Annual Report 2010

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

We have the expertise, resources and global reach to support our customers through our network of more than 1,000 laboratories and offices and over 27,000 people in more than 100 countries around the world.

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

# Strong organic revenue growth and cash conversion

> Revenue up 11% and adjusted operating profit up 9%

> Operating profit up 11%

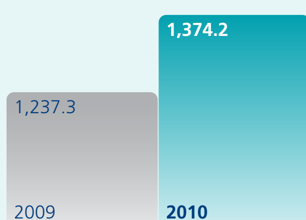
> Diluted adjusted EPS up 10%

> Full year dividend up 10%

**Revenue £m**

**+11%**

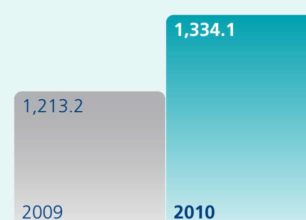
+9% at constant rates[1]




**Organic revenue £m**

**+10%**

+8% at constant rates[1]



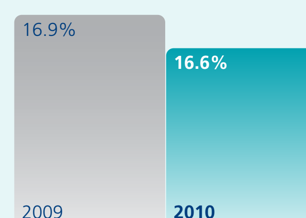

**Adjusted operating profit £m[2]**

**+9%**

+6% at constant rates[1]

**Adjusted operating profit margin[2]**

**17%**




**Operating profit £m**

**+11%**

**Operating cash flow £m**

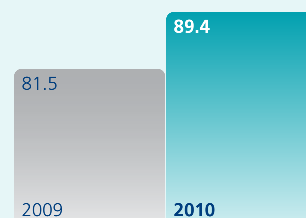
**-3%**

**Basic earnings per share (pence)**

**+11%**

**Diluted adjusted earnings per share (pence)[2]**

**+10%**




**Dividend per share (pence)[3]**

**+10%**

1. Growth at constant exchange rates compares revenue and adjusted operating profit for 2010 and 2009 at the average exchange rates for 2010.
2. Adjusted operating profit and adjusted earnings per share are stated before separately disclosed items. These are described in note 4 to the financial statements.
3. Dividend per share is based on the interim dividend paid of 9.3p (2009: 8.2p) plus the proposed final dividend of 18.8p (2009: 17.3p).

# Strong history of growth

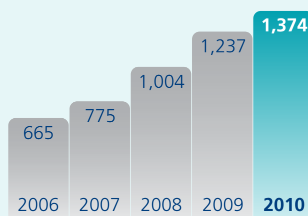
> Revenue growth 20%

> Adjusted operating profit growth 22%

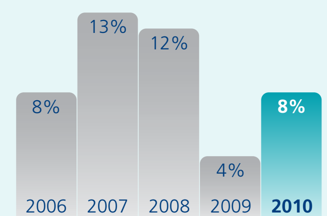
> Diluted adjusted EPS growth 20%

**Revenue £m**

**20%**
CAGR

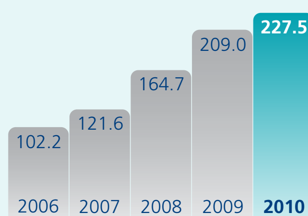



**Organic revenue growth**
At constant rates



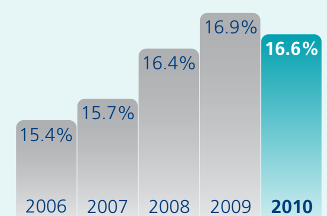

**Adjusted operating profit £m[2]**

**22%**
CAGR



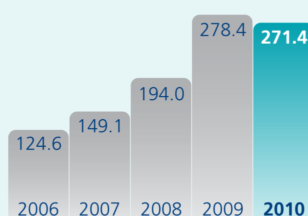

**Adjusted operating profit margin[2]**

**+120bps**
Over five years



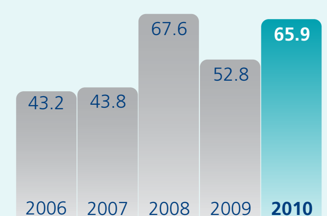

**Operating cash flow £m**

**21%**
CAGR



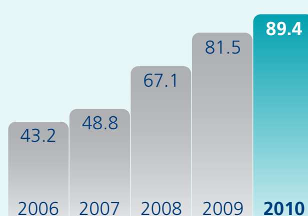

**Organic capital investment**

**11%**
CAGR



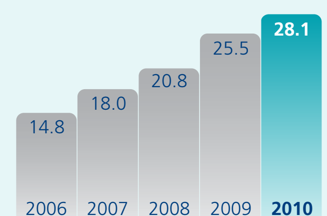

**Diluted adjusted earnings per share (pence)[2]**

**20%**
CAGR




**Dividend per share (pence)[3]**

**17%**
CAGR




CAGR = Cumulative Average Growth Rate

## At a Glance

# 27,000+ employees, 1,000+ labs and offices, 100+ countries across the globe serving the world's leading brands – our customers.

## Our Divisions

### Consumer Goods

We are a market leading provider of services to the textiles, toys, footwear, hardlines, food and retail industries. Services include testing, inspection, auditing, advisory services, quality assurance and hazardous substance testing. Customers are often retailers but also include manufacturers and suppliers within a global supply chain.

### Commercial & Electrical

Our global network of accredited facilities provide manufacturers and retailers with the most comprehensive scope of safety, performance and quality testing and certification services. We support customers in a wide range of industries including home appliances, lighting, medical, building, industrial and HVAC/R (heating, ventilation, air conditioning and refrigeration), IT, telecom, renewable energy and automotive.

### Oil, Chemical & Agri

We provide independent cargo inspection, non-inspection related laboratory testing, calibration and related technical services to the world's energy, petroleum, chemical and agricultural industries. We also provide cargo scanning, fiscal support services and standards programmes to governments, national standards organisations and customs authorities.

### Analytical Services

Serving a wide range of industries including chemical, pharmaceutical, oil and gas, and automotive and aerospace, we offer expert laboratory measurement and consultancy services. We have an established track record of success in laboratory outsourcing with many large, internationally recognised companies.

### Industrial Services

Using in-depth knowledge of the oil, gas, petrochemical, power, renewable energy, civil and infrastructure, aerospace and medical fields, we provide a range of services to help customers meet global quality standards. These include management systems certification, second-party auditing, supplier evaluation, technical verification, conformity assessment, asset integrity management, 3D laser scanning and dimensional control management, training, health and safety consulting and greenhouse gas services.

### Minerals

We offer analytical testing, inspection and mine-site laboratory services to the world's minerals, exploration, ore and mining industries. We provide a wide range of analytical services for materials including precious metals, base metals and their raw content, such as iron ore, bauxite, coal and coke, as well as bulk commodities.

www.intertek.com/investors/five-year-summary

## Our Services

Testing

Outsourcing

Inspection

Advisory

Certification

Training

Auditing

Quality Assurance

## Our Industries

Aerospace & Automotive

Building Products

Chemicals

Consumer Goods & Retailers

Electrical & Electronic

Energy

Food & Agriculture

Industrial

IT & Telecom

Medical & Pharmaceutical

Minerals

Petroleum

Toys, Games & Hardlines

Textiles, Apparel & Footwear

## Our Customers

- Abbott
- ADM
- Air Products
- AkzoNobel
- Alcan Packaging
- AngloGold Ashanti Australia Limited
- Arkema
- Auchan
- BASF
- BHP Billiton Worsley Alumina
- Bombardier
- BP
- Bunge
- Canon
- Cargill
- Celanese
- Certified Automotive Parts Association
- Chevron
- Cisco
- CITGO
- Collective Brands
- ConocoPhillips
- DJO
- DSM
- E.ON
- ED&F Man
- Essar
- Extract Resources
- ExxonMobil
- Gap Inc
- Glencore
- Haier
- Hydro-Québec
- IAC Group
- IKEA
- Infineum
- JC Penney Company
- Kohl's
- Lear Corporation
- Levi Strauss & Co
- LG
- Lilly
- Lloyd's Register
- Louis Dreyfus
- Lubrizol
- Magellan Aerospace Corporation
- Marks & Spencer
- McDonald's Corporation
- Morgan Stanley
- National Grid
- Nestlé
- Newmont Boddington Gold
- Noble Group
- Nordstrom
- Panasonic
- Petrobras
- PetroChina
- Pfizer
- Procter & Gamble
- Qatargas
- Reliance Industries
- Ricoh
- Rolls-Royce
- SABIC
- Samsung
- Sasol
- Scottish & Southern Energy
- Sears Holdings Corporation
- Shell
- Smiths Medical
- Sportcraft
- Statoil
- Talisman Energy
- Toshiba
- Total
- Trafigura
- Triumph Group
- U.S. Green Building Council
- Valero
- Vitol
- Wilmar Group
- Yamaha Corporation

**Including government contracts and accreditions with:**

- Bangladesh
- Kenya
- Kuwait
- Mexico
- Mozambique
- Nigeria
- Philippines
- Saudi Arabia
- Sierra Leone

**Vanni Treves**
Chairman

The Group delivered annual revenue of £1,374.2m, an increase of 11% over the prior year, driven by growth in activity in all divisions.

Adjusted operating profit[1] was £227.5m, up 9% and earnings per share were 89.4 pence, an increase of 10%.

### Results

Intertek has delivered strong full year growth in 2010, ending the year with revenue of £1,374.2m, an increase of 11% over the prior year. Excluding acquisitions revenue growth was 10%.

Operating profit was £206.5m, up 11% over the prior year. Adjusted operating profit[1] increased to £227.5m, up 9% and our adjusted operating margin was 16.6%. Excluding acquisitions, adjusted operating profit grew by 9%.

### Earnings per share

Basic earnings per share were 80.7p, up 11% over last year and diluted adjusted earnings per share were 89.4p, up 10%.

### Dividends

An interim dividend of 9.3p per share (2009: 8.2p) was paid to shareholders on 19 November 2010. The Directors will propose a final dividend of 18.8p per share at the Annual General Meeting on 20 May 2011, to be paid on 17 June 2011 to shareholders on the register at close of business on 3 June 2011. If approved, this will make a full year dividend of 28.1p per share (2009: 25.5p), an increase of 10%.

### Acquisitions

We are continuing to invest and completed seven acquisitions during the year, for consideration of £41.2m (2009: £29.7m). Details of these acquisitions are given in the Operating Review by division and in note 22 to the financial statements. Our strategy of growing key industry sectors through acquisitions is unchanged and with our strong financial position we will continue to make targeted bolt-on acquisitions and to evaluate strategic acquisitions to increase shareholder value.

### The Board

On 26 April 2010, Lloyd Pitchford joined the Board as Chief Financial Officer. Lloyd spent ten years with BG Group plc, one of the largest UK publicly listed companies, holding the role of Group Financial Controller for the past five years. Lloyd's extensive international and management experience with large, complex and growing organisations will assist Intertek to explore exciting opportunities across global markets. I am delighted to welcome Lloyd to the Board and am confident that he will be a strong contributor to Intertek's continued success.

1 Before separately disclosed items which are detailed in note 4 to the financial statements.

On 31 December 2010, Mark Loughead stepped down from his role as Chief Operating Officer and Executive Director on the Board after a successful 22 year career with Intertek. Mark will remain with the Group to ensure a smooth handover of his responsibilities before retiring during 2011. On behalf of Intertek, I would like to thank Mark for his dedicated service and for the significant contribution he has made to the Group as Chief Operating Officer, as a Director and as Chief of the Oil, Chemical & Agri division previously. He leaves the Board with our gratitude and best wishes for his retirement from the Group.

On 14 February 2011, Intertek announced that Michael Wareing and Alan Brown will join the Board as Non-Executive Directors on 15 April 2011. Michael Wareing is currently a Non-Executive Director and Audit Committee Chairman at Wolseley plc, a Non-Executive Director and Audit Committee Chairman designate at Cobham plc and is Chairman of the Iraq Advisory Board for G4S plc. Michael has major international and board level knowledge gained during an extensive global career up to senior partner level at KPMG. His last position at KPMG was as International Chief Executive Officer, a position he occupied for four years.

Alan Brown is currently Chief Executive Officer of Rentokil Initial plc, a position he has held since April 2008 when he was brought in to lead a new executive management team. Alan spent 25 years at Unilever PLC where he rose through a variety of finance roles in the UK and Europe and then general management in Taiwan, Hong Kong and China. His last four years were as Executive Chairman of Unilever China. Following this, Alan returned to the UK as Chief Financial Officer at Imperial Chemical Industries PLC, taking a leading role in the divestment of the Company.

I am very pleased to welcome two such high calibre individuals to the Intertek Board.

