at comparable rates, to £6.0 million in 2000 over 1999. This was primarily due to the expansion of the internal audit team and increased expenditure on internal control compliance. Central overheads decreased to £5.5 million in 2001. Overheads increased by £0.3 million to £1.4 million in the three months ended 31 March 2002 over the three months ended 31 March 2001. This increase was primarily due to increased rent at the Group's Head Office in London, increased payments to non-executive directors, FRS 17 pension adjustments and foreign exchange losses.

Discontinued operations

Bondar Clegg

Despite extensive restructuring in 1999, the operating results from Bondar Clegg, the Group's minerals testing division, continued to be unsatisfactory and operations in this division ceased at the beginning of 2000. The Bondar Clegg businesses in North and South America, Ghana and Mali were sold for £1.5 million and the operations in Eritrea, Guinea and Burkina Faso were closed. The disposal of fixed assets and inventory in the African operations generated proceeds of approximately £0.2 million. The Bondar Clegg head office in Vancouver was closed in March 2000 and the employment of its personnel was terminated. The operating results for Bondar Clegg up to the date of cessation are reported as discontinued in the financial statements and prior periods have been reclassified to show a comparable historic trend. The division generated revenues of £0.7 million to the date of closure in 2000 (1999: £11.3 million) and an operating loss of £0.7 million to the date of closure in 2000 (1999: £(2.1) million).

Effects of US GAAP adjustments on operating profit

As described in note 7.35 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports, the Group's operating results would be different under US GAAP. The primary US GAAP adjustment affecting the Group's operating results was goodwill amortisation. Under US GAAP, the following amounts would be deducted from continuing operating profit.

	1999	2000	2001
	£m	£m	£m
Labtest	(1.3)	(1.2)	(1.2)
Caleb Brett	(7.7)	(4.5)	(4.8)
ETL SEMKO	(9.2)	(5.3)	(5.6)
Foreign Trade Standards	(1.5)	(0.4)	(0.3)
Central overheads	(0.2)	(0.9)	—
Total adjustment to continuing operating income	(19.9)	(12.3)	(11.9)

Net interest payable

Net interest of £9.2 million was charged in the three months ended 31 March 2002, a decrease of £0.1 million from the charge in the three months ended 31 March 2001. Interest charged on the Senior Term Loan A facility and Senior Term Loan B facility loans was £0.7 million lower in the three months ended 31 March 2002 than in the three months ended 31 March 2001 due to a reduction in interest rates. The interest charged on the Subordinated PIK Debentures was £0.4 million higher in the three months ended 31 March 2002 than in the three months ended 31 March 2001 due to the issue of additional debentures in lieu of interest payments.

Net interest of £39.2 million was charged in 2001, an increase of £3.4 million over the charge in 2000. The increase was due to the issue of Subordinated PIK Debentures in lieu of interest payments, increased use of the Senior Revolver during 2001, foreign exchange losses caused by translating interest on non-sterling borrowings into sterling and refinancing fees.

Net interest of £35.8 million was charged in 2000, an increase of £3.6 million over the charge in 1999. The increase was due to the issue of Subordinated PIK Debentures in lieu of interest payments, increased use of the Senior Revolver during 2000 and foreign exchange losses caused by translating interest on non-sterling borrowings into sterling.

A detailed breakdown of net interest payable is given in note 7.8 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports.

Other finance income

In 2001, the Group adopted FRS 17: Retirement benefits. This resulted in a net credit to other finance income of £0.1 million in the three months ended 31 March 2002. This net credit comprised a credit of £0.6 million for the expected return on pension assets, less a charge of £0.5 million for interest. In order to give a like-for-like comparison with prior years, the three months ended 31 March 2001 has been restated to include the impact of FRS 17. As in the first quarter of 2002, the application of FRS 17 resulted in an additional credit to other finance income of £0.1 million in the three months ended 31 March 2001 which comprised a credit of £0.6 million for the expected return on pension assets, less a charge of £0.5 million for interest.

The Group's adoption in its financial statements for the year ended 31 December 2001 of FRS 17 resulted in a net credit to other finance income of £0.2 million in 2001. This net credit comprised a credit of £2.6 million for the expected return on pension assets, less a charge of £2.4 million for interest.

In order to give a like-for-like comparison with prior years, 2000 and 1999 have been restated to include the impact of FRS 17. This resulted in an additional credit to other finance income of £0.2 million in 2000, which comprised a credit of £2.2 million for the expected return on pension assets, less a charge of £2.0 million for interest, and £0.3 million in 1999, which comprised a credit of £1.7 million for the expected return on pension assets, less a charge of £1.4 million for interest.

Income taxes

In 2001, the Group adopted Financial Reporting Standard 19 ("FRS 19"): Deferred tax. The Group's adoption of FRS 19 did not result in a change to the deferred tax charge in the three months ended 31 March 2002 or the three months ended 31 March 2001. The adoption of FRS 19 did result in an increase in the deferred tax charged to the profit and loss account of £0.1 million in 2001. In order to give a like-for-like comparison with prior years, 2000 and 1999 have been restated to include the impact of FRS 19. This resulted in an additional deferred tax charge of £0.2 million in 2000 and a deferred tax credit of £0.1 million in 1999.

The tax charge in the three months ended 31 March 2002 was £2.9 million, an increase of £0.3 million over the restated charge in the three months ended 31 March 2001. This represented 47.5 per cent. of profit before taxation. The tax rate is higher than the underlying tax rate in the countries in which the Group operates, principally due to its inability to obtain full potential tax relief on interest expense in the United Kingdom and the United States. Excluding interest on the Subordinated PIK Debentures, the Group's tax rate on the tax charge for the three months ended 31 March 2002 was 31.2 per cent. (three months ended 31 March 2001: 39.4 per cent.).

The tax charge in 2001 was £16.7 million, an increase of £5.6 million over the restated charge in 2000. This represented 260.9 per cent. of profit before taxation. The principal factors affecting this high tax rate were the exceptional items and the Group's inability to obtain full potential tax relief on the interest expense in the United Kingdom and the United States. The exceptional items have predominantly occurred in the United Kingdom and the United States and are either permanently disallowable, such as the fines imposed by the Environmental Protection Agency in connection with environmental testing, or are not absorbed by taxable income. Excluding the exceptional items and the interest on the Subordinated PIK Debentures, the Group's tax rate in 2001 on the current year tax charge was 32.9 per cent.

The restated income tax charge in 2000 was £11.1 million, an increase of £1.8 million over the charge in 1999. This represented 163.2 per cent. of profit before taxation in 2000 and 43.3 per cent. in 1999. The tax rate was higher than the underlying tax rate of the territories in which the Group operates, largely due to the inability to obtain full potential tax relief on interest expense in the United Kingdom and the United States and on operating losses in other territories. The location of taxable profits and deductible expenses has a significant impact on the tax charge year by year. Excluding the exceptional items and the interest on the Subordinated PIK Debentures the Group's tax rate on the current year tax charge in 2000 was 32.8 per cent. and in 1999 was 41.6 per cent. See note 7.10 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports.

Minority interests

In the three months ended 31 March 2002, the charge attributable to minority shareholders was £0.7 million (three months ended 31 March 2001: £0.8 million). This comprised a net loss attributable to the minority shareholders of £0.4 million (three months ended 31 March 2001: net income £0.2 million) and dividends paid of £1.1 million (three months ended 31 March 2001: £0.6 million).

In 2001, the charge attributable to minority shareholders was £4.4 million (2000: £3.6 million), which comprised net income attributable to the minority shareholders of £0.9 million (2000: £0.2 million) and dividends paid of £3.5 million (2000: £3.4 million).

In 2000, the charge attributable to minority shareholders was £3.6 million (1999: £3.2 million), which comprised net income attributable to the minority shareholders of £0.2 million (1999: £1.1 million) and dividends paid of £3.4 million (1999: £2.1 million).

Capital expenditures and acquisitions

The Group spent £25.8 million on tangible fixed assets in 2001 (2000: £26.4 million). This was mostly expenditure on laboratory and computer equipment. Items costing more than £1.0 million in 2001 were the ongoing Oracle computer project, which cost £2.3 million, and an electrical testing chamber, which cost £1.0 million.

In 2001, the Group acquired five small businesses for total consideration of £0.1 million and paid deferred consideration of £0.6 million for acquisitions made in prior years. In 2001, the Group paid £1.0 million to Charterhouse General Partners Limited in advisory fees in connection with the acquisition of the Group's business from Inchcape plc in 1996.

The Group has commitments for capital expenditure of £0.9 million at 31 March 2002 and has budgeted approximately £28.5 million for such expenditures in the current financial year.

Historical financial condition and liquidity

The Group's financial condition and liquidity were materially impacted during the years ended 31 December 2000 and 2001 by its high level of indebtedness. Following the Global Offer, the Group expects to reduce significantly its indebtedness and decrease its net interest payable. See Part VII: Pro Forma Financial Information.

At 31 March 2002, the Group had cash of £20.0 million, compared with £23.7 million at 31 December 2001 and £21.3 million at 31 December 2000.

Net cash inflow from operating activities includes operating income after operating exceptional items, before depreciation and other non-cash items, as well as working capital movements. The Group's net cash inflow from operating activities increased by £4.4 million to £11.5 million in the three months ended 31 March 2002 compared with the three months ended 31 March 2001 due to higher operating profit. The Group's net cash inflow from operating activities decreased by £1.5 million to £70.4 million in 2001 compared with 2000, primarily due to costs associated with the EPA investigations.

The Group paid £3.1 million in the three months ended 31 March 2002 which was the first instalment of the criminal fine imposed by the EPA in the United States. The first instalment of the civil settlement of £3.5 million was paid on 18 May 2002. See paragraph 15 of Part VIII: Additional Information. No further instalments are due this year. In the three months ended 31 March 2002 the Group received £2.7 million from its insurers as reimbursement of certain costs incurred in connection with the EPA civil investigation.

The Group spent £3.9 million on tangible fixed assets in the three months ended 31 March 2002 compared with £5.3 million in the three months ended 31 March 2001. This was principally attributable to expenditure on laboratory and computer equipment. In the three months ended 31 March 2002 the Group paid deferred consideration of £0.1 million (three months ended 31 March 2001: £0.5 million) for an acquisition made in 2000 and invested £1.0 million in Neolytica Inc.

In the three months ended 31 March 2002, the Group paid interest and finance charges of £1.7 million (three months ended 31 March 2001: £1.5 million) on its outstanding borrowings and received £0.1 million (three months ended 31 March 2001: £0.1 million) on its cash deposits. These figures exclude interest of £3.2 million (three months ended 31 March 2001: £2.6 million) relating to the Subordinated PIK Debentures, which was funded by a further issue of debentures on the interest due date. The Group paid dividends of £1.1 million to minority Shareholders in the three months ended 31 March 2002 compared with £0.6 million in the three months ended 31 March 2001. In 2001, the Group paid interest and finance charges of £24.9 million (2000: £23.0 million) on outstanding borrowings. These figures exclude interest relating to the Subordinated PIK Debentures, which was funded by further issues of debentures. Dividends of £3.5 million were paid to minority shareholders in 2001 compared with £3.4 million in 2000.

At 31 March 2002, the Group's total borrowings were £351.5 million (31 December 2001: £348.0 million; 31 December 2000: £330.9 million) less unamortised debt issuance costs of £6.5 million (31 December 2001: £6.9 million; 31 December 2000: £8.5 million). A detailed summary of the Group's borrowings is given in note 7.18 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports. Apart from its Senior Revolver, the Group's borrowings are denominated in currencies other than sterling, and are therefore affected by exchange rate fluctuations. In 2001, the Group issued £11.7 million (2000: £9.9 million) of new Subordinated PIK Debentures, which are denominated in US dollars, in lieu of interest payments and a further £3.2 million (three months ended 31 March 2001: £2.6 million) of new Subordinated PIK Debentures were issued in the three months ended 31 March 2001. In 2001, the Group made scheduled repayments of £13.0 million (2000: £6.3 million) on its Senior Term Loan A but there were no scheduled repayments of its Senior Term Loan A in the three months ended 31 March 2001. There were no scheduled repayments of the Senior Subordinated Notes or Senior Term Loan B in 2001 or the three months ended 31 March 2001. The Group utilised a further £12.4 million of its Senior Revolver in 2001, increasing total drawings to £22.4 million (2000: £10.0 million) but repaid £9.9 million in the three months ended 31 March 2001 to reduce its total drawings to £16.5 million at 31 March 2002. To date the Group has drawn a further £1.0

million, leaving £9.6 million available to draw under this facility. In the three months ended 31 March 2002 the Group used £1.0 million of its Senior Term Loan C facility to fund its investment in Neolytica Inc. The Group's total drawings under this facility were £2.8 million at 31 March 2002. This leaves £37.2 million of the Senior Term Loan C facility available for capital expenditure, of which £10.0 million can be used to repay the Senior Revolver.

Following the Global Offer, the Group intends to repay the Existing Debt, in part with amounts drawn down under the New Credit Agreement, as described below in "—Use of Proceeds". Immediately following such repayment, it is expected that approximately £250 million will be drawn down under the New Credit Agreement and approximately £50 million will be available for future borrowing. The New Credit Agreement is described in further detail in paragraph 14.1(b) of Part VIII: Additional Information.

In the opinion of the Company, taking into account the Group's New Credit Agreement and the net proceeds of the Global Offer receivable by the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of this document. However, to the extent that the Directors should desire to increase the Group's financial flexibility and capital resources or choose or be required to fund future capital commitments from sources other than operating cash or from borrowings under existing credit facilities, the Directors may consider raising additional capital by increasing the credit facility or, subject to the lock-up arrangements it has entered into with the Underwriters, through the raising of additional equity. There can be no assurance, however, that additional capital will be available on acceptable terms, if at all.

New Accounting Standards

UK Accounting Standards

FRS 17: Retirement benefits was issued in December 2000 and contains important changes to the accounting for defined benefit pension schemes. FRS 17 is not fully effective until accounting periods ending on or after 22 June 2003 however, the Group has decided to adopt this standard in its financial statements for the year ended 31 December 2001 and the prior year figures for 2000 and 1999 have been restated accordingly. The effect on the Group's operating results of adopting this standard is to increase its pension costs by £0.3 million in 2001, £0.8 million in 2000 and £0.4 million in 1999. Other finance income increased by £0.2 million in 2001, £0.2 million in 2000 and £0.3 million in 1999. A pension asset of £0.1 million (2000: £2.3 million) and a pension liability of £1.6 million (2000: £0.5 million) were included in the Group's balance sheet at 31 December 2001.

FRS 19: Deferred tax replaces SSAP 15: Accounting for Deferred tax and was issued in December 2000. The standard is mandatory for accounting periods ending on or after 23 January 2002. The Group has adopted FRS 19 in its financial statements for the year ended 31 December 2001 and the prior year figures for 2000 and 1999 have been restated accordingly. The effect of adopting this standard on the Group's tax charge is to increase the charge by £0.1 million in 2001 and £0.2 million in 2000 and to reduce the charge by £0.1 million in 1999.

US Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations ("SFAS 141") and No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 141 applies to all business combinations initiated after 30 June 2001 and requires that such combinations be accounted for using the purchase method of accounting. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortised but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortised over their useful lives. The amortisation and non-amortisation provisions of SFAS 142 apply to all goodwill and intangible assets acquired after 30 June 2001. With respect to goodwill and intangible assets acquired prior to 1 July 2001, the Company is required to adopt SFAS 142 effective 1 January 2002. Because of the extensive effort needed to comply with adopting SFAS 141 and 142, it is not practicable to reasonably estimate the impact of adopting these Statements on the Company's financial statements at the date of these listing particulars, including whether any transitional impairment losses will be required to be recognised as the cumulative effect of a change in accounting principle.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("SFAS 143"). SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalises a cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value, and the capitalised cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company is required to adopt SFAS 143 effective 1 January 2003. The Group is currently evaluating the effect, if any, the adoption of SFAS 143, including the transitional provisions, will have on its results of operations and financial position.

Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, addresses financial accounting and reporting for the impairment or disposal of long lived assets ("SFAS 144"). While SFAS 144 supersedes Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("SFAS 121"), it retains many of the fundamental provisions of that Statement. SFAS 144 also supersedes the accounting and reporting provisions of Accounting Practices Board Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS 144 is effective for fiscal years beginning after 15 December 2001 and interim periods within those fiscal years. The Statement is to be applied prospectively. Early adoption is permitted. The Group has not yet determined the impact, if any, the adoption of this standard will have on its financial position or results of operations.

Current trading and prospects

The Group's financial year ended on 31 December 2001 and a summary of results of continuing operations for the three month period ended 31 March 2002 compared to the three month period ended 31 March 2001 is set out in this Part V. In the limited time since 31 March 2002, the Directors believe that trading is continuing in accordance with their expectations. The Directors are confident about the trading prospects of the Group for the current financial year.

Dividend policy

The Ordinary Shares which are the subject of the Global Offer will rank in full for all dividends or other distributions declared, made or paid in respect of the Ordinary Share capital of the Company after Admission. Following Admission, the Directors intend to pay, in respect of future financial years, an interim dividend in November and a final dividend in June of the following year. In respect of the current financial year ending 31 December 2002, the Directors expect to recommend payment only of a final dividend. This will be payable in June 2003.

The Directors intend to follow a progressive dividend policy and, in determining the level of future dividends, expect the dividend to be covered at least three times by earnings. The Directors are confident that the Group will have sufficient distributable profits to support this dividend policy going forward.

Use of proceeds

The net proceeds receivable by the Company pursuant to the Global Offer will be approximately £244.5 million after deduction of underwriting commissions payable on New Ordinary Shares of a maximum of approximately £11.5 million.

As at 31 March 2002, the Group had outstanding: £48.2 million under the Senior Term Loan A, £35.6 million under the Senior Term Loan B, £2.8 million under the Senior Term C Loan, £16.5 million under the Senior Revolver, £142.0 million under the Senior Subordinated Notes and £105.3 million under the Subordinated PIK Debentures, totalling £350.4 million. In addition, 105,478,482 Preference Shares (redeemable at £1 per Preference Share) are currently outstanding.

The Group intends to use the net proceeds received by it under the Global Offer plus approximately £250 million drawn down under the New Credit Agreement to repay those amounts and to redeem the Preference Shares. The remaining proceeds are intended to be used to pay any accrued interest, costs of repayment or redemption on the Group's Existing Debt, as well as fees relating to the New Credit Agreement of £4.0 million and advisers' fees of £16.3 million.

Further information about the Group's indebtedness is set out in note 7.18 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports and Part VII: Pro Forma Financial Information.

Working capital

In the opinion of the Company, taking into account the Group's New Credit Agreement and the net proceeds of the Global Offer receivable by the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of this document.

PART VI – ACCOUNTANTS' REPORTS

Set out below are reports received from KPMG Audit plc, the reporting accountants, on the Company and on Intertek Testing Services Holdings Limited ("Intertek") and its subsidiaries.

KPMG Audit Plc

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24 May 2002

Dear Sirs

Intertek Testing Services plc

We report on the financial information set out in paragraphs 1 and 2 relating to Intertek Testing Services plc (the "Company"). This financial information has been prepared for inclusion in the listing particulars dated 24 May 2002 of the Company.

Basis of preparation

The financial information set out in paragraphs 1 and 2 is based on the financial statements of the Company prepared on the basis described in note 2.1 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the Directors of the Company.

The Directors of the Company are responsible for the contents of the listing particulars dated 24 May 2002 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the listing particulars, a true and fair view of the state of affairs of the Company at 31 March 2002.

1. Balance sheet

	As at 31 March 2002
	£
Current assets	
Debtors	1
Net assets	1
Capital and reserves	
Called up share capital	1
Equity shareholders' funds	1

2. Notes

2.1 The Company was incorporated on 9 August 2001. The Company has not yet commenced business and no dividends have been declared or paid since the date of incorporation.

2.2 The balance sheet has been prepared in accordance with applicable accounting standards and under the historical cost accounting convention.

2.3 Called up share capital

	£
Authorised	
100 Ordinary Shares of £1 each	100
Allotted, called up and fully paid	
1 Ordinary Shares of £1 each	1

2.4 Post balance sheet events

On 9 April 2002 each of the ordinary shares of £1 each in the Company was redesignated as 100 B ordinary shares of 1p each. Also on this date the authorised share capital of the company was increased by £106,386,510.26 to £106,386,610.26 by the creation of an additional 69,162,061 A ordinary shares of 1p each ranking *pari passu* in all respects as one class of share with the existing A ordinary shares of 1p each, 11,578,635 B ordinary shares of 1p each, 2,951,417 C ordinary shares of 1p each, 7,110,713 D ordinary shares of 1p each and 105,478,482 zero coupon redeemable preference shares of £1 each.

On 10 April 2002, the Company made an exchange offer for all the issued and to be issued share capital of Intertek (including ordinary shares under outstanding options under the 1997 Plan), for a consideration satisfied by the issue of one new share in the Company of the same class and having equivalent rights for each corresponding share in Intertek.

On Admission the A ordinary shares of 1p each, the B ordinary shares of 1p each, the C ordinary shares of 1p each and the D ordinary shares of 1p each will be redesignated as ordinary shares of 1p each, each ranking *pari passu* in all respects.

Yours faithfully

KPMG Audit Plc

KPMG Audit Plc

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24 May 2002

Dear Sirs

Intertek Testing Services Holdings Limited and its subsidiaries ("Intertek")

We report on the consolidated financial information set out in paragraphs 1 to 7 below relating to Intertek Testing Services Holdings Limited ("Intertek"). This consolidated financial information has been prepared for inclusion in the listing particulars of Intertek Testing Services plc ("ITS" or the "Company") dated 24 May 2002.

Basis of preparation

The consolidated financial information set out in paragraphs 1 to 7 is based on the audited consolidated financial statements of Intertek and of its subsidiary undertakings (collectively referred to as the "Group") for the three years ended 31 December 2001 and the consolidated results of Intertek for the three months ended 31 March 2002 and the corresponding period for 2001 after making such adjustments as we considered necessary.

Responsibility

The consolidated financial information in this report is the responsibility of the Directors of Intertek and has been approved by them. The Directors of the Company are responsible for the contents of the listing particulars dated 24 May 2002 in which this report is included. It is our responsibility to compile the financial information set out in our report from the audited consolidated financial statements, to form an opinion on the consolidated financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the UK. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated financial information. The evidence included that previously obtained by us relating to the audit of the consolidated financial statements underlying the consolidated financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the consolidated financial statements underlying the consolidated financial information and whether the accounting policies are appropriate to Intertek's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 consolidated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the consolidated financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of Intertek as at the dates stated and of its results, cash flows and recognised gains and losses for the periods then ended.

1. Consolidated profit and loss account

	Note	Year ended 31 December			3 months ended 31 March	
		1999	2000	2001	2001	2002
		£m	£m	£m	£m	£m
Revenue	7.2					
Continuing operations		351.2	398.4	451.4	104.1	108.9
Discontinued operations		11.3	0.7	—	—	—
Total revenue		362.5	399.1	451.4	104.1	108.9
Cost of sales	7.3	(292.0)	(313.3)	(354.9)	(84.5)	(86.9)
Gross profit		70.5	85.8	96.5	19.6	22.0
Net operating expenses	7.3	(19.8)	(29.1)	(52.1)	(6.9)	(7.1)
Group operating profit		50.7	56.7	44.4	12.7	14.9
Profit from interests in associated undertakings		0.3	0.9	1.0	0.3	0.3
Total operating profit		51.0	57.6	45.4	13.0	15.2
Operating profit before exceptional items	7.2					
Continuing operations		47.6	59.2	68.5	13.0	15.2
Discontinued operations		(2.1)	(0.7)	—	—	—
		45.5	58.5	68.5	13.0	15.2
Exceptional items credited/(charged) against operating profit						
Continuing operations	7.5	10.5	6.9	(10.7)	—	—
Discontinued operations		(5.0)	(7.8)	(12.4)	—	—
		5.5	(0.9)	(23.1)	—	—
Operating profit after exceptional items						
Continuing operations		58.1	66.1	57.8	13.0	15.2
Discontinued operations		(7.1)	(8.5)	(12.4)	—	—
		51.0	57.6	45.4	13.0	15.2
Non-operating exceptional items	7.5					
Continuing operations		2.4	(3.1)	—	—	—
Discontinued operations		—	(12.1)	—	—	—
Total non-operating exceptional items		2.4	(15.2)	—	—	—
Profit on ordinary activities before interest	7.2	53.4	42.4	45.4	13.0	15.2
Net interest and similar charges	7.8	(32.2)	(35.8)	(39.2)	(9.3)	(9.2)
Other finance income	7.9	0.3	0.2	0.2	0.1	0.1
Profit on ordinary activities before taxation	7.4	21.5	6.8	6.4	3.8	6.1
Taxation on profit on ordinary activities	7.10	(9.3)	(11.1)	(16.7)	(2.6)	(2.9)
Profit/(loss) on ordinary activities after taxation		12.2	(4.3)	(10.3)	1.2	3.2
Minority interests		(3.2)	(3.6)	(4.4)	(0.8)	(0.7)
Profit/(loss) for the financial period		9.0	(7.9)	(14.7)	0.4	2.5
Earnings/(loss) per share	7.11					
Basic earnings/(loss) per share		13.4	(9.8)	(18.2)	0.5	3.1
Diluted earnings/(loss) per share		11.8	(9.8)	(18.2)	0.4	2.8
Dividends per share		—	—	—	—	—

2. Consolidated statement of total recognised gains and losses

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Net profit/(loss) from subsidiaries	9.4	(8.0)	(15.3)	0.2	2.3
Net (loss)/profit from associates	(0.4)	0.1	0.6	0.2	0.2
Profit/(loss) for the financial period	9.0	(7.9)	(14.7)	0.4	2.5
Actuarial pension gains and losses (net of deferred tax)	(1.5)	3.4	(3.3)	(1.1)	1.1
Exchange adjustments	(11.0)	(21.1)	(4.9)	(6.3)	(3.5)
Total recognised gains and losses	(3.5)	(25.6)	(22.9)	(7.0)	0.1

There is no material difference between the result on a historical cost basis and that presented in the profit and loss account.

3. Reconciliation of movements in shareholders' deficit

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Profit/(loss) for the financial period	9.0	(7.9)	(14.7)	0.4	2.5
Actuarial pension gains and loses (net of deferred tax)	(1.5)	3.4	(3.3)	(1.1)	1.1
Exchange adjustments	(11.0)	(21.1)	(4.9)	(6.3)	(3.5)
New share capital subscribed	19.9	—	—	—	—
Goodwill on disposals	1.0	10.0	—	—	—
Net increase/(reduction) in shareholders' deficit	17.4	(15.6)	(22.9)	(7.0)	0.1
Opening shareholders' deficit	(221.8)	(204.4)	(220.0)	(220.0)	(242.9)
Closing shareholders' deficit	(204.4)	(220.0)	(242.9)	(227.0)	(242.8)

4. Consolidated balance sheet

	Note	31 December 1999	31 December 2000	31 December 2001	31 March 2001	31 March 2002
		£m	£m	£m	£m	£m
Fixed assets						
Intangible assets – goodwill	7.12	15.8	16.8	12.1	16.8	12.1
Tangible fixed assets	7.13	53.8	67.9	75.6	70.4	76.3
Investments	7.14	0.5	0.9	0.9	1.3	2.2
		70.1	85.6	88.6	88.5	90.6
Current assets						
Stocks	7.15	2.6	1.7	1.8	1.8	1.6
Debtors	7.16	85.4	99.9	104.7	104.2	105.8
Cash at bank and in hand	7.28	20.2	21.3	23.7	19.3	20.0
		108.2	122.9	130.2	125.3	127.4
Creditors: amounts falling due within one year	7.17	(90.3)	(109.5)	(139.8)	(111.7)	(132.4)
Net current assets/(liabilities)		17.9	13.4	(9.6)	13.6	(5.0)
Total assets less current liabilities		88.0	99.0	79.0	102.1	85.6
Creditors: amounts falling due after more than one year	7.18	(278.2)	(300.3)	(304.0)	(310.6)	(313.5)
Provisions for liabilities and charges	7.19	(6.9)	(14.2)	(9.1)	(12.6)	(7.7)
Net liabilities excluding pension assets/(liabilities)		(197.1)	(215.5)	(234.1)	(221.1)	(235.6)
Pension assets/(liabilities)	7.25					
Total of defined benefit schemes:						
with net assets		0.1	2.3	0.1	1.4	0.8
with net liabilities		(1.6)	(0.5)	(1.7)	(0.8)	(1.1)
Net liabilities including pension assets/(liabilities)		(198.6)	(213.7)	(235.7)	(220.5)	(235.9)
Equity minority interests	7.22	(5.8)	(6.3)	(7.2)	(6.5)	(6.9)
		(204.4)	(220.0)	(242.9)	(227.0)	(242.8)
Capital and reserves						
Called up share capital	7.20	106.3	106.3	106.3	106.3	106.3
Shares to be issued	7.21	2.8	2.8	2.8	2.8	2.8
Share premium	7.21	3.6	3.6	3.6	3.6	3.6
Profit and loss account	7.21	(317.1)	(332.7)	(355.6)	(339.7)	(355.5)
Total shareholders' deficit		(204.4)	(220.0)	(242.9)	(227.0)	(242.8)
Equity shareholders' deficit		(309.9)	(325.5)	(348.4)	(332.5)	(348.3)
Non-equity shareholders' funds	7.20	105.5	105.5	105.5	105.5	105.5
Total shareholders' deficit		(204.4)	(220.0)	(242.9)	(227.0)	(242.8)

5. Consolidated cash flow statement

	Note	Year ended 31 December			3 months ended 31 March	
		1999	2000	2001	2001	2002
		£m	£m	£m	£m	£m
Net cash inflow from operating activities	7.26	59.8	71.9	70.4	7.1	11.5
Returns on investments and servicing of finance	7.27	(23.9)	(26.4)	(28.4)	(2.0)	(2.7)
Taxation		(6.9)	(10.1)	(13.6)	(3.4)	(3.0)
Capital expenditure and financial investment	7.27	(17.5)	(26.1)	(25.5)	(5.2)	(3.8)
Acquisitions and disposals	7.27	(5.0)	(0.6)	(1.5)	(0.5)	(1.1)
Net cash inflow/(outflow) before financing		6.5	8.7	1.4	(4.0)	0.9
Financing	7.27	(1.6)	(7.3)	1.8	2.0	(4.8)
Increase/(decrease) in cash in the period		4.9	1.4	3.2	(2.0)	(3.9)

6. Reconciliation of net cash flow to movement in net debt

	Note	Year ended 31 December			3 months ended 31 March	
		1999	2000	2001	2001	2002
		£m	£m	£m	£m	£m
Increase/(decrease) in cash in the period		4.9	1.4	3.2	(2.0)	(3.9)
Cash inflow/(outflow) from change in debt	7.28	22.0	7.4	(1.8)	(2.0)	4.8
Increase/(decrease) in net debt resulting from cash flows	7.28	26.9	8.8	1.4	(4.0)	0.9
Debt issued in lieu of interest payments	7.28	(8.1)	(10.1)	(11.7)	(2.8)	(3.2)
Acquisitions and disposals	7.28	(1.6)	(0.7)	0.1	—	—
Other non-cash movements	7.28	(2.0)	(2.1)	(2.2)	(0.5)	(0.5)
Exchange adjustments	7.28	(9.6)	(23.6)	(3.9)	(7.9)	(4.8)
Decrease/(increase) in net debt in the period		5.6	(27.7)	(16.3)	(15.2)	(7.6)
Net debt at the start of the period		(279.0)	(273.4)	(301.1)	(301.1)	(317.4)
Net debt at the end of the period	7.28	(273.4)	(301.1)	(317.4)	(316.3)	(325.0)

7. Notes to the financial information

7.1 Accounting policies

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

Basis of preparation

The consolidated financial information has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected the consolidated results of operations for each of the three years ended 31 December 2001 and each of the three month periods ended 31 March 2001 and 2002 and consolidated shareholders' deficit as of 31 December 1999, 2000 and 2001 and 31 March 2001 and 2002 to the extent summarised in Note 7.35 to the consolidated financial information.

Adoption of new accounting standards

Intertek has fully adopted Financial Reporting Standard 17 ("FRS 17"): Retirement benefits, the effect of which is that the defined benefit schemes' assets at market value and the present value of the schemes' liabilities discounted at high quality corporate bond rates are included in the consolidated balance sheet.

Financial Reporting Standard 19 ("FRS 19"): Deferred tax, has also been adopted. Under this standard, deferred tax is provided for on certain timing differences in full. The consolidated financial information set out in this section includes the impact of this standard.