### Environmental impact

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

### Quality and integrity

Quality and integrity are central to our proposition to customers, and therefore form the heart of Intertek's culture and processes. We have embedded our values across the organisation and are continually reviewing and reinforcing our internal processes to ensure compliance. The Intertek Compliance Code and Code of Ethics provide practical guidance and instruction for employees and there are email and telephone hotlines so that staff may report anonymously any inaccurate or unethical working practices. Our strong focus on compliance provides assurance to our customers that our reports and certificates are valid and accurate.

### Our people

Our mission to support and add value for our customers is delivered through over 27,000 people across Intertek worldwide. The dedication of our employees to customer service and going the extra mile has helped us to retain business in the face of increased competition. We constantly strive to improve our capacity to attract, develop and retain the best people who share in the mission, values and success of the Group.

On behalf of the Board, I would like to welcome all new employees to Intertek and to thank all our employees around the world for their commitment to making 2010 another successful year.

### Summary

Intertek produced strong results for the year with a notable acceleration in the second half. As the year progressed and market conditions improved, we invested in both people and assets to capture this recovering growth.

# Chief Executive Officer's Review
## Delivering sustainable growth

**Wolfhart Hauser**
Chief Executive Officer

Valued Quality. Delivered.

In a world of increasing quality, safety and sustainability expectations, we see higher product variety, changing sourcing patterns and greater supply chain complexity.

In response to these challenges, our brand proposition represents the value we add to our customers' businesses through the quality we deliver and our speed of delivery.

### Our strategy

Our mission is to add value to our customers' processes, products and brands through providing quality and safety services.

We concentrate on industry sectors in which we have the critical size to provide our customers with global world-class services which are based on a deep understanding of their current and evolving future needs and challenges.

### Our organisation

Our divisions are organised to focus on specific industry sectors and continuously strive to improve their capabilities and procedures in delivering customer centric services. In addition, our Intertek as One programme is strengthening the operational and sales synergies between all Intertek business units on a country by country basis. We continued this programme throughout 2010 and also increased our cross-selling. We also gave our Executive Vice Presidents new regional responsibilities for Intertek business and operational development. This will focus our efforts and success in terms of transnational networking, sales and operational improvements across all countries in that region.

Our customers' industries do not stand still; therefore we continually adapt and develop our organisational structure to best meet their evolving needs. Thus from 1 January 2011, we reorganised our operational structure to improve the alignment of our business lines with those of our customers and renamed certain divisions to better describe their core activities. The key changes are:

- Oil, Chemical & Agri (OCA) is renamed **Commodities** and incorporates Minerals;
- Analytical Services (AS) is renamed **Chemicals & Pharma** and incorporates Health & Environmental (formerly in IS);
- Industrial Services (IS) is renamed **Industry & Assurance** and incorporates Food (formerly in Consumer Goods), Agri (formerly in OCA) and Upstream (formerly in AS).

Our Half Year Results for 2011 will be reported in the new structure and all prior period comparative figures will be restated to show a like-for-like comparison.

Our highly motivated people are chosen for their understanding of local culture as well as their industry expertise. We appreciate that our people are our core assets and invest continuously in them. Our excellent staff, industry leading response times and high value solutions differentiate us in the marketplace.

### Global reach

As supply chains and sales patterns continue to change we have established a network of laboratories and offices located where our customers need them. By providing a central Intertek relationship for all our clients' testing, inspection and certification needs globally, we help remove the need to engage multiple vendors in different markets. Our close relationship with our customers and our reputation for quality enables us to develop partnerships with many globally renowned companies where we take over and operate our customers' in-house testing facilities or quality processes along their supply chain. Companies can outsource their laboratory activities to Intertek and be confident that the service they receive will be both high quality and more cost effective.

## Customer-first strategy

Our strategy is to be the premier high value service provider in our industry sectors and we will continue to build a full service portfolio to offer our customers one-stop shopping solutions and give us the opportunity to leverage excellent customer relationships across a broad portfolio. Our reputation as an international support partner with integrity and consistent standards of service gives clients peace of mind that Intertek can test to the quality, safety or environmental levels demanded by the markets they operate in.

Besides focusing on delivering strong organic growth rates we will continue our well defined acquisition strategy to strengthen our position in evolving market segments and the important regional markets of the future. We will do this with small to medium sized bolt-on acquisitions but we are also well prepared to be an active consolidator in the industry.

## Market drivers

The drivers of growth in our business remained robust in 2010. Global trade volumes improved in 2010 over 2009, meaning that the 30% of our business which relies on this also performed better. The constant creation of new products and technologies drives demand for our services. Increasing concern by consumers and governments about the quality, safety and environmental impact of products also drives demand for our work. We continue to develop complementary new services that will support our clients' present and future needs and increase our market share in certain regions and geographies to drive growth in the business.

Intertek enables companies to concentrate on their core business and reduce their fixed costs by outsourcing more of their quality and safety needs to us. The majority of the quality and safety services performed in the world today are still performed by companies in-house. Our ability to provide more outsourced laboratory services to our clients also feeds our growth. We continue to acquire businesses that complement and enhance our service portfolio and these supplement our organic growth. We acquired seven excellent companies in 2010 which brought us new skills, sales and business development opportunities in growing markets.

## Environmental focus

Our commitment to sustainability is reflected not only in our operations but also through investing in services that enable our customers to become more sustainable. By helping our clients develop more 'green' and sustainable products through socially responsible supply chains we make the greatest impact on sustainability.

In addition, as green and renewable technology development continues to expand, higher volumes of testing and new bespoke laboratory technologies are needed to evaluate and support ongoing innovation and products in this area. Over the last 18 months, Intertek has opened several new, energy efficient laboratories and innovated new testing methodologies and certification systems for clients in industries from alternative fuels and energy storage to bio-textiles and medical products. In November 2010, we strengthened our expertise in renewable energy services with the acquisition of Metoc, a global provider of engineering and environmental consultancy services.

We also recognise our responsibility for improving our own operational sustainability. In May 2010 we moved a number of our Mexico operations to a new 'green' centralised facility, helping unite previously dispersed facilities to a building designed to help reduce energy, water usage, carbon emissions and waste but also to provide clients with one convenient location offering unified services.

## Looking forward

In addition to our global presence in over 100 countries, Intertek has an established presence in many of the world's fast growing, emerging markets. We test, inspect and certify the flow of goods and commodities from the markets into global trade. As these emerging markets evolve into more sophisticated consumer markets, the opportunity for our business there is also evolving and growing. We will provide more services to emerging local brands in the domestic market as rising middle class populations demand higher quality, safety and environmental standards from their local businesses.

As our customers are increasingly looking for a strong and reliable partner to help them meet their quality, safety, environmental and regulatory challenges, Intertek will continue to expand its services and outsourcing options, helping clients to better manage the impact of ongoing changing legislations on their products, operations and supply chains.

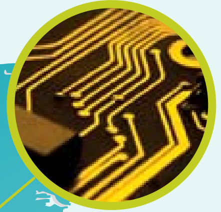
Through these value-adding services we will strengthen our client relationships as we become more integral in their business and on hand for future support services, actively working together to help prevent health, safety, environmental damage and operational risks.

### Intertek – The marks of quality

For more than 100 years, Intertek has guided clients through the challenging certification process. Offering the broadest range of certification and accreditation marks accepted in markets around the world, Intertek can help clients to succeed in new and existing markets, meet evolving regulatory requirements and win new customers.

## Our global network

USA
**New electric vehicle recharge technologies**
We certified innovative new charging devices for General Motors' Chevy 'Volt' electric vehicle. Our ETL Mark shows its compliance to North American product safety standards.



**Revenue distribution**

**Americas**
**33%**

**Asia Pacific**
**38%**

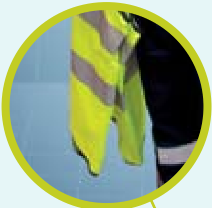
**EMEA**
**29%**

Locations
Case study

Mexico
**New Green HQ**
Our new 91k sq ft facility in Mexico City, has state-of-the-art environmental features that will support trade growth in the Mexican consumer goods, energy, food and agriculture industries

Brazil
**Supporting Oil & Gas operations**
We help oil and gas operations in Brazil, through providing inspection, quality control, regulation compliance programmes and infrastructure services.

UK
**Making clothing slash-proof**
Our textiles team helped UK company PPSS to launch new slash-proof clothing technology used by police and security personnel.



Sweden
**Environmental certification at leading car maker**
We helped Volvo Dealers Association to certify Volvo dealers in Sweden against environmental and quality management systems standards.

Netherlands
**Safer plastic packaging**
We help companies make plastic packaging safer for human health and comply with regulations.

Romania
**Infrastructure laser scanning**
We scan new oil and gas infrastructure in Romania to analyse their integrity for our client.

Tunisia
**Connecting solar farms to the European grid**
We are helping Nur Energie to develop a solar power tower plant in Tunisia that will have a cable running across the Mediterranean and into Europe. This will be the first major solar export project in the world.

Oman/Qatar
**Growing demand for oil and gas services in the Emirates**
We are increasing our inspection and lab analysis work for local and international oil and gas companies in the region to support their global trade.

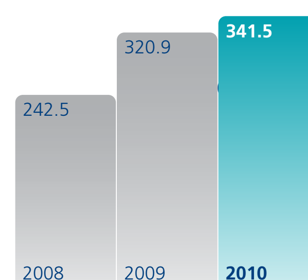
India
**Inspecting new electrification networks**
We inspect the quality of transmissions as new electrification networks are installed across India under a national programme.

China
**Industrial quality assurance in Shanghai**
Intertek's inspection services helped in the efficient construction of Shanghai's leading 'No. 6' Garden hospital.

**Paul Yao**
Group Executive Vice President Consumer Goods

**Revenue – at Actual Rates £m**

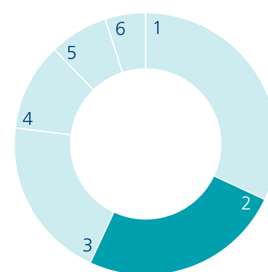
**+6.4%**




**Share of Group Revenue £m**

**25%**

1 Oil, Chemical & Agri
2 Consumer Goods
3 Commercial & Electrical
4 Analytical Services
5 Industrial Services
6 Minerals




| Consumer Goods | 2010 £m | Change at actual rates | Change at constant rates |
|---|---|---|---|
| Revenue | **341.5** | 6.4% | 5.2% |
| Adjusted operating profit | **109.2** | 3.5% | 1.8% |
| Adjusted operating margin | **32.0%** | (90)bps | (110)bps |

## What we do

The Consumer Goods division is a market leading provider of services to the textiles, toys, footwear, hardlines, food and retail industries. Services include testing, inspection, auditing, advisory services, quality assurance and hazardous substance testing. Customers are often retailers but also include manufacturers and suppliers within a global supply chain.

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

## Our performance in 2010

Growth in the Consumer Goods division continued to recover through 2010 ending the year with total revenue of £341.5m up 6.4% (5.2% at constant exchange rates). The growth was wholly organic. Adjusted operating profit was £109.2m, up 3.5% (1.8% at constant exchange rates). The total adjusted operating margin declined 90 basis points to 32.0% from 32.9% in 2009. The margin was particularly high in toy testing in 2009 as a result of the CPSIA legislation explained below.

Textiles, Apparel & Footwear which is the largest sector in the division grew well, with excellent results in China supported by notable growth in Bangladesh, Vietnam, Turkey and Guatemala. Revenue growth from toy testing continued to improve through 2010 as the impact of the exceptionally high prior year comparables dissipated, and the volume of toy testing normalised after the surge caused by the enactment of the CPSIA (Consumer Product Safety Improvement Act) legislation in the US. We continued to invest in new facilities, particularly in the food sector where strong revenue growth was reported in Europe and Asia. Revenue from Inspection services in Asia also grew steadily.

On 31 December 2010, we acquired American Analytical Chemistry Laboratories Corp (AAC Labs), a business that provides laboratory based food testing in the United States. This acquisition expands our network of food services and adds North American chemical testing to our existing chemical testing, microbiological, inspection, auditing and certification services. No revenue or operating profit for this acquisition was included in the Group results for 2010.

## Inspiring confidence

By integrating safety, quality and compliance at each point of the supply chain for one of North America's largest retailers we provided confidence in a collaboration that assured the quality of their merchandise.

The key growth drivers in Consumer Goods remain strong, principally the sourcing of products from lower cost manufacturers in countries such as China, the increasingly wide range of products being sold by retailers and shorter product lifecycles. Concern over the safety of consumer products has increased demand from consumers and regulatory bodies for independent assurance of quality and safety.

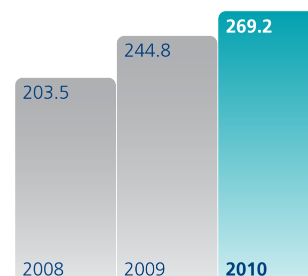
Although two-thirds of revenue is derived from toys and textiles testing, the remainder is from our developing service lines such as food, consultancy, inspection, supply chain services and corporate social responsibility, where margins are not always as high as those earned by the established services. As many economies are currently entering a recessionary phase, consumer spending is declining. Whilst our business is dependent on the variety of goods produced and new product development rather than the volume sold, a prolonged decline in consumer spending could result in a reduction in product development. We aim to grow our revenue by developing new services, integrating our services and providing innovative supply chain solutions to our customers.

# Operating Review
## Commercial & Electrical

**Gregg Tiemann**
Division Executive Vice President Commercial & Electrical

**Revenue – at Actual Rates £m**

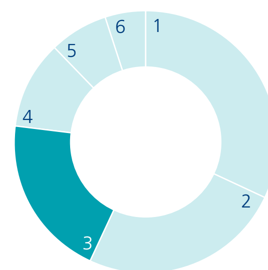
**+10.0%**




**Share of Group Revenue £m**

**19%**

1 Oil, Chemical & Agri
2 Consumer Goods
3 Commercial & Electrical
4 Analytical Services
5 Industrial Services
6 Minerals




| Commercial & Electrical | 2010 £m | Change at actual rates | Change at constant rates |
|---|---|---|---|
| Revenue | **269.2** | 10.0% | 7.8% |
| Adjusted operating profit | **38.2** | 10.1% | 7.0% |
| Adjusted operating margin | **14.2%** | -bps | (10)bps |

### What we do

The Commercial & Electrical division provides services including testing and certification, electromagnetic compatibility testing (EMC), outsourcing, benchmark and performance testing and environmental testing. These are provided to a wide range of industries including the home appliance, lighting, medical, building, industrial and HVAC/R (heating, ventilation, air conditioning and refrigeration), IT, telecom, renewable energy and automotive industries. Our customers are primarily manufacturers, but also include retailers, industry organisations and government departments. Intertek has the widest range of owned marks and accreditations, including the ETL listed mark, the Warnock Hersey mark for North America and the S mark, Asta mark and BEAB mark for Europe. Intertek is also a leader in providing CB certification and the CE mark and GS mark for Europe.

The market for our Commercial & Electrical services is driven primarily by increasing regulations over the safety of products, new technology, product variety and growing environmental concerns. This includes current concerns over climate change and the environmental impact of electrical products.

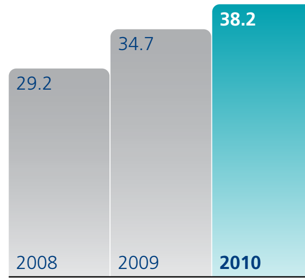
### Our performance in 2010

Total revenue increased to £269.2m, up 10.0% (7.8% at constant exchange rates). Growth was wholly organic. Total adjusted operating profit was £38.2m, up 10.1% (up 7.0% at constant exchange rates). The total adjusted operating margin was 14.2%.

After a slow start to the year, most business lines in the Commercial & Electrical division performed well and the margin recovered after dipping in the first half of the year due to the continued decline in the building products sector, as new construction projects failed to materialise in North America. The core electrical testing business reported good results worldwide, particularly in lighting, medical, HVAC and life safety. There was good growth in the renewable energy sector where we guided clients through the complex regulatory issues affecting renewable energies including photovoltaic and wind power equipment. Wireless testing also improved with several new programmes starting in the second half.

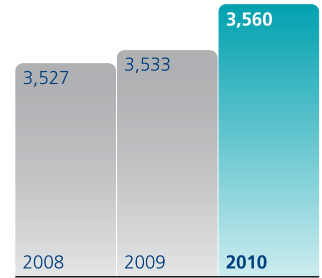
**Adjusted operating profit £m**

**+10.1%**




**Employees**

**3,560**




# Growth delivery

> Doubled solar product testing capacity in APAC and North America

> Strong growth in medical and lighting realised

> Strong growth in testing of electric vehicle components, including testing and certification of Chevrolet's new 'Volt' electric vehicle charging systems

# Market developments

> Tougher energy efficient laws to support electrical product sales growth

> Strong demand for wind, solar, and energy storage testing and consulting services

> Market share gains in certification and safety testing via service-led innovations: global market entry and decreasing product time-to-market for clients

## Competitive edge

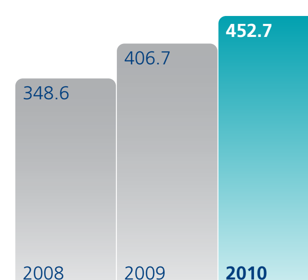
When an international consumer electronics giant, Panasonic, wanted to market their high definition video camera models in the USA and Canada, they sought the ETL Mark – a recognised and trusted symbol of compliance – helping them get their product to market faster.

Customer demand for safe, reliable and energy efficient products continues to increase and the market for the Commercial & Electrical division continues to evolve, presenting opportunities for further growth. Market drivers in the medical and renewable energy sectors remain strong. Concerns over climate change are driving new directives regarding the energy usage of products, particularly in the HVAC industry and this is expected to extend to other industries. We will continue to strive for operational excellence and aim to strengthen our market share by offering superior service.

**Jay Gutierrez**
Division Executive Vice President Oil, Chemical & Agri

**Revenue – at Actual Rates**
**£m**

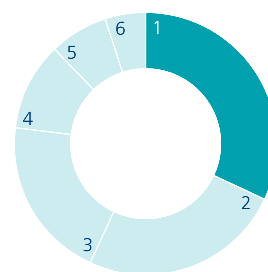
**+11.3%**




**Share of Group Revenue**
**£m**

**33%**

1 Oil, Chemical & Agri
2 Consumer Goods
3 Commercial & Electrical
4 Analytical Services
5 Industrial Services
6 Minerals




| Oil, Chemical & Agri | 2010 £m | Change at actual rates | Change at constant rates |
|---|---|---|---|
| Revenue | **452.7** | 11.3% | 8.7% |
| Adjusted operating profit | **51.0** | 16.7% | 12.3% |
| Adjusted operating margin | **11.3%** | 60bps | 40bps |

## What we do

The Oil, Chemical & Agri division provides independent cargo inspection as well as non-inspection related laboratory testing, calibration and related technical services. Our customers include the world's energy, petroleum, chemical and agricultural industries. Cargo inspection and testing is a well established global market in which Intertek is one of the leading service providers. High barriers to entry are principally due to the fixed costs of establishing a global network of operations and laboratories and our excellent reputation and experience earned through decades of service in the industry. The division also provides cargo scanning, fiscal support services and conformity assessment programmes to governments, national standards organisations and customs authorities.

## Our performance in 2010

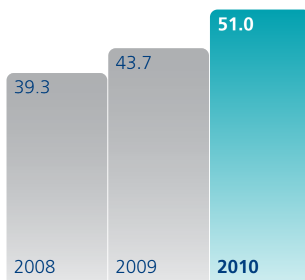
Total revenue increased to £452.7m, up 11.3% (8.7% at constant exchange rates). Excluding acquisitions, organic revenue growth was 10.6% (8.0% at constant exchange rates). Total adjusted operating profit increased to £51.0m, up 16.7% (12.3% at constant exchange rates). Excluding acquisitions, organic adjusted operating profit growth was 15.3% (11.0% at constant exchange rates). The adjusted operating margin increased by 60 basis points to 11.3%.

There was strong revenue growth in the EMEA and APAC regions and recovering growth in North America, where market conditions improved towards the end of the year. The demand for biofuels is also starting to recover. Our well-established conformity assessment programmes in Nigeria and Saudi Arabia performed very well, as did a smaller programme in Algeria which started in May 2009.

On 1 July 2010, we acquired Expertises Technologies & Services SA (ETSA) from Air Liquide SA. ETSA provides cargo inspection and analysis services for the oil and gas industry through five operational sites in France. This acquisition was integrated with our existing business to France to increase our ability to support more outsourcing of new fuels research and development and provide refinery support to our local and global clients. The national strikes in France disrupted activity in October but had no lasting impact on our operations.

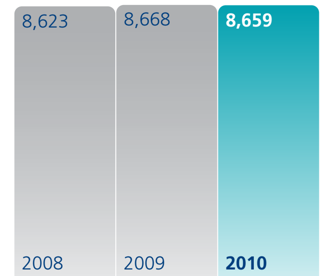
**Adjusted operating profit £m**

**+16.7%**




**Employees**

**8,659**




# Growth delivery

> New oil and chemical business in the Middle East with oil majors and regional operators

> Growth in core inspection business as trading activity rises

> Increased activity in government product conformity programmes

# Market developments

> Demand for higher margin, complex testing rising as customers resume investment in outsourced analysis

> Consumer growth in the Middle East, China and Latin America resulting in higher demand for commodities-based testing

> Fuel R&D testing partner for the first Transatlantic biofuels-powered flight

> Tighter regulations on fuel specifications leading to increased testing requirements

## Recognised expertise

Our specialists in mercury measurement technology were able to provide clients with the assurance needed that data collected from an offshore natural gas platform delivered to design specifications.

On 10 November 2010, we acquired Pacifica Marine which is a small business based in Papua New Guinea. This business provides petroleum inspections, agricultural inspections and marine consultancy services.

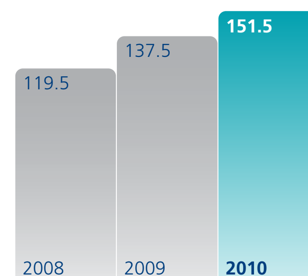
The core inspection business is steady and we expect the demand for higher margin complex testing services to increase once the global recession recedes and investment resumes. We also expect the demand for biofuels to grow, leading to the development of new technologies and production methods. Whilst the US market remains variable, we are seeing growth opportunities in the rest of the world, particularly in emerging markets.

# Operating Review
## Analytical Services

**Andrew Swift**
Division Executive Vice President Analytical Services

**Revenue – at Actual Rates £m**

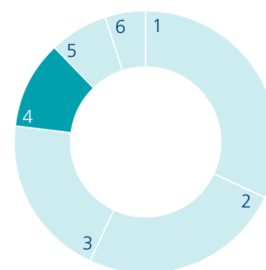
**+10.2%**




**Share of Group Revenue £m**

**11%**

1 Oil, Chemical & Agri
2 Consumer Goods
3 Commercial & Electrical
4 Analytical Services
5 Industrial Services
6 Minerals




| Analytical Services | 2010 £m | Change at actual rates | Change at constant rates |
|---|---|---|---|
| Revenue | **151.5** | 10.2% | 10.3% |
| Adjusted operating profit | **14.5** | (0.7)% | -% |
| Adjusted operating margin | **9.6%** | (100)bps | (100)bps |

### What we do
Analytical Services provides expert laboratory measurement and consultancy services to a broad range of industries including chemical, pharmaceutical, oil and gas, and automotive and aerospace. We have an established track record of success in laboratory outsourcing with many large internationally recognised companies.

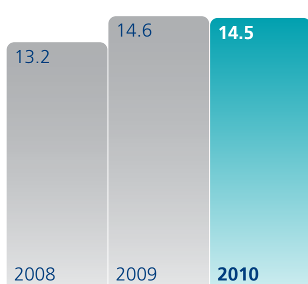
### Our performance in 2010
Total revenue in 2010 was £151.5m, up 10.2% (10.3% at constant exchange rates) over the prior year. Organic revenue increased 6.2% (6.3% at constant exchange rates). Total adjusted operating profit for 2010 was £14.5m, which was flat on 2010. Organic adjusted operating profit increased by 0.7% (up 1.4% at constant exchange rates). The adjusted operating profit margin was 9.6%.

There was good revenue growth from chemicals and advanced materials services with strong organic growth from our laboratories in the Netherlands and France, augmented by revenue from the acquired safety testing business which is described below. Growth in the upstream energy sector was slower than expected during the year although market conditions improved due to the increasing oil price stimulating demand. The Pharmaceutical sector remained challenging with good growth in the analysis of biologics and large molecules benefiting our laboratories in San Diego, USA and Manchester, UK, reduced by sales erosion in our small molecule bio-analysis businesses in Ireland and El Dorado Hills, USA with our product quality and cGMP (Good Manufacturing Practice) testing business remaining flat.

Capitalising on our strong track record in corporate laboratory outsourcing, we continue to expand the technical depth and geographic reach of our Analytical Services by acquiring new skills and services and cementing new relationships with strategically important clients.