Basis of consolidation

The consolidated financial statements of Intertek include the financial statements of Intertek and its subsidiary undertakings made up to the respective balance sheet dates. All business purchases during the period have been accounted for under the acquisition method of accounting. Under this method, the results of subsidiaries acquired or sold are included in the consolidated financial information of Intertek from, or up to, the date control passes. The consolidated financial information of Intertek include their respective shares of income from associates. The consolidated balance sheets include Intertek's share of the net assets of associates.

Use of estimates

Preparation of financial statements in conformity with UK GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for an accounting period. Such estimates and assumptions could change in the future as more information becomes known or circumstances alter, such that the group's actual results may differ from the amounts reported and disclosed in the financial statements.

In respect of claims, a provision is made once a signed settlement agreement is obtained or a court judgement passed, provided the liability is likely to crystallise and can be estimated reliably. Legal costs are fully provided as soon as a claim becomes active. Recoveries under insurance policies or other agreements are not recorded as a receivable unless the recovery is certain.

Specific provisions are made against trade receivables which management consider may not be fully settled. In addition to any specific provision, a general provision is made against receivables based on a sliding scale of the age of the receivable.

Foreign currencies

The results of operations and cash flows of foreign subsidiaries and associated undertakings are translated into sterling at the average of the month end rates of exchange for the period. Assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange except where rates are fixed under contractual arrangements.

The difference between net profit translated at average and at closing rates of exchange is included in the statement of total recognised gains and losses as a movement in shareholders' equity/(deficit). Exchange differences arising from the retranslation to closing rates of exchange of opening shareholders' equity/(deficit), long-term foreign currency borrowings used to finance foreign currency investments, and foreign currency borrowings that provide a hedge against shareholders' equity/(deficit) are also reflected as movements in shareholders' equity/(deficit). All other exchange differences are dealt with in the profit and loss account.

Fixed assets and depreciation

Freehold land is stated at cost. Other tangible fixed assets are stated at cost less depreciation, which is provided on a straight line basis over the estimated useful lives of the assets, mainly at the following annual rates:

Freehold buildings and long leasehold land and buildings – 2 per cent.

Leasehold land and buildings – term of lease

Plant, machinery and equipment – 10 per cent. – 33.3 per cent.

Leases

Assets held under capital leases are treated as if they had been purchased at the present value of the minimum lease payments. This cost is included in property, plant and equipment, and depreciation is provided over the shorter of the lease term or the estimated useful life. The corresponding obligations under these leases are included within borrowings. The finance charge element of rentals payable is charged to the profit and loss account to produce a constant rate of interest. Operating lease rentals are charged to the profit and loss account on a straight line basis over the periods of the leases.

Stocks

Stock and work in progress is stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of business in bringing stocks and work in progress to their present location and condition.

Revenue

Revenue represents the total amount receivable for services provided and goods sold, excluding sales-related taxes and intra-group transactions. Revenue is recognised when the relevant service is completed or goods delivered.

Taxation

Deferred taxation is provided fully using the liability method at current taxation rates on certain timing differences. Deferred tax assets in respect of timing differences are only recognised to the extent that it is more likely than not that there will be suitable taxable profits to offset the future reversal of these timing differences.

Pension benefits

Contributions payable under defined contribution schemes are charged to operations.

The Group has a number of defined benefit pension schemes. Intertek has implemented FRS 17: Retirement benefits, the effect of which is that the defined benefit schemes' assets are included at market value and the present value of the schemes' liabilities are discounted at high quality corporate bond rates reflecting market expectations at the 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 profit and loss account. The expected return on the schemes' assets less the interest on the present value of the schemes' liabilities during the accounting period is shown as Other finance income. Actuarial gains and losses, net of deferred tax, are recognised in the consolidated statement of total recognised gains and losses. The pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full on the face of the balance sheet, net of deferred taxation.

Goodwill

Purchased goodwill, in respect of acquisitions since 1 January 1998, is capitalised in accordance with the requirements of Financial Reporting Standard 10: Goodwill and intangible assets, and is amortised on a straight line basis over its estimated useful life, which is up to 20 years. 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. When a subsequent disposal occurs, any goodwill previously written off to reserves is written back through the profit and loss account. Impairment of goodwill is recorded when it becomes clear that the carrying value of the goodwill in relation to a specific business may not be recoverable.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Derivative financial instruments

The Group uses various derivative financial instruments to manage its exposure to foreign exchange and interest rate risks. Derivative financial instruments are considered hedges if they meet certain criteria: a forward exchange contract is considered a hedge of an identifiable foreign currency commitment if such contract is designated as, and is effective as, a hedge of a firm foreign currency commitment. An interest rate swap agreement is considered a "synthetic alteration" (and accounted for like a hedge) when the agreement is designated with a specific liability and it alters the interest rate characteristics of such liability. An interest rate cap agreement must also meet the same criteria on an interest rate swap to be considered as a hedge of a specific liability. Derivative financial instruments failing to meet the aforementioned criteria are accounted for at fair value, with the resulting unrealised gains and losses included in the statement of operations.

Forward exchange contracts

Forward exchange contracts are designed as hedges of firm foreign currency commitments. Gains and losses on such contracts are deferred and recognised in income or as an adjustment of the carrying amount when the hedged transaction occurs.

Interest rate swaps

Interest rate swap agreements are designed to change the interest rate characteristics of floating-rate borrowings. Accordingly, these agreements are accounted for under the settlement basis. The interest differential between the amounts received and amount paid is recognised as an adjustment to interest charges over the term of the swap.

Interest rate cap agreements

Interest rate cap agreements are accounted for under the accruals basis. Amounts receivable under the agreement are accrued when due as a reduction of interest charges. Premiums paid for purchased interest rate cap agreements are amortised to interest charges over the term of the caps.

7.2 Segmental information

The Group comprises four operating divisions as follows: (1) Labtest, which tests and inspects textiles, footwear, toys, hardlines and other consumer products; (2) Caleb Brett, which tests and inspects crude oil, petroleum and chemical products; (3) ETL SEMKO, which tests and certifies electrical and electronic products, telecommunications equipment, heating, ventilation and air conditioning equipment and building products; and (4) Foreign Trade Standards, which provides independent pre-shipment inspection services to governments. Central overheads comprise the costs of the corporate head office and non-operating holding companies. The Group sold its Bondar Clegg division in 2000 and the results to the date of sale are disclosed as a discontinued operation. The environmental testing division which operated principally in the United States and the United Kingdom was sold in 1998 and costs in respect of ongoing claims litigation are disclosed as a discontinued operation. The accounting policies of these divisions are the same as those described in the accounting policies in note 7.1.

	Year ended 31 December			3 months ended 31 March	
	1999	**2000**	**2001**	**2001**	**2002**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue by division					
Labtest	78.3	94.0	108.5	22.8	25.4
Caleb Brett	137.2	157.5	176.0	42.6	41.7
ETL SEMKO	88.2	99.5	109.0	26.5	26.9
Foreign Trade Standards	47.5	47.4	57.9	12.2	14.9
Total continuing operations	351.2	398.4	451.4	104.1	108.9
Bondar Clegg	11.3	0.7	—	—	—
Total discontinued operations	11.3	0.7	—	—	—
Total	362.5	399.1	451.4	104.1	108.9
Operating profit/(loss) before operating exceptional items by division					
Labtest	21.6	27.8	34.2	5.4	7.0
Caleb Brett	14.8	16.6	16.5	3.8	3.9
ETL SEMKO	12.4	15.0	14.0	3.6	3.5
Foreign Trade Standards	3.1	5.8	9.3	1.3	2.2
Central	(4.3)	(6.0)	(5.5)	(1.1)	(1.4)
Total continuing operations	47.6	59.2	68.5	13.0	15.2
Bondar Clegg	(2.1)	(0.7)	—	—	—
Total discontinued operations	(2.1)	(0.7)	—	—	—
Total	45.5	58.5	68.5	13.0	15.2

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Revenue by geographical origin					
Americas	143.3	163.5	177.8	44.0	41.2
Europe, Africa and Middle East	117.7	120.4	136.4	31.0	34.4
Asia and Far East	90.2	114.5	137.2	29.1	33.3
Total continuing operations	351.2	398.4	451.4	104.1	108.9
Discontinued operations	11.3	0.7	—	—	—
Total	362.5	399.1	451.4	104.1	108.9
Revenue by geographical destination					
Americas	148.1	170.7	183.6	45.7	41.9
Europe, Africa and Middle East	111.9	111.0	127.2	28.9	32.7
Asia and Far East	91.2	116.7	140.6	29.5	34.3
Total continuing operations	351.2	398.4	451.4	104.1	108.9
Discontinued operations	11.3	0.7	—	—	—
Total	362.5	399.1	451.4	104.1	108.9
Operating profit/(loss) before operating exceptional items by geographical origin					
Americas	10.2	15.0	13.7	3.5	3.9
Europe, Africa and Middle East	9.4	8.7	10.9	2.5	2.2
Asia and Far East	28.0	35.5	43.9	7.0	9.1
Total continuing operations	47.6	59.2	68.5	13.0	15.2
Discontinued operations	(2.1)	(0.7)	—	—	—
Total	45.5	58.5	68.5	13.0	15.2
Profit on ordinary activities before interest					
Labtest	21.6	27.8	34.2	5.4	7.0
Caleb Brett	16.6	13.4	12.2	3.8	3.9
ETL SEMKO	14.8	15.0	11.7	3.6	3.5
Foreign Trade Standards	11.8	12.8	5.2	1.3	2.2
Central	(4.3)	(6.0)	(5.5)	(1.1)	(1.4)
Total continuing operations	60.5	63.0	57.8	13.0	15.2
Bondar Clegg	(4.3)	(12.8)	—	—	—
Environmental Testing	(2.8)	(7.8)	(12.4)	—	—
Total discontinued operations	(7.1)	(20.6)	(12.4)	—	—
Total	53.4	42.4	45.4	13.0	15.2

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Net assets/(liabilities) by division					
Labtest	13.9	16.4	20.0	19.6	21.1
Caleb Brett	40.4	49.1	46.6	51.4	49.9
ETL SEMKO	28.0	29.4	25.3	30.8	25.4
Foreign Trade Standards	(2.1)	0.6	0.4	2.6	(0.9)
Central	19.0	27.9	38.0	23.3	39.6
Total continuing operations	99.2	123.4	130.3	127.7	135.1
Bondar Clegg	4.5	—	—	—	—
Environmental Testing	(2.7)	(7.3)	(15.6)	(6.2)	(16.8)
Total discontinued operations	1.8	(7.3)	(15.6)	(6.2)	(16.8)
Total	101.0	116.1	114.7	121.5	118.3
Net assets by geographical area					
Americas	43.2	41.5	33.9	42.3	37.3
Europe, Africa and Middle East	31.4	60.4	69.6	63.4	69.8
Asia and Far East	24.6	21.5	26.8	22.0	28.0
Total continuing operations	99.2	123.4	130.3	127.7	135.1
Discontinued operations	1.8	(7.3)	(15.6)	(6.2)	(16.8)
Total	101.0	116.1	114.7	121.5	118.3
Reconciliation of net assets to consolidated shareholders' deficit					
Net assets	101.0	116.1	114.7	121.5	118.3
Taxation	(6.0)	(7.4)	(9.3)	(6.4)	(9.2)
Borrowings	(293.6)	(322.4)	(341.1)	(335.6)	(345.0)
Minority interests	(5.8)	(6.3)	(7.2)	(6.5)	(6.9)
Consolidated shareholders' deficit	(204.4)	(220.0)	(242.9)	(227.0)	(242.8)

7.3 Cost of sales and net operating expenses

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Cost of sales					
Continuing operations	279.0	313.3	354.9	84.5	86.9
Discontinued operations	13.0	—	—	—	—
	292.0	313.3	354.9	84.5	86.9
Net operating expenses before operating exceptional items					
Continuing operations	24.9	26.8	29.0	6.9	7.1
Discontinued operations	0.4	1.4	—	—	—
	25.3	28.2	29.0	6.9	7.1
Net operating expenses after operating exceptional items					
Continuing operations	14.8	19.9	39.7	6.9	7.1
Discontinued operations	5.0	9.2	12.4	—	—
	19.8	29.1	52.1	6.9	7.1

7.4 Profit on ordinary activities before taxation

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Profit on ordinary activities before taxation is stated after charging:					
Auditors' remuneration:					
Group – audit	0.6	0.6	0.6	0.2	0.2
Group – non audit work	0.3	0.2	0.3	0.2	0.2
Company – audit	—	—	—	—	—
Depreciation	11.3	13.0	15.7	3.8	4.3
Amortisation of intangible fixed assets – goodwill	0.8	1.1	1.3	0.3	0.2
– exceptional	—	—	3.1	—	—
Leasing and hire charges	17.5	18.1	21.3	4.8	5.4

7.5 Exceptional items

		Year ended 31 December			3 months ended 31 March	
		1999	2000	2001	2001	2002
		£m	£m	£m	£m	£m
Exceptional items credited to/(charged against) operating profit						
Caleb Brett – EPA fine and costs	(a)	—	(2.7)	(1.2)	—	—
Caleb Brett – Nigeria	(b)	1.8	—	—	—	—
Caleb Brett – impairment of goodwill	(c)	—	—	(3.1)	—	—
ETL SEMKO – Restructuring	(d)	—	—	(2.3)	—	—
Foreign Trade Standards – Nigeria	(e)	11.3	9.6	—	—	—
Foreign Trade Standards – Restructuring	(f)	(2.6)	—	—	—	—
Foreign Trade Standards – Provision against Argentine debtor	(g)	—	—	(4.1)	—	—
Total continuing operations		10.5	6.9	(10.7)	—	—
Bondar Clegg – restructuring	(h)	(2.2)	—	—	—	—
Environmental Testing – EPA costs	(i)	(2.8)	(7.8)	(12.4)	—	—
Total discontinued operations		(5.0)	(7.8)	(12.4)	—	—
Total operating exceptional (charges)/credits		5.5	(0.9)	(23.1)	—	—
Non-operating exceptional (charges)/credits						
Caleb Brett – loss on disposals	(j)	—	(0.5)	—	—	—
ETL SEMKO – profit on disposals	(k)	2.4	—	—	—	—
Foreign Trade Standards – loss on disposal	(l)	—	(2.6)	—	—	—
Total continuing operations		2.4	(3.1)	—	—	—
Discontinued operation – loss on disposal of Bondar Clegg	(m)	—	(12.1)	—	—	—
Total non-operating exceptional (charges)/credits		2.4	(15.2)	—	—	—

(a) Caleb Brett – EPA fine and costs

The EPA fine and costs in the Caleb Brett division relate to the investigations by the Environmental Protection Agency in Linden, New Jersey and in Puerto Rico. The exceptional charge in 2000 of £2.7 million related to legal costs of £2.0 million and a fine of £0.7 million to conclude the Linden investigation. The charge of £1.2 million in 2001 is in respect of anticipated additional legal costs. The tax effect of this exceptional charge is £nil. (2000: £nil).

(b) Caleb Brett – Nigeria

Until March 1999, the Caleb Brett division provided testing services to the Nigerian government and had a policy of making full provision against invoices issued to this client and only reversing the provision when cash was received. The 1999 exceptional credit reflects net cash received from this client. The tax effect of this exceptional credit to income was £nil.

(c) Caleb Brett – impairment of goodwill

Caleb Brett acquired Vans Sluys & Bayet NV ("VSB") in Belgium in 1998. This company has not performed well and the goodwill has been impaired. The charge of £3.1 million represents the write off of the unamortised amount of the goodwill that arose on this acquisition. The tax effect of this exceptional charge is £nil.

(d) ETL SEMKO – Restructuring

ETL SEMKO was restructured to improve operational efficiency and reduce costs. A charge of £2.3 million has been taken in 2001 to provide for employee severance payments of £1.4 million and other restructuring costs of £0.9 million. The tax effect of this exceptional charge is £nil.

(e) Foreign Trade Standards – Nigeria

Due to the irregular nature of payments received from the Nigerian government for pre-shipment inspection work carried out by FTS, in 1997, the Group adopted a policy of making full provision against invoices issued to this client and only reversing the provision when cash was received. The exceptional credits in 1999 and 2000 reflect net cash received in respect of amounts previously provided. In view of the regular payments received from the government and the reduced debt exposure, from July 2000 FTS stopped making exceptional provisions for unpaid invoices issued in respect of the new government pre-inspection programme. There was no tax effect on these exceptional credits. On 31 March 1999 the Nigerian government cancelled its pre-shipment inspection programmes. In September 1999, the new government re-introduced a pre-shipment inspection programme. FTS is participating in this programme but in a much smaller capacity than the previous programmes.

(f) Foreign Trade Standards – restructuring

The exceptional charge to operating income, of £2.6 million in 1999 in respect of FTS is a result of restructuring this division following the termination of the old inspection programmes in Nigeria. The tax effect of this exceptional charge to income in 1999 was £0.1 million.

(g) Foreign Trade Standards – provision against Argentine debtor

In view of the financial difficulties presently being encountered by the Argentine government, a full provision of £4.1 million has been made against the amount owing by the Argentine government to the FTS division. The tax effect of this exceptional charge was £nil.

(h) Bondar Clegg – restructuring

The exceptional charge to operating income of £2.2 million for Bondar Clegg in 1999 related to restructuring costs. The tax effect of this exceptional charge to income was £nil.

(i) Environmental Testing – EPA costs

The exceptional costs of £2.8 million in 1999, £7.8 million in 2000 and £12.4 million in 2001, related to costs incurred as a result of an investigation by the Environmental Protection Agency in the United States into certain discrepancies in reported testing results at ITS Environmental's laboratory facility in Richardson, Texas. The costs were mostly legal and professional fees and included a provision for criminal and civil fines. The criminal investigation was resolved in 2001 and a fine of £6.2 million was agreed. The civil investigation was resolved in 2002 and a fine of £6.1 million agreed. This has been provided in 2001 together with an estimate of legal fees to finalise matters, net of insurance recoveries received to date. The Group is pursuing possible further rights of recovery under its insurance arrangements and against the former parent, Inchcape plc under acquisition warranties provided, but possible recoveries have not been included in the financial statements as discussions are not sufficiently progressed. The tax effect of these exceptional charges to income was £nil (2000: £nil and 1999: £nil).

(j) Caleb Brett – loss on disposals

During 2000, Caleb Brett sold a small loss adjusting business in Chile for £0.1 million. Goodwill of £0.5 million that was previously written off to reserves was transferred to the profit and loss account, resulting in an exceptional charge of £0.4 million. Caleb Brett also incurred an exceptional charge of £0.1 million, when an investment in a small company in Thailand in which a 49 per cent. interest, was liquidated. The tax effect of this exceptional charge was £nil.

(k) ETL SEMKO – profit on disposals

During 1999, ETL SEMKO disposed of a non-core activity in the United States that generated an exceptional credit of £2.2 million. This credit was after deducting attributable goodwill of £1.0 million. The tax effect of this exceptional credit was £nil. ETL SEMKO also sold 51 per cent. of its Quality Management business in Sweden and this generated an exceptional credit of £0.2 million. The tax effect of this exceptional credit was £0.1 million. ETL SEMKO sold 20 per cent. of its stake in a testing and certification facility in the United Kingdom which generated an exceptional credit of £0.1 million. The tax effect of this exceptional credit was £nil.

(l) Foreign Trade Standards – loss on disposal

During 2000, FTS sold its technical services business in the United States for its net asset value of £1.0 million. Goodwill of £2.6 million that was previously written off to reserves was transferred to the profit and loss account, resulting in an exceptional charge of £2.6 million. The tax effect of this exceptional charge was £nil.

(m) Bondar Clegg – loss on disposal

The disposals and closure of the minerals testing division, Bondar Clegg, in 2000 generated a net loss of £5.2 million. Goodwill of £6.9 million that was previously written off to reserves was charged to the profit and loss account, resulting in an exceptional charge of £12.1 million. The tax effect of this exceptional charge was £nil.

7.6 Remuneration of directors

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Directors' emoluments	0.7	0.7	0.8	0.2	0.2
Company contributions to pension schemes	0.1	0.1	0.1	—	—
Amounts paid to third parties in respect of directors' services	—	—	0.1	—	—

The aggregate emoluments and pension contributions of the highest paid director were £0.6 million (2000: £0.6 million and 1999: £0.5 million) including company pension contributions of £0.1 million (2000: £0.1 million and 1999: £0.1 million) made on his behalf to a defined contribution scheme.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	No of directors	No of directors	No of directors	No of directors	No of directors
Retirement benefits are accruing to the following number of directors under:					
Defined contribution scheme	1	1	1	1	1
Defined benefit scheme	1	1	1	1	1

Details of directors' remuneration

The remuneration of the directors and their pension benefits is set out below.

	Three months ended 31 March 2002					
	Fees	Salaries	Cash bonus	Benefits	Total	Pensions
	£000	£000	£000	£000	£000	£000
Vanni Treves	15.0	—	—	2.8	17.8	—
Richard Nelson	—	75.0	52.5	3.9	131.4	28.4
William Spencer	—	32.3	16.1	3.6	52.0	1.8
Simon Drury	5.0	—	—	—	5.0	—
Ross Sayers	—	—	—	—	—	—
Stuart Simpson	5.0	—	—	—	5.0	—
David Allvey	5.0	—	—	—	5.0	—

	Year ended 31 December 2001					
	Fees	Salaries	Cash bonus	Benefits	Total	Pensions
	£000	£000	£000	£000	£000	£000
Vanni Treves	60.0	—	—	11.3	71.3	—
Richard Nelson	—	296.0	198.7	15.4	510.1	113.7
William Spencer	—	127.6	61.5	14.5	203.6	7.1
Simon Drury	22.4	—	—	—	22.4	—
Ross Sayers	—	—	—	—	—	—
Stuart Simpson	22.4	—	—	—	22.4	—
David Allvey	13.3	—	—	—	13.3	—

	Three months ended 31 March 2001					
	Fees	Salaries	Cash bonus	Benefits	Total	Pensions
	£000	£000	£000	£000	£000	£000
Vanni Treves	15.0	—	—	2.8	17.8	—
Richard Nelson	—	71.0	49.7	3.9	124.6	—
William Spencer	—	30.8	15.4	3.6	49.8	2.3
Simon Drury	5.6	—	—	—	5.6	—
Ross Sayers	—	—	—	—	—	—
Stuart Simpson	5.6	—	—	—	5.6	—
David Allvey	—	—	—	—	—	—

	Year ended 31 December 2000					
	Fees	Salaries	Cash bonus	Benefits	Total	Pensions
	£000	£000	£000	£000	£000	£000
Vanni Treves	—	—	—	—	—	—
Richard Nelson	—	279.2	185.5	20.0	484.7	107.1
William Spencer	—	120.3	56.0	15.7	192.0	6.9
Simon Drury	21.8	—	—	—	21.8	—
Ross Sayers	—	—	—	—	—	—
Stuart Simpson	21.8	—	—	—	21.8	—
David Allvey	—	—	—	—	—	—

	Year ended 31 December 1999					
	Fees	Salaries	Cash bonus	Benefits	Total	Pensions
	£000	£000	£000	£000	£000	£000
Vanni Treves	—	—	—	—	—	—
Richard Nelson	—	261.3	165.0	25.5	451.8	98.9
William Spencer	—	109.0	50.0	10.4	169.4	5.1
Simon Drury	21.5	—	—	—	21.5	—
Ross Sayers	—	—	—	—	—	—
Stuart Simpson	21.5	—	—	—	21.5	—
David Allvey	—	—	—	—	—	—

Pensions

The Chairman and the non-executive directors do not receive any pension benefits from Intertek. The pension benefits of executive directors are summarised above. Intertek contributes to Richard Nelson's personal pension plan. William Spencer is a member of Intertek's UK defined benefit plan details of which are set out in note 7.25.

Directors' interest in shares

	31 March 2002	
	Ordinary shares	**Preference shares**
Vanni Treves	100,000	—
Richard Nelson	3,632,514	—
William Spencer	993,201	—
Simon Drury*	89,072	1,621
Ross Sayers	—	—
Stuart Simpson*	122,071	2,448
David Allvey	100,000	—

	31 December 2001	
	Ordinary shares	**Preference shares**
Vanni Treves	100,000	—
Richard Nelson	3,632,514	—
William Spencer	993,201	—
Simon Drury*	89,072	1,621
Ross Sayers	—	—
Stuart Simpson*	122,071	2,448
David Allvey	100,000	—

	31 March 2001	
	Ordinary shares	**Preference shares**
Vanni Treves	—	—
Richard Nelson	3,632,514	—
William Spencer	993,201	—
Simon Drury*	89,072	1,621
Ross Sayers	—	—
Stuart Simpson*	122,071	2,448
David Allvey	—	—

	31 December 2000	
	Ordinary shares	**Preference shares**
Vanni Treves	—	—
Richard Nelson	3,632,514	—
William Spencer	993,201	—
Simon Drury*	89,072	1,621
Ross Sayers	—	—
Stuart Simpson*	122,071	2,448
David Allvey	—	—

	31 December 1999	
	Ordinary shares	Preference shares
Vanni Treves	—	—
Richard Nelson	3,632,514	—
William Spencer	993,201	—
Simon Drury*	89,072	1,621
Ross Sayers	—	—
Stuart Simpson*	122,071	2,448
David Allvey	—	—

None of the Directors have any share options.

* Beneficial interest held on behalf of Charterhouse Development Capital Holdings Limited.

7.7 Employees

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	No of employees	No of employees	No of employees	No of employees	No of employees
Average number of persons employed by the Group (including directors) during the period was as follows:					
Labtest	2,272	2,439	2,739	2,664	3,048
Caleb Brett	3,984	4,293	4,744	4,768	4,893
ETL SEMKO	1,391	1,510	1,667	1,587	1,636
Foreign Trade Standards	904	829	783	825	817
Central	29	31	34	26	34
Total continuing operations	8,580	9,102	9,967	9,870	10,428
Total discontinued operations	809	405	—	—	—
Total	9,389	9,507	9,967	9,870	10,428
	£m	£m	£m	£m	£m
The aggregate payroll costs of these persons were as follows:					
Wages and salaries	144.7	157.8	177.7	41.4	44.2
Social security costs	15.2	15.3	17.7	4.4	4.7
Other pension costs	8.3	8.7	8.6	2.2	2.1
	168.2	181.8	204.0	48.0	51.0

7.8 Net interest and similar charges

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Interest payable:					
Senior Subordinated Notes	12.8	13.7	14.5	3.6	3.6
Parent Subordinated PIK Debentures	8.3	10.3	12.2	2.9	3.3
Senior Term Loan A	5.5	5.1	4.6	1.2	0.6
Senior Term Loan B	3.0	3.1	3.0	0.8	0.6
Senior Term Loan C	—	—	0.1	—	0.1
Senior Revolver	0.4	0.8	1.3	0.2	0.3
Other borrowings	0.9	1.2	0.5	0.2	0.2
Finance fees	—	—	1.5	—	0.2
Amortisation of debt issuance costs	2.0	2.1	1.9	0.5	0.4
	32.9	36.3	39.6	9.4	9.3
Interest receivable:					
On bank balances	(0.7)	(0.5)	(0.4)	(0.1)	(0.1)
Net interest payable	32.2	35.8	39.2	9.3	9.2

7.9 Other finance income

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Expected return on pension assets	1.7	2.2	2.6	0.6	0.6
Pension liabilities interest cost	(1.4)	(2.0)	(2.4)	(0.5)	(0.5)
	0.3	0.2	0.2	0.1	0.1

7.10 Taxation

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
UK corporation tax					
Current tax on income for the period at 30% (2000: 30% and 1999: 30.25%)	0.5	0.5	0.7	0.1	0.1
Double taxation relief	(0.5)	(0.5)	(0.7)	(0.1)	(0.1)
	—	—	—	—	—
Foreign tax					
Current tax on income for the period	7.2	10.6	13.0	2.5	2.7
Deferred tax (see note 7.19)					
Origination/(reversal) of timing differences	1.7	(0.1)	0.3	—	0.1
Share of associated undertakings' tax	0.2	0.4	0.4	0.1	0.1
Adjustments relating to prior period liabilities	0.2	0.2	3.0	—	—
	9.3	11.1	16.7	2.6	2.9

The current tax charge for the period is higher (2000: higher and 1999: higher) than the standard rate of corporation tax in the UK (30 per cent., 2000: 30 per cent. and 1999: 30.25 per cent.). The differences are explained below.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Profit on ordinary activities before taxation	21.5	6.8	6.4	3.8	6.1
Current tax at 30% (2000: 30% and 1999: 30.25%)	6.5	2.0	1.9	1.1	1.8
Effects of:					
Differences in tax rates on overseas earnings	(1.4)	(1.8)	(5.3)	(0.1)	(0.5)
Tax on dividends	0.7	1.1	0.9	0.3	0.3
Permanent differences – disallowables	0.3	5.9	9.9	0.3	0.6
Permanent differences – untaxed income	(0.5)	(0.3)	(0.7)	(0.1)	(0.2)
Deferred tax not recognised	4.4	3.0	7.8	0.9	0.9
Other	(0.7)	1.2	2.2	0.2	—
Total current tax charge (see above)	9.3	11.1	16.7	2.6	2.9

7.11 Earnings/(loss) per share

The earnings/(loss) per share, and fully diluted earnings/(loss) per share are based on the information set out below.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Earnings/(loss) after tax	9.0	(7.9)	(14.7)	0.4	2.5
	Number	Number	Number	Number	Number
Weighted average number of shares	67,102,920	80,750,696	80,750,696	80,750,696	80,750,696
Fully diluted weighted average number of shares	76,071,062	80,750,696	80,750,696	90,561,531	90,742,698

The weighted average number of shares used in the calculation of diluted loss per share for the years ended 31 December 2001 and 31 December 2000 excludes 9,903,809 and 9,779,844 potential shares respectively as these are not dilutive in accordance with FRS 14.

7.12 Fixed intangible assets – goodwill

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Cost					
At beginning of period	13.4	17.0	19.0	19.0	18.7
Additions	4.1	2.2	0.1	—	—
Exchange adjustments	(0.5)	(0.2)	(0.4)	0.4	0.3
At end of period	17.0	19.0	18.7	19.4	19.0
Amortisation					
At beginning of period	0.4	1.2	2.2	2.2	6.6
Charged in period	0.8	1.1	1.3	0.3	0.2
Exceptional amortisation	—	—	3.1	—	—
Exchange adjustments	—	(0.1)	—	0.1	0.1
At end of period	1.2	2.2	6.6	2.6	6.9
Net book value at end of period	15.8	16.8	12.1	16.8	12.1

Purchased goodwill is amortised to £nil in equal instalments over the Directors' estimate of its useful life, not exceeding 20 years.

7.13 Tangible fixed assets

	Land and buildings	Plant and machinery	Total
	£m	£m	£m
Cost			
At 31 December 1998	9.5	57.8	67.3
Acquisitions	—	1.4	1.4
Exchange adjustments	(0.2)	2.2	2.0
Additions	—	17.7	17.7
Disposals	—	(5.2)	(5.2)
At 31 December 1999	9.3	73.9	83.2
Acquisitions	—	0.6	0.6
Exchange adjustments	(0.1)	5.7	5.6
Additions	0.1	26.3	26.4
Disposals	—	(9.6)	(9.6)
At 31 December 2000	9.3	96.9	106.2
Acquisitions	—	—	—
Exchange adjustments	—	2.2	2.2
Additions	0.2	5.1	5.3
Disposals	—	(0.8)	(0.8)
At 31 March 2001	9.5	103.4	112.9
Acquisitions	—	0.1	0.1
Exchange adjustments	(0.4)	(3.2)	(3.6)
Additions	0.2	20.3	20.5
Disposals	(0.5)	(7.1)	(7.6)
At 31 December 2001	8.8	113.5	122.3
Acquisitions	—	—	—
Exchange adjustments	0.5	2.2	2.7
Additions	—	3.9	3.9
Disposals	—	(1.4)	(1.4)
At 31 March 2002	9.3	118.2	127.5

	Land and buildings	Plant and machinery	Total
	£m	£m	£m
Depreciation			
At 31 December 1998	0.5	20.8	21.3
Charge for period	0.3	11.0	11.3
Exchange adjustments	—	1.5	1.5
Disposals	—	(4.7)	(4.7)
At 31 December 1999	0.8	28.6	29.4
Charge for period	0.3	12.7	13.0
Exchange adjustments	—	3.2	3.2
Disposals	—	(7.3)	(7.3)
At 31 December 2000	1.1	37.2	38.3
Charge for period	—	3.8	3.8
Exchange adjustments	—	1.1	1.1
Disposals	—	(0.7)	(0.7)
At 31 March 2001	1.1	41.4	42.5
Charge for period	0.2	11.7	11.9
Exchange adjustments	—	(1.6)	(1.6)
Disposals	(0.2)	(5.9)	(6.1)
At 31 December 2001	1.1	45.6	46.7
Charge for period	0.1	4.2	4.3
Exchange adjustments	0.1	1.4	1.5
Disposals	—	(1.3)	(1.3)
At 31 March 2002	1.3	49.9	51.2
Net book value			
At 31 March 2002	8.0	68.3	76.3
At 31 December 2001	7.7	67.9	75.6
At 31 March 2001	8.4	62.0	70.4
At 31 December 2000	8.2	59.7	67.9
At 31 December 1999	8.5	45.3	53.8

The net book value of land and buildings comprises:

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Freehold	7.6	7.3	6.9	7.5	7.3
Long leasehold	0.7	0.7	0.7	0.7	0.6
Short leasehold	0.2	0.2	0.1	0.2	0.1
	8.5	8.2	7.7	8.4	8.0

The gross amount of depreciable assets included in land and buildings was £7.6 million at 31 March 2002, £7.3 million at 31 December 2001, £8.0 million at 31 March 2001, £7.8 million at 31 December 2000 and £8.1 million at 31 December 1999.