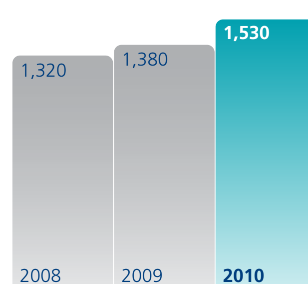
**Adjusted operating profit £m**

# -0.7%




**Employees**

# 1,530




# Growth delivery

> Global pharmaceutical and chemicals expert services via acquisition from BASF

> New advanced materials analysis laboratory in the USA via outsourcing with Air Products

> Advanced pipeline allocation and process modelling technologies for oil and gas via Profitech acquisition

# Market developments

> Chemicals and Advanced Materials show good growth as markets recover, supported by outsourcing contract wins

> Growth in pharmaceutical services

> Upstream good growth in second half, supported by higher oil price

## Responsive solutions

In April 2010, Iceland's volcanic ash eruption caused an unprecedented change in airspace quality. Our aviation clients relied upon Intertek's immediate response, expert measurement capability and profound materials knowledge to rapidly assess the impact on safety and performance of their jet engines and systems.

On 31 March 2010, the Group acquired the Regulatory and Safety Testing businesses of CIBA Expert Services from BASF. The Safety Testing business conducts a range of expert pharmaceutical & chemical and safety services. The main laboratory for this business is located in Basel, Switzerland, with smaller facilities in India, the UK and the USA. These operations, including 92 employees are being integrated into Intertek's global network to maximise opportunities and synergies and optimise costs. Once the integration has been fully achieved, the margin of the acquired business is expected to improve.

On 20 July 2010, we entered a long-term outsourcing agreement with Air Products, a leading industrial gases company, in the USA. Air Products has outsourced its high-end laboratory in Allentown, Pennsylvania and transferred 31 scientists and materials engineers to Intertek. This contract provides the Group with a world class technology centre for advanced materials analysis in North America.

On 1 October 2010, we acquired Profitech, a small refinery and chemical manufacturing data modelling company in the UK. Profitech's modelling techniques complement our oil and gas services business in areas including, process optimisation and yield improvement as well as in metering, measurement and allocation.

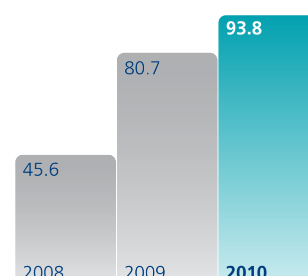
The pharmaceutical market continues to be volatile, particularly in the USA, however good performance in other sectors is expected to result in sustainable growth.

# Operating Review
## Industrial Services

**Stefan Butz**
Group Executive Vice President Industrial Services

### Revenue – at Actual Rates £m

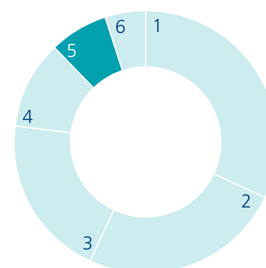
**+16.2%**




### Share of Group Revenue £m

**7%**

1 Oil, Chemical & Agri
2 Consumer Goods
3 Commercial & Electrical
4 Analytical Services
5 Industrial Services
6 Minerals




| Industrial Services | 2010 £m | Change at actual rates | Change at constant rates |
|---|---|---|---|
| Revenue | **93.8** | 16.2% | 14.1% |
| Adjusted operating profit | **7.3** | 12.3% | 9.0% |
| Adjusted operating margin | **7.8%** | (30)bps | (40)bps |

### What we do

Industrial Services is a global provider of inspection, testing and auditing services. This includes technical verification, conformity assessment, asset integrity management, 3D laser scanning and dimensional control management, management systems certification, second-party auditing, supplier evaluation, training, health and safety consulting and greenhouse gas services. We serve a wide variety of industries including oil, gas, petrochemical, power, renewable energy, civil and infrastructure, aerospace and medical.

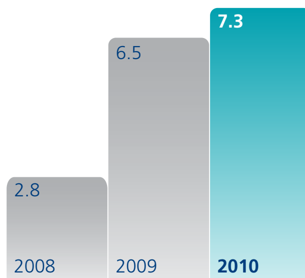
### Our performance in 2010

Total revenue in 2010 was £93.8m, up 16.2% (14.1% at constant exchange rates) over the prior year. Organic revenue increased 9.7% (7.4% at constant exchange rates). Total adjusted operating profit increased to £7.3m, up 12.3% (9.0% at constant exchange rates). Organic adjusted operating profit increased by £0.2m or 6.7% and was flat at constant exchange rates. The adjusted operating margin was 7.8%.

Market conditions for Industrial Services remained challenging, particularly in the oil and gas sector. There has been little improvement in the availability of funding for major infrastructure projects. In systems certification, good results in the USA and Sweden were reduced by underperformance in Asia, where the business is under review. We continue to expand the geographical footprint and service offering in this division by acquiring new businesses. The regulatory business which we acquired from BASF on 31 March 2010, performed in line with our expectations. This business provides testing and consulting for the purpose of regulatory approvals, and is mainly based in Canada and the USA, with smaller operations in Switzerland, UK, Italy, China, India, Brazil and Japan. Clients are split across the food industry and other mixed industry client bases. The performance of this acquisition together with the impact of the REACH activities in meeting the registration deadline on 1 December 2010 have enhanced our health and environmental sector significantly.

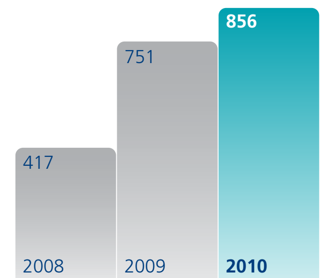
**Adjusted operating profit £m**

**+12.3%**




**Employees**

**856**




# Growth delivery

- New industrial inspection contracts in APAC and South America for oil majors
- Systems Certification contracts in Food, Auto, and Medical sectors

# Market developments

- Improvement in Industry as economies recover
- Alternative energy production targets and increasing environmental regulation of off-shore construction driving demand for alternative energy construction inspection
- EU REACH and US EPA and FDA directives creating growth in demand for global health & environmental supply chain compliance programs

## Efficiency through outsourcing

6,000 man-days were provided to one of the world's largest multinational conglomerates to help them consolidate and rationalise their supply chain, increase speed to market and on-time delivery, improve quality control and achieve considerable cost savings.

On 4 May 2010, the Group acquired 100% of the share capital of Norca Ingenieria de Calidad, SL. Norca, which employs 70 inspectors and consultants in Spain, offers services such as inspection, expediting, non-destructive testing, consultancy, quality assurance, engineering services, program implementation, safety consultancy and training largely to Spain's nuclear industry. On 27 October 2010, the Group acquired Metoc plc a company that provides engineering and environmental consultancy services to various fast growing renewable energy segments, worldwide. Metoc employs 80 consultants in the UK providing consultancy and advisory services at the concept, construction and operational stages of projects using all forms of renewable energy. These acquisitions bring us an excellent set of new advisory capabilities which we can offer to our clients in the energy sector.

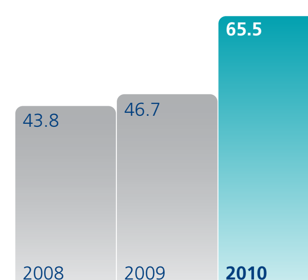
We will continue to expand our service portfolio and regional footprint through organic investment and further acquisitions, focusing on the high-end of the market for each of our sectors, providing special attention to the innovative and young industries with long-term potential such as the renewable sector. Increasing project activities especially in Oil & Gas, together with continued regulatory pressures and the forthcoming REACH deadline in 2013, will support our continued growth.

# Operating Review
## Minerals

Marc Hoffer
Division Executive Vice President Minerals

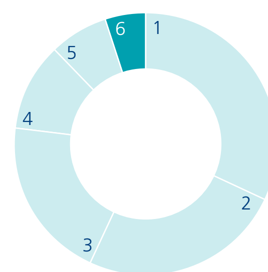
**Revenue – at Actual Rates £m**

**+40.3%**




**Share of Group Revenue £m**

**5%**




1 Oil, Chemical & Agri
2 Consumer Goods
3 Commercial & Electrical
4 Analytical Services
5 Industrial Services
6 Minerals

| Minerals | 2010 £m | Change at actual rates | Change at constant rates |
|---|---|---|---|
| Revenue | 65.5 | 40.3% | 25.0% |
| Adjusted operating profit | 7.3 | 82.5% | 65.9% |
| Adjusted operating margin | 11.1% | 250bps | 270bps |

### What we do

The Minerals division offers analytical testing, inspection and mine-site laboratory services to the world's minerals, exploration, ore and mining industries. We provide a wide range of analytical services for materials including precious metals, base metals and their raw content, such as iron ore, bauxite, coal and coke, as well as bulk commodities. We also provide marine and inspection services of minerals shipments.

### Our performance in 2010

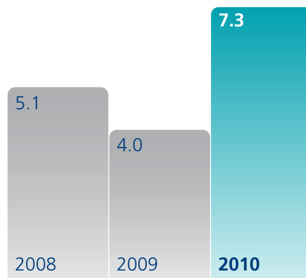
In 2010, total revenue was £65.5m, up 40.3% (25.0% at constant exchange rates) over the prior year. Total adjusted operating profit was £7.3m, up 82.5% (65.9% at constant exchange rates). The adjusted operating margin was 11.1%. Growth was wholly organic.

The improvement in market conditions which started in the first half of 2010 continued through the rest of the year. The demand for commodities increased, particularly for iron ore and non-ferrous metals in China, and there was a resumption of exploration activity which benefitted our facilities in Australia, South Africa and Indonesia. Sample volumes increased in our key sites and productivity improved as capacity was utilised efficiently.

The exploration market continues to recover on the back of strong minerals commodity prices so we anticipate continued growth in our Minerals division. Skills shortage may be an issue as competition for labour becomes more intense.

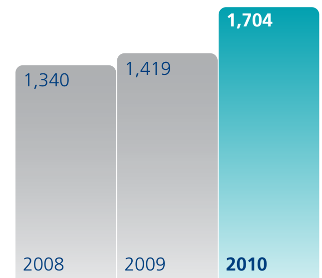
**Adjusted operating profit £m**

# +82.5%




**Employees**

# 1,704




# Growth delivery

> New long-term contracts in Asia and Africa

> Geographical expansion in Brazil and technical expansion in South Africa

> New facilities in Namibia and Zambia

# Market developments

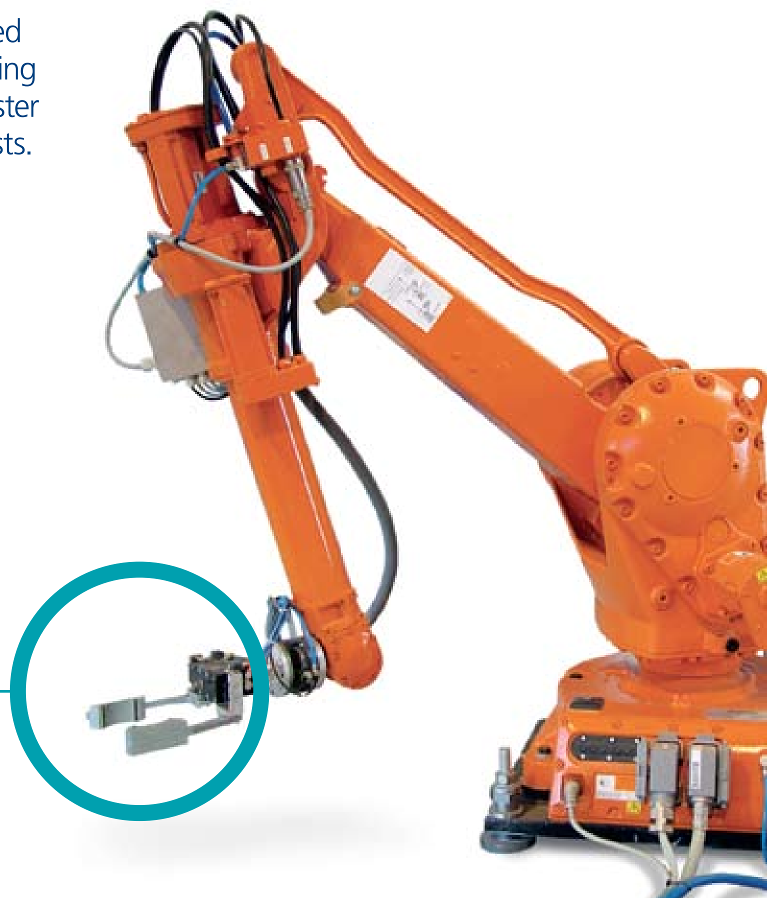
> Recovery of exploration market on the back of strong minerals commodity prices

> Increased demand for energy minerals and bulk commodities

> Many opportunities for growth, but also more competitors

## Fast response rates

Using advanced instrumentation that includes automated and robotic systems we've delivered unparalleled consistency, helping eliminate human error and faster turnaround times at lower costs.



**Lloyd Pitchford**
Chief Financial Officer

Intertek delivered a strong financial performance in 2010, reporting growth in earnings per share[1] of 10%.

The Board has recommended a 10% increase in the full year dividend.

## 2010 Financial performance

Intertek has delivered a strong financial performance in 2010, capitalising on an improving recovery across many of our global markets. Revenue increased by 11.1% to £1,374m, including a 10% growth in organic revenue[2] (7.7% organic growth at constant exchange rates). The Group's adjusted operating margin was 16.6%, down 30 basis points on the prior year, reflecting the one-off contribution during 2009 of US toy testing regulations.

The Group achieved good cash conversion during 2010 with cash generated from operations of £271.4m. The year saw further progress on the Group's growth agenda with £65.9m invested in organic capital investment and £41.9m invested in a total of seven acquisitions. In addition, the Group paid £9.3m in respect of acquisitions made in prior years and ended the year in a strong financial position with net debt of £169.7m and a net debt to EBITDA ratio of 0.6. The Group has now completed the activities to refinance its existing borrowing facilities (see page 29 for further details).

## Results for the year

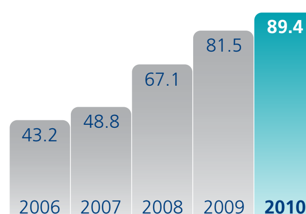
Adjusted profit before income tax[1] increased by 11% to £211.9m. The Group's adjusted effective tax rate was unchanged at 26.7%. Adjusted earnings and diluted adjusted earnings per share were £144.9m and 89.4p respectively (2009: £131.4m and 81.5p). Including the effects of separately disclosed items, the Group's reported profit before tax was £189.9m (2009: £169.2m), earnings and basic earnings per share were £128.6m and 80.7p (2009: £114.7m and 72.4p).

## Dividends

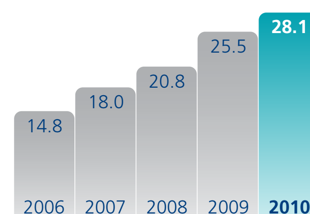
The Board recommends a full year dividend of 28.1p per share, an increase of 10%. This recommendation reflects the strong financial performance and position of the Group and the Board's confidence in the Group's outlook. If approved, the full year dividend of 28.1p represents a total cost of £45m being 31% of earnings for 2010 (2009: £41m and 31%). The dividend is covered 3.2 times by earnings (2009: 3.2 times), based on diluted adjusted earnings per share.

## Five year performance

**Diluted earnings per share (pence)[1]**




**Dividend per share (pence)**



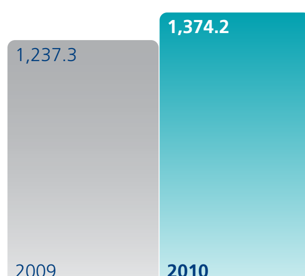
## Financial results[1]

| £m | Revenue 2010 | Revenue Change at actual rates | Revenue Change at constant rates | Operating profit[1] 2010 | Operating profit[1] Change at actual rates | Operating profit[1] Change at constant rates |
|---|---|---|---|---|---|---|
| Consumer Goods | **341.5** | 6% | 5% | **109.2** | 4% | 2% |
| Commercial & Electrical | **269.2** | 10% | 8% | **38.2** | 10% | 7% |
| Oil, Chemical & Agri | **452.7** | 11% | 9% | **51.0** | 17% | 12% |
| Analytical Services | **151.5** | 10% | 10% | **14.5** | (1)% | –% |
| Industrial Services | **93.8** | 16% | 14% | **7.3** | 12% | 9% |
| Minerals | **65.5** | 40% | 25% | **7.3** | 83% | 66% |
| | **1,374.2** | **11%** | **9%** | **227.5** | **9%** | **6%** |
| Net financing costs | | | | **(15.6)** | (11)% | |
| **Adjusted profit before income tax** | | | | **211.9** | **11%** | |
| Income tax expense | | | | **(56.6)** | 11% | |
| **Adjusted profit for the year** | | | | **155.3** | **11%** | |
| **Adjusted diluted EPS** | | | | **89.4p** | **10%** | |

### Revenue £m

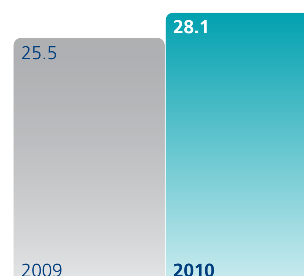
# +11%

+9% at constant rates
+8% organic at constant rates




### Dividend per share (pence)

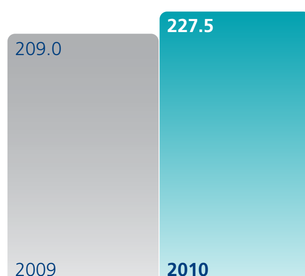
# +10%




### Operating profit £m[1]

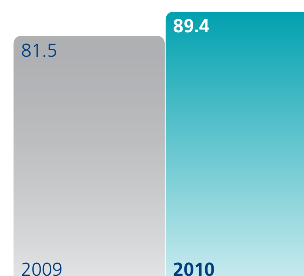
# +9%

+6% at constant rates
+6% organic at constant rates




### Diluted earnings per share (pence)[1]

# +10%




1. Presentation of results
   To provide readers with a clear and consistent presentation of the underlying operating performance of the Group's business, the figures discussed in this review are presented before separately disclosed items (see note 4). A comparison of Adjusted results and Total results is given on page 28 and a reconciliation is set out in note 3.
2. Organic growth excludes the results of acquisitions made in 2010 and 2009.

# Financial Review

## Key financial performance indicators

**Revenue**

**Up 11%**

**Organic revenue at constant rates**

**Up 8%**

**Adjusted operating profit**

**Up 9%**

**Organic adjusted operating profit at constant rates**

**Up 6%**

**Adjusted operating margin**

**16.6%**

**Operating cash flow**

**Down 3%**

**Operating cash flow/operating profit**

**100%**

**Diluted adjusted earnings per share**

**Up 10%**

**Dividend per share**

**Up 10%**

**Return on invested capital**

**25%**

### Key financial performance indicators

The Group uses a variety of key performance indicators (KPIs) to monitor the financial performance of the Group. Similar indicators are used to review the performance of the operating divisions and business units. These KPIs are regularly reviewed by the Board and management and are used to assess past performance and set targets for the future. A number of the KPIs also form part of the management incentive scheme whereby managers may receive annual bonus payments on achieving or exceeding a range of targets set for the year. Further information on management incentives is given in the Remuneration Report which starts on page 54.

A critical performance indicator for the Group is the continuing expansion of the revenue base. Whilst the Group continues to seek opportunities for expansion through acquisitions, the Board places great emphasis on the achievement of sustainable organic revenue growth. During the year under review, total revenue increased by 11%, of which 10% came from organic revenue growth (8% at constant exchange rates). This resulted in growth in both adjusted operating profit and organic adjusted operating profit of 9% (6% at constant exchange rates).

As a people intensive business, it is critical that costs are closely controlled and that the cost base of individual operating entities remain relevant to underlying revenue generation. Accordingly, the operating margin of individual operating entities is the subject of critical review. During 2010, the adjusted operating margin was 16.6% (2009: 16.9%).

Strong cash conversion is crucial for the Group to fund its growth programme. Working capital is kept to a minimum and each division has a range of targets on cash conversion. Operating cash flow is routinely monitored to ensure that it is comparable with past performance and is consistent with budgeted activity.

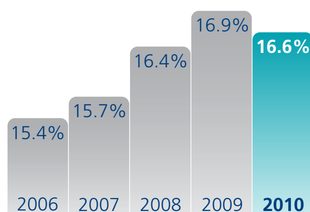
The Board seeks to achieve robust and consistently growing earnings per share performance. Earnings per share performance also forms an important part of the bonus criteria for management incentives. Basic earnings per share measures actual earnings attributed to shareholders in the financial year over the weighted average number of ordinary shares in issue during the year. Diluted earnings per share measures actual earnings attributable to shareholders in the financial year over the weighted average number of ordinary shares in issue but adjusted for the impact of potentially dilutive share awards. These metrics are also adjusted to exclude certain costs (see page 91), to enable shareholders to gain a better understanding of the underlying trading performance of the Group.

The rate of return on invested capital measures the efficiency of Group investments; the higher the rate achieved means that investment gains compare more favourably with the cost of investment. This is an important measure to assess the year on year efficiency of investment decisions. It is also an important criteria in the decision making process when projects are competing for limited funds.

**Adjusted operating margin***

**+120bps**

Over five years



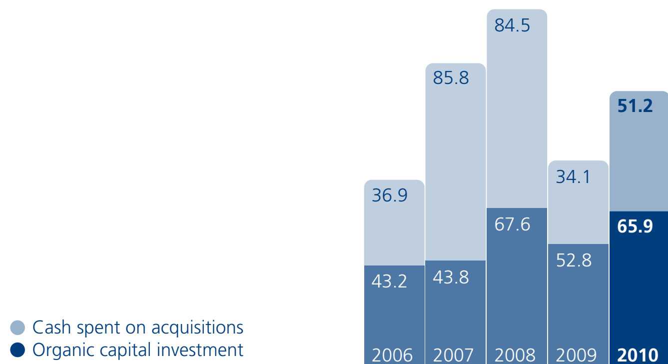

* Adjusted for separately disclosed items.

## Capital investment

The Group continued to invest in its growth strategy during 2010, investing in both organic and acquisition led growth. Organic capital investment of £65.9m (2009: £52.8m) during the year represented 4.8% of revenue (2009: 4.3%). Over the medium-term, the Group plans to invest between five and seven per cent of revenue in organic investment.

During the year the Group completed seven acquisitions for a cash investment of £41.9m (2009: three acquisitions for £23.9m), and there was £9.3m (2009: £10.2m) paid in respect of prior period acquisitions.

**Investment £m**




On 31 March 2010, the Group acquired the Regulatory and Safety Testing businesses of Expert Services (ES) from BASF for a cash consideration of £21.4m. ES provides services in two segments: regulatory testing and consulting services and environmental and safety testing, to companies in industries including pharmaceutical, chemical, food, healthcare, consumer product and agriculture. The business employs around 200 people across Switzerland, Canada, UK, USA, China, India, Brazil, Italy and Japan and offers a range of services and expertise complementary to Intertek Group's services and clients. The businesses are being integrated into our Industrial Services and Analytical Services divisions.

The Group made six smaller infill acquisitions in 2010, details of which are given in the financial statements in note 22 and in the Operating Review by Division which starts on page 12. We expect to complete further acquisitions in 2011.

## Net financing costs

Details of the Group's net financing costs are given in note 7 to the financial statements. The Group reported net financing costs of £16.6m in 2010 (2009: £17.5m). Total finance income in 2010 was £7.2m (2009: £7.7m), and primarily comprised the return on pension assets and interest on bank balances.

Total finance expense for 2010 was £23.8m (2009: £25.2m) comprising interest on borrowings, pension interest cost, foreign exchange losses on the revaluation of net monetary assets and liabilities and other financing fees. Included within the finance expense was a charge of £1.0m (2009: £nil) relating to an interest rate swap which was recycled from equity as it was ineffective hedge accounting. This was reported as a Separately Disclosed Item in the income statement (see note 4).

## Cash flow

| | 2010 £m | 2009 £m | Change |
|---|---|---|---|
| Cash generated from operations | **271.4** | 278.4 | (3)% |
| Less organic capital investment | **(65.9)** | (52.8) | 25% |
| **Operating cash flow** | **205.5** | 225.6 | (9)% |
| **Operating profit** | **206.5** | 186.7 | 11% |
| **Operating cash flow/ operating profit** | **100%** | 121% | |

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

The Group continued to generate good cash flow in 2010. Cash flow generation during 2009 was at an exceptional level as the Group prioritised cash flow during the economic downturn. Cash generated from operations was £271.4m for 2010, compared to £278.4m for 2009. One of the key performance indicators we use to measure the efficiency of our cash generation is the percentage of operating profit that is converted into cash. As shown in the table above, in 2010, 100% of operating profit was converted into cash compared to the exceptional 121% in 2009.

In order to support our growth strategy we invest continually in our operations. In 2010, net cash flows used in investing activities were £115.4m (2009: £79.6m). We paid £41.9m net of cash acquired (2009: £23.9m), for seven new businesses, £9.3m (2009: £10.2m) for deferred consideration on prior year acquisitions, and £65.1m (2009: £52.5m) for the acquisition of property, plant and equipment and computer software, net of disposals. In 2009, we sold for £5.7m shares in a listed investment acquired in 2008 for £4.4m and also divested our 40% interest in the associate Allium for £0.9m. No such transactions took place in 2010.