7.14 Investments

	Investments				
	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Associates (as below)	0.5	0.9	0.8	1.3	1.0
Company shares held by ESOT	—	—	0.1	—	0.1
Trade investments	—	—	—	—	1.1
	0.5	0.9	0.9	1.3	2.2

	Interest in associated undertakings				
	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Cost					
At beginning of period	0.3	1.0	0.4	0.4	0.4
Acquisition/(Disposals)	0.7	(0.6)	—	—	—
At end of period	1.0	0.4	0.4	0.4	0.4
Share of post acquisition reserves					
At beginning of period	(0.1)	(0.5)	0.5	0.5	0.4
Retained profit	(0.4)	0.1	0.6	0.2	0.2
Disposals	0.4	1.3	(0.3)	0.2	—
Dividends received	(0.4)	(0.4)	(0.4)	—	—
At end of period	(0.5)	0.5	0.4	0.9	0.6
Book value at end of period	0.5	0.9	0.8	1.3	1.0

The Group has 149 subsidiary companies. The holding companies and the principal subsidiary and associated undertakings whose results or financial position, in the opinion of the directors, principally affect the results of the Group in the period are as follows:

Subsidiary undertakings

Country of incorporation and company name	Principal activity	Percentage of shares held
United Kingdom		
Intertek Testing Services UK Limited	Holding Company	100
Intertek Finance plc	Notes issuer	100
Intertek Testing Services International Limited.	Testing, inspection and certification	100
ITS Testing Services (UK) Limited	Testing, inspection and certification	100
France		
Testing Holdings France EURL	Holding Company	100
Intertek Testing Services France SARL	Testing, inspection and certification	
Germany		
Testing Holdings Germany GmbH	Holding Company	100
Hong Kong		
Intertek Testing Services Hong Kong Limited	Testing, inspection and certification	100
Yickson Enterprises Ltd	Finance company	100
Netherlands		
Kite Overseas Holdings BV	Holding Company	100
Sweden		
Testing Holdings Sweden AB	Holding Company	100
Semko AB	Testing, inspection and certification	100
United States and Canada		
Intertek Testing Services NA Inc	Testing, inspection and certification	100
Caleb Brett USA Inc	Testing, inspection and certification	100
Testing Holdings USA Inc	Holding Company	100
ITS Holdings Limited	Holding Company	100
RAM Consulting Inc	Testing, inspection and certification	100
ITS Canada Limited	Testing, inspection and certification	100
Taiwan		
Intertek Testing Services Taiwan Limited	Testing, inspection and certification	100

Associated undertakings

Company name	Country of incorporation	Principal activity	Percentage of shares held
DEKRA ITS Certification Services GmbH	Germany	Testing, Inspection and Certification	49
SEMKO-DEKRA Certification AB	Sweden	Testing, Inspection and Certification	49

7.15 Stocks

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Raw materials and consumables	1.4	0.5	0.5	0.5	0.4
Work in progress	0.4	0.4	0.4	0.4	0.4
Finished goods	0.8	0.8	0.9	0.9	0.8
	2.6	1.7	1.8	1.8	1.6

7.16 Debtors

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Trade debtors	70.1	81.6	85.5	83.5	85.3
Assets held for resale	0.2	0.2	0.4	0.2	0.4
Other debtors	6.5	9.3	9.2	9.4	8.0
Prepayments and accrued income	8.6	8.8	9.6	11.1	12.1
	85.4	99.9	104.7	104.2	105.8

Total debtors includes £2.5 million at 31 March 2002 (31 December 2001: £2.6 million; 31 March 2001: £2.5 million; 31 December 2000: £2.2 million and 31 December 1999: £2.3 million) due after more than one year.

7.17 Creditors: amounts falling due within one year

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Senior Term Loan A (see note 7.18)	4.7	12.1	13.7	13.0	13.9
Senior Revolver (see note 7.18)	10.4	10.0	22.4	12.0	16.5
Other borrowings (see note 7.18)	0.3	—	1.0	—	1.1
Trade creditors	24.2	27.3	28.6	23.3	24.2
Corporation tax	5.4	6.9	8.5	6.0	8.3
Other taxation and social security	4.3	4.3	5.0	4.2	4.6
Other creditors	4.6	4.8	15.6	4.4	15.2
Accruals and deferred income	36.4	44.1	45.0	48.8	48.6
	90.3	109.5	139.8	111.7	132.4

Other creditors include fines payable of £9.2 million at 31 March 2002 of which £4.6 million is payable in more than one year (£12.3 million at 31 December 2001; £nil at 31 March 2001, 31 December 2000 and 31 December 1999) in respect of investigations by the Environmental Protection Agency (see note 7.23).

7.18 Creditors: amounts falling due after more than one year

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Senior Term Loan A	54.7	46.0	33.0	47.1	33.3
Senior Term Loan B	33.7	34.7	34.1	34.7	35.1
Senior Term Loan C	—	—	1.5	—	2.5
Senior Subordinated Notes	120.9	133.5	136.0	137.3	138.5
Subordinated PIK Debentures	68.6	86.1	99.4	91.5	104.1
Other borrowings	0.3	—	—	—	—
	278.2	300.3	304.0	310.6	313.5

Maturity of borrowings

31 March 2002

	Senior Term Loan A	Senior Term Loan B	Senior Term Loan C	Senior Revolver	Senior Subordinated Notes	Subordinated PIK Debentures	Other borrowings	Total borrowings
	£m	£m	£m	£m	£m	£m	£m	£m
Debt falling due:								
In one year or less .	15.7	—	—	16.5	—	—	1.1	33.3
Between one and two years........	32.5	—	—	—	—	—	—	32.5
Between two and five years........	—	35.6	2.8	—	142.0	—	—	180.4
In five years or more	—	—	—	—	—	105.3	—	105.3
	48.2	35.6	2.8	16.5	142.0	105.3	1.1	351.5
Debt issuance costs . .	(1.0)	(0.5)	(0.3)	—	(3.5)	(1.2)	—	(6.5)
	47.2	35.1	2.5	16.5	138.5	104.1	1.1	345.0

31 December 2001

	Senior Term Loan A	Senior Term Loan B	Senior Term Loan C	Senior Revolver	Senior Subordinated Notes	Subordinated PIK Debentures	Other borrowings	Total borrowings
	£m	£m	£m	£m	£m	£m	£m	£m
Debt falling due:								
In one year or less .	15.4	—	—	22.4	—	—	1.0	38.8
Between one and two years........	32.0	—	—	—	—	—	—	32.0
Between two and five years........	—	34.7	1.8	—	140.0	—	—	176.5
In five years or more	—	—	—	—	—	100.7	—	100.7
	47.4	34.7	1.8	22.4	140.0	100.7	1.0	348.0
Debt issuance costs . .	(0.7)	(0.6)	(0.3)	—	(4.0)	(1.3)	—	(6.9)
	46.7	34.1	1.5	22.4	136.0	99.4	1.0	341.1

31 March 2001

	Senior Term Loan A	Senior Term Loan B	Senior Term Loan C	Senior Revolver	Senior Subordinated Notes	Subordinated PIK Debentures	Other borrowings	Total borrowings
	£m	£m	£m	£m	£m	£m	£m	£m
Debt falling due:								
In one year or less .	13.1	—	—	12.0	—	—	—	25.1
Between one and two years........	15.7	—	—	—	—	—	—	15.7
Between two and five years........	32.6	35.5	—	—	—	—	—	68.1
In five years or more	—	—	—	—	142.0	92.9	—	234.9
	61.4	35.5	—	12.0	142.0	92.9	—	343.8
Debt issuance costs . .	(1.3)	(0.8)	—	—	(4.7)	(1.4)	—	(8.2)
	60.1	34.7	—	12.0	137.3	91.5	—	335.6

31 December 2000

	Senior Term Loan A	Senior Term Loan B	Senior Revolver	Senior Subordinated Notes	Subordinated PIK Debentures	Other borrowings	Total borrowings
	£m	£m	£m	£m	£m	£m	£m
Debt falling due:							
In one year or less	12.8	—	10.0	—	—	—	22.8
Between one and two years	15.3	—	—	—	—	—	15.3
Between two and five years	31.7	35.5	—	—	—	—	67.2
In five years or more	—	—	—	138.1	87.5	—	225.6
	59.8	35.5	10.0	138.1	87.5	—	330.9
Debt issuance costs	(1.7)	(0.8)	—	(4.6)	(1.4)	—	(8.5)
	58.1	34.7	10.0	133.5	86.1	—	322.4

31 December 1999

	Senior Term Loan A	Senior Term Loan B	Senior Revolver	Senior Subordinated Notes	Subordinated PIK Debentures	Other borrowings	Total borrowings
	£m	£m	£m	£m	£m	£m	£m
Debt falling due:							
In one year or less	5.6	—	10.4	—	—	0.3	16.3
Between one and two years	26.4	—	—	—	—	0.1	26.5
Between two and five years	29.7	34.8	—	—	—	0.2	64.7
In five years or more	—	—	—	126.1	70.1	—	196.2
	61.7	34.8	10.4	126.1	70.1	0.6	303.7
Debt issuance costs	(2.3)	(1.1)	—	(5.2)	(1.5)	—	(10.1)
	59.4	33.7	10.4	120.9	68.6	0.6	293.6

Description of borrowings

(a) Senior Term Loans

In November 1996, the Group entered into a credit agreement, amended 5 March 1999 (the "Credit Agreement") comprising (i) a £165.0 million Term Loan Facility (the "Term Loan Facility"), split into a £85.0 million multicurrency Term A Facility (the "Term A Facility"), a £40.0 million multicurrency Term B Facility (the "Term B Facility") and a £40.0 million multicurrency Term C Facility (the "Term C Facility") and (ii) a US$48.8 million multicurrency revolving credit facility (the "Senior Revolver"). The Term A Facility amortises over seven years with the final repayment on 15 December 2003, the Term B Facility is repayable in two equal instalments in June and December 2004 and the Term C Facility is repayable on 15 December 2005. The commitments under the Senior Revolver terminate on 15 December 2003.

Borrowings under the Credit Agreement are secured by substantially all the tangible and intangible assets of the Group.

Term A Loans and advances under the Senior Revolver initially bear interest at a rate equal to LIBOR (as adjusted) plus 2.00 per cent. The margin over LIBOR may be reduced, initially to 1.75 per cent. and then to 1.5 per cent., following satisfaction of certain financial performance tests. The directors believe the margin over LIBOR will be reduced to 1.75 per cent. from the next interest period following the filing of the financial statements for the year ended 31 December 2001.

Term B and Term C Loans bear interest at a rate equal to LIBOR (as adjusted) plus 2.75 per cent. Overdue amounts on the Term A Loans, the Term B Loans, the Term C loans and the Senior Revolver will bear interest at the applicable interest rate plus 1.00 per cent. per annum.

Senior Term Loans are repayable on a change of ownership of Intertek.

(b) Senior Subordinated Notes

In November 1996, the Group issued US$203.0 million principal amount of Senior Subordinated Notes (the "Notes"). The cash consideration received at the date of issue was £123.5 million. The Notes mature at par on 1 November 2006. Interest on the Notes accrues at the rate of 10.25 per cent. per annum and is payable semi annually in cash on each 1 May and 1 November. The Notes are redeemable, in whole, or in part, at the Group's option at any time on or after 1 November 2001 at the redemption price of 105.125 per cent. of the principal amount, during the year commencing 1 November 2001, 103.417 per cent. of the principal amount, during the year commencing 1 November 2002, 101.708 per cent. of the principal amount during the year commencing 1 November 2003 and, thereafter, at 100 per cent. of the principal amount plus accrued and unpaid interest.

The holders of the Senior Subordinated Notes have an option to require Intertek to redeem the Notes on a change of ownership of Intertek.

(c) Subordinated PIK Debentures

In November 1996, the Group issued £50.0 million of units (the "Units") consisting of 12.0 per cent. Subordinated Debentures due 1 November 2007 (the "Subordinated PIK Debentures") and warrants to purchase 14.2 per cent. of the fully diluted share capital of Intertek (7.83 per cent. following Rights issue – see note 7.20) ("Warrants") pursuant to a securities purchase agreement (the "Securities Purchase Agreement"). The Warrants can be exercisable upon sale in connection with the acquisition by a person (other than a person who has funds managed by Charterhouse Development Capital Holdings Limited ("Charterhouse Development") or any other member of Charterhouse Development's wholly-owned group) of more than 50 per cent. of the Ordinary Shares of Intertek (calculated excluding the Ordinary Shares underlying the Warrant) or the unconditional granting of permission for any of the Ordinary Shares of Intertek to be dealt on any recognised investment exchange. The Warrants were recorded at their fair value of £2.8 million which is being amortised over the life of the Subordinated PIK Debentures.

Interest on the Subordinated PIK Debentures is accrued quarterly in arrears at a rate of 12.0 per cent. per annum, subject, upon, and during the continuation of certain events of default, to an increase to the lesser of (i) 24.0 per cent. per annum or (ii) the highest rate of interest then allowed under applicable law. In lieu of cash, interest on the Subordinated PIK Debentures may, at the option of Intertek, be paid by issuing additional Subordinated PIK Debentures on any interest payment date (i) on or prior to 1 February 2002, (ii) after 1 February 2002, to the extent Intertek's pro-forma total fixed charge coverage ratio (as defined in the Securities Purchase Agreement) would be less than 1.10 to 1.00 or (iii) if (a) at the time of any such payment, there exists a payment default in respect of certain senior indebtedness (including the Notes and indebtedness incurred under the Credit Agreement noted above) or (b) after giving effect to any such payment an event of default pursuant to which such indebtedness under the Indenture or Credit Agreement may be accelerated shall occur and be continuing and Intertek is prevented by the holders under the Indenture or the creditors under the Credit Agreement from paying such cash interest. All interest to date has been paid through the issuance of additional Subordinated PIK Debentures.

The Subordinated PIK Debentures may be redeemed at any time at the option of Intertek in whole or in part (provided that, at any such time, Intertek redeems a minimum of US$5.0 million in aggregate principal amount of the Subordinated PIK Debentures) at a redemption price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date.

The Subordinated PIK Debentures are unsecured liabilities of the Group.

The holders of the Subordinated PIK Debentures have an option to require Intertek to redeem the Subordinated PIK Debentures on a change of ownership of Intertek.

7.19 Provisions for liabilities and charges

	Deferred tax	Restructuring	Other	Total
	£m	£m	£m	£m
At 31 December 1998	0.2	4.0	4.5	8.7
Transfer from current (assets)/liabilities	(1.3)	—	—	(1.3)
Charged to operations	1.7	7.7	2.9	12.3
Released during the period	—	—	(0.9)	(0.9)
Utilised during the period	—	(9.2)	(2.7)	(11.9)
At 31 December 1999	0.6	2.5	3.8	6.9
Exchange adjustments	—	—	0.2	0.2
Transfer from current (assets)/liabilities	—	(1.5)	3.7	2.2
Charged to operations	(0.1)	1.0	14.3	15.2
Released during the period	—	—	(0.9)	(0.9)
Utilised during the period	—	(1.4)	(8.0)	(9.4)
At 31 December 2000	0.5	0.6	13.1	14.2
Exchange adjustments	—	—	0.1	0.1
Transfer from current (assets)/liabilities	—	—	—	—
Charged to operations	—	—	(0.1)	(0.1)
Released during the period	—	—	—	—
Utilised during the period	—	(0.1)	(1.5)	(1.6)
At 31 March 2001	0.5	0.5	11.6	12.6
Exchange adjustments	—	—	(0.1)	(0.1)
Transfer from current (assets)/liabilities	—	—	—	—
Charged to operations	0.3	1.4	6.0	7.7
Released during the period	—	—	(2.4)	(2.4)
Utilised during the period	—	(0.6)	(8.1)	(8.7)
At 31 December 2001	0.8	1.3	7.0	9.1
Exchange adjustments	—	—	—	—
Transfer from current (assets)/liabilities	—	—	—	—
Charged to operations	0.1	—	0.2	0.3
Released during the period	—	—	(0.3)	(0.3)
Utilised during the period	—	(0.7)	(0.7)	(1.4)
At 31 March 2002	0.9	0.6	6.2	7.7

Included in other provisions are amounts in respect of other claims of £3.2 million, and £3.0 million for estimated legal costs in respect of investigations by the Environmental Protection Agency. Amounts provided relating to fines in respect of investigations by the Environmental Protection Agency are included within creditors: amounts falling due within one year (see note 7.17).

The elements of deferred taxation are as follows:

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Short term timing differences	0.6	0.5	0.8	0.5	0.9
Deferred tax asset	—	—	—	—	—
Deferred tax liability	0.6	0.5	0.8	0.5	0.9
	0.6	0.5	0.8	0.5	0.9

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Deferred tax asset not recognised	21.1	28.8	41.1	29.7	42.3

7.20 Called up share capital

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Authorised					
Equity					
Ordinary 'A' shares of 69,172,061 of 1p each	0.7	0.7	0.7	0.7	0.7
Ordinary 'B' shares of 11,578,635 of 1p each	0.1	0.1	0.1	0.1	0.1
Ordinary 'C' shares of 2,951,417 of 1p each (none allotted).	—	—	—	—	—
Ordinary 'D' shares of 7,110,713 of 1p each (none allotted).	0.1	0.1	0.1	0.1	0.1
	0.9	0.9	0.9	0.9	0.9
Non equity					
Zero coupon redeemable preference shares of 105,478,482 of £1 each	105.5	105.5	105.5	105.5	105.5
	106.4	106.4	106.4	106.4	106.4

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Allotted, called up and fully paid					
Equity					
Ordinary 'A' shares of 69,172,061 of 1p each	0.7	0.7	0.7	0.7	0.7
Ordinary 'B' shares of 11,578,635 of 1p each	0.1	0.1	0.1	0.1	0.1
	0.8	0.8	0.8	0.8	0.8
Non equity					
Zero coupon redeemable preference shares of 105,478,482 of £1 each	105.5	105.5	105.5	105.5	105.5
	106.3	106.3	106.3	106.3	106.3

Ordinary shares

The A shares, B shares, C shares and D shares rank *pari passu* in all respects except that: (i) the holders of A shares and D shares have a right on a winding-up to receive the subscription price of those shares in preference to the holders of B shares and C shares, but rank *pari passu* with the holders of B shares and C shares on the distribution of any surplus assets available after repayment to the holders of B shares and C shares of the subscription price on those shares; (ii) the C shares confer no right to receive notice of, attend or vote at general meetings of Intertek; and (iii) D shares confer on the holders the right to receive notice of and to attend, but not to vote at, general meetings of Intertek.

Zero coupon redeemable preference shares

The preference shares rank senior to the ordinary shares of Intertek. No dividends are payable on the preference shares. The preference shares will be mandatorily redeemed on 8 November 2009 at par value. Intertek is required upon the written request from holders of 30 per cent. or more of the preference shares to redeem all those shares in issue from any source of funds legally available therefore. Preference shares have no voting rights, except that they can vote on any resolution regarding the winding-up of Intertek, a reduction in Intertek's capital or a modification of the rights and restrictions attached to the preference shares.

Rights Issue

During 1999, Intertek issued 40,737,373 ordinary 'A' shares and 6,384,621 ordinary 'B' shares for £0.016 each and 18,821,951 Preference shares for £1.00. This share issue was to complete an equity offer in April 1999 which raised £19.9 million. The cash raised during this equity offer was used to fund acquisitions and working capital.

Shares to be issued

During the period ended 31 December 1996, Intertek issued warrants to subscribe for Ordinary D shares of 1p each (see note 7.18(c)). The shareholder warrants can only be exercised on 1 November 2007 unless certain events occur beforehand. The shareholder warrants, if exercised in full, would represent 7.83 per cent. of the fully diluted share capital of Intertek. In accordance with Financial Reporting Standards 4, the net attributable proceeds from the issue of these warrants (£2.8 million) have been included within shareholders' funds as shares to be issued.

7.21 Share premium and reserves

	Shares to be issued	Share premium account	Profit and loss account
	£m	£m	£m
At 31 December 1998	2.8	3.0	(314.6)
Retained profit for the period	—	—	9.0
Premium on share issues	—	0.6	—
Goodwill on disposals	—	—	1.0
Actuarial pension losses (see note 7.25)	—	—	(1.5)
Exchange adjustments	—	—	(11.0)
At 31 December 1999	2.8	3.6	(317.1)
Retained loss for the period	—	—	(7.9)
Goodwill on disposals	—	—	10.0
Actuarial pension gains (see note 7.25)	—	—	3.4
Exchange adjustments	—	—	(21.1)
At 31 December 2000	2.8	3.6	(332.7)
Retained profit for the period	—	—	0.4
Exchange adjustments	—	—	(6.3)
Actuarial pension losses (see note 7.25)	—	—	(1.1)
At 31 March 2001	2.8	3.6	(339.7)
Retained loss for the period	—	—	(15.1)
Actuarial pension losses (see note 7.25)	—	—	(2.2)
Exchange adjustments	—	—	1.4
At 31 December 2001	2.8	3.6	(355.6)
Retained profit for the period	—	—	2.5
Actuarial pension gains (see note 7.25)	—	—	1.1
Exchange adjustments	—	—	(3.5)
At 31 March 2002	2.8	3.6	(355.5)

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Profit and loss account excluding pension asset/(liability)	(315.6)	(334.5)	(354.0)	(340.3)	(355.2)
Pension asset/(liability)	(1.5)	1.8	(1.6)	0.6	(0.3)
Profit and loss account including pension asset/liability	(317.1)	(332.7)	(355.6)	(339.7)	(355.5)

Included in the profit and loss account is £297.3 million relating to goodwill at 31 March 2002 (31 December 2001: £292.7 million, 31 March 2001: £294.3 million, 31 December 2000: £287.2 million and 31 December 1999: £277.4 million). This comprises goodwill of £290.4 million at 31 March 2002 (31 December 2001: £286.1 million, 31 March 2001: £291.7 million, 31 December 2000: £285.0 million and 31 December 1999: £276.2 million) written off to reserves in relation to the acquisition of subsidiaries prior to December 1997 and £6.9 million at 31 March 2002 (31 December 2001: £6.6 million, 31 March 2001: £2.6 million, 31 December 2000: £2.2 million and 31 December 1999: £1.2 million) amortised goodwill in relation to acquisitions from 1 January 1998.

7.22 Minority interests

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
At beginning of period	4.6	5.8	6.3	6.3	7.2
Retained profit for period	3.2	3.6	4.4	0.8	0.7
Amount paid to minorities during the period	(2.1)	(3.4)	(3.5)	(0.6)	(1.1)
Exchange adjustments	0.3	0.2	—	—	0.1
Cash subscribed	0.5	0.1	—	—	—
Transfers	(0.7)	—	—	—	—
At end of period	5.8	6.3	7.2	6.5	6.9

7.23 Contingent liabilities

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Performance bonds	3.1	2.7	3.5	3.1	3.7
Other guarantees	3.0	1.6	2.0	1.6	2.0
Contingent liabilities in respect of EPA investigations	12.3	12.3	—	12.3	—
	18.4	16.6	5.5	17.0	5.7

Contingent liabilities in respect of EPA investigations are disclosed as such in each of the periods to 31 March 2001. In the period ended 31 December 2001 the quantum of the fines was determined as £12.3 million. Relevant amounts are recorded in other creditors at 31 December 2001 and 31 March 2002 (see 7.17).

From time to time the Group is involved in various claims and lawsuits incidental to the ordinary course of business, including claims for damages, negligence and commercial disputes regarding inspection and testing and disputes from former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business and the investigations described below. On the basis of currently available information, the directors consider that the cost to the Group of an unfavourable outcome, arising from any such ordinary litigation is unlikely to have a material 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.

Investigations by the US Environmental Protection Agency

Two of Intertek's subsidiary undertakings have been involved in investigations by the EPA. Details of each investigation are given below:

(a) One of the Group's subsidiary companies, ITS Environmental, was until recently under investigation by the EPA after reporting to the EPA and to clients certain discrepancies in reported testing results relating to tests performed between 1994 and 1997 by former ITS Environmental employees at its facility in Richardson, Texas. A US government investigation at the facility revealed further discrepancies beyond those initially discovered and disclosed by ITS Environmental.

This resulted in criminal and civil actions by the US government against ITS Environmental, which have now been settled. In respect of the criminal action, ITS Environmental agreed with the US Department of Justice in October 2001 that it would plead guilty to a conspiracy to violate the mail fraud statute, a felony, and pay a fine to the US government of US$9.0 million (£6.2 million) in instalments of US$4.5 million in April 2002 and US$1.5 million in each of the following three years. In return, the US government agreed not to bring any criminal charges against ITS Environmental or its subsidiary, affiliated, parent or predecessor companies in respect of this matter. This settlement agreement was confirmed by court order in February 2002. Of the criminal fine of £6.2 million £3.1 million has been paid at 31 March 2002 and £3.1 million is included within other creditors (see 7.17) and is payable after more than one year. In respect of the civil action, Intertek and ITS Environmental reached an agreement with the US Department of Justice in March 2002 pursuant to which ITS Environmental will pay a fine of US$8.7 million (£6.1 million) in instalments, the first of which, in the amount of US$5.0 million, was paid on 18 May 2002, US$1.5 million in each of March 2003 and February 2004 and US$741,000 in August 2004. The civil fine of £6.1 million is included within other creditors (see 7.17). £1.5 million is payable within one year and £4.6 million is payable after more than one year.

ITS Environmental ceased all commercial activities in 1998.

To date, three former customers of ITS Environmental have filed lawsuits as a result of the events at its Richardson facility arising from laboratory analysis performed under contracts with those customers and other claims may be filed. These claims have been dismissed without prejudice and the Directors believe that any potential future liability from such claims should be covered by the Group's insurance.

In addition on 23 March 2001, a complaint was filed in Marshall, Texas, by 418 individual plaintiffs against ITS Environmental and 13 former employees seeking US$80 million in damages. On 18 December 2001, the federal court issued an order dismissing the complaint against all parties. On 3 January 2002, plaintiffs filed a motion for reconsideration. On 3 April 2002 the court denied this motion, leaving the plaintiffs 30 days to appeal against this judgement. A notice of appeal has been filed by the plaintiffs. However, the Directors do not believe that any potential liability of ITS Environmental in respect of these proceedings will have a significant effect on the Group's financial position or results of operations.

As a result of ITS Environmental's guilty plea in the criminal action described above, the Debarment Office of the EPA has requested that the Group respond to a number of questions intended to discover the extent of similar problems in the company at large, the steps that have been taken to establish a more effective compliance programme and the extent of federal, state and municipal contact with the Group. Responses to these questions were submitted to the EPA Debarment Office on 19 February 2002 and are presently under consideration by the US government. This process is common following the entering of a guilty plea with the EPA and, in the case of Caleb Brett USA, resulted in the adoption of the Compliance Agreement referred to below. The Directors believe that the most likely outcome of this process is that the EPA Debarment Office will be satisfied that the Group has put in place a sufficient compliance programme and this, combined with ITS Environmental having terminated its operations and the US government and Caleb Brett USA having previously entered into their Compliance Agreement, causes the Directors to believe that, while it is within the authority of the EPA Debarment Office to bar ITS and its subsidiary companies from doing business with US government entities, the possibility of such an outcome is remote.

(b) In February 1997, Caleb Brett USA, Inc., through its routine quality assurance and control procedures, discovered evidence of false testing results at its laboratory in Linden, New Jersey, which involved the testing of reformulated gasoline to certain standards set by the EPA. Caleb Brett USA promptly reported its findings to the EPA and requested inclusion, and was subsequently accepted into, the EPA's voluntary disclosure program.

Following the EPA's investigation, Caleb Brett USA and the United States government entered into an agreement pursuant to which, on 25 September 2000, Caleb Brett USA pleaded guilty to a one-count indictment charging conspiracy to make false statements to government investigators, which is a felony. In addition, Caleb Brett USA agreed to pay a US$1.0 million fine. On 12 April 2001, a sentencing hearing was held and the court imposed the US$1.0 million fine. The fine was to be paid over a period of one year: US$500,000 was paid in April 2001; US$250,000 was paid in October 2001 and US$250,000 was paid in April 2002. In return, the government agreed not to bring any criminal charges against Caleb Brett USA or any subsidiary, affiliate, parent or predecessor company.

As a result of these events, Caleb Brett engaged in a discussion with the EPA Debarment Office, which was acting for all United States government agencies and had the authority to bar Caleb Brett from doing business with any United States government entity. These discussions resulted in the entering into of a compliance agreement between Caleb Brett and the EPA Debarment Office under which no action will be taken to debar Caleb Brett provided that Caleb Brett continues to enforce its compliance programme.

(c) Caleb Brett was informed in June 1998 that the US Department of Justice had commenced a criminal investigation following allegations by an ex-employee that employees had submitted false statements to the Puerto Rico Environmental Quality Board during and prior to 1997. In connection with this investigation, representatives of the Group have met with and provided documents to the EPA and the US Department of Justice. The Directors believe that the Group has responded in all respects to the enquiries raised by the EPA and the US Department of Justice. Since April 2001, the Group has had only limited contact with the EPA and US Department of Justice concerning this matter. Although the investigation is ongoing, the Directors do not expect this matter to result in civil or criminal penalties; however should such penalties be imposed, the Directors believe that they would not have a significant adverse effect on the Group's business or financial results.

ITS Belgium NV

In 1998, Intertek Testing Services Belgium NV purchased Van Sluys & Bayet NV ("VSB"). At the time of purchase, it was known that VSB could be prosecuted as a result of the actions in 1995 of an employee, Mr R Bastin, who left the company in 1996. On 5 April 2001, a court in Belgium found VSB, Mr Bastin and other parties (not related to VSB) guilty of fraudulent practices with regard to a quantity of gas oil, and judgement was entered in an amount of euros 5.2 million (£3.2 million) in lost excise duty, penalties and a fine. An appeal has been filed against this judgement. A second case was filed against certain of the parties to the original proceedings, including VSB, with a Belgian court on 5 November 2001 for similar infringements committed in 1994 and 1995. VSB, Mr Bastin and other parties may potentially be jointly and severally liable for an amount of up to euros 4.8 million (£3.0 million) in lost excise duty, penalties and a fine in respect of the second case. Although VSB may be liable in aggregrate, for up to euros 10.0 million in these matters, VSB has no significant operations or assets and although there can be no assurance, the Directors do not believe that these claims are likely to result in any material liability to the Group.

7.24 Commitments

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

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Land and buildings					
Within one year	1.8	1.8	1.7	2.8	1.9
In the second to fifth years inclusive	5.7	6.4	7.7	5.8	7.5
Over five years	2.0	2.6	3.0	2.0	3.0
	9.5	10.8	12.4	10.6	12.4

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Other					
Within one year	1.1	0.7	1.0	0.5	0.7
In the second to fifth years inclusive	2.0	2.3	2.5	1.5	2.1
Over five years	—	—	0.1	0.1	—
	3.1	3.0	3.6	2.1	2.8

Contracts for capital expenditure which are not provided in these accounts amounted to £0.9 million at 31 March 2002 (£0.6 million at 31 December 2001, £0.1 million at 31 March 2001, 31 December 2000: £0.8 million and 31 December 1999: £0.1 million).

7.25 Pension schemes

The Group operates a number of defined benefit and defined contribution pension schemes throughout the world. There are significant funded defined benefit schemes in the United Kingdom, United States, Hong Kong and Taiwan with assets held in separate trustee administered funds. Of the remaining defined benefit plans, some are not considered to be material and are therefore accounted for as if they were defined contribution plans. The schemes in Hong Kong and in the United Kingdom were closed to new entrants with effect with from 1 December 2000 and 1 April 2002 respectively.

The total pension cost for the Group was:

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Defined contribution schemes	6.1	6.1	5.9	1.5	1.4
Defined benefit schemes	2.2	2.6	2.7	0.7	0.7
	8.3	8.7	8.6	2.2	2.1

The pension cost for the defined contribution schemes and some non significant defined benefit schemes is the contribution payable by the Group during the period.

The pension cost for the significant funded defined benefit plans was assessed in accordance with the advice of qualified actuaries. Actuarial valuations conducted by independent qualified actuaries in the United Kingdom, United States, Hong Kong and Taiwan as at 30 September 2001 for the defined benefit schemes were updated to 31 December 2001 and 31 March 2002. The major assumptions used in each country as at 31 December 2001 were:

	UK	Hong Kong	Taiwan
Discount rate	6%	7%	5%
Excepted return on assets	7.5%	8.1%	5%
Rate of increase in pensionable salaries	3%	5%	5%
Rate of increase in pensions in payment	2.5%	See below	See below
Inflation assumption	2.5%	2.5%	2.5%

In the plan in the United States, the benefits are frozen. The discount rate applied for that plan was 7.25 per cent. The Hong Kong and Taiwan plans provide for a lump sum upon retirement based on a multiple of final salary.

	31 December			31 March	
	1999	2000	2001	2001	2002
Weighted average assumptions used at period end (%):					
Discount rate	6.7%	7.2%	6.3%	6.3%	6.3%
Excepted return on assets	7.2%	7.4%	7.5%	7.3%	7.4%
Compensation increase	5.5%	5.6%	3.7%	3.7%	3.7%

There were no past service costs in respect of the defined benefit plans. For closed schemes, under the projected unit method, the current service cost as a percentage of relevant defined benefit pensionable payroll will increase as the members of the scheme approach retirement.

The pension asset/(liability) included in the Group's balance sheet is made up as follows:

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Pension assets, being fair value of schemes' assets	26.2	34.9	33.9	33.8	35.5
Pension liability being the discounted present values	(27.9)	(33.3)	(35.9)	(33.4)	(36.1)
Deferred tax asset	0.2	0.2	0.4	0.2	0.3
Pension asset/(liability) net of deferred tax	(1.5)	1.8	(1.6)	0.6	(0.3)
Shown on the balance sheet as follows:					
Pension asset	0.1	2.3	0.1	1.4	0.8
Pension liability	(1.6)	(0.5)	(1.7)	(0.8)	(1.1)
	(1.5)	1.8	(1.6)	0.6	(0.3)

The pension asset/(liability) of each scheme at 31 March 2002 is as follows:

	UK	USA	Hong Kong	Taiwan	Total
	£m	£m	£m	£m	£m
Pension assets, being fair value of schemes' assets	23.0	1.1	9.1	2.3	35.5
Pension liabilities being the discounted present values	(22.2)	(1.1)	(10.4)	(2.4)	(36.1)
Pension surplus/(deficit)	0.8	—	(1.3)	(0.1)	(0.6)
Deferred tax asset	—	—	0.3	—	0.3
Pension asset/(liability) net of deferred tax	0.8	—	(1.0)	(0.1)	(0.3)

The pension asset/(liability) of each scheme at 31 December 2001 is as follows:

	UK	USA	Hong Kong	Taiwan	Total
	£m	£m	£m	£m	£m
Pension assets, being fair value of schemes' assets	22.4	1.0	8.5	2.0	33.9
Pension liabilities being the discounted present values	(22.3)	(1.2)	(10.0)	(2.4)	(35.9)
Pension surplus/(deficit)	0.1	(0.2)	(1.5)	(0.4)	(2.0)
Deferred tax asset	—	—	0.3	0.1	0.4
Pension asset/(liability) net of deferred tax	0.1	(0.2)	(1.2)	(0.3)	(1.6)

The pension asset/(liability) of each scheme at 31 March 2001 is as follows:

	UK	USA	Hong Kong	Taiwan	Total
	£m	£m	£m	£m	£m
Pension assets, being fair value of schemes' assets	22.8	1.0	8.1	1.9	33.8
Pension liabilities being the discounted present values	(21.4)	(1.0)	(8.7)	(2.3)	(33.4)
Pension surplus/(deficit)	1.4	—	(0.6)	(0.4)	0.4
Deferred tax asset	—	—	0.1	0.1	0.2
Pension asset/(liability) net of deferred tax	1.4	—	(0.5)	(0.3)	0.6

The pension asset/(liability) of each scheme at 31 December 2000 is as follows:

	UK	USA	Hong Kong	Taiwan	Total
	£m	£m	£m	£m	£m
Pension assets, being fair value of schemes' assets	23.6	1.1	8.3	1.9	34.9
Pension liabilities being the discounted present values	(21.4)	(1.0)	(8.4)	(2.5)	(33.3)
Pension surplus/(deficit)	2.2	0.1	(0.1)	(0.6)	1.6
Deferred tax asset	—	—	—	0.2	0.2
Pension asset/(liability) net of deferred tax	2.2	0.1	(0.1)	(0.4)	1.8

The pension asset/(liability) of each scheme at 31 December 1999 is as follows:

	UK	USA	Hong Kong	Taiwan	Total
	£m	£m	£m	£m	£m
Pension assets, being fair value of schemes' assets	17.9	0.9	6.1	1.3	26.2
Pension liabilities being the discounted present values	(19.2)	(0.9)	(6.0)	(1.8)	(27.9)
Pension surplus/(deficit)	(1.3)	—	0.1	(0.5)	(1.7)
Deferred tax asset	—	—	—	0.2	0.2
Pension asset/(liability) net of deferred tax	(1.3)	—	0.1	(0.3)	(1.5)

There is no deferred tax in the United Kingdom and the United States in view of unrelieved tax losses. Deferred tax movements are netted against the actuarial gains and losses shown in the Statement of recognised gains and losses.

The assets in the main schemes and the expected rates of return at 31 December 2001 were:

	United Kingdom		Hong Kong	
	Long term rate of return	Value	Long term rate of return	Value
		£m		£m
Equities	8.0%	18.2	9.0%	5.0
Bonds	5.5%	3.1	7.0%	2.6
Cash and other	4.5%	1.1	6.0%	0.9
Total fair value of assets		22.4		8.5
Present value of scheme liabilities		(22.3)		(10.0)
Surplus/(deficit) in the scheme		0.1		(1.5)

Movement in surplus/(deficit) during the period

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Surplus/(deficit) at the beginning of the year	(0.1)	(1.7)	1.6	1.6	(2.0)
Deferred tax thereon	0.3	0.2	0.2	0.2	0.4
Surplus/(deficit) at the beginning of the year, net of deferred tax	0.2	(1.5)	1.8	1.8	(1.6)
Movement in the year:					
Current service cost	(2.2)	(2.6)	(2.7)	(0.8)	(0.6)
Contributions	1.7	2.3	2.4	0.6	0.7
Other finance income	0.3	0.2	0.2	0.1	0.1
Actuarial gains/(losses)	(1.4)	3.4	(3.5)	(1.1)	1.2
Deferred tax	(0.1)	—	0.2	—	(0.1)
Surplus/(deficit) at end of the year net of deferred tax	(1.5)	1.8	(1.6)	0.6	(0.3)

The employer has paid contributions at the following rates expressed as a percentage of pensionable payroll:

United Kingdom: 7.5 per cent. until 31 March 2002 (increased to 10 per cent. from 1 April 2002).

United States: Not applicable as the scheme is closed and members' benefits are frozen.

Hong Kong scheme: 10.7 per cent. for executive members and 6.5 per cent. for general staff members until 30 June 2001; 14.0 per cent. for executive members and 9.5 per cent. for general staff members from 1 July 2001; 15.9 per cent. for executive members and 12.7 per cent. for general staff members from 1 March 2002.

Taiwan Schemes: Caleb Brett – 15.6 per cent. combining retirement benefit and leaving service benefit; Labtest 8.4 per cent. combining retirement benefit and leaving service benefit. BSI Pacific – 9.8 per cent. combining retirement benefit and leaving service benefit.

The cost of life assurance benefits are included in the United Kingdom contribution rates.

History of experience gains and losses

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Difference between the actual return and expected return on scheme assets	0.6	1.7	(5.0)	(1.8)	0.5
Percentage of scheme assets	2.3%	4.9%	14.7%	5.3%	1.4%
Gains and losses on scheme liabilities	(2.3)	(0.7)	—	(0.1)	—
Percentage of present value of scheme liabilities	8.2%	2.1%	—	0.3%	—
Amount recognised in the Statement of total recognised gains and losses	(1.4)	3.4	(3.5)	(1.1)	1.2
Percentage of present value of scheme liabilities	5.0%	10.2%	10.0%	3.3%	3.4%

Analysis of amount recognised in the Statement of total recognised gains and losses

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Actual return less expected return on pension scheme assets	0.6	1.7	(5.0)	(1.8)	0.5
Gains and losses on scheme liabilities	(2.3)	(0.7)	—	(0.1)	—
Changes in assumption underlying the present value of scheme liabilities	0.3	2.4	1.5	0.8	0.7
Deferred tax	(0.1)	—	0.2	—	(0.1)
Actuarial (loss)/gain recognised in Statement of total recognised gains and losses	(1.5)	3.4	(3.3)	(1.1)	1.1

7.26 Reconciliation of operating profit to operating cash flows

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Operating profit	51.0	57.6	45.4	13.0	15.2
Depreciation charge	11.3	13.0	15.7	3.8	4.3
Goodwill amortisation and impairment	0.8	1.1	4.4	0.3	0.2
Loss on disposal of fixed assets	0.1	0.1	0.1	—	0.1
(Increase)/decrease in stocks	1.1	(0.1)	(0.1)	—	—
Increase in debtors	(3.9)	(11.9)	(6.1)	(4.2)	(0.8)
Increase/(decrease) in creditors	(6.3)	8.4	16.1	(4.0)	(6.0)
Cash payments from exporters	5.0	—	—	—	—
Discontinued operating exceptional charge – Environmental	2.9	7.8	—	—	—
Decrease in other provisions	(2.3)	(3.6)	(4.5)	(1.5)	(1.2)
	59.7	72.4	71.0	7.4	11.8
Equity income of associates	(0.3)	(0.9)	(1.0)	(0.3)	(0.3)
Dividend received from associates	0.4	0.4	0.4	—	—
Total operating cash inflow	59.8	71.9	70.4	7.1	11.5

7.27 Analysis of cash flows

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Returns on investments and servicing of finance					
Net interest paid	(21.8)	(23.0)	(24.9)	(1.4)	(1.6)
Dividends paid to minorities	(2.1)	(3.4)	(3.5)	(0.6)	(1.1)
	(23.9)	(26.4)	(28.4)	(2.0)	(2.7)
Capital expenditure and financial investment					
Purchase of tangible fixed assets	(17.7)	(26.4)	(25.8)	(5.3)	(3.9)
Sale of plant and machinery	0.2	0.3	0.3	0.1	0.1
	(17.5)	(26.1)	(25.5)	(5.2)	(3.8)
Acquisitions and disposals					
Investments	—	—	(0.1)	—	(1.0)
Purchase of subsidiary undertakings	(8.3)	(2.0)	(0.2)	—	—
Acquisition provision payments	(0.2)	—	(1.5)	(0.5)	(0.1)
Sale of subsidiary undertakings	3.5	1.4	0.3	—	—
	(5.0)	(0.6)	(1.5)	(0.5)	(1.1)
Financing					
Issue of ordinary shares	1.1	—	—	—	—
Issue of redeemable preference shares	18.8	—	—	—	—
(Repayments)/issue of short term debt	(5.9)	(0.6)	12.9	2.0	(4.8)
Repayment of other loans	(16.1)	(6.8)	(11.1)	—	—
Cash subscribed by minorities	0.5	0.1	—	—	—
	(1.6)	(7.3)	1.8	2.0	(4.8)

Purchase of subsidiary undertakings

During 1999, the Group purchased four businesses in its ETL SEMKO division. The net assets acquired were £1.4 million and the consideration paid (including fees) was £5.5 million. There were no fair value adjustments and the resulting goodwill of £4.1 million was capitalised and amortised over 20 years.

During 2000, the Group purchased eight businesses. The net assets acquired were £0.5 million and the consideration paid (including fees) was £2.4 million. Fair value adjustments of £0.3 million (credit) were made to the reduce property, plant and equipment to net realisable value. The resulting goodwill of £2.2 million has been capitalised and is being amortised over 20 years.

During 2001, the Group purchased five businesses. The net assets acquired were £0.1 million and the consideration paid (including fees) was £0.2 million. There were no fair value adjustments and the resulting goodwill of £0.1 million was capitalised and fully amortised in 2001.

Net cash outflow on purchase of subsidiaries and associates

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Fair value of consideration	5.6	2.2	0.2	—	—
Net deferred consideration paid on prior period acquisitions	3.0	0.1	1.5	0.5	0.1
Net deferred consideration payable	(0.4)	(0.5)	—	—	—
Cash and cash equivalents acquired	(0.1)	—	—	—	—
Fees payable	0.4	0.2	—	—	—
Net cash outflow in respect of acquisitions made during the period and on prior period acquisitions	8.5	2.0	1.7	0.5	0.1

7.28 Analysis of net debt

31 March 2002

	At beginning of period	Cash flow	Acquisitions and disposals	Debt issued in lieu of interest payment	Other non-cash changes	Exchange adjustments	At end of period
	£m	£m	£m	£m	£m	£m	£m
Net cash							
Cash in hand and at bank	23.7	(3.9)	—	—	—	0.2	20.0
Debt							
Debt due within one year	(37.1)	5.9	—	—	(0.5)	0.2	(31.5)
Debt due after one year	(304.0)	(1.1)	—	(3.2)	—	(5.2)	(313.5)
	(341.1)	4.8	—	(3.2)	(0.5)	(5.0)	(345.0)
Total net debt	(317.4)	0.9	—	(3.2)	(0.5)	(4.8)	(325.0)

31 December 2001

	At beginning of period	Cash flow	Acquisitions and disposals	Debt issued in lieu of interest payment	Other non-cash changes	Exchange adjustments	At end of period
	£m	£m	£m	£m	£m	£m	£m
Net cash							
Cash in hand and at bank	21.3	3.2	0.1	—	—	(0.9)	23.7
Debt							
Debt due within one year	(22.1)	(12.9)	—	—	(2.2)	0.1	(37.1)
Debt due after one year	(300.3)	11.1	—	(11.7)	—	(3.1)	(304.0)
	(322.4)	(1.8)	—	(11.7)	(2.2)	(3.0)	(341.1)
Total net debt	(301.1)	1.4	0.1	(11.7)	(2.2)	(3.9)	(317.4)

31 March 2001

	At beginning of period	Cash flow	Acquisitions and disposals	Debt issued in lieu of interest payment	Other non-cash changes	Exchange adjustments	At end of period
	£m	£m	£m	£m	£m	£m	£m
Net cash							
Cash in hand and at bank	21.3	(2.0)	—	—	—	—	19.3
Debt							
Debt due within one year	(22.1)	(2.0)	—	—	—	(0.9)	(25.0)
Debt due after one year	(300.3)	—	—	(2.8)	(0.5)	(7.0)	(310.6)
	(322.4)	(2.0)	—	(2.8)	(0.5)	(7.9)	(335.6)
Total net debt	(301.1)	(4.0)	—	(2.8)	(0.5)	(7.9)	(316.3)

31 December 2000

	At beginning of period	Cash flow	Acquisitions and disposals	Debt issued in lieu of interest payment	Other non-cash changes	Exchange adjustments	At end of period
	£m	£m	£m	£m	£m	£m	£m
Net cash							
Cash in hand and at bank	20.2	1.4	(0.7)	—	—	0.4	21.3
Debt							
Debt due within one year	(15.4)	7.4	—	—	(13.5)	(0.6)	(22.1)
Debt due after one year	(278.2)	—	—	(10.1)	11.4	(23.4)	(300.3)
	(293.6)	7.4	—	(10.1)	(2.1)	(24.0)	(322.4)
Total net debt	(273.4)	8.8	(0.7)	(10.1)	(2.1)	(23.6)	(301.1)

31 December 1999

	At beginning of period	Cash flow	Acquisitions and disposals	Debt issued in lieu of interest payment	Other non-cash changes	Exchange adjustments	At end of period
	£m	£m	£m	£m	£m	£m	£m
Net cash							
Cash in hand and at bank	16.8	4.9	(1.6)	—	—	0.1	20.2
Debt							
Debt due within one year	(22.2)	22.0	—	—	(15.2)	—	(15.4)
Debt due after one year	(273.6)	—	—	(8.1)	13.2	(9.7)	(278.2)
	(295.8)	22.0	—	(8.1)	(2.0)	(9.7)	(293.6)
Total net debt	(279.0)	26.9	(1.6)	(8.1)	(2.0)	(9.6)	(273.4)

7.29 1997 Plan and Trust

Intertek established a share option scheme for senior management on 1 March 1997, the 1997 Plan. The board of directors has allocated options to purchase a maximum of 2,951,417 Ordinary 'C' shares under the scheme. In 2001, 324,659 (2000: 495,848; 1999: 188,894) options were granted and the weighted average exercise price was £1.40 (2000: £1.17 and 1999: £0.10). 312,855 (2000: 242,013; 1999: 170,187) were forfeited during the year and the weighted average exercise price was £0.32 (2000: £0.10 and 1999: £0.10).

The options may not be exercised before the later of (i) three years from the grant date and (ii) the sale of the entire issued share capital of Intertek to a single person or the admission to listing on a securities market of the shares of Intertek. The options may not be exercised after seven years from grant date. The Board of Directors of Intertek has set the exercise price at £0.10 and £1.40 per share, being the Directors' estimate of the fair value of the underlying shares at the grant date. Accordingly, no compensation cost has been recorded in the consolidated profit and loss account.

The outstanding options are exercisable as follows:

Number of shares under option outstanding at 31 December 2001	Subscription price per share	Exercisable between	
1,583,603	10p	1 March 2000	1 March 2004
247,315	10p	31 December 2000	31 December 2004
29,515	10p	1 June 2001	1 June 2005
70,834	10p	31 December 2001	31 December 2005
76,739	10p	1 June 2002	1 June 2006
29,515	10p	31 December 2002	31 December 2006
82,640	10p	31 March 2003	31 March 2007
354,178	140p	31 December 2003	31 December 2007
82,638	140p	1 November 2004	1 November 2008
242,021	140p	1 December 2004	1 December 2008
2,798,998			

As at 31 December 2001, none of the Directors held any options to subscribe for shares and none of the options are exercisable.

On 28 March 2002, 159,030 options to subscribe for C shares of Intertek were granted at a subscription price which will be the greater of the value of the Company's shares on admission to the London Stock Exchange or the market value of Intertek's shares at the grant date as determined by the Directors on the date of grant.

On 28 March 2002 the following California grants were fully vested:

Name	Number of shares under grant	Date of grant	Exercise price	Exercise period
Howard Stacy	5,903	31/12/00	£1.40	28/03/02 – 28/03/06
Lorne Laidlaw	5,903	31/12/00	£1.40	28/03/02 – 28/03/06
George Huoh	5,903	31/12/00	£1.40	28/03/02 – 28/03/06
	17,709			

During the year ended 31 December 2001, 87,000 options were granted to purchase Ordinary 'B' shares under the Share Option Scheme. The terms are the same as for options over the 'C' shares described above. The subscription price is £1.40 and is exercisable between 1 November 2004 and 1 November 2008.

On 9 August 2001, Intertek established the Trust for the purpose of attracting, retaining and motivating employees of companies within the Group. The assets, liabilities, income and costs of the

Trust have been incorporated into the consolidated financial information. At 31 December 2001 the Trust held 91,000 Ordinary 'B' shares of Intertek purchased at £1.40. Of these shares, 87,000 are subject to the share options described above. At 31 December 2001 the Trust had borrowings of £127,400. The total Trust costs charged to the consolidated profit and loss account for the year ended 31 December 2001 was £12,000 of which £3,000 was net interest expense.

7.30 Exchange rates

The main exchange rates against sterling used are:

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
Cumulative average					
US dollar	1.62	1.52	1.44	1.45	1.43
Hong Kong dollar	12.60	11.80	11.20	11.30	11.10
Swedish kroner	13.40	13.90	14.90	14.30	15.00
Euro	1.52	1.65	1.61	1.60	1.63

	31 December			31 March	
	1999	2000	2001	2001	2002
Closing					
US dollar	1.61	1.47	1.45	1.43	1.43
Hong Kong dollar	12.50	11.50	11.30	11.10	11.10
Swedish kroner	13.70	14.20	15.30	14.70	14.60
Euro	1.59	1.64	1.61	1.60	1.62

7.31 Related party transactions

Except as disclosed below neither Intertek nor the Group has entered into any material transactions with related parties during the period as defined by Financial Reporting Standard 8, "Related Party Disclosures".

In connection with the acquisition from Inchcape plc, Intertek is required to pay an acquisition advisory fee of £3.8 million to Charterhouse Development, its major shareholder. £1.0 million was paid to Charterhouse in 2001 and the remaining £2.8 million is payable on demand when cash reserves permit. Charterhouse Development or funds managed by it may, from time to time, provide financial advisory services for which it will receive customary fees and expenses.

7.32 Financial instruments

Derivative financial instruments

Intertek uses derivative financial instruments to manage interest rate and foreign currency risks. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by the value of the underlying exposures being hedged. Intertek does not hold derivative financial instruments for trading purposes.

The notional amount of derivatives summarised in this footnote does not represent amounts exchanged by parties and, thus, are not a measure of the exposure of Intertek through its use of derivatives. The amounts exchanged are calculated on the basis of the notional amount and the other terms of the derivatives, which relate to interest rate or exchange rates.

Counterparties to financial instruments expose Intertek to credit-related losses in the event of non-performance, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. Intertek does not demand collateral when entering into derivative financial instruments. The credit exposure of interest rate and foreign currency contracts is represented by the fair value of contracts with a positive fair value at the end of each period.

The following numerical disclosures relate to the Group's financial assets and financial liabilities as defined in Financial Reporting Standard 13 ("FRS 13"): Derivatives and Other Financial Instruments. For all the numerical disclosures, short-term debtors and creditors have been excluded as permitted under FRS 13.

Foreign exchange risk management

A substantial portion of the Group's Revenue is derived from customers located outside the United Kingdom. In addition the net assets of foreign subsidiaries represent a significant portion of the Group's net assets. The Group's operations are conducted in several countries outside of the United Kingdom and operating costs are incurred in currencies other than the pound sterling.

Because of the high proportion of international activity, Intertek's income is exposed to exchange rate fluctuations. Risk of two kinds arise as a result: a "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, and a "translation risk," that is, the risk of adverse currency fluctuations in the translation of foreign currency operations and foreign assets and liabilities into pound sterling.

Intertek enters into forward exchange contracts to hedge certain firm commitments denominated in foreign currencies. Some of the contracts involve the exchange of two foreign currencies, according to local needs in foreign subsidiaries. The term of the currency derivatives generally do not exceed one year.

The table below summarises by major currency the contractual amounts at the end of the period of the Group's forward exchange contracts in pound sterling. The "buy" amounts represent the pound sterling equivalent of commitments to purchase foreign currency, and the "sell" amounts represent the pound sterling equivalent of commitment to sell foreign currencies.

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Buy					
Hong Kong dollar	0.4	—	—	—	—
Canadian dollar	1.6	—	—	—	—
Euro	—	—	1.6	1.7	2.6
South African rand	—	—	—	0.6	—
Swedish kroner	—	—	—	0.3	—

	31 December			31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Sell					
US dollar	6.8	4.2	9.5	6.6	7.8
Swiss franc	3.2	—	—	—	—

Currency composition of net assets

	31 March 2002		
	Net assets before gross borrowings	Gross borrowings after swaps	Net assets after gross borrowings
	£m	£m	£m
Currency:			
Sterling	18.8	19.4	(0.6)
US dollar	40.2	281.9	(241.7)
Euro	10.8	7.0	3.8
Swedish kroner	6.4	18.4	(12.0)
Chinese yuan	9.2	0.8	8.4
Hong Kong dollar	10.6	24.0	(13.4)
Others	6.2	—	6.2
	102.2	351.5	(249.3)

	31 December 2001			31 March 2001		
	Net assets before gross borrowings*	Gross borrowings after swaps	Net assets after gross borrowings*	Net assets before gross borrowings	Gross borrowings after swaps	Net assets after gross borrowings
	£m	£m	£m	£m	£m	£m
Currency:						
Sterling	15.5	22.9	(7.4)	16.4	12.0	4.4
US dollar	36.2	276.1	(239.9)	43.5	274.2	(230.7)
Euro	11.0	7.1	3.9	12.3	7.8	4.5
Swedish kroner	6.6	17.6	(11.0)	6.9	19.2	(12.3)
Chinese yuan	7.9	0.8	7.1	4.8	—	4.8
Hong Kong dollar	9.4	23.5	(14.1)	9.3	30.6	(21.3)
Others	11.6	—	11.6	15.4	—	15.4
	98.2	348.0	(249.8)	108.6	343.8	(235.2)

	31 December 2000			31 December 1999		
	Net assets before gross borrowings	Gross borrowings after swaps	Net assets after gross borrowings	Net assets before gross borrowings	Gross borrowings after swaps	Net assets after gross borrowings
	£m	£m	£m	£m	£m	£m
Currency:						
Sterling	16.6	10.1	6.5	18.2	6.0	12.2
US dollar	41.2	263.8	(222.6)	38.3	238.0	(199.7)
Euro	10.7	7.6	3.1	13.0	8.6	4.4
Swedish kroner	6.6	19.9	(13.3)	6.5	21.1	(14.6)
Chinese yuan	4.2	—	4.2	0.5	—	0.5
Hong Kong dollar	2.8	29.5	(26.7)	4.3	30.0	(25.7)
Others	20.3	—	20.3	8.4	—	8.4
	102.4	330.9	(228.5)	89.2	303.7	(214.5)

*Gross borrowings are stated before deduction of debt issuance costs.

Currency exposure of the Group's net monetary assets/(liabilities)

These exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating units involved. In view of the hedges taken out by the Group, the currency exposure those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account, of the Group's net monetary assets/(liabilities) is not material.

Interest rate risk management

Intertek has a significant amount of borrowings bearing interest at variable rates. To reduce its exposure to interest rate fluctuations, Intertek enters into interest rate swap agreements. The interest rate swap agreements convert certain long-term borrowing at floating rates (based on inter-bank borrowing rates in various countries) to fixed rates, that are lower than those available to Intertek if the fixed-rate borrowing were made directly. Under the interest rate swap agreements, Intertek agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount.

The following table summarises the Group's interest rate swaps at 31 March 2002:

Notional amount	Receive rate (floating)	Pay rate (fixed)	Maturity	Fair value
£m	%	%	£m	£m
23.4	4.33	4.45	Dec-2004	(0.4)
11.1	5.05	4.80	Dec-2004	—
15.5	3.86	4.06	Dec-2003	(0.2)
Total				(0.6)

The following table summarises the Group's interest rate swaps at 31 December 2001:

Notional amount	Receive rate (floating)	Pay rate (fixed)	Maturity	Fair value
£m	%	%	£m	£m
23.4	4.33	4.45	Dec-2004	(0.4)
11.1	5.05	4.80	Dec-2004	—
15.5	3.86	4.06	Dec-2003	(0.2)
Total				(0.6)

The following table summarises the Group's interest rate swaps at 31 March 2001:

Notional amount	Receive rate (floating)	Pay rate (fixed)	Maturity	Fair value
£m	%	%	£m	£m
15.6	6.00	6.25	Dec-2001	—
21.1	6.00	6.45	Dec-2001	(0.1)
7.7	5.46	6.80	Dec-2001	(0.2)
4.7	4.72	5.09	Dec-2001	—
29.6	5.65	6.35	Dec-2001	(0.2)
Total				(0.5)

The following table summarises the Group's interest rate swaps at 31 December 2000:

Notional amount	Receive rate (floating)	Pay rate (fixed)	Maturity	Fair value
£m	%	%	£m	£m
15.6	6.00	6.25	Dec-2001	—
21.1	6.00	6.45	Dec-2001	(0.1)
7.7	5.46	6.80	Dec-2001	(0.2)
4.7	4.72	5.09	Dec-2001	—
29.6	5.65	6.35	Dec-2001	(0.2)
Total				(0.5)

The following table summarises the Group's interest rate swaps at 31 December 1999:

Notional amount	Receive rate (floating)	Pay rate (fixed)	Maturity	Fair value
£m	%	%	£m	£m
14.3	6.09	6.25	Dec-2001	0.1
22.4	6.12	6.45	Dec-2001	0.1
7.9	3.81	6.80	Dec-2001	—
4.8	3.49	5.09	Dec-2001	(0.1)
Total				0.1

Concentration of credit risk

At 31 December 2001 Intertek did not consider there to be any significant concentration of credit risk. Potential concentrations of credit risk to Intertek comprise principally cash and cash equivalents and trade receivables. Intertek maintains cash deposits with several major banks which at times may exceed insured limits. Management periodically assesses the financial condition of the institutions and believes that any possible credit risk is minimal. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising Intertek's customer base and their dispersion across many different geographic locations.

Fair value of financial instruments

	31 December 2001		31 March 2002	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Primary financial instruments held or issued to finance the Group's operations:				
Cash	23.7	23.7	20.0	20.0
Short term borrowings	22.4	22.4	16.5	16.5
Long term borrowings	325.6	344.6	335.0	354.5
Other financial liabilities	6.3	4.3	6.3	4.3
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate derivatives (swaps)	—	(0.6)	—	(0.6)
Foreign exchange derivatives (forwards)	—	0.2	—	0.1

	31 December 2000		31 March 2001	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Primary financial instruments held or issued to finance the Group's operations:				
Cash	21.3	21.3	19.3	19.3
Short term borrowings	10.0	10.0	12.0	12.0
Long term borrowings	320.9	330.6	331.8	341.8
Other financial liabilities	0.6	0.4	0.6	0.4
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate derivatives (swaps)	—	(0.5)	—	(0.5)
Foreign exchange derivatives (forwards)	—	0.1	—	0.2

	31 December 1999	
	Book value	Fair value
	£m	£m
Primary financial instruments held or issued to finance the Group's operations:		
Cash	20.2	20.2
Short term borrowings	10.4	10.4
Long term borrowings	293.3	302.2
Other financial liabilities	0.6	0.4
Derivative financial instruments held to manage the interest rate and currency profile:		
Interest rate derivatives (swaps)	—	0.1
Foreign exchange derivatives (forwards)	—	0.1

The fair value of short term borrowings and cash approximate to book value due to the short term maturity of these instruments.

The fair value of long term borrowings is calculated by discounting the future cash flows at the current interest rates plus the initial implied margins.

The fair value of interest rate derivatives and foreign exchange derivatives are the amounts Intertek would have to pay or receive based on market rates at the balance sheet date to terminate those derivatives. Interest rate derivatives above are used to hedge the variable interest rates on a portion of the short term and long term borrowings.

Exchange rate sensitivity

The following table below provides information about Intertek's derivative financial instruments and other financial instruments by functional currency and presents such information in sterling equivalents. The table summarises information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency forward exchange agreements and foreign currency denominated debt obligations. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For foreign currency forward exchange agreements, the table presents the notional amounts and weighted average exchange rates by expected (contractual) maturity dates. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract.