Cash flows from financing activities comprised proceeds from the issue of share capital following the exercise of employee share options of £2.8m (2009: £3.6m), purchase of own shares to satisfy the requirements of the Employee Share Ownership Trust of £0.5m (2009: £nil), the net drawdown of debt of £44.4m (2009: repayment of £58.7m) following the completion of the 2010 refinancing programme, cash outflows of dividends paid to non-controlling interests of £6.6m (2009: £6.3m) and dividends paid to Group shareholders of £42.5m (2009: £34.7m) which resulted in net cash from financing activities breaking even compared to cash outflow of £96.1m in 2009.

Interest bearing loans and borrowings were £386.7m at 31 December 2010, an increase of 15% over 2009. The Group's borrowings are normally made in currencies which, as far as possible match its asset base. Borrowings at 31 December 2010 are primarily denominated in US dollars. The increase in borrowings was mainly due to the Group issuing a further US$250m of senior notes in December 2010 as part of the Group's refinancing programme which in turn facilitated repayment of part of the multi-currency, multi-tranche syndicated facility.

Cash and cash equivalents at 31 December 2010, were £217.0m, an increase of £82.8m (61.7%) over 2009. As shown in note 25 to the financial statements, net debt at 31 December 2010 was reduced to £169.7m from £201.4m in 2009 and £308.3m in 2008.

### Separately disclosed items

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

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

Separately disclosed items before tax were £22.0m (2009: £22.3m). The charge for 2010 comprised £12.9m for the amortisation of acquisition intangibles (2009: £12.8m), acquisition and related integration costs £5.3m (2009: £2.5m), restructuring £nil (2009: £3.2m), claims and settlements £2.8m (2009: £3.8m), and recycling £1.0m fair value of the interest swaps from the hedging reserve to the income statement (2009: £nil). Further information on separately disclosed items is given in note 4 to the financial statements.

### Comparison of Adjusted results and Total results

| | 2010 Adjusted £m | 2010 Total £m | 2009 Adjusted £m | 2009 Total £m |
|---|---|---|---|---|
| Operating profit | **227.5** | **206.5** | 209.0 | 186.7 |
| Net financing costs | **15.6** | **16.6** | 17.5 | 17.5 |
| Tax | **56.6** | **50.9** | 51.1 | 45.5 |
| Non-controlling interests | **10.4** | **10.4** | 9.0 | 9.0 |
| Profit for the year | **144.9** | **128.6** | 131.4 | 114.7 |
| Earnings per share | **89.4p** | **79.3p** | 81.5p | 71.2p |

## Financing

The Group's net borrowings as at 31 December 2010 were £169.7m compared with £201.4m at the beginning of the year.

Details of the Group's borrowings as at 31 December 2010 are shown in note 15 to the financial statements, and details of the Group's cash and cash equivalents as at 31 December 2010 are shown in note 24.

As at 31 December 2010, Intertek Group had aggregate committed borrowing facilities of £722.9m, of which £386.7m were drawn. The Group's financing is structured through bank facilities and private placement bonds. The bank facilities comprise a syndicated principal bank facility and two bilateral facilities. As part of the planned refinancing of the Group's principal bank facility, the Group concluded further bond placements during 2010 and completed the refinancing on its principal bank facility in early 2011. Details of the Group's borrowings as at 31 December 2010 are outlined below.

| Net borrowings | 2010 £m | 2009 £m |
|---|---|---|
| Due within one year | **93.6** | 8.2 |
| Due between one and two years | – | 198.5 |
| Due between two and five years | **80.8** | 19.0 |
| Due in over five years | **212.3** | 109.9 |
| **Gross borrowings** | **386.7** | 335.6 |
| Cash and cash equivalents | **(217.0)** | (134.2) |
| **Net borrowings** | **169.7** | 201.4 |

The composition of the Group's gross borrowings by currency is as follows:

| | 2010 | 2009 |
|---|---|---|
| US dollar | **100%** | 63% |
| UK sterling | – | 28% |
| Australian dollar | – | 9% |

The Group's policy is to ensure that a liquidity buffer is available in the short-term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. Where appropriate, cash is managed in currency based cash pools and is placed on short-term deposit, bearing interest at market rates.

## Capital management

Financial capital is considered by the Group to include senior term loans, notes and other borrowings in additional to equity held by shareholders. The Group's policy is to monitor and maintain a robust capital base to ensure that market and key stakeholders retain confidence in the capital profile. Debt capital is monitored by Group Treasury assessing the liquidity buffer on a short and longer term basis as discussed in the Principal Risks and Uncertainties section. Interest bearing loans, notes and borrowings are discussed in note 15. The capital structure is reviewed by the Board, using amongst other methods, return on invested capital and diluted adjusted earnings per share as key performance indicators.

## Principal bank facility

In February 2011, the Group successfully completed the refinancing of the principal bank facility. The new syndicated facility comprises a US$600m multi-currency revolving facility available to 31 March 2016. Advances under the new facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending upon the Group's leverage. On execution of the new facility, the Group's original principal bank facility was cancelled. The original facility was raised in 2004 and had a final maturity date of 15 December 2011.

## Private placement bonds

In June 2008, the Group raised US$100m by way of a senior note issue. The notes are repayable on 26 June 2015 and pay a fixed annual interest rate of 5.54%.

In December 2008, the Group issued a further US$100m of senior notes. These notes were issued in two tranches with US$25m repayable on 21 January 2014 at a fixed annual interest rate of 7.5% and US$75m repayable on 10 June 2010 at a fixed annual interest rate of 8.0%.

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

## Other facilities

In January 2010, the Group signed a US$60m bilateral, multi-currency facility available to 25 January 2013. Drawings under this facility at 31 December 2010 were nil.

In December 2010, the Group signed a further bilateral multi-currency facility available to 31 March 2016. The facility comprises a £20m multi-currency revolving facility and a €12m multi-currency term loan facility. Drawings under these facilities at 31 December 2010 were nil.

### Return on invested capital

The Group is committed to enhancing shareholder value, both by investing in the business so as to improve the return on investment in the longer term and by managing its capital structure. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Return on capital in 2010 was 25.2% compared to 26.5% in 2009.

| Return on invested capital | 2010 £m | 2009 £m |
|---|---|---|
| Operating profit | **206.5** | 186.7 |
| Amortisation of acquisition intangibles | **12.9** | 12.8 |
| Acquisition and integration costs | **5.3** | 2.5 |
| Claims, settlements and other costs | **2.8** | 7.0 |
| Adjusted operating profit | **227.5** | 209.0 |
| Tax rate | **26.7%** | 26.7% |
| **Adjusted operating profit after tax** | **166.8** | 153.2 |
| | | |
| Property, plant and equipment | **243.1** | 220.9 |
| Goodwill | **301.5** | 257.8 |
| Other intangible assets | **44.1** | 46.9 |
| Inventories | **9.9** | 7.6 |
| Trade and other receivables | **315.2** | 266.1 |
| Trade and other payables | **(227.6)** | (190.5) |
| Provisions | **(24.3)** | (31.5) |
| **Invested capital** | **661.9** | 577.3 |
| **Return on invested capital** | **25.2%** | 26.5% |

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

### Impact of currency movements

The Group operates in 75 different currencies. The majority of the Group's earnings are denominated in US dollars or currencies linked to the US dollar or which historically have moved in line with the dollar. Other currencies such as the Euro and the Chinese renminbi are also important constituents of our overseas earnings. Therefore the Group's results, when translated into sterling, are exposed to changes in the value of the US dollar and other currencies.

We show below the main currencies that make up the Group's earnings and the cumulative average exchange rates that we have used when translating results into sterling in 2010 and 2009.

| Value of £1 | 2010 | 2009 |
|---|---|---|
| US dollar | **1.55** | 1.56 |
| Euro | **1.17** | 1.12 |
| Chinese renminbi | **10.47** | 10.63 |
| Hong Kong dollar | **12.00** | 12.06 |

Exchange rates in 2010 were more stable than those in 2009 and consequently there was less of an impact on our revenue and operating profit than in 2009. Our revenue growth was 11.1% (2009: 23.3%) at actual rates and 8.8% (2009: 7.0%) at constant exchange rates. Growth in adjusted operating profit was 8.9% (2009: 26.9%) at actual rates and 6.3% (2009: 6.1%) at constant exchange rates.

### Critical accounting policies

The consolidated financial statements are prepared in accordance with IFRS as adopted by the EU. Details of new standards adopted during the year and standards which are not yet effective are set out in note 2 to the financial statements, along with a description of the Group's significant accounting policies.

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35 Our customers, standards providers, suppliers and shareholders
37 Our corporate social responsibility (CSR) structure

### Introduction from the Chief Executive Officer

From the continual development of our own services we know that the importance of corporate social responsibility keeps growing. This year, to support the growing demand for environmental improvements, we have added a number of environmental services to our portfolio, details of which are given on page 32.

Additionally this year we have offered some of our audit customers the opportunity to offset the emissions generated through their use of our services. In this way customers can demonstrate their social responsibility to their own customers while at the same time verifying their own processes. We intend to extend this programme to other areas of our business that involve significant identifiable emissions.

We remain a service business that prides itself on its local flexibility, so we have not changed our fundamental model that allows our local businesses to react appropriately to local stakeholders, within the framework of our global policies. In this way the direction of charitable donations or the methods of engaging with employees can be decided at a local country level rather than centrally.

Our greatest contribution to corporate social responsibility is to provide services that enable our customers to develop more “green” and sustainable products through socially responsible supply chains. For that reason our focus at Board level is on providing an ethical and fair service that meets customers’ needs. We are pleased that this approach has been recognised in our nomination in 2010’s UK National Business Awards for bringing to the market a new style of customer-focused service.

Customers are facing increased challenges to reduce their carbon emissions arising from their operations, supply chain networks and end users.

In response to such challenges, Intertek became the first company in the sector to launch a carbon offset program for our audit services. Our customers achieve carbon neutrality for audit services received through participation in one of a number of offset projects. The diversified project portfolio features carbon offset projects of the highest quality and standard guidelines such as Gold Standard, Voluntary Carbon Standard and Climate Action Reserve. Sample projects include a wind renewable energy project in Turkey and a biomass project generating steam for electricity production in Brazil.

Our carbon advisory and sustainability services are also helping our customers apply the latest standards to mitigate their environmental and socio-economic impact. Our carbon services team helps customers assess the environmental impact of their products through lifecycle analysis consulting and tools. This enables them to strengthen their brands through carbon labelling schemes on products and in their stakeholder reporting.

# Corporate Social Responsibility Report

## Our business

We provide testing, inspection, certification and related services in respect of a huge range of products and services. Our work ensures the quality and safety of customers' products, processes and systems which ultimately benefit the end consumer. Our wide technical knowledge, valuable research and industry expertise are shared through our growing training and consulting services.

Intertek continues to develop and acquire new testing methods, laboratories and expertise to support innovation, particularly in the renewable products and commodities sector. We have committed new resources to the development of solar, wind and battery fuel cell technology and biodegradability testing and are opening state-of-the-art testing laboratories in Europe, Asia and America.

This year our renewable energy services have been augmented by the acquisition of Metoc in the UK, which through its provision of consultancy services from the initial concept to the design stage of energy infrastructure projects, is able to influence the interaction of clients with the environment. This includes wind, wave, solar and hydro-electric projects. Metoc's work also mitigates the adverse impact of oil and gas exploration through its upstream services.

Technological solutions for oil and gas upstream clients, such as those provided by the advanced mathematical software modelling products of another UK acquisition, Profitech, support the efficiency of oil and gas production processes, while exhaust emission control is better evaluated by our ground breaking test technology in San Antonio, Texas, USA.

Our work also includes testing compliance and effectiveness targets in the production of biomass, biofuels and ethanol. This enables our customers to comply with ultra low sulphur diesel legislation and assess low energy and low emission equipment. New laboratories in Albany in the USA and Bilbao in Spain will provide additional testing capacity for biofuels and the Bilbao lab will also carry out environmental testing of contaminated water and soil.

We are a world leader in helping our customers design safe products, with particular expertise in children's toys. Our centres of excellence in Chicago and London provide advice to some of the world's largest product brands to advance the design of safe products in the marketplace. In partnership with industry and health bodies we collect and analyse safety data in connection with child accidents, and use this information to help our customers design safer products.

Intertek provides audit and consultancy services to corporations, non-governmental and regulatory organisations to improve the social and ethical impact of their operations. Increasingly consumers around the world want peace of mind that products they have purchased have not been created through social or ethical abuse of workers or unfair trade. We audit factory conditions and work practices to help make sure that they are legal, ethical and humane. We work with corporations to develop bespoke global CSR standards and programmes to ensure that they exceed minimum social and ethical thresholds in their sourcing. We have successfully initiated partnerships and collaborations with non-governmental and not-for-profit organisations to improve standards.

Our new social compliance programme, 'Workplace Condition Assessment', represents the next generation in social auditing tools. Manufacturers and retailers can measure performance against industry benchmarks, communicate results and improve workplace conditions. A unique scorecard produces a measured result by comparing a facility's performance against industry, country and global benchmarks. An automated report facilitates improvements and enables factories to showcase performance to stakeholders.

In partnership with Credit360, a CSR data management service provider, we enable the collection of social and environmental data in China and Hong Kong to a central secure location. The highly configurable system addresses numerous CSR challenges through its range of modules.

For manufacturers requiring energy testing, Intertek recently deployed 18 global Energy Efficiency Centres of Excellence throughout North America, Asia and Europe.

Intertek has been named an 'EPA-Recognised Certification Body' for the new ENERGY STAR® Enhanced Testing and Verification procedures, which will require manufacturers seeking use of the ENERGY STAR® label to submit products for third-party certification from EPA-recognised certification bodies.

'This distinction by the EPA is a crowning achievement for Intertek,' said Gregg Tiemann, Executive Vice President of Intertek's Commercial and Electrical division. 'Being the only EPA-Recognised Certification Body that has the breadth to cover all gas and electrical ENERGY STAR® product categories is clear affirmation of Intertek's market leading position and global expertise in energy efficiency across all types of products.'

## Our values

Our principal aim is to use our resources to add value to our customers' products and processes whilst employing the highest standards of integrity in business.

### Our Mission Statement

We will:

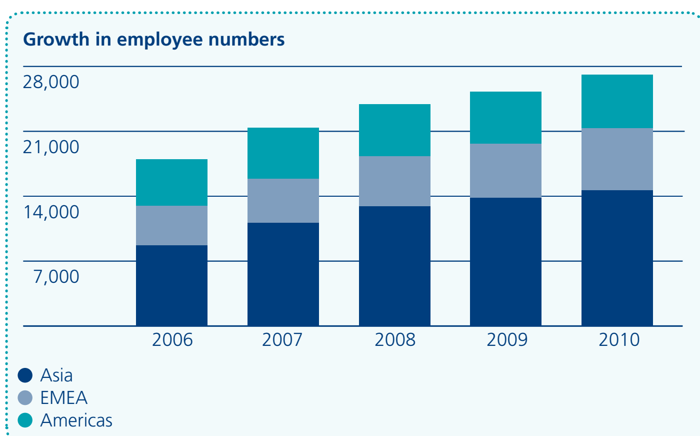
- value trust and personal responsibility;
- act with integrity, honesty and respect;
- deliver excellent services which add value to our customers' business;
- focus on continual growth and outstanding performance;
- strive to create a safe work environment;
- value each employee's contribution toward achieving our business objectives;
- promote a culture where motivated customer-orientated employees can flourish, experience professional fulfilment and reach their highest potential; and
- respect diverse perspectives, experiences and traditions as essential.

To help us ensure that our values are maintained:
- personal integrity is as important as technical competence in our recruitment and promotion decisions;
- all employees and sub-contractors are required to sign the Group's Code of Ethics, which sets out our robust stance on upholding sound business ethics;
- employees are trained regularly in our business ethics;
- our compliance network ensures that our policies and procedures are properly applied in practice and that they remain appropriate to the business;
- all employees have access to whistle-blowing hotlines. Employees and external parties also have access to a hotline through the Group website; and
- our Audit and Risk Committee regularly reviews the outcomes from hotlines and compliance reports on behalf of the Board.

## Our employees

Our principal strengths are the talent and integrity of our employees. Our intention is to unlock the potential of every employee to perform to the best of his or her abilities. This enables us to achieve maximum results for them, our customers and shareholders.

At 31 December 2010 we employed 27,000 people, an increase of 7.4% over the prior year. The growth in employee numbers in each region over the past five years, is shown in the following graph. The largest increase during that period has been in the Asia Pacific region where 54% of employees are based. Because we operate in so many countries, we have adopted a framework of human resource policies to provide a guide to a fair and consistent approach to people around the Group.




*Objectives*

Our focus this year has been on:
- assessing and improving the strength of our collective leadership; and
- improving our capacity to attract, retain and motivate employees as our global presence expands.

*Our policies*

We have framework policies in place that enable fair treatment of employees across the Group, whilst still giving local managers the authority and flexibility to adopt what is right for their local area. As we grow, whether organically or by acquisition, we continue to promote and monitor these policies, which embrace matters such as fair recruitment, performance management, internal communications and remuneration.

The maps on pages 10 and 11 show how we are distributed geographically and why we strive to respect regional and cultural differences. Our human resource managers support the progress of our people through country-specific teams who are able to respond to local circumstances. Our strategy is to develop and promote locally for the best blend of understanding of the local market, with provision of career progress opportunities for everyone. We continue to give opportunities to the most talented individuals to advance into international management.

The health and safety of our employees is of paramount importance to the Group. We aim to provide a safe working environment and ensure that our employees have the information and knowledge to perform their duties safely. We are committed to maintaining high standards and complying with relevant local legislation and guidelines in any area in which we operate. We continually seek to minimise risk to our employees and our procedures are regularly monitored by our compliance team to ensure that they are being properly applied in practice.

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

In the UK, Phillip Carson, one of our Quality Directors, and Derek Snowden, our UK Quality, Safety, Health and Environment Manager, contributed to the prestigious Institution of Chemical Engineers' journal 'Chemical Engineering Research and Design' an article on health, safety and environment metrics and their application in promoting improvement. The depth of their expertise is an indication of the importance Intertek places on health and safety.

Intertek Singapore launched an employee safety campaign with a Laboratory Safety Day. More than 100 employees took part in the event designed to increase employee awareness of safety, which involved a quiz, slogan competition and a drawing competition for young family members. The day reinforced employees' commitment to safety in a country where Intertek has reduced its lost-time injury rate by half in seven years.

In the US our injury and lost-time incident statistics once again improved over the previous year.

Routine fire code, water quality, safety, and environmental audits took place in our US premises, without any significant citations.

Our safety programmes maintain an excellent regulatory compliance rating from external client-appointed safety consortia. Federal regulatory changes are reviewed when released and incorporated into the applicable safety programme.

*Information about employees*

It is important to monitor progress in matters such as diversity, employment of disabled people, training, employee retention and safety, to attain the best results for the Group. The more information we have, the better we will be able to make changes when they are necessary.

Group wide and regional human resource meetings and intranet based sharing of information are used to communicate objectives and share knowledge, and we have begun to introduce software that will once extended around the globe, provide us with more detailed and consistent data.

13% of the Intertek Council, which comprises the Group's most senior functional and business leaders, are women.

17% of our senior leadership group, which includes about 240 managers, are women.

*Information for employees*

Good communication is the basis of every successful relationship and we continually look for ways to increase the two-way communication opportunities with our employees. In particular, we ensure that our employees are aware of our Code of Ethics, risk and safety procedures.

With the increasing range and complexity of our activities we are investing more in the flow of information across the Group to enhance commitment to Group values and consistency in how we support our customers and each other. We have extended the scope of our intranet to encourage Group-wide communication and knowledge sharing. Our intranet has become an online encyclopaedia of the Group, a home to internal communities, a reference for policies and information and an e-learning forum.

We are delighted to have been awarded the 2010 Ektron All Stars Award for the best intranet site.

Our online training tool, SOLO, has been expanded to include a wide range of training modules including safety, technical, ethical, personal development and standard software training. The tool has been made available to new geographical locations and further developments are planned.

We use face-to-face review meetings, safety meetings, regular management meetings and, increasingly, country-focused newsletters to give and receive information.

Employees are also able to use our confidential telephone and email hotlines if they have any issues that they want to communicate anonymously. All hotline calls are investigated sensitively by our compliance managers.

Our Intertek as One programme of cross-divisional liaison has contributed to increased knowledge of the Group and to better opportunities for our employees through regional and country-based meetings, communications and workshops.

**Share interests**

We are committed to aligning the interests of our senior executives with the interests of shareholders and the Group's performance through ownership of the Company's shares. The Company operates a long-term incentive share plan for senior executives and requires the most senior of them to retain some of the shares they obtain through this plan. More information about the plan is contained in the Remuneration Report which starts on page 54. We are pleased to note that a number of our employees have chosen to invest in the Group and that shares to the value of around £10.4m were held by employees and Directors at the end of 2010.

**Our communities**

Because of the decentralised structure of our Group and the nature of our activities, community involvement is organised at local level by local managers. We recognise the importance of our relationship with the communities in which we operate, and encourage our businesses and employees to undertake community service and charitable giving.

Employees from our Houston, USA headquarters and our Technical Centre in Deer Park, USA worked as 'Rodeo Buddies' at the Baytown Special Rodeo western theme day held for local special needs and handicapped children. Thirty staff members assisted children and their families participating in games, hay rides, horse riding and more.

In August 2010 our Singapore team took part in the New Moon Big Walk. The walk is a community project organised to raise rice for needy families in the North East Community Development Council's constituencies in Singapore. Seventy-five Intertek employees and their families took part.

Hong Kong's Red Cross blood transfusion service recognised the long term support for blood donation of staff at Intertek in Hong Kong with a special merit award in 2010.

At a Gymboree Play & Music event in China we used our expertise in child safety to advise parents and teachers how to choose safe products and what to look for when buying toys.

We also encourage the development of links with professional peers, providing lecturers and examiners and contributing to publications and presentations.

**Our environment**

As a service business, our consumption of energy is relatively insignificant and whilst we continually strive to make improvements in respect of our own operations, the positive impact we can have on the environment through our services to clients is far greater.

We have measured our carbon emissions at 10 key sites over the last four years to gain a better understanding of our energy use. This has helped us track the impact of various initiatives on $CO_2$ emissions.

Our compliance team carries out regular risk reviews at key sites, and as part of these reviews confirm that the sites comply with applicable environmental legislation. Any issues identified are corrected as part of the process. Local operational managers review environmental controls on a continuing basis.

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

We have continued with the following:

- reducing paper usage by introducing paper-free delivery to clients, using electronic document management systems, using electronic communication with shareholders and increasing the use of the internet and intranet for all communications including voice calls;
- increasing investment in low-energy equipment;
- increasing recycling schemes throughout the Group;
- reducing carbon-fuel travel by holding meetings by conference call or Webinar and amending travel policies to include environmentally-friendly elements; and
- 'green office' initiatives have reduced paper usage, saved energy, and cut costs.

In compliance with UK legislation we have declared our consumption of energy to the UK Environment Agency under the Energy Efficiency Scheme. Our declared consumption was 4,406 megawatt hours.

Our new acquisition Metoc has been a winner of Anglian Water's Corporate Responsibility Award for its technical solution that enabled Southend-on-Sea, in South East England, to retain Blue Flag status.

Our new green laboratory and office building in Mexico has environmental features that help reduce energy and water usage, carbon emissions and waste. The building is designed to maximise natural sunlight and the interior of the building uses light coloured materials with open floor plans and natural light to cut artificial lighting costs. Energy efficient lighting is used throughout the building. The cross-divisional headquarters building has an onsite water treatment plant that processes waste water from the textiles laboratory for use in the building's gardens, cleaning areas and bathrooms. Biodegradable materials are used for cleaning and maintenance.

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

We aim to educate our employees so that we can all work towards a better future for the environment. For example, providing information on energy consumption is one of the ways we enlist the help of all employees in minimising specific and overall usage.

**Our customers, standards providers, suppliers and shareholders**

At Intertek we:

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

Government regulators and industry bodies responsible for implementing better health, environmental, quality, safety and technical standards are also our stakeholders. We work with many standards bodies directly in a number of countries, such as Trading Standards in the UK to assist their development of standards. We are members of, and sometimes leaders of, standards development organisations and their technical committees.

# Corporate Social Responsibility Report

To better facilitate global alignment Intertek holds roles in several key workgroups within the most internationally recognised certification organisation, the IECEE (Worldwide System for Conformity Testing and Certification of Electrotechnical Equipment and Components). As global standardisation becomes more aligned, global trade barriers will be systematically diminished.

Our industry participation includes:

Membership of the Environmental Committee of the American Apparel and Footwear Association, supporting industry in meeting environmental requirements.

Membership of the Swedish National Committee for Environmental Management, Subcommittee on Carbon Footprint.

Membership of the Roundtable for Sustainable Fire Protection, an industry roundtable to address sustainability, environment and safety in the fire protection industries.

Leadership of the Canadian committee for environmental standardisation for electrical and electronic products and systems, which contributes to the development of internationally-accepted standards for environmental improvement and the harmonisation of Canadian environmental standards with international standards, helping to facilitate global trade.