31 March 2002

	Expected maturity date							
	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	Thereafter	Total	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Liabilities								
Underlying long term debt								
Fixed rate (USD)	—	—	—	—	142.0	—	142.0	150.3
Average interest rate	—	—	—	—	10.3%	—		
Fixed rate (USD)	—	—	—	—	—	105.3	105.3	116.0
Average interest rate	—	—	—	—	—	12.0%		
Floating rate (USD)	6.0	12.5	16.0	—	—	—	34.5	34.5
Average interest rate	4.4%	5.8%	7.1%	—	—	—		
Floating rate (SEK)	1.1	2.4	14.8	—	—	—	18.3	18.3
Average interest rate	6.7%	7.3%	7.8%	—	—	—		
Floating rate (EUR)	0.8	1.6	4.7	—	—	—	7.1	7.1
Average interest rate	5.8%	6.4%	7.0%	—	—	—		
Floating rate (HKD)	7.8	16.2	—	—	—	—	23.9	23.9
Average interest rate	4.4%	5.6%	—	—	—	—		
Fixed rate (CNY)	0.8	—	—	—	—	—	0.8	0.8
Average interest rate	5.9%	—	—	—	—	—		
							331.9	350.9
Forward exchange agreements								
(Receive GBP pay USD)								
Contract amount	7.9	—	—	—	—	—	7.9	0.1
Average contract exchange rate	1.42	—	—	—	—	—		
(Receive EUR pay GBP)								
Contract amount	2.6	—	—	—	—	—	2.6	—
Average contract exchange rate	0.62	—	—	—	—	—		
							10.5	0.1

31 December 2001

	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Thereafter	Total	Fair value
	Expected maturity date							
	£m	£m	£m	£m	£m	£m	£m	£m
Liabilities								
Revolving advances short term								
Floating rate (USD)	1.4	—	—	—	—	—	1.4	1.4
Average interest rate	3.7%	—	—	—	—	—		
Underlying long term debt								
Fixed rate (USD)	—	—	—	—	140.0	—	140.0	148.3
Average interest rate	—	—	—	—	10.3%	—		
Fixed rate (USD)	—	—	—	—	—	100.7	100.7	111.4
Average interest rate	—	—	—	—	—	12.0%		
Floating rate (USD)	5.9	12.3	15.8	—	—	—	34.0	34.0
Average interest rate	4.4%	5.8%	7.1%	—	—	—		
Floating rate (SEK)	1.1	2.3	14.2	—	—	—	17.6	17.6
Average interest rate	6.7%	7.3%	7.8%	—	—	—		
Floating rate (EUR)	0.8	1.6	4.7	—	—	—	7.1	7.1
Average interest rate	5.8%	6.4%	7.0%	—	—	—		
Floating rate (HKD)	7.6	15.9	—	—	—	—	23.5	23.5
Average interest rate	4.4%	5.6%	—	—	—	—		
Fixed rate (CNY)	0.8	—	—	—	—	—	0.8	0.8
Average interest rate	5.9%	—	—	—	—	—		
							325.1	344.1
Forward exchange agreements								
(Receive GBP pay USD)								
Contract amount	9.5	—	—	—	—	—	9.5	0.2
Average contract exchange rate	1.43	—	—	—	—	—		
(Receive EUR pay GBP)								
Contract amount	1.6	—	—	—	—	—	1.6	—
Average contract exchange rate	0.62	—	—	—	—	—		
							11.1	0.2

31 March 2001

	Expected maturity date							
	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	Thereafter	Total	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Liabilities								
Underlying long term debt								
Fixed rate (USD)	—	—	—	—	—	142.0	142.0	145.5
Average interest rate	—	—	—	—	—	10.3%		
Fixed rate (USD)	—	—	—	—	—	92.7	92.7	99.0
Average interest rate	—	—	—	—	—	12.0%		
Floating rate (USD)	4.8	6.0	12.4	16.0	—	—	39.2	39.2
Average interest rate	%	%	%	—	—	—		
Floating rate (SEK)	1.0	1.2	2.3	14.8	—	—	19.3	19.3
Average interest rate	8.0%	7.2%	7.5%	7.7%	—	—		
Floating rate (EUR)	0.6	0.8	1.6	4.7	—	—	7.7	7.7
Average interest rate	7.2%	7.2%	7.3%	7.7%	—	—		
Floating rate (HKD)	6.9	7.8	16.2	—	—	—	30.9	30.6
Average interest rate	7.6%	7.7%	7.8%	—	—	—		
							331.8	341.3
Forward exchange agreements								
(Receive GBP pay USD)								
Contract amount	6.6	—	—	—	—	—	6.6	—
Average contract exchange rate	1.43	—	—	—	—	—		
(Receive EUR pay GBP)								
Contract amount	1.7	—	—	—	—	—	1.7	—
Average contract exchange rate	0.63	—	—	—	—	—		
(Receive ZAR pay GBP)								
Contract amount	0.6	—	—	—	—	—	0.6	—
Average contract exchange rate	11.4	—	—	—	—	—		
(Receive SEK pay GBP)								
Contract amount	0.3	—	—	—	—	—	0.3	—
Average contract exchange rate	14.7	—	—	—	—	—		
(Receive USD pay ARS)								
Contract amount	2.8	—	—	—			2.8	—
Average contract exchange rate	1.08	—	—	—	—	—		
							12.0	—

31 December 2000

	Expected maturity date							
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Thereafter	Total	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Liabilities								
Underlying long term debt								
Fixed rate (USD)	—	—	—	—	—	138.1	138.1	141.5
Average interest rate	—	—	—	—	—	10.3%		
Fixed rate (USD)	—	—	—	—	—	87.5	87.5	93.8
Average interest rate	—	—	—	—	—	12.0%		
Floating rate (USD)	4.7	5.8	12.1	15.6	—	—	38.2	38.2
Average interest rate	8.2%	8.1%	8.3%	8.7%	—	—		
Floating rate (SEK)	1.0	1.2	2.4	15.3	—	—	19.9	19.9
Average interest rate	8.0%	7.2%	7.5%	7.7%	—	—		
Floating rate (EUR)	0.6	0.8	1.6	4.6	—	—	7.6	7.6
Average interest rate	7.2%	7.2%	7.3%	7.7%	—	—		
Floating rate (HKD)	6.4	7.5	15.6	—	—	—	29.5	29.5
Average interest rate	7.6%	7.7%	7.8%	—	—	—		
							320.8	330.5
Forward exchange agreements								
(Receive GBP pay USD)								
Contract amount	4.2	—	—	—	—	—	4.2	0.1
Average contract exchange rate	1.47	—	—	—	—	—		
							4.2	0.1

31 December 1999

	Expected maturity date							
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Thereafter	Total	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Liabilities								
Revolving advances								
Floating rate (USD)	5.3	—	—	—	—	—	5.3	5.3
Average interest rate	7.8%	—	—	—	—	—		
Underlying long term debt								
Fixed rate (USD)	—	—	—	—	—	126.1	126.1	129.2
Average interest rate	—	—	—	—	—	10.3%		
Fixed rate (USD)	—	—	—	—	—	70.1	70.1	75.1
Average interest rate	—	—	—	—	—	12.0%		
Floating rate (USD)	1.9	4.4	5.4	11.2	14.2	—	37.1	37.2
Average interest rate	8.6%	9.3%	9.4%	9.6%	10.0%	—		
Floating rate (SEK)	0.5	1.0	1.2	2.5	15.8	—	21.0	21.0
Average interest rate	7.0%	8.5%	8.9%	9.1%	9.2%	—		
Floating rate (EUR)	0.3	0.7	0.8	1.6	4.8	—	8.2	8.2
Average interest rate	6.3%	7.4%	7.8%	8.4%	8.6%	—		
Floating rate (HKD)	2.8	5.9	6.9	14.3	—	—	29.9	29.9
Average interest rate	8.8%	9.1%	9.2%	9.4%	—	—		
							297.7	305.9
Forward exchange agreements								
(Receive GBP pay CHF)								
Contract amount	3.2	—	—	—	—	—	3.2	—
Average contract exchange rate	2.55	—	—	—	—	—		
(Receive GBP pay USD)								
Contract amount	6.8	—	—	—	—	—	6.8	—
Average contract exchange rate	1.60	—	—	—	—	—		
(Receive CAD pay USD)								
Contract amount	1.6	—	—	—	—	—	1.6	0.1
Average contract exchange rate	1.48	—	—	—	—	—		
(Receive HKD pay GBP)								
Contract amount	0.4	—	—	—	—	—	0.4	—
Average contract exchange rate	12.66	—	—	—	—	—		
							12.0	0.1

Unrecognised gains and losses

There are no material unrecognised gains or losses arising from the use of financial assets and financial liabilities such as hedges.

7.33 Post balance sheet event

On 10 April 2002, the Company made an exchange offer for all the issued and to be issued share capital of Intertek (including ordinary shares under outstanding options under the 1997 Plan), for a consideration to be satisfied by the issue of one new share in the Company of the same class and having equivalent rights for each corresponding share in Intertek.

7.34 Constant exchange rate results

The Group trades in a large number of currencies and the results for each period have been influenced by the changes in the relative values of these currencies. The results of the Group calculated by applying the cumulative average exchange rates for the year ended 31 December 2001 to the historical reported results of the Group for all periods are set out below for illustrative purposes only.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Revenue by division					
Labtest	83.5	95.6	108.5	22.6	25.4
Caleb Brett	142.6	160.0	176.0	42.5	42.3
ETL SEMKO	94.8	102.3	109.0	26.5	26.8
Foreign Trade Standards	49.0	47.4	57.9	12.1	15.0
	369.9	405.3	451.4	103.7	109.5
Revenue by geographical area of origin					
Americas	159.6	171.0	177.8	44.2	41.1
Europe, Africa and Middle East	112.4	117.7	136.4	30.4	35.0
Asia and Far East	97.9	116.6	137.2	29.1	33.4
	369.9	405.3	451.4	103.7	109.5
Total operating profits before exceptional items by division					
Labtest	23.5	28.1	34.2	5.4	7.0
Caleb Brett	15.1	16.6	16.5	3.8	4.0
ETL SEMKO	13.2	15.4	14.0	3.6	3.6
Foreign Trade Standards	3.2	5.8	9.3	1.3	2.2
Central	(4.5)	(6.0)	(5.5)	(1.1)	(1.5)
	50.5	59.9	68.5	13.0	15.3
Amortisation by division					
Caleb Brett	(0.7)	(0.7)	(0.9)	(0.2)	(0.2)
ETL SEMKO	(0.1)	(0.3)	(0.3)	(0.1)	(0.1)
Foreign Trade Standards	—	—	(0.1)	—	—
	(0.8)	(1.0)	(1.3)	(0.3)	(0.3)

7.35 Summary of differences between UK and US GAAP

The consolidated financial information is prepared in conformity with UK GAAP. These accounting principles differ in certain material respects from US GAAP. Described below are the material differences between UK GAAP and US GAAP affecting the net income/(loss) and shareholders' equity/(deficit) which are set forth in the tables that follow.

Goodwill and other intangible assets

Under UK GAAP, purchased goodwill in respect of acquisitions before 1 January 1998 was written off to reserves in the year of acquisition. Purchased goodwill in respect of acquisitions since 1 January1998 is capitalised in accordance with the requirements of FRS 10, Goodwill and Intangible Assets. Positive goodwill is amortised to £nil over equal instalments over its estimated useful life, not exceeding 20 years. For all periods to 31 December 2001, under US GAAP, goodwill and identifiable intangibles are capitalised and are written off over their estimated useful lives, generally not exceeding 40 years. Goodwill and identifiable intangibles are being written off over periods not exceeding 20 years for US GAAP.

For the three months ended 31 March 2002, under Statement of Financial Accounting Standards 142, goodwill and other intangible with indefinite lives are no longer amortised but are reviewed annually (or more frequently if impairment indicators arise) for impairment.

The gross cost under US GAAP as of 31 December 2001 of goodwill is £239.6 million (2000: £239.0 million). Accumulated amortisation under US GAAP as of 31 December 2001 of goodwill is £62.9 million (2000: £50.8 million).

Redeemable preference shares

Under UK GAAP, preference shares with mandatory redemption features or that are redeemable at the option of the security holders are classified as a component of shareholders' equity. US GAAP requires such redeemable preference shares to be classified outside of shareholders' equity. Additionally, under US GAAP, the initial carrying amount of redeemable preferred stock is equal to its fair value at date of issuance. When the fair value of mandatorily redeemable preferred stock at the time of its issuance is less than the mandatory redemption amount, the carrying amount is increased by periodic accretion, using the interest method, such that the carrying amount will equal the mandatory redemption amount at the mandatory redemption date. The periodic accretion would be shown as an additional dividend on the redeemable preference shares in US GAAP Financial information and as a movement in shareholders' equity.

Disposal of business segment

Under UK GAAP, the profit or loss arising on the disposal of a business segment after the year end, but before the earlier of three months and the date when the financial information is approved, is not recognised in the financial information but is disclosed as a post balance sheet event and the disposed business segment is classified as a discontinued operation in the financial information. US GAAP requires that if a loss is expected from such disposal, such loss be recognised.

Pension costs – defined benefit plans

Under UK GAAP (FRS 17), the ongoing cost is split into an operating charge (current service cost) to be included within the appropriate statutory headings for pension costs and a financing item (comprising the interest cost and expected return on assets) shown after the operating profit. Under US GAAP, Statement of Financial Accounting Standards (SFAS) No. 87, 'Employers' Accounting for Pensions', there is no split of the cost.

The most significant difference is the treatment of actuarial gains and losses. Under FRS 17, they are recognised immediately in the Statement of Total Recognised Gains and Losses (STRGL). As a result, the annual pension cost, recognised in the year to which it relates, is split between the profit and loss account and the STRGL. Under US GAAP, they are recycled into the profit and loss account in the subsequent periods subject to a 10 per cent. corridor.

Under FRS 17, the pension scheme surplus or deficit is recognised as an asset or a liability. A liability is recognised to the extent that the deficit reflects the employer's legal or constructive obligation. An asset is recognised to the extent that an employer can recover a surplus in a defined benefit scheme through reduced contributions and refunds. Under US GAAP, the asset recorded on the balance sheet represents the value of surplus assets in the defined schemes at the date of acquisition and the accumulated differences between the actual contributions paid and the net pension expense since that date.

Compensated absences

Under US GAAP, compensated absences, being an employee's paid holiday entitlements, are accrued as earned. For companies that do not allow employees to carry compensated absences over from one year to the next, no accrual is required. UK GAAP does not require a provision for compensated absences to be made.

Derivative instruments and hedging activities

Under UK GAAP, forward exchange contracts are designed as hedges of firm foreign currency commitments. Gains and losses on such contracts are deferred and recognised in income or as an adjustment of the carrying amount when the hedged transaction occurs. Interest rate swaps agreements are designed to change the interest rate characteristics of floating rate borrowings. Accordingly, under these agreements the interest differential between the amounts received and amount paid is recognised as an adjustment to interest charges over the terms of the respective swaps.

Under US GAAP, Statement of Financial Accounting Standards No.133, Accounting for Derivative Instruments and Hedging Activities, as amended by Statement of Financial Accounting Standards No.138 Accounting for Certain Derivative Instruments and Certain Hedging Activities – An Amendment to SFAS No.133, requires that an entity recognises all derivatives in the consolidated balance sheet at fair value. The accounting for the changes in fair value of a derivative depends on the use of the derivative. Derivatives that are not designated as part of a hedging relationship must be adjusted for fair value through income. Changes in the fair value of derivatives designated as fair value hedges are recorded in income as well as the gain or loss on the hedged asset or liability. Changes in the fair value of derivatives designated as cash flow hedges are classified as other comprehensive income until the hedged item is recognised in income. The ineffective portions of derivatives that are hedges are immediately recognised in income.

Deferred taxation

Under UK GAAP, (FRS 19: Deferred tax) full provision is required to be made for certain timing differences. Under US GAAP, deferred taxation is provided on all temporary differences and carryforwards. Under UK GAAP deferred tax assets are recognised to the extent that it is more likely than not that they will be realised. Under US GAAP, where doubt exists as to whether a deferred tax asset will be realised, an appropriate valuation allowance is established.

(a) Net (loss)/income

Effect of material differences between UK and US GAAP and additional disclosures

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Net (loss)/income reported under UK GAAP	9.0	(7.9)	(14.7)	0.4	2.5
US GAAP Adjustments					
Goodwill amortisation	(11.6)	(9.9)	(12.1)	(3.0)	0.2
Covenants not to compete amortisation	(9.7)	—	—	—	—
Loss on disposal and closure of discontinued operations	(11.6)	—	—	—	—
Previously recognised loss on disposal and closure of discontinued operation	—	11.6	—	—	—
Pensions	0.1	(0.1)	0.2	—	—
Compensated absences	(0.1)	0.1	—	(0.1)	(0.1)
Derivative instruments and hedging	—	—	(0.5)	(0.6)	0.2
Deferred taxes	(0.1)	0.2	—	—	—
Tax effect of US GAAP reconciling adjustments	—	—	—	—	—
Net (loss)/income in conformity with US GAAP	(24.0)	(6.0)	(27.1)	(3.3)	2.8
Continuing operations	(4.6)	1.2	(14.7)	(3.3)	2.8
Discontinued operations	(19.4)	(7.2)	(12.4)	—	—
Net (loss)/income in conformity with US GAAP	(24.0)	(6.0)	(27.1)	(3.3)	2.8

(b) Shareholders' deficit

The effects on shareholders' deficit of material differences between UK and US GAAP are as follows:

	31 December		31 March	
	2000	2001	2001	2002
	£m	£m	£m	£m
Shareholders' deficit reported under UK GAAP	(220.0)	(242.9)	(227.0)	(242.8)
US GAAP Adjustments				
Goodwill	188.2	176.7	189.5	179.6
Redeemable preference shares, including cumulative accretion	(30.0)	(34.5)	(31.1)	(35.8)
Investment in own shares (ESOT)	—	(0.1)	—	(0.1)
Derivative instruments and hedging	—	(0.5)	(0.6)	(0.3)
Pensions	(0.4)	3.1	0.7	1.9
Compensated absences	(0.6)	(0.6)	(0.8)	(0.7)
Shareholders' deficit in conformity with US GAAP	(62.8)	(98.8)	(69.3)	(98.2)

The following table reconciles shareholders' deficit under US GAAP:

	Year ended 31 December		3 months ended 31 March	
	2000	2001	2001	2002
	£m	£m	£m	£m
Shareholders' deficit at beginning of period	(43.3)	(62.8)	(62.8)	(98.8)
Accretion of discount on redeemable preference shares	(3.9)	(4.5)	(1.1)	(1.3)
Investment in own shares (ESOT)	—	(0.1)	—	—
Net (loss)/income for the period	(6.0)	(27.1)	(3.3)	2.8
Exchange adjustments	(9.6)	(4.3)	(2.1)	(0.9)
Shareholders' deficit at end of period	(62.8)	(98.8)	(69.3)	(98.2)

(c) Cash flows

The statements of cash flows prepared in accordance with UK GAAP present substantially the same information as that required under US GAAP. Under US GAAP however, there are certain differences from UK GAAP with regard to classification of items within the cash flow statement and with regard to the definition of cash.

Under UK GAAP, cash flows are presented separately for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources and financing. Under US GAAP, three categories of cash flow activity are reported, those being operating activities, investing activities and financing activities. Cash flows from taxation and returns on investments and servicing of finance would, with the exception of dividends paid, be included as operating activities under US GAAP. Capital expenditure and financial investment, acquisitions and disposals and management of liquid resources would be included as investing activities. The payment of dividends would be included under financing activities under US GAAP.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
	£m	£m	£m	£m	£m
Net cash provided by operating activities	34.7	31.5	34.3	2.3	8.5
Net cash used in investing activities	(23.9)	(23.2)	(27.0)	(5.7)	(5.0)
Net cash provided by/(used in) financing activities	(4.6)	(11.0)	1.8	1.4	(5.9)
	6.2	(2.7)	9.1	(2.0)	(2.4)
Effect of exchange rate changes	0.1	0.4	(0.9)	—	0.2
Net (decrease)/increase in cash by continuing operations	6.3	(2.3)	8.2	(2.0)	(2.2)
(Decrease)/increase in cash by continuing operations	6.3	(2.3)	8.2	(2.0)	(2.2)
(Decrease)/increase in cash by discontinued operations	(2.9)	3.4	(5.8)	—	(1.5)
Cash at beginning of period	16.8	20.2	21.3	21.3	23.7
Cash at end of period	20.2	21.3	23.7	19.3	20.0

(d) Pensions

The disclosures below detail the additional information required by Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pensions and Other Post Retirement Benefits, in respect of Intertek's funded defined benefit plans.

Intertek's principal defined benefits pension plans are located in the United Kingdom, United States, Taiwan and Hong Kong. The following is a summary of the funded status and the net periodic benefit costs for the defined benefit pension plans:

	Year ended 31 December		3 months ended 31 March	
	2000	2001	2001	2002
	£m	£m	£m	£m
Change in benefit obligation				
Projected benefit obligation at beginning of period	27.9	33.3	33.3	35.9
Service cost	2.6	2.7	0.7	0.7
Interest cost	2.0	2.4	0.6	0.6
Plan participants' contributions	0.4	0.4	0.1	0.1
Acquisition	2.2	0.4	0.1	—
Actuarial loss/(gain) including exchange rate effects	(0.8)	(1.5)	(0.9)	(0.8)
Benefits paid	(1.0)	(1.8)	(0.5)	(0.4)
Projected benefit obligation at end of period	33.3	35.9	33.4	36.1
Change in plan assets				
Fair value of plan assets at beginning of period	26.2	34.9	34.9	33.9
Actual return on plan assets including exchange rate effects	3.9	(2.5)	(1.4)	1.2
Employer contributions	2.2	2.5	0.6	0.7
Plan participants' contribution	0.4	0.4	0.1	0.1
Acquisition	3.2	0.4	0.1	—
Benefits paid	(1.0)	(1.8)	(0.5)	(0.4)
Fair value of plan assets at end of period	34.9	33.9	33.8	35.5
Funded status	1.6	(2.0)	0.4	(0.5)
Unrecognised actuarial loss/ (gain)	(0.3)	3.5	0.9	2.1
Net amount recognised	1.3	1.5	1.3	1.6
Amounts recognised in the statement of financial position consist of				
Prepaid benefit cost	1.4	1.2	1.4	1.7
Accrued benefit liability	(0.1)	(0.3)	(0.1)	(0.1)
Shareholders' deficit*	—	0.6	—	—
Net amount recognised	1.3	1.5	1.3	1.6

* Amount charged directly to Shareholders' deficit to record the additional minimum liability.

The following is a summary of the weighted average assumptions:

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
Discount rate	6.7%	7.2%	6.3%	6.3%	6.3%
Expected return on plan assets	8.0%	8.0%	7.0%	7.0%	7.0%
Rate of compensation increase	5.5%	5.6%	3.7%	3.7%	3.7%

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
Components of net periodic benefit cost					
Service cost	2.2	2.6	2.7	0.7	0.7
Interest cost	1.4	2.0	2.4	0.6	0.6
Expected return on plan assets	(1.9)	(2.2)	(2.8)	(0.7)	(0.7)
Amortisation of prior service cost	—	—	—	—	—
Recognised actuarial (loss)/gain	—	—	—	—	—
Net periodic benefit cost	1.7	2.4	2.3	0.6	0.6

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with benefit obligations in excess of plan assets were £1.2 million, £1.2 million and £1.0 million, respectively, as at 31 December 2001, 31 December 2000 and 31 December 1999 respectively.

(e) Impairment of long-lived assets

Intertek reviews impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceed the net present value of future cash flows. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(f) Share option scheme

Intertek has adopted the disclosure provisions permitted by Statement of Financial Accounting Standard 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), which permits entities to recognise as expense over the vesting period the fair value of all stock-based awards on the date of grant. These provisions allow entities to continue to apply the provisions of APB Opinion No. 25, Accounting for stock issued to Employees' in the measurement of compensation cost of stock based compensation amounts and to provide pro forma net income or loss disclosures for share options granted as if the fair value-based method of determining compensation cost defined in SFAS 123 had been applied.

Under SFAS 123, the fair value of each option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions used for grants in the respective years.

	Year ended 31 December			3 months ended 31 March	
	1999	2000	2001	2001	2002
Expected dividend yield	0%	0%	0%	0%	0%
Risk free rate	6.0%	6.0%	4.0%	5.75%	4.0%
Expected volatility	0%	0%	0%	0%	0%
Average expected lives	3 years	3 years	3 years	3 years	3 years

Had compensation cost for the share options granted during the year ended 31 December 2001, for purposes of the US GAAP reconciliation, been determined consistent with the methodology described by SFAS 123, Intertek's net loss would have not been significantly different than the actual net loss.

The weighted average exercise price of outstanding options is £0.42 (2000: £0.29). The weighted average fair value of the share options granted by Intertek during 2001 was estimated at £0.16 (2000: £0.19 and 1999: £0.02).

The weighted average remaining contractual life for all options is 3.5 (2000: 4.1) years. The weighted average remaining contractual life for £0.10 shares is 2.6 (2000: 3.6) years. The weighted average remaining contractual life for £1.40 options is 6.4 (2000: 7.0) years.

Yours faithfully

KPMG Audit Plc

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24 May 2002

Dear Sirs

Intertek Testing Services plc (the "Company")

We report on the pro forma net asset statement set out in Part VII of the listing particulars dated 24 May 2002, which has been prepared, for illustrative purposes only, to provide information about how the proceeds from the global offer (the "Global Offer") might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors of Company to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma net asset statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma net asset statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma net asset statement with the Company.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion:

- the pro forma net asset statement has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of the Company and Intertek Testing Services Holdings Limited; and
- the adjustments are appropriate for the purposes of the pro forma net asset statement as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

KPMG Audit Plc

The unaudited pro forma combined net asset statement set out below has been prepared to illustrate the effect on the net assets of Intertek Testing Services plc (the "Company") as if the Global Offer had occurred at 31 March 2002.

The unaudited pro forma information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the net assets which would have been reported if the transactions had occurred at 31 March 2002. No adjustments have been made to take account of the trading or other changes in the financial position of the Group after 31 March 2002, or any other transaction subsequent to the balance sheet date.

Unaudited pro forma statement of net assets

	Company as at 31 March 2002 Note 1	Adjustment acquisition of Intertek Testing Services Holding Limited Note 2	Adjustment proceeds of Global Offer Note 3	Adjustment use of Global Offer proceeds Note 4	Adjustment refinancing of existing debt Note 5	Pro forma combined Group unaudited
	£m	£m	£m	£m	£m	£m
Fixed assets						
Intangible assets – goodwill	—	12.1	—	—	—	12.1
Tangible assets	—	76.3	—	—	—	76.3
Investments	—	2.2	—	—	—	2.2
	—	90.6	—	—	—	90.6
Current assets						
Stocks	—	1.6	—	—	—	1.6
Debtors	—	105.8	—	—	—	105.8
Cash at bank and in hand ..	—	20.0	228.2	(228.2)	—	20.0
	—	127.4	—	—	—	127.4
Creditors: amounts falling due within one year	—	(132.4)	—	—	30.4	(102.0)
Net current assets/ (liabilities)	—	(5.0)	—	—	30.4	25.4
Total assets less current liabilities	—	85.6	—	—	30.4	116.0
Creditors: amounts falling due after more than one year	—	(313.5)	—	122.7	(30.4)	(221.2)
Provisions for liabilities and charges	—	(7.7)	—	—	—	(7.7)
Net liabilities excluding pension assets/ (liabilities)	—	(235.6)	—	—	—	(112.9)
Pension assets/(liabilities)...						
Pension assets	—	0.8	—	—	—	0.8
Pension liabilities	—	(1.1)	—	—	—	(1.1)
	—	(235.9)				(113.2)
Equity minority interests	—	(6.9)	—	—	—	(6.9)
Net liabilities	—	(242.8)	228.2	(105.5)	—	(120.1)

Notes:

(1) Information on the Company has been extracted without material adjustments from the financial information set out in Part VI: Accountants' Reports.

(2) Information on Intertek Testing Services Holdings Limited has been extracted without material adjustments from the financial information set out in Part VI: Accountants' Reports.

(3) The pro forma adjustment assumes net proceeds for the Company based on gross proceeds of £256.0 million and expenses of up to £27.8 million, including a maximum of approximately £11.5 million of underwriting commissions.

(4) The pro forma adjustment assumes net proceeds of the Global Offer will be used to redeem Preference Shares of £105.5 million, Subordinated PIK Debentures of £105.3 million and other borrowings including accrued interest of £17.4 million.

(5) The proforma adjustment assumes that new senior debt of £246.0 million all repayable after more than one year (£250.0 million gross less arrangement fees, legal and other related expenses) will be raised. This will be used to repay the current Senior Subordinated Notes of £149.3 million (including redemption premium of £7.1 million) and Senior Term Loans including the Senior Revolver of £96.7 million.

(6) No adjustments have been made to reflect any other transaction subsequent to the balance sheet date.

PART VIII – ADDITIONAL INFORMATION

1. Incorporation and registered office

1.1 The Company was incorporated under the name Alnery No. 2218 Limited on 9 August 2001 under the Companies Act 1985 as a private limited company limited by shares and registered in England and Wales with number 4267576. On 9 April 2002, it changed its name to Intertek Testing Services No.1 Limited. On 9 May 2002, it changed its name to Intertek Testing Services Limited. On 24 May 2002, Intertek Testing Services Limited was re-registered as a public limited company under section 43 of the Companies Act and changed its name to Intertek Testing Services plc.

1.2 The registered and head office of the Company is at 25 Savile Row, London W1S 2ES.

2. Share capital

2.1 The authorised, issued and fully paid share capital of the Company as at the date of publication of this document is as follows:

Authorised			Issued	
Number	**Amount(£)**		**Number**	**Amount(£)**
69,172,061	691,720.61	A Ordinary Shares of 1p each(1)	69,172,061	691,720.61
11,578,635	115,786.35	B Ordinary Shares of 1p each(1)	11,578,635	115,786.35
2,951,417	29,514.17	C Ordinary Shares of 1p each(1)	—	—
7,110,713	71,107.13	D Ordinary Shares of 1p each(1)	—	—
105,478,482	105,478,482	Preference Shares of £1 each(2)	105,478,482	105,478,482

(1) In accordance with article 8(2) of the Company's articles of association, on Admission the A, B, C and D Ordinary Shares will be redesignated as Ordinary Shares of 1p each ranking *pari passu* in all respects.

(2) It is intended that the Preference Shares will be redeemed from part of the net proceeds of the issue of the New Ordinary Shares under the Global Offer within eight weeks of Admission.

2.2 The authorised, issued and fully paid share capital of the Company as it is expected to be immediately following Admission (assuming the number of Ordinary Shares being offered is 98,282,896) is as follows:

Authorised			Issued	
Number	**Amount(£)**		**Number**	**Amount(£)**
200,000,000	2,000,000	Ordinary Shares of 1p each	153,379,478	1,533,795
105,478,482	105,478,482	Preference Shares of £1 each(1)	105,478,482	105,478,482

(1) It is intended that the Preference Shares will be redeemed from part of the net proceeds of the issue of the New Ordinary Shares under the Global Offer within eight weeks of Admission.

A maximum of the sum of 10 per cent. of the issued share capital of the Company after Admission and the number of Ordinary Shares under option under the 1997 Plan which are outstanding as at 23 May 2002 will be reserved for issue pursuant to the share option arrangements described in paragraph 7 below.

2.3 The Company was incorporated with an authorised share capital of £100 divided into 100 ordinary shares of £1 each of which one was issued credited as fully paid to the subscriber to the memorandum of association.

2.4 Since incorporation the following changes have been made to the authorised and issued share capital of the Company:

(a) on 9 April 2002:

(i) each of the ordinary shares of £1 each in the capital of the Company was redesignated as 100 B ordinary shares of 1p each;

(ii) the authorised share capital of the Company was increased to £106,386,610.26 divided into 69,172,061 A ordinary shares of 1p each, 11,578,635 B ordinary shares of 1p each, 2,951,417 C ordinary shares of 1p each, 7,110,713 D ordinary shares of 1p each and 105,478,482 zero coupon redeemable preference shares of £1 each; and

(iii) the Directors were generally authorised, in accordance with section 80 of the Companies Act, to allot relevant securities up to a maximum nominal amount of £106,386,609.26, such authority to expire on 8 August 2006;

(b) by a written resolution of the Company passed on 18 May 2002, conditional upon (i) the Company having re-registered as a public limited company and (ii) Admission occurring not later than 30 September 2002 or such later date as the Board may agree:

(i) in accordance with article 8(2) of the Company's articles of association, the A ordinary shares of 1p each, the B ordinary shares of 1p each, the C ordinary shares of 1p each and the D ordinary shares of 1p each in the capital of the Company were redesignated as Ordinary Shares of 1p each, each ranking pari passu in all respects;

(ii) the authorised share capital of the Company was increased from £106,386,610.26 to £107,478,482 by the creation of 109,187,174 Ordinary Shares;

(iii) the Directors were generally authorised, in accordance with section 80 of the Companies Act, to allot relevant securities up to an aggregate nominal amount of £1,192,493.04, such authority to expire on 8 August 2006; and

(iv) the Directors were given power to allot equity securities (as defined in section 94 of the Companies Act) for cash pursuant to the authority referred to in sub-paragraph (iii) above as if section 89(1) of the Companies Act did not apply to the allotment, but that power, which expires at the conclusion of the next annual general meeting of the Company, was limited to:

(aa) the allotment, pursuant to the Global Offer, of up to 98,282,896 Ordinary Shares;

(bb) the allotment of equity securities in connection with an offer or issue in favour of the holders of Ordinary Shares on the register on a date fixed by the Directors where the equity securities attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective number of Ordinary Shares held by them on that date but the Directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any regulatory body or stock exchange; and

(cc) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (aa) or (bb) above) having a nominal amount not exceeding in aggregate £72,692.40.

(c) on 24 May 2002, pursuant to a share exchange offer between the Company and the shareholders of the entire issued share capital of Intertek and article 46 of Intertek's articles of association, 69,172,061 A ordinary shares, 11,578,535 B ordinary shares and 105,478,482 zero coupon redeemable preference shares in the Company were issued on the following basis:

(i) for every A ordinary share of 1p in Intertek, one A Ordinary Share;

(ii) for every B ordinary share of 1p in Intertek, one B Ordinary Share; and

(iii) for every zero coupon redeemable preference share of £1 in Intertek, one Preference Share.

An application will be made for relief from stamp duty under section 77 Finance Act 1986 in relation to the acquisition by the Company of the entire issued share capital of Intertek.

(d) conditional on but immediately prior to Admission and pursuant to the terms of a warrant instrument of the same date, the Company will issue warrants in itself to holders of warrants in Intertek, in exchange for the cancellation of warrants in Intertek. Under the terms of the warrant instrument, the warrants in aggregate confer the right to subscribe in cash at 1p per share for such number of D ordinary shares in the capital of the Company as represent 7.83 per cent. of the fully diluted share capital of the Company (excluding New Ordinary Shares issued in the Global Offer).

2.5 Section 89 of the Companies Act confers on shareholders certain rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 743 of the Companies Act. Following Admission, the Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of securities for cash and the statutory rights of pre-emption in section 89 of the Companies Act. The statutory rights of pre-emption apply to the balance of the authorised, but unissued share capital of the Company which is not the subject of the disapplication referred to in paragraph 2.4(b) (iv) above or reserved for issue in connection with share options and schemes (and other arrangements) referred to in paragraph 2.2 above. The statutory rights of pre-emption have been disapplied as set out in paragraph 2.4(b)(iv) to:

(a) permit the Directors to allot the Ordinary Shares under the Global Offer;

(b) give the Directors flexibility in relation to rights issues; and

(c) permit the Directors to allot Ordinary Shares for cash following the Global Offer having a nominal value of up to 5 per cent. of the issued ordinary share capital following Admission.

2.6 Save as disclosed above and in paragraphs 5 and 7 below:

(a) there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any of its subsidiaries (other than intra-group issues by wholly owned subsidiaries) in the three years preceding the date of this document;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the three years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of any such company; and

(c) no share or loan capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

2.7 The shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of shares in any class of shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where shares are held in certificated form, share certificates will be sent to the registered members by first class post.

3. Summary of the memorandum and articles of association

3.1 Memorandum of association

The memorandum of association of the Company provides that its object is to carry on business as a general commercial company. The objects of the Company are set out in full in clause 3 of its memorandum of association which is available for inspection as described in paragraph 20 below.

3.2 Articles of association

The articles of the Company adopted on 18 May 2002, conditional upon Admission, include provisions to the following effect:

(a) **Rights attaching to ordinary shares**

(i) Voting rights – subject to disenfranchisement in the event of (aa) non-payment of any call or other sum due and payable in respect of any share or (bb) any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands every holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a member, has one vote and on a poll every member present in person, by proxy or by representative has one vote for every ordinary share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

(ii) Dividends – subject to the rights attached to any shares issued on any special terms and conditions (such as the preference shares, which do not have dividend rights), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.

(iii) Return of capital – subject to the rights attached to any shares issued on any special terms and conditions (such as the preference shares, as to which see below), on a winding up the surplus assets remaining after payment of all creditors of the Company will be divided among the members of the Company according to their respective holdings of shares. The liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by statute (aa) divide among the members in specie the whole or any part of the assets of the Company or (bb) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

(b) **Rights attaching to preference shares**

(i) Return of capital – subject to (ii) below, each preference share confers on the holder the right on a return of capital on a winding up, but not otherwise, to receive in priority to any payment to the holders of Ordinary Shares repayment in full of the capital paid up on that preference share.

(ii) Voting rights – each preference share entitles the holder to receive notice of general meetings of the Company, but not to attend and vote at such meetings unless the business of the meeting includes the consideration of a resolution for winding-up the Company or for a reduction of capital or any resolution modifying or varying the special rights, privileges or restrictions attached to preference shares.

(iii) Redemption – for the sum of £1 payable by the Company, each preference share in issue:

(A) may be redeemed by the Company at any time by giving at least 28 days' notice in writing;

(B) shall be redeemed in full by the Company on 13 November 2009; and

(C) shall be redeemed in full by the Company on receipt of a notice in writing to that effect from the holders of 30 per cent. or more of the preference shares in issue.

(c) **Transfer of shares**

A member may transfer all or any of his uncertificated shares and the Company shall register the transfer of any uncertificated shares in accordance with any applicable statutory provision. The board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of an uncertificated share where permitted by any applicable statutory provision (but not so as to prevent dealing in listed shares from taking place on an open and proper basis). If the board refuses to register a transfer of an uncertificated share it shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The board may, in its absolute discretion and without giving any reason for it, refuse to register any transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or any certificated share on which the Company has a lien. The board may also refuse to register any instrument of transfer of a certificated share unless it is lodged at the registered office, or such other place as the board may decide, for registration, accompanied by the share certificate for the shares to be transferred (except where the shares are registered in the name of a market nominee and no certificate has been issued for them) and such other evidence as the board may reasonably require to prove title of the intending transferor. If the board refuses to register a transfer of a certificated share it shall, within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal. The board may refuse to register any transfer unless it is only in respect of one class of shares and in favour of no more than four transferees.

(d) **Changes in capital**

The Company may by ordinary resolution:

(i) increase its share capital;

(ii) consolidate and divide all or any of its share capital into shares of a larger amount;

(iii) sub-divide all or part of its share capital into shares of a smaller amount; and

(iv) cancel any shares which have not, at the date of the ordinary resolution, been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

The Company may by special resolution:

(v) purchase its own shares; and

(vi) reduce its share capital and any capital redemption reserve or share premium account.

(e) **Variation of rights**

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares may be varied, either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the necessary quorum is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question (but at any adjourned meeting, any person holding shares of the class or his proxy is a quorum).

(f) **Uncertificated shares – general powers**

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the articles of association or otherwise in effecting any action. Any provision in the articles of association in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply. The Company may, by notice in writing to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the directors may determine that holdings of the same member in uncertificated form and in certificated form shall be treated as separate holdings.

(g) **Directors**

(i) The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two and there shall be no maximum.

(ii) A director need not be a member of the Company.

(iii) There is no age limit for directors.

(iv) At each annual general meeting any director then in office who has been appointed by the board since the previous annual general meeting or who, at the date of the notice convening the annual general meeting, has held office for more than 30 months since he was appointed or last appointed by the Company in general meeting shall retire from office but shall be eligible for re-appointment.

(v) The directors (other than any director who for the time being holds an executive office or employment with the Company or a subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as directors such fees not exceeding in aggregate £150,000 per annum as the directors may from time to time determine or such larger sum as the Company may, by ordinary resolution, determine. Such fee shall be divided among them in such proportion and manner as they may agree, or failing agreement, equally.

(vi) The board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Special remuneration may be payable to a director in addition to his ordinary remuneration (if any) as a director.

(vii) The directors shall also be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

(viii) The board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any subsidiary or associated company or the relatives or dependants of any such person. For that purpose the board may procure the establishment and maintenance of, or participate in, or contribute to any non-contributory or contributory pension or superannuation fund, scheme or arrangement or pay any insurance premiums.

(ix) Subject to any applicable statutory provisions, a director shall not be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise. A director may hold and be remunerated in respect of any other office or place of profit (other than the office of auditor of the Company) in conjunction with his office as director and he (or his firm) may also act in a professional capacity for the Company (except as auditor) and may be remunerated for it.

(x) A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract with the Company shall declare the nature of his interest at a meeting of the directors.

(xi) A director shall not vote or be counted in the quorum at a meeting in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the articles of association) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment or the termination of his own appointment.

(xii) A director shall not vote (or be counted in the quorum at a meeting) in respect of any contract in which he has an interest which (together with any interest of a connected person) is to his knowledge a material interest or if he is prohibited from voting by the Listing Rules. Notwithstanding the above, a director shall be entitled to vote (and be counted in the quorum) on: (aa) any contract in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company; (bb) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security; (cc) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter; (dd) any contract concerning another company in which he and any connected person do not to his knowledge hold an interest in shares (within the meaning of sections 198 to 211 of the Companies Act) representing one per cent. or more of the issued shares of any class of such company or of the voting rights of that company; (ee) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and (ff) the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

(h) **Borrowing powers**

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party. The board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings) which are owed by one Group company to another Group company) after deducting the amount of cash deposited will not, without the previous sanction of the Company in general meeting, exceed £750 million or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

To date no resolution of the type referred to in this paragraph has been passed.

(i) **Unclaimed dividends**

Any dividend unclaimed for a period of 12 years after having become due for payment shall be forfeited and cease to remain owing by the Company.

4. Directors and Senior Management

4.1 The Directors and Senior Management of the Company and their functions are set out in Part IV: Management.

4.2 The business address of each of the Directors and Senior Management is 25 Savile Row, London W1S 2ES, save for Vanni Treves, whose business address is 10 Norwich Street, London EC4A 1BD, David Allvey, whose business address is 57 Cinnabar Wharf Central, 24 Wapping High Street, London E1W 1NQ and Ross Sayers, whose business address is 150 Holborn, London EC1N 2LR, Bernard Leroy, whose business address is 91 Rue du General de Gaulle, 27100 Le Vaudreuil, France, Raymond Kong, Albert Lo and Henry Yeung, whose business address is 2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong, Brian Pitzer, whose business address is 3933 Route 11 Industrial Park, Cortland, New York 13045, United States and Dennis Roth, whose business address is 70 Codman Hill Road, Boxborough, MA 01714, United States.

4.3 The Directors and Senior Management (in addition to their directorships of Group companies), hold or have held the following directorships and are or were members of the following partnerships, in the past five years:

Name	Position	Company/Partnership	Position still held (Y/N)
Vanni Treves	Director	Amplifin SpA	Y
	Director	Ampliphon SpA	Y
	Chairman	BBA Group Plc	N
	Director	Birchdale Properties Limited	N
	Director	Cannon Nominees Limited	N
	Director	Cannon Nominees Properties Limited	N
	Director	Castlemaine Holdings Limited	Y
	Chairman	Channel Four Television Corporation	Y
	Chairman	Dennis Group PLC	N
	Director	Drakeport Limited	N
	Chairman	Equitable Life Assurance Society, (The)	Y
	Director	Fiskars Limited	Y
	Director	Fiskars UK Limited	Y
	Director	Furnival Street Properties Limited	N
	Director	Hawkpoint Holdings Limited	Y
	Director	Hawkpoint Trustees Limited	Y
	Director	Kitchen Devils Limited	Y
	Director	London Business School Trust Company Limited (The)	Y
	Consultant	Macfarlanes	Y
	Partner	Macfarlanes	N
	Director	Macfarlanes Limited	N
	Director	Macfarlanes Nominees Limited	N
	Director	Macfarlanes Services Limited	N
	Director	Macwatch Limited	N
	Chairman	McKechnie Limited	N
	Director	McKechnie Pension Trust Limited	N
	Director	McKechnie Pension Trust (Aldridge) Limited	N
	Director	Michael Grant Publications Limited	Y
	Director	Nugget Leasing Limited	Y
	Director	Richard Sankey & Son Limited	Y
	Director	Speedwell Two Limited	Y
	Director	Syce Limited	Y
	Director	Transon Limited	Y
	Director	Transon Holdings Limited	Y
	Director	Vikingate Limited	Y
	Director	Vortice Limited	Y
	Director	Wormsley Estate Limited	Y

Name	Position	Company/Partnership	Position still held (Y/N)
Richard Nelson	Chairman	The Great Northern London Cemetery Company Limited	Y
		Neolytica Inc.	Y
David Allvey	Member	Accounting Standards Board	Y
	Chief Operations Officer	Allied Zurich Plc	N
	Group Finance Director	B.A.T. Industries Plc	N
	Finance Director	Barclays Bank Plc	N
	Non-Executive Director	Britannic Assurance Plc	Y
	Non-Executive Director	Costain Group Plc	Y
	Non-Executive Director	McKechnie Group Plc	N
	Director	McKechnie Pension Trust Limited	N
	Director	McKechnie Pension Trust (Aldridge) Limited	N
	Non-Executive Director	William Hill Limited	Y
Ross Sayers	Chairman	Associated British Ports	Y
	Non-Executive Chairman	Innogy Holdings plc	Y
	Director	WEC Services Limited	Y
	Director	World Energy Council	Y
	Director	Innogy plc	N
Martin Lea	Director	Racal Electronics plc	N
	Director	Ipanema Technology Software for Networks	N
Dennis Roth	Chief Executive Officer	Viagate Technologies	N
	Chief Executive Officer	Fidelity Holdings	N
	Chief Executive Officer	A.T.E.T Unisource	N
Martin Black	Director	Arniston Bruce Limited	Y
	Director	Goolford Rae Limited	Y

William Spencer, Raymond Kong, Gösta Frederiksson, John Hannaway, John Hodson, Rob Dilworth, Mark Loughead, Bernard Leroy, Albert Lo, Henry Yeung, Dennis Roth, Brian Pitzer and Nigel Lucas (with the exception of their directorships of Group companies, if any) do not hold, and have not held, any directorships nor or are they nor were they members of any partnerships in the past five years.

4.4 At the date of this document none of the Directors and none of the Senior Management:

(a) save as disclosed in this paragraph 4, has been director or partner of any companies or partnerships at any time in the previous five years; or

(b) has any unspent convictions in relation to indictable offences; or

(c) has been bankrupt or entered into an individual voluntary arrangement; or

(d) was a director with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

(e) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

(f) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

(g) has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conducting the affairs of any company.

5. Directors' and other interests in the Company

5.1 The interests of the Director(s), their immediate families and any person connected with any Director within the meaning of section 346 of the Companies Act in the share capital of the Company (all of which are beneficial unless otherwise stated), which:

(a) have or will have been notified to the Company pursuant to sections 324 and 328 of the Companies Act,

(b) are required to be entered into the register referred to in section 325 of the Companies Act; or

(c) are interests of a connected person (within the meaning of section 346 of the Companies Act) which would, if the connected person were a director, be required to be disclosed under (a) or (b) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director, as at 23 May 2002 (the latest practicable date prior to the publication of this document),

were and are anticipated following Admission to be as follows:

Director	Number of Ordinary Shares before Admission	Percentage of Ordinary Shares before Admission(1)	Number of Ordinary Shares after Admission	Percentage of Ordinary Shares after Admission(1)
Vanni Treves	100,000	0.1%	100,000	0.1%
Richard Nelson	3,632,514	4.5%	3,632,514	2.4%
William Spencer	993,201	1.2%	993,201	0.6%
David Allvey	100,000	0.1%	100,000	0.1%

(1) Assuming no exercise of the Over-allotment Option.

5.2 The interests of the Directors represent in the aggregate approximately 6.0 per cent. of the issued share capital of the Company as at 23 May 2002 (the latest practicable date prior to publication of this document) and are expected to represent approximately 3.1 per cent. of the issued share capital of the Company on Admission.

5.3 The following options over Ordinary Shares are expected to be granted to the Directors under the 2002 Plan and the Approved Plan described in paragraph 7, such options being exercisable at the price determined in accordance with the rules of the plans following Admission, being not less than the market value of the Ordinary Shares on the grant date and between the dates shown below:

Name of Director	Number of Ordinary Shares under option	Grant date	Exercise period
Richard Nelson	68,000	Within 5 dealing days of Admission	Between the third and tenth anniversary of the grant date
William Spencer	24,395	Within 5 dealing days of Admission	Between the third and tenth anniversary of the grant date

5.4 Save as set out in this Part VIII, it is not expected that any of the Directors will have any interest in the share or loan capital of the Company on Admission and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

5.5 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group and which were effected by the Company or any Group Company during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

5.6 As at 23 May 2002 (being the last practicable date prior to the publication of this document), in so far as is known to the Company, the name of each person, other than a Director, who, directly or indirectly, is interested in 3 per cent. or more of the Company's issued share capital, and the amount of such person's interest is (and following Admission, assuming each of the Institutional Selling Shareholders sells a pro rata share of their Existing Shares in the Global Offer, is expected to be) as follows:

Name	Number of Ordinary Shares(1)	Percentage of existing issued share capital(2)	Number of Ordinary Shares after Admission(3)	Percentage of issued share capital after Admission(2)(3)
Subsidiaries of, and funds managed by, Charterhouse Development Capital Holdings Limited and/or its wholly-owned subsidiaries . .	35,359,397	43.8%	20,467,070	13.3%
Charter Intertek LLC.	11,344,281	14.0%	6,566,407	4.3%
Abu Dhabi Investment Authority	6,001,169	7.4%	3,473,655	2.3%
Stanlife Nominees Limited	3,781,426	4.7%	3,781,426	2.5%

(1) Assuming that the A, B, C and D Ordinary Shares have been redesignated into Ordinary Shares.

(2) Excludes Preference Shares.

(3) Assumes the Over-allotment Option is not exercised.

5.7 The Company has agreed to use reasonable endeavours to assist Charterhouse in the disposal of the remaining shares currently held by it, its affiliates and Charter Intertek LLC through a maximum of three offerings after the date of Admission. Such endeavours may include, *inter alia*, assistance in due diligence investigations, preparation of a prospectus and other regulatory filings, participation of management in roadshows and entering into appropriate underwriting arrangements. In addition, the Company has granted Charterhouse rights to participate in certain SEC registered offerings of Ordinary Shares which may be undertaken by the Company.

6. Directors' service agreements and emoluments

6.1 The following Executive Directors have service agreements with the Company which are effective from Admission as follows:

(a) The service agreement provides for Richard Nelson to act as Chief Executive Officer of the Company at a salary of £320,000 per annum. A salary review takes place annually. Mr Nelson is also eligible to receive an annual cash bonus of an amount not exceeding 70 per cent. of his annual salary. The bonus is calculated in accordance with criteria and payable on terms set by the Company as the Company may from time to time notify Mr Nelson. The service agreement has no fixed term and is terminable on 12 months' notice in writing by either party. The agreement contains provisions for payment of full salary, pro-rated bonus and benefits in lieu of notice. Under the service agreement, Mr Nelson is entitled to 30 days' paid holiday per year and the Company provides Mr Nelson with a life insurance scheme under which a lump sum benefit equal to four times Mr Nelson's basic annual salary is payable on his death while his appointment continues, membership of the Company's permanent health insurance scheme, private health insurance for him, his spouse and dependent children under the age of 21 and personal accident insurance. The Company also provides Mr Nelson with £1 million cover under a "whole of life" insurance policy, which it has agreed to continue to maintain during Mr Nelson's lifetime. The annual premiums payable under this policy are £27,059 for the first 20 years, and £19,510 thereafter until Mr Nelson's death. The Company is required to continue to pay premiums under this policy irrespective of the reasons for termination of Mr Nelson's employment. The Company also provides Mr Nelson with a company car (or, in the alternative, a car allowance equal to £1,200 per month). The Company intends to make a one off payment of £154,000 into a pension scheme nominated by Mr Nelson. The Company will contribute to his private pension arrangements initially at the rate of 35 per cent. of his basic salary up to the Inland Revenue earnings cap, plus 40 per cent. of the excess of his basic salary over that cap. The agreement contains non-competition restrictions for a period of 12 months following termination. The agreement contains a garden leave provision and confidentiality restrictions without limit of time.

(b) The service agreement provides for William Spencer to act as Chief Financial Officer of the Company at a salary of £139,400 per annum. A salary review takes place annually. Mr Spencer is also eligible to receive an annual bonus of an amount not exceeding 50 per cent. of his annual salary calculated in accordance with criteria and payable on terms set by the Company as the Company may from time to time notify to Mr Spencer. The service agreement has no fixed term and is terminable on 12 months' notice in writing by either party. The agreement contains provisions for payment of full salary, pro-rated bonus and benefits in lieu of notice. Under the service agreement, Mr Spencer is entitled to 25 days' paid holiday per year and the Company provides Mr Spencer with a life insurance scheme under which a lump sum benefit equal to four times Mr Spencer's basic annual salary is payable on his death while his appointment continues, membership of the Company's permanent health insurance scheme, private health insurance for him, his spouse and dependent children under the age of 21 and personal accident insurance. The Company also provides Mr Spencer with a company car (or, in the alternative, a car allowance equal to £600 per month) and a contribution of 10 per cent. of Mr Spencer's annual basic salary into a pension scheme nominated by Mr Spencer. The agreement contains non-competition restrictions for a period of 12 months following termination. The agreement contains a garden leave provision and confidentiality restrictions without limit of time.

6.2 Each of the Non-Executive Directors has agreed terms of appointment with the Company as follows:

(a) Vanni Treves is engaged by the Company as a non-executive director on the terms of a letter of appointment dated 23 May 2002 for an initial period of three years from Admission. Mr Treves' remuneration is £60,000 per annum and he is also provided with a company car or cash equivalent to the level determined by the Company. His appointment may be terminated without compensation at any time by either the Company or Mr Treves in accordance with the Company's articles of association. However, there is a non-legally binding expectation on behalf of the Company that Mr Treves will give no less than one month's notice of resignation as a non-executive director to the Company.

(b) David Allvey is engaged by the Company as a non-executive director on the terms of a letter of appointment dated 23 May 2002 for an initial period of three years from Admission. Mr Allvey's remuneration is £20,000 per annum. His appointment may be terminated without compensation at any time by either the Company or Mr Allvey in accordance with the Company's articles of association. However, there is a non-legally binding expectation on behalf of the Company that Mr Allvey will give no less than one month's notice of resignation as a non-executive director to the Company.

(c) Ross Sayers is engaged by the Company as a non-executive director on the terms of a letter of appointment dated 23 May 2002 for an initial period of three years from Admission. Mr Sayers' remuneration is £20,000 per annum. His appointment may be terminated without compensation at any time by either the Company or Mr Sayers in accordance with the Company's articles of association. However, there is a non-legally binding expectation on behalf of the Company that Mr Sayers will give no less than one month's notice of resignation as a non-executive director to the Company.

6.3 For the financial year ended 31 December 2001, the aggregate remuneration (including salaries, fees, pension contributions, bonus payments and benefits in kind) granted to the Directors of the Company by the Group was £1 million. It is estimated that for the financial year ending

31 December 2002, under arrangements in force at the date of this document, the remuneration of the Directors will be approximately £1.2 million.

6.4 There is no arrangement under which a Director has waived or agreed to waive future emoluments nor have there been any such waivers during the financial year immediately preceding the date of this document.

6.5 There are no outstanding loans or guarantees granted or provided by any member of the Group to, or for the benefit of, any of the Directors.

7. Incentive schemes

7.1 2002 Share Option Plans

The 2002 Plan and the 2002 Phantom Plan were adopted on 9 May 2002 (conditional upon Admission) by the Company. The Approved Plan, which was adopted on 9 May 2002, may be amended to obtain approval from the Board of UK Inland Revenue pursuant to section 185 of and Schedule 9 to the Taxes Act.

The 2002 Share Option Plans will be operated and administered by the Directors and overseen by a committee of the board of directors of the Company (the "Remuneration Committee") authorised to consider the remuneration of directors and employees of any Group company. The trustee of any employee benefit trust established by any Group company to operate in conjunction with the 2002 Plan and the Approved Plan may also grant options, following the receipt of recommendations from the Remuneration Committee. In either case they are referred to as the 'Grantor' below.

7.2 The 2002 Plan

The principal features of the 2002 Plan are:

(a) Eligibility

Only Executive Directors or employees of the Group who under the terms of their contract of employment devote substantially all their working time to the business of the Group (in the case of a Director not less than 25 hours per week) and are not within six months of their normal retirement date are eligible to participate in the 2002 Plan.

(b) Exercise price

Options may be granted for no consideration over Ordinary Shares. The exercise price of an option will be determined by the Grantor but may not be less than, in the case of an option to subscribe, the higher of (i) the nominal value and (ii) the market value at the date of grant of an Ordinary Share and in the case of an option to purchase existing Ordinary Shares not less than the market value of an Ordinary Share at the date of grant. Market value will be taken to be the average of the closing middle market quotations of an Ordinary Share on the five dealing days immediately preceding the date of grant as extracted from the Daily Official List of the London Stock Exchange. Options intended to be granted on the first four dealing days after Admission will be granted at the price which is the average of the closing middle market quotation of an Ordinary Share on the first, second, third and fourth dealing days as appropriate.

(c) Grant of options and conditions

Options will normally be granted annually to eligible employees selected by the Remuneration Committee. Options may be granted at any time or times during the 42 day period commencing on (i) the date the 2002 Plan is adopted by the Company, (ii) Admission, or (iii) the fifth day following the announcement of the Company's results for any period. An option may also be granted to a new employee within 28 days of that employee joining the Group. Options can only be granted outside these periods in circumstances judged by the Remuneration Committee to be exceptional. No option may be granted more than ten years after the date of adoption of the 2002 Plan. If any grant is prevented by any statute, order, governmental directive or any code established by the Company then an option may be granted within 21 days of the lifting of such restriction.

Other than in the U.S., options will be granted so that they may not be exercised unless objective performance condition(s) imposed by the Remuneration Committee have been satisfied. The Remuneration Committee may vary the performance condition that applies to outstanding options if, in its opinion, to do so would produce a fairer measure of performance, provided that the varied performance condition is materially no more difficult to satisfy than the original condition.

Initial grants on Admission under the 2002 Plan will be subject to the performance conditions outlined in Part IV: Management, other than grants made to employees resident in California, which have to be exercisable over at least 20 per cent. of the Ordinary Shares under option per annum to qualify for regulatory exemptions.

The Remuneration Committee can grant an option to a UK employee subject to a condition that any liability of a Group company to pay secondary (employer's) National Insurance contributions arising in respect of the exercise of the option will be the liability of the relevant optionholder. This would be in addition to the optionholder indemnifying the Group for any liability to tax which the relevant company is obliged to account for to the revenue authorities in relation to the grant and/or exercise of the option.

In order that employees, particularly senior executives, demonstrate publicly their continued commitment to the Company and to align more closely their interests with those of other shareholders, the Remuneration Committee can at the grant of an option require that, as a condition of exercise of that option, the optionholder will retain up to 25 per cent. of the Ordinary Shares acquired (ignoring any Ordinary Shares sold to meet any tax liability, any financing cost on exercise or in the case of hardship circumstances) for a period of up to two years following acquisition.

(d) Individual limits

The aggregate initial market value of all options granted in any annual period after Admission (being the period between consecutive announcements of the final results of the Company) to an employee under the 2002 Plan and any other executive share option plan established by the Company after Admission must not exceed the total annual salary (excluding bonuses and benefits in kind) payable to that employee by members of the Group for the financial year which includes the date of grant of the latest option. The Remuneration Committee may exceed this limit in exceptional circumstances and grant options over up to a maximum of three times an employee's total annual salary.

(e) Exercise and lapse of options

Options will normally be exercisable on or after the third anniversary of the grant date provided the performance condition (where applicable) has been satisfied. If options become exercisable earlier under the rules, they will normally only be exercisable to the extent that the Remuneration Committee considers the performance condition to have been satisfied at that time.

Options may become immediately exercisable where there is a change of control of the Company or in certain circumstances on the cessation of an optionholder's employment before the option has vested to the extent the Remuneration Committee considers the performance condition has been satisfied at the date of the relevant event. Subject to this, the amount of the option exercisable will be pro rata to the proportion of the three year performance period that has elapsed to the date of the event. Where replacement options are offered by the acquirer on a change of control within certain periods specified in the 2002 Plan rules (including a change of control where the majority of persons comprising the board of the acquirer are members of the Board), option(s) will not become exercisable.

Early exercise of options may be permitted to the extent and during such periods as are determined at the discretion of the Remuneration Committee in the event of a winding-up, amalgamation or statutory reconstruction of the Company.

Options lapse on the earliest of the following:

(i) unless the Remuneration Committee otherwise determines at the date of grant, immediately where an option holder ceases to be employed for any reason within one year of the date of grant;

(ii) where an optionholder dies more than one year after the date of grant (if applicable), the first anniversary of the date of death;

(iii) where an optionholder ceases employment more than one year after the date of grant (if applicable) due to injury, ill health, disability, redundancy, retirement, or because the company which employs him or with which he holds office leaves the Group or because the business to which his employment relates is transferred outside the Group, six months from the date his employment ceases;

(iv) where an optionholder ceases employment for any reason other than those set out in (i), (ii) and (iii) above and the Remuneration Committee do not decide otherwise within 30 days of the cessation date, 30 days following the cessation of employment;

(v) the tenth anniversary of the date of grant or such earlier time as the Grantor may specify at the time of grant;

(vi) the optionholder being adjudicated bankrupt;

(vii) the surrender of the option;

(viii) where an option becomes exercisable on a change of control, winding up or statutory reconstruction, six months after the change of control or at the end of such other period specified in the rules for exercise; and

(ix) as specified (if at all) in the performance condition.

(f) Replacement options

Where an acquiring company obtains control of the Company it may offer replacement options to optionholders within the terms of the 2002 Plan. Where replacement options are granted within the terms of the 2002 Plan they will be subject to the same performance condition (if any) as applied to the old option subject only to such amendment as the grantor of the new option considers necessary within the terms of the 2002 Plan rules.

(g) Variation of share capital

On a variation of the Company's share capital, the exercise price and the number of Ordinary Shares subject to options may be adjusted in the manner the Grantor thinks fit having obtained an independent accountant's written confirmation (other than in the event of a sub-division or consolidation) that the adjustment is, in their opinion, fair and reasonable.

(h) General

Ordinary Shares allotted or transferred on the exercise of options will rank pari passu with Ordinary Shares in issue at the date of allotment or transfer and shall not rank for dividends or other rights for any record date preceding the date of allotment or transfer. The Company will apply for listing of any Ordinary Shares allotted.

Options may not be transferred, assigned or charged.

Benefits under the 2002 Plan will not be pensionable.

If an optionholder ceases employment he will not be entitled to compensation for any loss of his option due to termination of his employment (whether lawful or unlawful) and his rights and obligations under his employment are not affected by participation in the 2002 Plan.

The 2002 Plan will terminate on the date that is ten years after the date of its adoption by the Company or such earlier time resolved by the Remuneration Committee. Termination of the Plan will not affect outstanding options.

The 2002 Plan and the terms of options granted are governed by and construed in accordance with English law.

(i) Amendment of 2002 Plan

The Board has power to administer, interpret and amend the 2002 Plan. However:

(i) no amendment may materially adversely affect an optionholder as regards options granted prior to the date of amendment without the consent of not less than three quarters in nominal value of all Ordinary Shares which could be acquired by the optionholders; and

(ii) the provisions relating to eligible employees, the limit on the number of Ordinary Shares which may be utilised under the 2002 Plan, the maximum entitlement of any participant and the basis for determining a participant's entitlement, and the terms of and adjustment thereof, may not be altered to the advantage of optionholders without the prior approval of shareholders of the Company in a general meeting (except for minor amendments to benefit the administration of the 2002 Plan, to take account of a change in legislation or to obtain or maintain favourable tax, regulatory or exchange control treatment).

The Remuneration Committee may amend the rules to take account of local tax, exchange control or securities laws in order to operate the 2002 Plan in any non-UK jurisdiction in which eligible employees are situate provided the limit on the number of Ordinary Shares available as referred to in 7.5 continues to be met.

The Company has adopted schedules amending the 2002 Plan for the purposes of grants to employees resident in the United States (including California resident employees) to enable incentive stock options to be granted and in order to comply with the regulatory requirements in California. The terms vary from the 2002 Plan as follows:

(a) there is an additional restriction limiting grants under the schedule to up to 12 million Ordinary Shares in the US schedule and to up to 30 per cent. of the issued Ordinary Shares issuable under the Plan under the Californian schedule;

(b) the exercise price must not be less than the "fair market value" of an Ordinary Share at the grant date;

(c) for California resident optionholders at least 20 per cent. of the option will become exercisable each year subject to continued employment. No other performance conditions will apply to the option;

(d) unless an optionholder's employment is terminated for cause, the optionholder can exercise the option, to the extent vested, within six months from termination for death or disability and within 30 days where employment is terminated for any other reason;

(e) optionholders in California are entitled to receive the Company's annual financial statements;

(f) normally only options to subscribe for Ordinary Shares will be granted; and

(g) options may be granted to individuals who do not have a written contract of employment but who are employees in the Group.

7.3 The Approved Plan

Only employees resident for tax purposes in the UK are expected to be granted options under the Approved Plan. The principal features of the Approved Plan are similar to the 2002 Plan except that:

(a) options may only be granted following approval of the Approved Plan by the Board of the UK Inland Revenue;

(b) employees or directors who have a material interest in the Company (being an interest of 10 per cent. of the Company's share capital if the Company is close or has been close in the previous 12 months) cannot be granted nor can they exercise an option;

(c) the aggregate exercise price of all subsisting options granted to an employee under the Approved Plan and any other UK Inland Revenue approved share option plan (except for any savings related share option plan) must not exceed £30,000 or such other statutory limit imposed from time to time;

(d) where there is a change of control of the Company and replacement options are offered by the acquirer the period during which action may be taken is six months and the relevant parts of the Taxes Act must be satisfied;

(e) the Remuneration Committee cannot impose a restriction on the transfer of Ordinary Shares following exercise;

(f) amendments to the Approved Plan and adjustments to options to reflect variations in share capital require the prior approval of the Board of the UK Inland Revenue; and

(g) currently, no national insurance contributions are due on the exercise of options granted pursuant to plans approved by the Board of the UK Inland Revenue.

7.4 The 2002 Phantom Plan

Where there are difficulties (regulatory or otherwise) in offering options over Ordinary Shares to employees, awards may be made under the 2002 Phantom Plan. The terms on which such awards are made will be similar to the 2002 Plan save that on exercise a cash sum will be payable to the employee (net of applicable taxes) equivalent to the gain in value of the Ordinary Shares from grant to exercise. Such cash sum could at the discretion of the Remuneration Committee be paid in instalments. There is no current intention to offer awards under the 2002 Phantom Plan on Admission.

7.5 Overall limits on the Share Option Plans

The aggregate number of Ordinary Shares issued or which may be issued in respect of options granted on or after the date of Admission under the 2002 Plan and any other employees' share plan established by the Company may not exceed 10 per cent. of the issued share capital of the Company in any 10 year period. Options granted prior to Admission (including those granted under the 1997 Plan) are excluded for the purpose of this limit.

7.6 1997 Plan

The 1997 Plan was adopted by Intertek on 1 March 1997 and has been amended a number of times. The main terms of the 1997 Plan are as follows:

(a) General and the 1997 Plan limits

Options have been granted by the board of Intertek and the trustees of the Trust (as permitted from 2001) at an exercise price which was determined in accordance with the rules by such board as the market value of such shares at the grant date. Options may not be transferred, assigned or charged.

Following the reorganisation, when the Company became the holding company of Intertek, all the options under the 1997 Plan rolled over into options over 2,950,580 Ordinary Shares, of which 1,901,752 are exercisable having passed their third anniversary of grant and will be exercisable upon Admission. Options granted under the 1997 Plan will, following the reorganisation, be held on the terms of the 1997 Plan save that all references to Intertek and the board are to the Company and to its board of directors and will be over Ordinary Shares.

(b) Exercise and lapse of options

Options are normally exercisable on the later of the third anniversary of the grant date and an Exit (being a sale of the entire issued share capital of the Company to a single person or the admission to listing on the London Stock Exchange, or other recognised exchange, of the issued share capital of the Company).

Options lapse on the earliest of:

(i) the seventh anniversary of the date of grant (or such earlier date as the Grantor specifies at the date of grant);

(ii) (unless the Grantor decides otherwise) the date the optionholder ceases employment for any reason;

(iii) on a change of control of the Company other than an Exit, if the Grantor so determines; and

(iv) the optionholder being adjudicated bankrupt.

(c) Replacement options

Where a person obtains control of the Company whether on an Exit or otherwise than on an Exit as defined above, and the acquiring company offers replacement options in itself, the Grantor can require optionholders to release their subsisting options in consideration for the new options granted by the acquirer.

(d) Variation of share capital

On a variation of the Company's share capital the exercise price and the number of Ordinary Shares subject to options may be adjusted in the manner the Company's auditors confirm in writing to be fair and reasonable.

(e) Alteration of 1997 Plan

The Board may alter or add to any or all of the provisions of the 1997 Plan or the terms of any option in any respect. The Board can alter and add to the rules to allow options to be granted to non-UK participants having regard to any securities, exchange control or taxation laws or regulations in that jurisdiction.

(f) General

Ordinary Shares allotted or transferred on the exercise of options rank pari passu with Ordinary Shares in issue at the date of allotment or transfer but shall not rank for any rights attaching to such shares by reference to a record date which precedes the date of allotment or transfer.

If an optionholder ceases employment he will not be entitled to compensation for any loss of his option due to termination of his employment and his rights and obligations are not affected by participation in the 1997 Plan.

Benefits under the 1997 Plan are not pensionable.

The 1997 Plan and the terms of the options are governed by and construed in accordance with English law.

The 1997 Plan has a Californian schedule, the terms of which are similar to those of the Californian Schedule summarised above for the 2002 Plan.

7.7 The Trust

Intertek established an employee benefit trust on 9 August 2001. The trustee of the Trust is currently Pirunico Trustees (Jersey) Limited, an independent corporate trustee managed and controlled in Jersey. The class of beneficiaries of the Trust are the employees, former employees and dependants of Intertek and its subsidiaries and of its holding company or a subsidiary of its holding company provided none of them are tax resident in Jersey. The trustee has waived its right to vote and receive dividends in relation to any shares it holds beneficially. The trustee has granted options under the 1997 Plan over all the B Ordinary Shares it holds in the Trust as at 10 May 2002 and has agreed to grant options under and/or satisfy the exercise of options under the 2002 Share Option Plans. Once the Company is listed, no more that 5 per cent. of the issued share capital (based on the number of shares in issue) may be held in the Trust.

7.8 Outstanding share options

The following options granted and rolled over under the 1997 Plan are outstanding as at 23 May 2002, being the latest practicable date prior to publication of this document:

Number of Ordinary Shares under option outstanding	Acquisition price per Ordinary Share	Exercise Period	
1,542,282	10p	1 March 2000	1 March 2004
241,412	10p	31 December 2000	31 December 2004
29,515	10p	1 June 2001	1 June 2005
70,834	10p	31 December 2001	31 December 2005
17,709	140p	28 March 2002	28 March 2006
76,739	10p	1 June 2002	1 June 2006
29,515	10p	31 December 2002	31 December 2006
82,640	10p	31 March 2003	31 March 2007
312,857	140p	31 December 2003	31 December 2007
169,638	140p	1 November 2004	1 November 2008
218,409	140p	1 December 2004	1 December 2008
159,030	(*)	28 March 2005	28 March 2009
2,950,580			

(*) The greater of the value of the Company's shares on Admission or the market value of Intertek's shares at the date of grant as determined by the Directors at the grant date.

8. Principal subsidiary and associated undertakings

The Company is the principal operating and holding company of the Group. Those companies indexed with an "*" are those which the Directors consider are likely to be important for the purpose of assessing the assets and liabilities, financial position and profits and losses of the Group. The principal subsidiary undertakings and associated undertakings of the Company are as follows[1]:

Name and country of incorporation	Registered office	Class of share capital (issued and fully paid, unless otherwise stated)	Proportion held	Nature of business/division
Intertek Testing Services Holdings Limited (UK)	25 Savile Row, London W1S 2ES	Class "A" and "B" ordinary shares, Zero Coupon Redeemable Preference Shares and unissued "C" and "D" ordinary shares	100 per cent. (direct)	Holding company
*Intertek Testing Services Hong Kong Limited (Hong Kong)	2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong	Ordinary shares	100 per cent. (indirect)	ETL SEMKO/ Labtest
Intertek Testing Services Taiwan Limited (Taiwan)	3, 8, 10, 12, 13 & 14/F, 27 Chung, Shan North Road, Sec 3, Taipei, Taiwan	Ordinary shares	100 per cent. (indirect)	Labtest
Intertek Testing Services France SARL (France)	91 Rue du General de Gaulle, Le Vaudreuil, 27100 France	Ordinary shares	100 per cent. (indirect)	Labtest
RAM Consulting, Inc. (US)	1301 W 22nd Street, Suite 888, Oak Brook, IL 60523 United States	Ordinary shares	100 per cent. (indirect)	Holding company
*Semko AB (Sweden)	Box 1103, Stockholm 16422 Kista, Sweden	Ordinary-A shares	100 per cent. (indirect)	ETL SEMKO
*Intertek Testing Services NA Inc (US)	3933 Route 11, Industrial Park, Cortland, New York 13045 United States	Ordinary shares	100 per cent. (indirect)	ETL SEMKO
*Intertek Testing Services NA Limited (Canada)	1829 32nd Avenue, Lanchine, Quebec Canada H8T 3J1	Ordinary shares	100 per cent. (indirect)	Caleb Brett
*ITS Testing Services (UK) Limited (UK)	25 Savile Row, London W1S 2ES	Ordinary shares	100 per cent. (indirect)	Caleb Brett

(1) Each undertaking is principally involved in testing and inspection activities unless otherwise specified.

Name and country of incorporation	Registered office	Class of share capital (issued and fully paid, unless otherwise stated)	Proportion held	Nature of business/division
Caleb Brett USA, Inc. (US)	c/o CT Corporation System, 8550 United Plaza Blvd., Baton Rouge, LA 70809 United States	Ordinary shares	100 per cent. (indirect)	Caleb Brett
Intertek Testing Services (Singapore) PTE Ltd (Singapore)	5 Pereira Road, #06-01/03 Asiawide Industrial, Building S(368025), Singapore	Ordinary shares	100 per cent. (indirect)	Caleb Brett
*Intertek Testing Services International Limited (UK)	25 Savile Row, London W1S 2ES	A Ordinary shares (unissued), Deferred shares, New ordinary and Ordinary shares (unissued)	100 per cent. (indirect)	FTS division
ITSI Miami (US)	8125 NW 53rd Street, Suite 200, Miami, Florida 33166 United States	N/A	100 per cent. (indirect)	FTS branch office
*Intertek Finance plc (UK)	25 Savile Row, London W1S 2ES	Ordinary shares	100 per cent. (indirect)	Issuer of the Senior Subordinated Notes
*Testing Holdings Sweden AB (Sweden)	Box 1103, Kista, Stockholm 16422 Sweden	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
*Intertek Testing Services Holdings Limited (Canada)	3771 North Fraser Way, Unit 17, Burnaby, British Columbia, Canada V5J 5G5	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
Torton Limited (Hong Kong)	2/F Garment Centre 576 Castle Peak Road, Kowloon, Hong Kong	Ordinary shares	100 per cent. (indirect)	Labtest
*Testing Holdings France EURL (France)	91 Rue du General de Gaulle, Le Vaudreuil, 27100 France	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
*Testing Holdings Germany GmbH (Germany)	Frankenstrasse 12, D-20097 Hamburg, Germany	Ordinary Shares	100 per cent. (indirect)	Central Management and Holding company
*Kite Overseas Holdings BV (Netherlands)	Leerlooierstraat 135, 3194 AB Hoogvliet (RT), The Netherlands	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
*Testing Holdings USA, Inc. (US)	Corporation Trust Center 1209 Orange Street, Wilmington, DE, 19801 United States	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
*Intertek Testing Services UK Limited (UK)	25 Savile Row, London W1S 2ES	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
*Yickson Enterprises Limited (Hong Kong)	2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong	Ordinary shares	100 per cent. (indirect)	Finance company
Testing Management Inc. (US)	c/o Lexis Document Services 30 Old Rudnick Lane, Suite 100, Dover, Delaware 19901 United States	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
Intertek Testing Management Limited (UK)	25 Savile Row, London W1S 2ES	Ordinary shares	100 per cent. (indirect)	Central Management and Holding company
Intertek Testing Services Pacific Limited (Hong Kong)	2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong	Ordinary shares	100 per cent. (indirect)	Labtest
Caleb Brett Holdings Limited (UK)	25 Savile Row, London W1S 2ES	Ordinary shares and preferred ordinary shares	100 per cent. (indirect)	Central Management and Holding company
Intertek Testing Services (ITS) Canada Limited (Canada)	3771 North Fraser Way, Unit 17, Burnaby, British Columbia Canada V5J 5G5	Common shares	100 per cent. (indirect)	Caleb Brett
*DEKRA ITS Certification Services GmbH (Germany)	Handwerkstrasse 15, D-705 65 Stuttgart, Germany	Ordinary shares	49 per cent. (indirect)	ETL SEMKO
*SEMKO-DEKRA Certification AB (Sweden)	Box 1103, Kista, Stockholm 16422 Sweden	Ordinary shares	49 per cent. (indirect)	ETL SEMKO

9. Principal establishments

Details of the principal establishments of the Group are set out below.

Division	Owner/ Current Tenant	Country	Property	Tenure	If leasehold, expiry of term	If leasehold, current rent.	Approximate floor area (square feet)
Caleb Brett	ITS Testing Services (UK) Limited	England	Caleb Brett House, Unit A, 734 London Road, West Thurrock, Essex RM20 03NL	Leasehold	01/05/15	£76,000 pa	9,175
Caleb Brett	ITS Testing Services (UK) Limited	England	Unit A, Shears Way, Brooklands Close, Sunbury, TW16 7EE	Leasehold	25/03/20	£150,000 pa	17,172
Caleb Brett	ITS Testing Services (UK) Limited	Scotland	Wellheads Crescent, Dyce, Industrial Park, Dyce, Aberdeen AB21 7GA	Freehold	Not applicable	Not applicable	13,604
Caleb Brett	Intertek Testing Services (Singapore) PTE Ltd[(1)]	Singapore	59 Penjuru Road, Singapore – labs 4, 5a, 5b and logistics building and office store (6 leases of various units) #06-01/03 Asiawide Industrial Building, Singapore 368025	Leasehold	14/03/02 – 23/12/03[(2)]	S$410,623 pa (aggregate rent)	12,005
Caleb Brett	Caleb Brett USA, Inc.	USA	1114 Seaco Park Boulevard, Deer Park, Texas 77536, United States	Leasehold	31/08/14	US$379,844 pa	23,054
Caleb Brett	Caleb Brett USA, Inc.	USA	149 Pintall Street, St Rose LA 70087	Leasehold	31/01/17	US$268,872 pa	19,844
Labtest, ETL SEMKO, Caleb Brett	Intertek Testing Services Hong Kong Limited	Hong Kong	Garment Centre, 576-586 Castle Peak Road and 28-30 Wing Hong Street, Kowloon, Hong Kong (16 leases of various parts of the building)	Part leasehold/ part licence	31/10/02- 16/11/03[(3)]	HKD 15,372,828 pa (aggregate rent)	184,888
ETL SEMKO	Semko AB	Sweden	Borgarfjord 1, Torshamnsgatan 43, 164 22 Kista, Sweden	Leasehold	80 yrs from 1/4/1982 thereafter term periods of 40 yrs each	SEK 1,900,000 pa	140,469
ETL SEMKO	Intertek Testing Services NA Inc.	USA	3933 US, Route 11, Industrial Park, Cortland, New York 13045	Freehold	N/A	N/A	150,000
ETL SEMKO	ITS Testing & Certification Limited	England	Land at Cleeve Road, Leatherhead (4 leases of various units)	Leasehold	30/06/04 – 04/01/16	£419,719 pa (aggregate rent)	54,067

(1) The landlord's head lease of the property has expired and Intertek Testing Services (Singapore) PTE Ltd. has been informed by the landlord that it is in the course of negotiation for its renewal. Accordingly the landlord had granted leases to a member of the Group where it has no present interest in the property.

(2) Terminable upon three months' notice by the landlord.

(3) Terminable upon six months' notice by the landlord in certain circumstances.

10. Underwriting arrangements

The Company, the Directors, the Selling Shareholders, the Executive Officers and the Underwriters have entered into the Underwriting Agreement and related arrangements pursuant to which:

(a) on the terms and subject to certain conditions contained in the Underwriting Agreement and described below:

(i) the Company has agreed to allot and issue, at the Offer Price, the New Ordinary Shares to be issued in connection with the Global Offer;

(ii) the Selling Shareholders have agreed to sell the Existing Shares at the Offer Price; and

(iii) the Underwriters have severally agreed to procure subscribers (or subscribe themselves) for New Ordinary Shares to be allotted and to procure purchasers for (or purchase themselves) Existing Shares to be sold pursuant to the Global Offer;

(b) the Underwriters will deduct from the proceeds of the Global Offer a commission of 3.75 per cent. of the product of the Offer Price and the number of Ordinary Shares allotted or sold pursuant to the Global Offer (together with any Ordinary Shares sold pursuant to any exercise of the Over-allotment Option), together with any applicable VAT. In addition, the Company and the Selling Shareholders may pay to the Global Co-ordinators within 14 days of the date of this document an additional commission of up to 0.75 per cent. of the product of the Offer Price and the number of Ordinary Shares sold pursuant to the Global Offer (including any Ordinary Shares sold pursuant to the Over-allotment Option), together with any related value added tax;

(c) the obligations of the Company and the Selling Shareholders to issue or sell, as the case may be, Ordinary Shares under the Underwriting Agreement are, and the obligations of Underwriters to procure subscribers and/or purchasers for or, failing which, themselves to subscribe or purchase Ordinary Shares are, subject to certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, the accuracy of the representations and warranties under the Underwriting Agreement and Admission occurring by no later than 8.00 a.m. on 29 May 2002 or such later time and/or date as the Company and the Global Co-Ordinators may agree in writing. In addition, Goldman Sachs and Schroder Salomon Smith Barney, on behalf of the Underwriters, have the right to terminate the Underwriting Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature;

(d) the Institutional Selling Shareholders have granted to Goldman Sachs, on behalf of the Underwriters, the Over-allotment Option, pursuant to which Goldman Sachs may require such Institutional Shareholders to sell up to an aggregate of 14,742,434 additional Existing Shares at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions. The Over-allotment Option may be exercised, in whole or in part, at any time during the period commencing with the date of this document and ending 30 days after Admission. Save as required by law, Goldman Sachs does not intend to disclose the extent of any stabilisation transactions under the Global Offer and the Over-allotment Option has been structured to limit such disclosure;

(e) the Company has agreed to pay the costs, charges, fees and expenses of the Global Offer (together with any related value added tax);

(f) the Company, the Directors, the Executive Officers and the Selling Shareholders have agreed to give customary representations, warranties and undertakings to the Underwriters and the Company has agreed to give customary indemnities to the Underwriters. The liabilities of the Company under the Underwriting Agreement are not limited as to time or amount. The liabilities of the Directors and Executive Officers are limited as to time and amount. The liabilities of the Selling Shareholders are not limited as to time, but are limited as to amount;

(g) the Company has agreed not to, other than pursuant to the Global Offer, offer, sell, issue options in respect of, contract to sell, or otherwise dispose of, directly or indirectly, any Ordinary Shares or any other securities of the Company that are substantially similar to the Ordinary Shares including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this document) or do anything with the same economic effect as any of the foregoing, during the period beginning on the date of this document and continuing to and including one year after the date of Admission, without the prior written consent of the Global Co-ordinators;

(h) each of the Directors, the Executive Officers and the Selling Shareholders (other than the Institutional Selling Shareholders) has agreed, other than pursuant to the Global Offer and save for acceptance of a general offer for the Ordinary Shares made in accordance with the City Code on Takeovers and Mergers and the provision of an irrevocable undertaking to accept such an offer, not to offer, sell, issue options in respect of, contract to sell, or otherwise dispose of, directly or indirectly, any Ordinary Shares or any other securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of this document), or to do anything with the same economic effect as any of the foregoing, during the period beginning on the date of this document and continuing to and including one year after the date of Admission (the "Lock-up Period"), without the prior written consent of the Global Co-ordinators provided, however, that the Directors, the Executive Officers and the Selling Shareholders (other than the Institutional Shareholders) are entitled to sell such securities to the extent that the proceeds of such sale are applied to pay any National Insurance payment or any other tax which becomes payable by such Director, Executive Officer or Selling Shareholder after Admission in respect of securities of the Company held by them immediately prior to Admission (other than arising as a result of the sale of such securities), provided that the proceeds from the sale of any Existing Shares in the Global Offer by such Director, Executive Officer or Selling Shareholder must be used to meet any such liability before any additional Ordinary Shares or securities may be sold, and provided further that each of the Company and the Global Co-ordinators receive prior written notice of such sale or disposal from such Director, Executive Officer or Selling Shareholder specifying the number of Shares to be sold and the proposed date of such sale or disposal. The number of Ordinary Shares subject to this lock-up are 9,229,095. All of the Company's optionholders under the 1997 Plan whose options are exercisable on Admission or during the Lock-up Period have entered into a similar lock-up. Options exercisable into 1,348,959 Ordinary Shares are subject to this lock-up;

(i) each of the Institutional Selling Shareholders and the other Institutional Shareholders has agreed, severally and not jointly, other than pursuant to the Global Offer and save for acceptance of a general offer for the Ordinary Shares made in accordance with the City Code on Takeovers and Mergers and the provision of an irrevocable undertaking to accept such an offer, not to offer, sell, issue options in respect of, contract to sell or otherwise dispose of, directly or indirectly, any Ordinary Shares or any other securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of this document), or to do anything with the same economic effect as any of the foregoing, during the period beginning on the date of this document and continuing to and including the date nine months after the date of Admission, without the prior written consent of the Global Co-ordinators provided that in the final three months of such period, the Global Co-ordinators will, at their discretion, give consent to such sale or other disposal if the sale or disposal is structured as a marketed offering managed by the Global Co-ordinators and open to all Institutional Shareholders existing on the date of this document provided, however, that an Institutional Shareholder may transfer securities of the Company to any affiliate of such Institutional Shareholder, and provided further that, prior to such transfer, such affiliate undertakes in writing with the Global Co-ordinators, to be subject to the lock-up restrictions applicable to such Institutional Shareholder as though it held such securities at the date of this document. The number of Ordinary Shares subject to this lock-up are 44,150,383. In relation to 1,717,104 Ordinary Shares, the Company's Institutional Shareholders (other than the Institutional Selling Shareholders) have entered into certain orderly marketing arrangements with the Company and the Underwriters pursuant to which they have confirmed that, while they have no current intention of selling such Ordinary Shares, they may decide to make sales of such Ordinary Shares in the future and, if they do so, they have agreed to advise the Global Co-ordinators prior to making any sales of such Ordinary Shares during the 270 days from Admission and they will normally deal through one or both of the Global Co-ordinators; and

(j) the Company has appointed the Sponsors to act as joint sponsors for purposes of the Company's application for Admission.

11. Securities laws

11.1 General

The distribution of this document and the offering and sale of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

11.2 United Kingdom

The Ordinary Shares may not be offered or sold to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA.

11.3 United States

The Global Offer is being made outside the United States in accordance with Regulation S. The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold or delivered within the United States as defined in Regulation S except under the Global Offer to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Ordinary Shares may be offered and sold outside the United States in accordance with Regulation S.

In addition, until 40 days after the commencement of the Global Offer, an offer or sale of Ordinary Shares within the United States by a dealer (whether or not participating in the Global Offer) may violate the registration requirements of the Securities Act unless made pursuant to Rule 144A or another exemption from the registration requirements of the Securities Act.

Each purchaser of the Ordinary Shares offered in reliance on Regulation S (the "Regulation S Ordinary Shares") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used in this paragraph as defined in Rule 144A or Regulation S):

(i) the purchaser is, at the time of the offer to it of Ordinary Shares and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;

(ii) the purchaser is aware that the Regulation S Ordinary Shares have not been and will not be registered under the Securities Act and are being offered and sold outside the United States in reliance on Regulation S; and

(iii) any offer, sale, pledge or other transfer made other than in compliance with the restrictions above shall not be recognised by the Company in respect of the Regulation S Ordinary Shares.

11.4 The Netherlands

The Ordinary Shares may not be offered, transferred, sold or delivered to any individual or legal entity in the Netherlands other than to persons who trade or invest in securities in the conduct of their profession or trade (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities).

11.5 Japan

The Ordinary Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan, and (ii) in compliance with any other applicable requirements of Japanese law. The Global Co-ordinators may offer Ordinary Shares in Japan to a list of 49 offerees in accordance with the foregoing provisions.

12. UK taxation

12.1 General

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of the UK Inland Revenue. They are intended to apply only to shareholders who are resident or ordinarily resident in the United Kingdom for UK tax purposes (save where expressly stated), who hold the Ordinary Shares as investments and who are the beneficial owners of the Ordinary Shares and any dividends paid in respect of them, in circumstances where any dividends paid are regarded for UK taxation purposes as the person's own income (and not the income of some other person). The statements may not apply to certain classes of shareholders such as dealers in securities. Prospective subscribers for or purchasers of Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Ordinary Shares or who are subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers.

12.2 Close Company

The Directors have been advised that the Company following Admission is not expected to be a close company as defined by section 414 of the Taxes Act.

12.3 Dividends

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

(a) *Individuals*

An individual shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the "gross dividend" (i.e. the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident individual shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit. A UK resident shareholder who is liable to income tax at a rate not in excess of the basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. but will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the net cash dividend received).

Tax credits on dividends in respect of Ordinary Shares held in an Individual Savings Account (ISA) will generally be repayable for dividends paid before 6 April 2004.

(b) *Companies*

A corporate shareholder resident in the United Kingdom for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. Such corporate shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

(c) *Non-residents*

A shareholder who is not resident in the United Kingdom for United Kingdom tax purposes will not generally be entitled to any payment from the UK Inland Revenue in respect of the tax credit attaching to any dividend paid by the Company.

(d) *Pension Funds*

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

12.4 Capital Gains

A disposal of Ordinary Shares by a shareholder who is either resident or ordinarily resident in the United Kingdom for tax purposes, or is not UK resident but carries on a trade, profession or vocation in the United Kingdom through a branch or agency and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency, may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years and who disposes of the Ordinary Shares during that period may also be liable on his return to the United Kingdom to any capital gain realised (subject to any available exemption or relief).

12.5 Stamp duty and stamp duty reserve tax

(a) *General*

In relation to the New Ordinary Shares being issued by the Company and subject to the discussion below, no liability to stamp duty or stamp duty reserve tax ("SDRT") will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by the Company.

The conveyance or transfer on sale of the Ordinary Shares outside the CREST system will generally be subject to ad valorem stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration given. Such ad valorem stamp duty payable will be rounded up to the nearest £5. Stamp duty is normally the liability of the purchaser or transferee of the Ordinary Shares (but see discussion below). An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares.

Where Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares. Such ad valorem stamp duty (but not SDRT) payable will also be rounded up to the nearest £5. Clearance service providers may opt, under certain circumstances, for the normal rates of stamp duty and SDRT to apply to an issue (i.e. no SDRT or stamp duty) or transfer (i.e. 0.5 per cent.) of Ordinary Shares into, and to transactions within (i.e. also 0.5 per cent.), the service instead of the higher rate applying to an issue or transfer of the Ordinary Shares into the clearance system and the exemption for dealings in the Ordinary Shares whilst in the system.

Under the CREST system for paperless share transfers, deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent. of the value of the consideration given. Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system.

(b) *Global Offer*

The sale of the Existing Shares by the Selling Shareholders under the Global Offer will generally give rise to a liability to stamp duty and/or SDRT as explained above. Under the terms of the Underwriting Agreement the Selling Shareholders have agreed to meet the liability to stamp duty of original purchasers of Existing Shares which will arise on such initial sale at no more than 0.5 per cent. of the Offer Price. The Selling Shareholders will also meet any liability to SDRT of the original purchasers arising in respect of the initial transfer of the Existing Shares by the Selling Shareholders within the CREST system at no more than 0.5 per cent. of the Offer Price.

(c) *Other aspects*

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services, are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

13. US Federal Income Taxation

13.1 General

The following summary describes certain US federal income tax consequences that may be relevant to US Shareholders (as defined below) with respect to the acquisition, ownership and disposition of Ordinary Shares. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Ordinary Shares and deals only with US Shareholders that will hold Ordinary Shares as capital assets and are not resident or ordinarily resident in the United Kingdom for UK tax purposes. It does not address certain special classes of investors, such as dealers or traders in securities or currencies, US Shareholders whose "functional currency" is not the US dollar and certain US Shareholders (including, but not limited to, regulated investment companies, tax-exempt organizations, insurance companies, financial institutions and persons that will hold Ordinary Shares as a position in a "straddle" or as part of a "hedging" or "conversion" transaction) that may be subject to special tax rules not discussed below. In particular, this summary does not address the tax treatment of US Shareholders who own, directly, indirectly, or by attribution, 10 per cent. or more of the Company's outstanding voting share capital. Further, this summary does not address alternative minimum tax consequences.

As used herein, the term "US Shareholder" means a beneficial owner of Ordinary Shares that is (i) a citizen or resident of the US for US federal income tax purposes; (ii) a corporation or any other entity treated as a corporation for US federal income tax purposes created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to US federal income tax regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a court in the US and with respect to which one or more US persons have the authority to control all substantial decisions. If a partnership, or any other entity treated as a partnership for US federal income tax purposes, holds Ordinary Shares, the tax treatment of such partnership and its partners will generally depend upon the status of the partner and the activities of the partnership. A partner in a partnership holding Ordinary Shares should consult its own tax advisor. As used herein, a "Non-US Shareholder" is a beneficial owner of shares that, for US federal income tax purposes, is (i) a non-resident alien individual, (ii) a foreign corporation or (iii) a foreign estate or trust. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), US Treasury regulations and judicial and administrative interpretations thereof, and the Convention Between the Government of the United States and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains (the "Treaty"), in each case as in effect and available on the date of this document. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

PROSPECTIVE PURCHASERS OF ORDINARY SHARES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE US FEDERAL, STATE AND LOCAL TAX CONSEQUENCES, AS WELL AS WITH RESPECT TO THE UK TAX AND OTHER FOREIGN CONSEQUENCES, OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES IN LIGHT OF THEIR PARTICULAR TAX SITUATIONS.

13.2 Distributions

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions paid to US Shareholders of Ordinary Shares (including the tax credit amount, as described below) will be treated as taxable dividend income to such US Shareholders, to the extent paid out of current or accumulated earnings and profits of the Company, as determined under US federal income tax principles. Dividend income will be includable in the gross income of a US Shareholder as ordinary income on the day actually or constructively received by the US Shareholder and will not be eligible for the dividends received deduction allowed to corporations under the Code.

To the extent that the amount of any distribution exceeds the Company's current and accumulated earnings and profits for a taxable year (as so determined), the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the Ordinary Shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognised by the US Shareholder on a subsequent disposition of the Ordinary Shares) and the balance in excess of adjusted basis will be taxed as capital gain recognised on a deemed sale or exchange of the Ordinary Shares. The Company does not maintain calculations of its earnings and profits under US federal income tax principles, and therefore distributions will generally be taxable as a dividend.

The amount of any dividend paid in sterling will equal the United States dollar value of the sterling received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by a US Shareholder, regardless of whether the sterling are converted into United States dollars. If the sterling received as a dividend are not converted into United States dollars on the date of receipt, a US Shareholder will have a basis in the sterling equal to its United States dollar value on the date of actual or constructive receipt. Any gain or loss realized by a US Shareholder on a subsequent conversion or other disposition of the sterling will be treated as ordinary income or loss and generally will be treated as US source income or loss for foreign tax credit limitation purposes.

A US Shareholder entitled to the benefits of the Treaty may be entitled to receive a tax credit amount from the UK Inland Revenue subject to a withholding tax equal to the amount of the tax credit. At current rates, a dividend of £90 entitles an eligible US Shareholder to a payment of £10 offset by a UK withholding tax of £10. Because the tax credit payment and the withholding tax offset each other, the UK Inland Revenue neither makes the payment nor collects the tax. The offsetting payments nevertheless have US tax significance for electing US Shareholders. A US Shareholder that elects the benefits of the income tax treaty must include the tax credit amount in income and may claim a foreign tax credit for the UK withholding tax (subject to otherwise applicable limitations on foreign tax credit claims). To make the election, a US Shareholder must file a completed US Internal Revenue Service Form 8833 with its US federal income tax return for the relevant year. The United Kingdom and the United States recently signed a new tax treaty that does not provide for UK tax credit payments to US Shareholders, except, if elected by such US Shareholder, during the twelve months after it comes into effect. It is not clear when the new US-UK treaty will become effective. Investors should consult their own tax advisors regarding application of the foregoing treaty credit rules and the implications of the adoption of the new treaty, including its effective date.

13.3 Foreign Tax Credits

For purposes of calculating the foreign tax credit, dividends paid on the Ordinary Shares will be treated as income from sources outside the United States and will generally constitute "passive income" or, in the case of certain US Shareholders, "financial services income." In certain circumstances, a US Shareholder electing to claim tax credit benefits under the Treaty will not be allowed a foreign tax credit for UK withholding taxes imposed on the UK tax credit payment if the Shareholder (i) has held Ordinary Shares for less than a specified minimum period during which it was not protected from risk of loss or (ii) is obligated to make payments related to the dividends. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

13.4 Sale or Other Disposition of the Ordinary Shares

Subject to the passive foreign investment company rules discussed below, for US federal income tax purposes, a US Shareholder will recognise taxable gain or loss on any sale or exchange of an Ordinary Share in an amount equal to the difference between the amount realised (or its US dollar equivalent, determined at the spot rate on the date of sale (or in the case of cash basis and electing accrual basis taxpayers, the settlement date), if the amount is determined in a foreign currency) for the Ordinary Share and the US Shareholder's US dollar tax basis in such Ordinary Share.

Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the US Shareholder's holding period (determined under US federal income tax principles) for such Ordinary Share exceeds one year. Any gain or loss recognised by a US Shareholder will generally be treated as US source income or loss, except that losses will be treated as foreign source to the extent that the US Shareholder received dividends that were includible in the financial services income basket during the 24 month period prior to the sale. Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates for certain taxpayers that hold the Ordinary Shares for more than one year) and capital losses (the deductibility of which is subject to limitations).

If the Company redeems a US Shareholder's Ordinary Shares and if such redemption is determined to be equivalent to a dividend (as determined under Section 302 of the Code), then such US Shareholder will be taxed as though it had received a cash distribution by the Company with respect to the Ordinary Shares (as described above). Alternatively, if a redemption of Ordinary Shares by the Company is characterised as a distribution in part or full payment in exchange for the Ordinary Shares (as determined under Section 302 of the Code), then a US Shareholder will be taxed as though it had sold or otherwise disposed of such Ordinary Shares (as described above).

13.5 Passive Foreign Investment Company

A non-US company is a passive foreign investment company ("PFIC") in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent. of its gross income is passive income or (ii) at least 50 per cent. of the average value of its assets is attributable to assets that produce or are held to produce passive income. If the Company were a PFIC in any year during which a US Shareholder owned Ordinary Shares, the US Shareholder would be subject to additional taxes on any excess distributions received from the Company and any gain realised from sale or other disposition of the Ordinary Shares (regardless whether the Company continued to be a PFIC). The Company believes that it is not, and does not expect to become a PFIC for US federal income tax purposes. A determination as to whether a non-US company is a PFIC must be made on an annual basis at the end of each taxable year, and the Company's status could change depending, among other things, upon changes in its activities and assets and upon the gross receipts and assets of corporations in which the Company owns a 25 per cent. or more interest, but which the Company does not control. Accordingly, no assurance can be given that the Company will not be considered a PFIC in the current or any future years. Investors should consult their own tax advisors as to the consequences of an investment in a PFIC.

13.6 Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments to US Shareholders of dividends on Ordinary Shares and to the proceeds of a sale or redemption of an Ordinary Share. The Company, its agent, a broker or any paying agent, as the case may be, may be required to withhold tax (currently at the rate of 30 per cent.) from any payment that is subject to backup withholding if the US Shareholder fails (i) to furnish the US Shareholders taxpayer identification number, (ii) to certify that such US Shareholder is not subject to backup withholding or (iii) to otherwise comply with the applicable requirements of the backup withholding rules. Certain US Shareholders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-US Shareholders who hold their Ordinary Shares through a US broker or agent or through the US office of a non-US broker or agent may be required to comply with applicable certification procedures to establish that they are not US Shareholders in order to avoid the application of such information reporting and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US Shareholder generally may be claimed as a credit against such US Shareholder's US federal income tax liability and any excess is refundable provided that the required information is furnished to the US Internal Revenue Service.

14. Material contracts

14.1 Save as set out below, there are no contracts, not being contracts entered into in the ordinary course of business, which have been entered into by any member of the Group within two years immediately preceding the date of this document or are, or may be, material:

(a) The Underwriting Agreement, lock-up agreements and the related orderly marketing arrangements referred to in paragraph 10 above.

(b) A credit agreement dated 9 May 2002 (the "New Credit Agreement") between the Company (by accession prior to first drawdown) as parent and certain of its subsidiaries as borrowers and/or guarantors (the Company and the relevant subsidiaries collectively being the "Obligors") and Deutsche Bank AG as arranger, original lender, agent, issuing bank and security trustee. It is contemplated that the facility will be syndicated.

The obligations of the Obligors under the New Credit Agreement are directly or indirectly cross-guaranteed by the other Obligors. Each Obligor also grants security over all or substantially all of its assets to secure amounts outstanding under the New Credit Agreement and related hedging.

The New Credit Agreement is comprised of a multicurrency £250.0 million term loan facility (the "Term Loan Facility") and multicurrency £50.0 million revolving credit facility (the "New Revolving Credit Facility"). The Term Loan Facility amortises over five years with the final repayment on 15 June 2007. The commitments under the New Revolving Credit Facility terminate and all outstandings are payable on 15 June 2007.

The proceeds of the Term Loan Facility will be used to refinance the Credit Agreement and the Senior Subordinated Notes which amounted to £142.0 million at 31 March 2002 together with any redemption costs. The New Revolving Credit Facility is available for general corporate purposes. The New Credit Agreement provides that wholly-owned subsidiaries of the Company may, subject to certain conditions, from time to time become additional borrowers in respect of the New Revolving Credit Facility.

Loans under the Term Loan Facility and the New Revolving Credit Facility initially bear interest at a rate equal to LIBOR or in relation to any loan in euro, EURIBOR, or in relation to any loan in Swedish kronor, STIBOR, or in relation to any loan in Hong Kong dollars, a rate determined by reference to quotes given by certain banks plus a margin of 1.50 per cent. (in addition an amount may also be payable in respect of the lenders' costs of compliance with certain regulatory requirements). The margin may reduce to 1.25 per cent., 1.00 per cent. or 0.75 per cent. if the ratio of the Company's total net debt to EBITDA reduces below certain levels.

The New Credit Agreement contains obligations to provide certain information and accounts. The New Credit Agreement contains financial covenants requiring the Company to maintain the ratio of total net debt/EBITDA (for the Group) and EBITDA/net interest expense (for the Group) at certain prescribed levels.

In addition, the New Credit Agreement includes covenants relating to maintenance of insurances, environmental matters, maintenance of intellectual property and maintenance of business and limitations on the granting of security, restrictions on the incurring of financial indebtedness (including hedging transactions) and restrictions on the granting of security and mergers. There is no limitation on the payment of dividends by members of the Group.

The New Credit Agreement contains events of default after expiration of grace periods (where applicable), including failure to make payments under the New Credit Agreement, breach of covenants, breach of representations and warranties, cross default under other agreements or conditions relating to indebtedness, certain events of liquidation, moratorium, insolvency, bankruptcy or similar events, creditor's process against assets, unlawfulness of the finance documents, cessation of business, unenforceability of security, material adverse effect on the ability of the Obligors to comply with payment obligations under the finance documents or to comply with the financial covenants, certain litigation or other proceedings and certain qualifications by auditors of the annual audited report to the consolidated accounts of the Group.

Upon the occurrence of an event of default, the Agent or a majority of the lenders may terminate the commitments under the New Credit Agreement, declare all amounts under the New Credit Agreement to be due and payable and take certain other actions, including enforcement of rights in respect of the security.

(c) A credit agreement dated 8 October 1996, as amended on 8 November 1996, 5 March 1999 and 20 July 2001 between Intertek and various of its subsidiaries, Deutsche Bank AG London as arranger, Deutsche Bank AG London as agent and Bankers Trust Company as security trustee and others (the "Credit Agreement") comprising (i) a £165.0 million term loan facility (the "Senior Term Loans"), split into a £85.0 million multicurrency Senior Term Loan A (the "Senior Term Loan A"), a £40.0 million multicurrency Senior Term Loan B (the "Senior Term Loan B") and a £40.0 million multicurrency Senior Term Loan C (the "Senior Term Loan C"), and (ii) a US$48.8 million multicurrency revolving credit facility (the "Senior Revolver"). The Senior Term Loan A amortises over seven years with the final repayment on 15 December 2003, the Senior Term Loan B is repayable in two equal instalments in June and December 2004 and the Senior Term Loan C is repayable on 15 December 2005. The commitments under the Senior Revolver terminate on 15 December 2003.

Borrowings under the Credit Agreement are secured by substantially all the tangible and intangible assets of Intertek and certain of its subsidiaries.

Senior Term Loan A and advances under the Senior Revolver bear interest at a rate equal to LIBOR (as adjusted) plus 2.00 per cent. The margin over LIBOR may be reduced to 1.75 per cent. and then to 1.5 per cent., following satisfaction of certain financial performance tests. The Senior Term Loan B and Senior Term Loan C bear interest at a rate equal to LIBOR (as adjusted) plus 2.75 per cent. Overdue amounts on the Senior Term Loans and the Senior Revolver will bear interest at the applicable interest rate plus 1.00 per cent. per annum.

(d) An indenture dated 8 November 1996 between Intertek Finance plc, a wholly owned subsidiary of Intertek (the "Issuer"), Intertek and certain of its subsidiaries as subsidiary guarantors and The Chase Manhattan Bank, as trustee, relating to an issue of up to US$203.0 million 10¼ per cent. senior subordinated notes due 2006 (the "Senior Subordinated Notes") (the "Indenture"). The cash consideration received at the date of issue was £123.5 million. The Notes mature at par on 1 November 2006. Interest on the Notes accrues at the rate of 10.25 per cent. per annum and is payable semi annually in cash on each 1 May and 1 November. The Notes are redeemable, in whole or in part, at the Issuer's option at any time on or after 1 November 2001 at the redemption price of 105.125 per cent. of the principal amount during the year commencing 1 November 2001, 103.417 per cent. of the principal amount during the year commencing 1 November 2002, 101.708 per cent. of the principal amount during the year commencing 1 November 2003 and, thereafter, at 100 per cent. of the principal amount plus accrued and unpaid interest. The Notes were issued to finance the acquisition of the Group's business from Inchcape plc in November 1996.

(e) A form of debenture pursuant to which in November 1996, Intertek issued £50.0 million of units (the "Units") consisting of 12.0 per cent. subordinated debentures due 1 November 2007 (the "Subordinated PIK Debentures") and warrants to purchase 14.2 per cent. of the fully diluted share capital (as defined in the warrants) of Intertek (7.83 per cent. following a rights issue by Intertek during 1999; further information is set out in note 7.20 to the consolidated financial information of Intertek contained in Part IV: Accountants' Reports) ("Warrants") pursuant to a securities purchase agreement. The Warrants can be exercisable only upon sale in connection with the acquisition by a person (other than a person who has funds managed by Charterhouse Development Capital Holdings Limited ("Charterhouse Development") or any other member of Charterhouse Development's wholly-owned group) of more than 50 per cent. of the Ordinary Shares of Intertek (calculated excluding the Ordinary Shares underlying the Warrant) or the unconditional granting of permission for any of the Ordinary Shares of Intertek to be dealt on any recognised investment exchange. The Warrants were recorded at their fair value of £2.8 million which is being amortised over the life of the Subordinated PIK Debentures.

Interest on the Subordinated PIK Debentures is accrued quarterly in arrears at a rate of 12.0 per cent. per annum, subject, upon, and during the continuation of certain events of default, to an increase to the lesser of (i) 24.0 per cent. per annum or (ii) the highest rate of interest then allowed under applicable law. In lieu of cash, interest on the Subordinated PIK Debentures may, at the option of Intertek, be paid by issuing additional Subordinated PIK Debentures on any interest payment date (i) on or prior to 1 February 2002, (ii) after 1 February 2002, to the extent Intertek's pro-forma total fixed charge coverage ratio would be less than 1.10 to 1.00 or (iii) if (a) at the time of any such payment, there exists a payment default in respect of certain senior indebtedness (including the Notes and indebtedness incurred under the Credit Agreement described above) or (b) after giving effect to any such payment an event of default pursuant to which such indebtedness under the Indenture or Credit Agreement may be accelerated shall occur and be continuing and Intertek is prevented by the holders under the Indenture or the creditors under the Credit Agreement from paying such cash interest. All interest to date has been paid through the issuance of additional Subordinated PIK Debentures.

The Subordinated PIK Debentures may be redeemed at any time at the option of Intertek in whole or in part (provided that, at any such time, Intertek redeems a minimum of US$5.0 million in aggregate principal amount of the Subordinated PIK Debentures) at a redemption price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date.

The Subordinated PIK Debentures are unsecured liabilities of the Group.

(f) A settlement agreement entered into between ITS Environmental and the US Department of Justice on 25 March 2002 referred to in paragraph 15(a) below. This settlement agreement released ITS Environmental, Intertek and its subsidiaries and Inchcape plc from all liability arising out of any statutory and common law claims that could be made by certain US government agencies in relation to tests performed in Richardson, Texas from 1989 to the date of the settlement agreement. In return, ITS Environmental has agreed to pay a fine of US$8.7 million (£6.1 million) in instalments, the first of which, in the amount of US$5.0 million, was paid on 18 May 2002, US$1.5 million in each of March 2003 and February 2004 and US$741,000 in August 2004;

(g) A compliance agreement entered into between Caleb Brett USA and the EPA Debarment Office on 31 August 2001 referred to in paragraph 15(b) below. The agreement, which is in force until 1 August 2006, resolved all matters relating to suspension and debarment arising out of Caleb Brett USA's guilty plea in connection with the EPA investigation in Linden, New Jersey. Pursuant to the compliance agreement, Caleb Brett USA, Inc. agreed to maintain its compliance programme, including its zero tolerance and internal audit policies; and

(h) On 10 April 2002, the Company made an exchange offer for all the issued and to be issued share capital of Intertek (including shares under outstanding options under the 1997 Plan), for a consideration to be satisfied by the issue of one new share in the Company of the same class and having equivalent rights for each corresponding share in Intertek. The offer was subject to a number of terms and conditions (which may be waived, in whole or in part) including:

   (i) valid acceptance being received by no later than 5 p.m. on 8 May 2002 in respect of not less than 50 per cent. in nominal value of the A ordinary shares in issue in Intertek;

   (ii) Charterhouse General Partners Limited and Charter Intertek LLC approving in writing the release by the Company of the draft of this document relating to the Global Offer;

   (iii) Deutsche Bank AG London, as agent for and on behalf of the other banks party thereto agreeing to waive certain clauses of the Credit Agreement to permit the Company to acquire Intertek without breaching the terms of the Credit Agreement; and

   (iv) the passing of resolutions to amend the articles of association of Intertek and to change its name to Intertek Testing Services Holdings Limited by certain shareholders and holders of Warrants in Intertek.

The offer became wholly unconditional on 24 May 2002 and, pursuant to acceptance thereof and article 46 of Intertek's articles of association, the Company acquired all the share capital of Intertek on 24 May 2002.

14.2 Save as set out in paragraph 14.1 above, no contracts have been entered into by any member of the Group, not being contracts entered into in the ordinary course of business, which contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document.

15. Litigation

Except as set out in (a) to (d) below, no member of the Group is or has been engaged in nor, so far as the Company is aware, has pending or threatened, any legal or arbitration proceedings which may have, or have had during the recent past (covering at least the 12 months preceding the date of this document), a significant effect on the Group's financial position:

(a) One of the Group's subsidiary companies, ITS Environmental, was until recently under investigation by the EPA after reporting to the EPA and to clients certain discrepancies in reported testing results relating to tests performed between 1994 and 1997 by former ITS Environmental employees at its facility in Richardson, Texas. A US government investigation at the facility revealed further discrepancies beyond those initially discovered and disclosed by ITS Environmental.

This resulted in criminal and civil actions by the US government against ITS Environmental, which have now been settled. In respect of the criminal action, ITS Environmental agreed with the US Department of Justice in October 2001 that it would plead guilty to a conspiracy to violate the mail fraud statute, a felony, and pay a fine to the US government of US$9.0 million (£6.2 million) in instalments of US$4.5 million in April 2002 and US$1.5 million in each of the following three years. In return, the US government agreed not to bring any criminal charges against ITS Environmental or its subsidiary, affiliated, parent or predecessor companies in respect of this matter. This settlement agreement was confirmed by court order in February 2002. In respect of the civil action, Intertek and ITS Environmental reached an agreement with the US Department of Justice in March 2002 pursuant to which ITS Environmental will pay a fine of US$8.7 million (£6.1 million) in instalments, the first of which, in the amount of US$5.0 million, was paid on 18 May 2002, US$1.5 million in each of March 2003 and February 2004 and US$741,000 in August 2004. These settlements have resulted in provisions of £6.2 million and £6.1 million, respectively, being made in the Group's financial statements for the year ended 31 December 2001.

ITS Environmental ceased all commercial activities in 1998.

To date, three former customers of ITS Environmental have filed lawsuits as a result of the events at its Richardson facility arising from laboratory analysis performed under contracts with those customers and other claims may be filed. These claims have been dismissed without prejudice and the Directors believe that any potential future liability from such claims should be covered by the Group's insurance.

In addition on 23 March 2001, a complaint was filed in Marshall, Texas, by 418 individual plaintiffs against ITS Environmental and 13 former employees seeking US$80 million in damages. On 18 December 2001, the federal court issued an order dismissing the complaint against all parties. On 3 January 2002, plaintiffs filed a motion for reconsideration. On 3 April 2002, the court denied this motion, leaving the plaintiffs 30 days to appeal against this judgement. A notice of appeal has been filed by the plaintiffs. However, the Directors do not believe that any potential liability of ITS Environmental in respect of these proceedings will have a significant effect on the Group's financial position or results of operations.

As a result of ITS Environmental's guilty plea in the criminal action described above, the Debarment Office of the EPA has requested that the Group respond to a number of questions intended to discover the extent of similar problems in the company at large, the steps that have been taken to establish a more effective compliance programme and the extent of federal, state and municipal contact with the Group. Responses to these questions were submitted to the EPA Debarment Office on 19 February 2002 and are presently under consideration by the US government. This process is common following the entering of a guilty plea with the EPA and, in the case of Caleb Brett USA, resulted in the adoption of the compliance agreement referred to in paragraph (b) below. The Directors believe that the most likely outcome of this process is that the EPA Debarment Office will be satisfied that the Group has put in place a sufficient compliance programme and this, combined with ITS Environmental having terminated its operations and the US government and Caleb Brett USA having previously entered into their compliance agreement, causes the Directors to believe that, while it is within the authority of the EPA Debarment Office to bar ITS and its subsidiary companies from doing business with US government entities, the possibility of such an outcome is remote.

(b) In February 1997, Caleb Brett USA, Inc., through its routine quality assurance and control procedures, discovered evidence of false testing results at its laboratory in Linden, New Jersey, which involved the testing of reformulated gasoline to certain standards set by the EPA. Caleb Brett USA promptly reported its findings to the EPA and requested inclusion, and was subsequently accepted into, the EPA's voluntary disclosure program.

Following the EPA's investigation, Caleb Brett USA and the United States government entered into an agreement pursuant to which, on 25 September 2000, Caleb Brett USA pleaded guilty to a one-count indictment, charging conspiracy to make false statements to government investigators, which is a felony. In addition, Caleb Brett USA agreed to pay a US$1.0 million fine. On 12 April 2001, a sentencing hearing was held and the court imposed the US$1.0 million fine. The fine was to be paid over a period of one year: US$500,000 was paid in April 2001; US$250,000 was paid in October 2001 and US$250,000 was paid in April 2002. In return, the government agreed not to bring any criminal charges against Caleb Brett USA or any subsidiary, affiliate, parent or predecessor company.

As a result of these events, Caleb Brett engaged in a discussion with the EPA Debarment Office, which was acting for all United States government agencies and had the authority to bar Caleb Brett from doing business with any United States government entity. These discussions resulted in the entering into of a compliance agreement between Caleb Brett and the EPA Debarment Office pursuant to which no action will be taken to debar Caleb Brett provided that Caleb Brett continues to enforce its compliance programme.

(c) Caleb Brett was informed in June 1998 that the US Department of Justice had commenced a criminal investigation following allegations by an ex-employee that employees had submitted false statements to the Puerto Rico Environmental Quality Board during and prior to 1997. In connection with this investigation, representatives of the Group have met with and provided documents to the EPA and the US Department of Justice. The Directors believe that the Group has responded in all respects to the enquiries raised by the EPA and the US Department of Justice. Since April 2001, the Group has had only limited contact with the EPA and US Department of Justice concerning this matter. Although the investigation is ongoing, the Directors do not expect this matter to result in civil or criminal penalties; however should such penalties be imposed, the Directors believe that they would not have a significant adverse effect on the Group's business or financial results.

(d) In 1998, Intertek Testing Services Belgium NV purchased Van Sluys & Bayet NV ("VSB"). At the time of purchase, it was known that VSB could be prosecuted as a result of the actions in 1995 of an employee, Mr R Bastin, who left the company in 1996. On 5 April 2001, a court in Belgium found VSB, Mr Bastin and other parties (not related to VSB) guilty of fraudulent practices with regard to a quantity of gas oil, and judgement was entered in an amount of euros 5.2 million (£3.2 million) in lost excise duty, penalties and a fine. An appeal has been filed against this judgement. A second case was filed against certain of the parties to the original proceedings, including VSB, with a Belgian court on 5 November 2001 for similar infringements committed in 1994 and 1995. VSB, Mr Bastin and other parties may potentially be jointly and severally liable for an amount of up to euros 4.8 million (£3.0 million) in lost excise duty, penalties and a fine in respect of the second case. Although VSB may be liable, in aggregate, for up to euros 10.0 million in these matters, VSB has no significant operations or assets and although there can be no assurance, the Directors do not believe that these claims are likely to result in any material liability to the Group.

See also general information concerning the Group's litigation and claims management in Part III: Business Description and a risk factor concerning claims in Part II: Risk Factors.

16. Environment, Health and Safety

A limited assessment was recently undertaken by an independent consultancy firm to assist in identifying potential environmental and health and safety compliance issues associated with the Group's global business and properties or significant related costs, assuming the continued use of the properties as currently used by the Group. This assessment identified no current material operational non-compliance or liability issues at any of the sites such as would be likely to materially and adversely affect the Group, but confirmed that a number of properties from which the Group operates are or were previously used for industrial purposes which have or may have resulted in environmental contamination. In addition, a number of the Group's former sites for which it may have a continuing responsibility and which have been closed and/or sold may have been affected by environmental contamination.

The Directors consider it unlikely that remedial works will arise in the near future which would have a material and adverse effect on the Group, whilst either the present or substantially similar use of these sites continues. See, however, Environmental Health and Safety Risk in Part II: Risk Factors.

Environmental and health and safety concerns that were identified as a result of the recent independent assessment of the Group's operations are being addressed by the Group as part of the ongoing operational management at each site.

17. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The articles of association of the Company permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares under the Global Offer may, however, elect to receive Ordinary Shares in uncertificated form if they are a system-member (as defined in the CREST Regulations) in relation to CREST.

18. Consents

KPMG has given and has not withdrawn its written consent to the inclusion in this document of its name, reports, letter and references to it in the form and context in which they appear and has authorised the contents of its reports for the purposes of section 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

19. General

19.1 Save as disclosed in note 2.4 to the financial information of the Company contained in Part VI: Accountants' Reports, there has been no significant change in the financial or trading position of the Company since 31 March 2002, the date to which the accountants' report in Part VI: Accountants' Reports was prepared.

19.2 Save as disclosed in note 7.33 to the consolidated financial information of Intertek contained in Part VI: Accountants' Reports, there has been no significant change in the financial or trading position of Intertek and its subsidiaries since 31 March 2002, the date to which the accountants' report in Part VI: Accountants' Reports was prepared.

19.3 The expenses relating to the issue of the Ordinary Shares, including the listing fees of the UK Listing Authority, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to £16.3 million and are payable by the Company. Included within the total are underwriting commissions which are expected to be a maximum of approximately £11.5 million payable to the Underwriters.

19.4 Each Ordinary Share will be issued at a premium of 399p to its nominal value.

19.5 The financial information contained in this document which relates to the Company does not constitute full statutory accounts as referred to in section 240 of the Companies Act. Statutory consolidated audited accounts of Intertek, on which the auditors have given unqualified reports and which contained no statement under section 237(2) or (3) of the Companies Act, have been delivered to the Registrar of Companies in respect of the three accounting periods ended 31 December 2001.

19.6 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

19.7 The Global Offer has been fully underwritten by Goldman Sachs, Schroder Salomon Smith Barney, Cazenove & Co. Ltd of 12 Tokenhouse Yard, London EC2R 7AN and UBS Warburg of 1 Finsbury Avenue, London EC2M 2PP.

20. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of not less than 14 days from the date of publication of this document at the offices of Allen & Overy, One New Change, London EC4M 9QQ and at the Company's registered office at 25 Savile Row, London W1S 2ES:

(a) the existing memorandum and articles of association of the Company and the memorandum and articles of association adopted by the Company conditional on Admission;

(b) the consolidated audited accounts of Intertek for the three financial years ended 31 December 1999, 2000 and 2001;

(c) all Directors' service agreements;

(d) the material contracts referred to in the paragraph headed "Material contracts" in this Part VIII;

(e) the consent letter referred to in "Consents" in this Part VIII;

(f) the reports from KPMG set out in Part VI: Accountants' Reports of this document together with the statement of adjustments relating to the first part of these reports;

(g) the letter from KPMG regarding the pro forma financial information set out in Part VII: Pro Forma Financial Information;

(h) the rules of the 1997 Plan;

(i) the rules of the 2002 Plan and the Approved Plan;

(j) the rules of the 2002 Phantom Plan;

(k) the deed establishing the Trust; and

(l) this document.

PART IX – DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

1997 Plan	the Intertek Share Option Scheme established by Intertek on 1 March 1997;
2002 Phantom Plan	The Intertek Testing Services 2002 Phantom Plan established by the Company on 9 May 2002 conditional upon Admission;
2002 Plan	The Intertek Testing Services 2002 Share Option Plan established by the Company on 9 May 2002 conditional upon Admission;
2002 Share Option Plans	the 2002 Plan, the 2002 Phantom Plan and the Approved Plan, each of which is summarised in paragraph 7 of Part VIII: Additional Information;
A Ordinary Shares	A ordinary shares of 1p each in the Company;
Admission	the admission of the Ordinary Shares to the Official List and to trading on the market for listed securities of the London Stock Exchange and "Admission becoming effective" means it becoming effective in accordance with paragraph 7.1 of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange;
Approved Plan	The Intertek Testing Services 2002 Approved Share Option Plan established by the Company on 9 May 2002;
B Ordinary Shares	B ordinary shares of 1p each in the Company;
C Ordinary Shares	C ordinary shares of 1p each in the Company;
Charterhouse	Charterhouse General Partners Limited and Dominion Corporate Trustees Limited;
Combined Code	the principles of good governance and code of best practice appended to the Listing Rules;
Companies Act	Companies Act 1985, as amended;
Company or ITS	Intertek Testing Services plc, a public company incorporated in England and Wales with limited liability;
Credit Agreement	the credit agreement defined in paragraph 14(c) of Part VIII: Additional Information;
CREST	the system for the paperless settlement of trades in listed securities of which CRESTCo Limited is the operator;
CREST Regulations	the regulations governing CREST;
D Ordinary Shares	D ordinary shares of 1p each in the Company;
Directors or Board	the Executive and Non-Executive Directors of the Company;
EPA	the US Environmental Protection Agency;
Exchange Act	the US Securities Exchange Act of 1934, as amended;
Executive Directors	the executive directors of the Company;
Executive Officers	Raymond Kong, Mark Loughead, John Hodson, Gösta Frederiksson, John Hannaway, Rob Dilworth, Martin Lea and Nigel Lucas;

Existing Debt	the Senior Term Loans, the Senior Revolver, the Senior Subordinated Notes and the Subordinated PIK Debentures;
Existing Shares	the Ordinary Shares being sold by the Selling Shareholders;
FCPA	the US Foreign Corrupt Practices Act;
FSMA	the Financial Services and Markets Act 2000;
Goldman Sachs	Goldman Sachs International;
Global Co-ordinators	Goldman Sachs and Schroder Salomon Smith Barney;
Global Offer	the offer of Ordinary Shares to institutional or certain other investors described in Part I: The Global Offer;
Group	the Company and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings;
Institutional Shareholders	those Shareholders who are institutional investors;
Institutional Selling Shareholders	Abu Dhabi Investment Authority, Allstate Life Insurance Company, Allstate Insurance Company, Bahrain Middle East Bank EC, BT Investment Partners Inc, Charterhouse General Partners Limited, Charter Intertek LLC, CHEF Nominees Limited, CGU International Insurance plc, Commercial Union Nominees Limited Account 'PF', Continental Casualty Company, Daffodil & Co., Dominion Corporate Trustees Limited, Equity Finance SA, Graphite Enterprise Trust Limited Partnership, Graphite Enterprise Trust plc, JAFCO G-6(A) Investment Enterprise Partnership, JAFCO G-6(B) Investment Enterprise Partnership, JAFCO Co. Ltd, JAFCO R-2 Investment Enterprise Partnership, JAFCO R-3 Investment Enterprise Partnership, KI Partners LP, Linchmen & Co (Ref 8 – TCW/Crescent Mezzanine Trust), Linchmen & Co (Ref 7 – TCW/Crescent Mezzanine Partners, LP), Linchmen & Co (Ref 9 – TCW/Crescent Mezzanine Investment Partners LP), Metropolitan Life Insurance Company, The Northwestern Mutual Life Insurance Company, Royal Bank Investments Limited, TCW Shared Opportunity Fund II LP, Vista Desarrollo SA, Whispine Limited Partnership, Wilmington Securities Inc, who will sell Ordinary Shares under the Global Offer;
Intertek	Intertek Testing Services Holdings Limited;
ITS Environmental	Intertek Testing Services Environmental Laboratories, Inc.;
KPMG	KPMG Audit plc;
Listing Rules	the listing rules of the UK Listing Authority made under section 74 of the FSMA;
London Stock Exchange	London Stock Exchange plc;
New Credit Agreement	the credit agreement defined in paragraph 14(b) of Part VIII: Additional Information;
New Ordinary Shares	the new Ordinary Shares to be issued by the Company under the Global Offer;
New Revolving Credit Facility	the revolving credit facility defined in paragraph 14(b) of Part VIII: Additional Information;
Non-Executive Directors	the non-executive directors of the Company;
OECD	the Organisation of Economic Co-operation and Development;

OECD Convention	the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions;
OFAC	the US Office of Foreign Asset Control;
Offer Price	the price at which each Ordinary Share is to be issued or sold under the Global Offer;
Official List	the Official List maintained by the UK Listing Authority for the purposes of Part VI of the FSMA;
Ordinary Shares	ordinary shares of 1p each in the Company;
Over-allotment Option	the over-allotment option set out in the Underwriting Agreement and described in Part I: The Global Offer;
Preference Shares	zero coupon redeemable preference shares of £1 each in the Company;
PSI	pre-shipment inspection;
Qualified Institutional Buyer or QIB	Qualified Institutional Buyer as defined in Rule 144A;
Rule 144A	Rule 144A under the Securities Act;
SASO	the Saudi Arabian Standards Organisation;
SEC	the US Securities and Exchange Commission;
Securities Act	the US Securities Act of 1933, as amended;
Selling Shareholders	those Shareholders including the Institutional Selling Shareholders who will sell Ordinary Shares under the Global Offer;
Senior Management	the Executive Officers, Bernard Leroy, Albert Lo, Henry Yeung, Dennis Roth, Brian Pitzer and Martin Black;
Senior Revolver	the revolving credit facility defined in paragraph 14(c) of Part VIII: Additional Information;
Senior Subordinated Notes	the senior subordinated notes defined in paragraph 14(d) of Part VIII: Additional Information;
Senior Term Loan A	the term A facility defined in paragraph 14(c) of Part VIII: Additional Information;
Senior Term Loan B	the term B facility defined in paragraph 14(c) of Part VIII: Additional Information;
Senior Term Loan C	the term C facility defined in paragraph 14(c) of Part VIII: Additional Information;
Senior Term Loans	the term loan facility defined in paragraph 14(c) of Part VIII: Additional Information;
Subordinated PIK Debentures	the subordinated PIK debentures defined in paragraph 14(e) of Part VIII: Additional Information;
Shareholders	the holders of Ordinary Shares in the Company;
Schroder Salomon Smith Barney	Salomon Brothers International Limited, in its capacity as joint sponsor, and Salomon Brothers U.K. Equity Limited, in its capacity as joint global co-ordinator, joint bookrunner, joint lead manager and joint broker. “Schroder” is a trademark of Schroder Holdings plc and is used

	under licence by Salomon Brothers International Limited and Salomon Brothers U.K. Equity Limited;
Sponsors	Goldman Sachs and Schroder Salomon Smith Barney;
Taxes Act	the Income and Corporation Taxes Act 1988;
Trust	The Intertek Employee Share Ownership Trust established by Intertek and Pirunico Trustees (Jersey) Limited on 9 August 2001, the terms of which are summarised in paragraph 7 of Part VIII: Additional Information;
UBS Warburg	UBS AG, acting through its business group USB Warburg;
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
Underwriters	Goldman Sachs, Schroder Salomon Smith Barney, Cazenove & Co. Ltd and UBS Warburg;
Underwriting Agreement	the underwriting agreement between the Company, the Directors, the Executive Officers, the Selling Shareholders and the Underwriters dated 24 May 2002 as described in Part VIII: Additional Information;
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland;
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
UK GAAP	generally accepted accounting principles as used in the UK; and
US GAAP	generally accepted accounting principles as used in the United States.

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