Membership of the Swedish National Committee for Environmental Standardisation for Electrical and Electronic Products.

Contribution to the development of several International Electrotechnical Commission environmental standards including those for the testing of hazardous products and photovoltaic product assessment. These standards improve environmental accountability while helping to facilitate global trade.

Contributions to the development of:
- the Association Connecting Electronics Industry IPC standard 1752 on materials declaration;
- the coming ISO standard on Product Carbon Footprint;
- the draft Greenhouse Gas Emissions standard from the EU CEN organisation, Committee on Greenhouse Gas Emissions; and
- the revision of the Product Certification Accreditation Standard.

Membership of the Board for Health & Beauty America for contributions to the industry on health and environmental topics.

Membership of the impartiality committee of the Carbon Trust Footprinting Certification Company.

A director of one of our UK subsidiaries sits on the technical panel of judges of the 'Business Commitment to the Environment Environmental Leadership' awards.

The US Environmental Protection Agency consulted with Intertek in transforming the globally-recognised Energy Star® Program into a third party energy efficiency certification program.

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

Our global procurement teams, which are located in key regional bases, have introduced undertakings to be required of new suppliers, based on our own ethical guidelines.

We do not carry out testing on live animals.

Our Compliance Code sets out our business principles including their application in business relationships. The Code is available in the Compliance and Corporate Governance section of our website at www.intertek.com/investors/governance.

We work with our customers to make sure our Compliance Code is readily available and prominently displayed where inspection and audit activities take place. This encourages transparency and fosters open communication.

Communication with shareholders is given a high priority and a number of means are used to promote greater understanding and dialogue with investment audiences. Our investor programme includes:
- regular individual meetings with shareholders and investment managers during the year;
- road shows in many countries;
- regular analyst briefings; and
- 'investor days' where analysts and investors are invited to visit some of our laboratories to meet our employees and observe work being performed.

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

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

## Our corporate social responsibility structure

Intertek has businesses in many locations around the world. Our activities are organised to permit local managers to manage their operations within the framework established by the Board of Intertek Group plc. We consider local managers are best placed to understand and react to their local business environment.

The corporate social responsibility framework within which these activities are to be managed, has been formally adopted by the Board of Intertek Group plc.

*General policy*

Intertek's core businesses provide services that are ultimately of benefit to consumers and other stakeholders. We test substances for purity and performance. We test products for safety and quality. We measure air and noise emissions. We review imports to assess their content accurately. We provide advice that can lead to greater efficiency of production or operation. We carry out audits to help ensure that factory conditions and work practices are legal, humane and ethical. Intertek takes seriously the benefits that our businesses confer and will continue to endeavour in all its dealings to improve quality, safety and to bring about environmental benefits through improved efficiency of products.

*Environmental policy*

Intertek will strive to prevent its operations causing adverse impact on the environment. We will comply with national environmental legislation and will endeavour to identify, monitor and control our environmental risks. We will seek to reduce emissions, effluents, waste and adverse effect on biodiversity. We will commit to recycling schemes and energy efficiency. We will provide benefits in respect of environmental impacts through our testing of environmental standards and will operate safely.

*Ethical policy*

Intertek prohibits the offer, giving or acceptance of bribes in any form. Intertek prohibits the provision of improper benefits. No reward, gift or favour dependent on the outcome of any work will be accepted by employees. Employees shall operate free from any conflict of interest.

*Employee policy*

Intertek will strive to provide a safe and healthy environment for its employees to work in. It will comply with national employee legislation. In the absence of any local prescription, employees will be assessed solely on the basis of their ability irrespective of their race, religion, colour, age, disabilities, gender or sexual orientation or their participation in legitimate union activities. Employees' diverse perspectives, experiences and traditions will be respected. Wherever possible, employees' personal growth will be fostered through the provision of training.

*Community and stakeholder policy*

Intertek will take into account, when making decisions, of their impact on all relevant stakeholders.

*Business practices policy*

Intertek will carry out its work in an honest, professional, independent and impartial manner. Marketing will be conducted in a manner that is not misleading. Procurement from suppliers whose corporate responsibility policies align with Intertek's will be encouraged.

We have cascaded these policies through our management teams and published them on our corporate intranet. Employees are encouraged to supply ideas and information concerning our CSR performance by contacting us through the intranet.

Overall and ultimate responsibility for the Group's CSR policies, issues and their implementation lies with the Chief Executive Officer. Direction falls under the remit of the Group Executive Vice President for Human Resources.

# Principal Risks and Uncertainties

This section sets out a description of the principal risks and uncertainties that could have a material adverse effect on the Intertek Group's strategy, performance, results, financial condition and reputation.

**Risk framework**

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. There is an established, structured approach to risk management, which is described in the Corporate Governance Report which starts on page 46. All levels of management are responsible for managing and controlling risk throughout the Group. The Vice President of Risk Management and Internal Audit, who reports to the Chief Financial Officer and the Audit and Risk Committee, has accountability for reporting the key risks, controls and mitigating actions. Risks are formally identified and recorded in a risk matrix for each operating division and support function. The risk register is updated at least annually and is used to plan the Group's internal audit and risk strategy. In addition to the risk matrix, all senior executives and their direct reports are required to complete an annual return to confirm that management controls have been effectively applied during the year. The return covers operations, compliance, risk management and finance. The Vice President of Risk Management and Internal Audit attends the meetings of the Audit and Risk Committee, and meets with the members of that committee alone at least once a year.

The Group Risk Controls and Assurance Committee complements the work of the Audit and Risk Committee. The Committee oversees the development and improvement of the Group's internal control and assurance and the related procedures and systems arising therefrom and also oversees the operation and implementation of the procedures and systems identified. The Committee makes recommendations to the Intertek Operations Committee where Group-wide policies are identified and develops the Group's integrated responses to changes in the regulatory environment.

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

The principal risks and uncertainties of the Group are listed on the following tables together with commentary on mitigating actions that the Group has identified to manage these risks. These risks and uncertainties do not appear in any particular order of potential materiality or probability of occurrence.

| Principal Risk/Uncertainty | Description | Commentary |
|---|---|---|
| Foreign currency risks<br>The Group reports its financial results in sterling. A significant majority of the Group's revenue and operating costs are incurred in currencies other than sterling. Accordingly, the Group's profit is exposed to exchange rate fluctuations. Two types of risk arise as a result:<br><br>*(i) Translation risk*<br>The risk of adverse exchange rate fluctuations affecting the translation of the foreign currency denominated net assets into the Group's functional currency (pounds sterling). | The net assets of foreign subsidiaries represent a significant majority of the Group's shareholders funds and a substantial percentage of the Group's revenue and operating costs are incurred in currencies other than sterling. Accordingly the Group's profit is exposed to exchange rate fluctuations. | The Group's policy is to match the currency of external borrowings to the currency of expected cash flows and the currency of net investments. |
| *(ii) Transaction risk*<br>The risk of adverse exchange rate fluctuations affecting the sterling value of cash flows. | Material changes in the exchange rates can create volatility in the results when they are translated into sterling. | The Group's policy requires overseas subsidiaries to hedge all significant transaction exposures with Group Treasury. |
| Interest rate risk<br>The risk of adverse interest rate fluctuations. | Material changes in interest rates can create volatility in the results by increasing or reducing the cost of borrowing. | The Group's policy is to ensure that between 33% and 67% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. |

| Principal Risk/Uncertainty | Description | Commentary |
| --- | --- | --- |
| Liquidity risk<br>The risk that the Group is unable to meet its financial obligations as and when they fall due. | The availability of a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. | Group Treasury manages liquidity risk through the use of daily forecast headroom calculations maintaining sufficient committed borrowing facilities from a range of investors. Group Treasury is in regular contact with the banks and capital debt markets, as well as other potential providers of debt to ensure a proper understanding of the availability and pricing of debt funding. The Group's facilities are managed to ensure that borrowing facilities are of a mixed duration, mitigating the amount of borrowings that mature within a single period. |
| Credit risk<br>Customers | This risk arises principally from the Group's receivables from customers. There is limited concentration of credit risk with respect to trade receivables as the Group has a large number of customers which are internationally dispersed. | All companies in the Group are required to operate a credit policy under which each new customer is analysed individually for creditworthiness before the company transacts business with the customer. Incentive schemes are in place to encourage and reward managers for minimising the extent of days sales outstanding for each division. |
| Counterparties to a financial instrument. | This risk arises with respect to a counterparty to a financial instrument who may fail to meet its contractual obligations. | The Group monitors the distribution of cash deposits, borrowings and hedging instruments which are assigned to each of the Group's counterparties and which are subject to periodic review. |
| Taxation risk<br>The risk that the value of tax assets and liabilities in the Group's financial statements are misstated, resulting in financial loss to the Group, or that taxation regimes change, increasing the tax take in key countries. | The Group operates in more than 100 countries and is subject to a wide range of complex tax laws and regulations. | The Group considers the tax estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements. |
| Loss of key facilities<br>The risk that assets of the Group could be damaged or destroyed. | Intertek operates facilities in geographical locations which are subject to local, environmental and political factors. Natural disasters can disrupt operations, causing loss of revenue. | The Group maintains disaster recovery plans at key facilities for such events and endeavours to ensure that adequate insurance is in place. |

# Principal Risks

| Principal Risk/Uncertainty | Description | Commentary |
|---|---|---|
| Risk of financial irregularities<br>The risk that the assets of the Group could be misappropriated resulting in financial loss to the Group, as well as the risk of management misrepresenting results. | The Group has established financial and management controls in place to ensure that the Group's assets are protected from major financial risks.<br><br>A sophisticated system of financial reporting is in place to facilitate the monthly monitoring of financial results. Regional financial centres around the world monitor and control local financial reporting. Group head office consolidates and controls worldwide financial reporting. | The Group operates a rigorous programme of internal audits and management reviews. Each of the senior financial executives are regularly reminded of their fiduciary responsibilities and they and their direct reports are required to complete an annual return to confirm that management controls have been effectively applied during the year. |
| Risk of litigation<br>The risk that the Group could suffer a material financial loss resulting from a legal judgement against the Group which could also result in adverse publicity damaging the reputation of the Group. | The Group is sometimes notified of, or involved in, claims and proceedings which are incidental to its ordinary course of business. Claims can arise where the Group has provided testing, inspection or certification services on behalf of customers. | To reduce the likelihood of claims arising, the Group has extensive quality assurance and control procedures. All incidents that could potentially result in a claim against the Group are reported to compliance officers and are logged in a database of incidents. The Company Secretary reports significant claims to the Audit and Risk Committee. Legal counsel is appointed if appropriate. The Group mitigates the risk of financial loss arising from litigation by maintaining substantial insurance against potential claims although there is no certainty that this will be sufficient to cover any ultimate loss. |
| Legal and regulatory compliance<br>The Group is subject worldwide to laws and regulations that govern and/or affect where and how our business may be conducted. This includes employment legislation. | Non-compliance with applicable laws and regulations could result in criminal or civil liability on behalf of the Company and/or the Directors, imposition of significant fines, as well as negative publicity and reputational damage. | The Group has implemented internal compliance and audit systems to facilitate compliance with the requirements of the laws and regulations affecting our business conduct. |
| Dependence on accreditation<br>The risk of the loss of accreditations and affiliations that manufacturers need for the global market entry of their products. | Accreditations are granted by governments, accreditation bodies, manufacturers, retailers and other bodies to the legal entities operating within Intertek. Each accreditation has a defined scope and is site specific and is subject to regular audits. Failure to retain an accreditation could lead to loss of business in the relevant industry sector and damage to our reputation. | The Group has extensive quality assurance procedures and routines embedded through the Group to ensure that accreditations are maintained and that we uphold the highest standards in both our testing methods and our business practices. |

| Principal Risk/Uncertainty | Description | Commentary |
| --- | --- | --- |
| **Environmental health and safety risks**<br>The exposure to complex worldwide laws and regulations governing activities that may have adverse environmental effects. | Environmental laws and regulations may 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. | The Group endeavours to be in compliance with all applicable environmental and health and safety laws where failure to comply would materially and adversely affect the Group. |
| **Political risk**<br>Political risk is the risk that the Group could suffer financial losses due to government actions. | The Group operates in some countries where there is potential risk of political instability which can make it difficult to operate. In particular, government contracts in the Oil, Chemical & Agri division can be subject to change or termination at short notice. | The Group manages this risk by regularly reviewing the countries in which it operates and exiting those where the risk is considered unacceptable. The Group also maintains close relationships with government representatives but the risk of adverse government action cannot be entirely mitigated (See note 29 on page 117 for the location of major operating subsidiaries). |
| **Reputational risk**<br>The risk of losing our reputation in the marketplace as an independent and trustworthy entity. | The Group's primary business objectives require adherence to local, national and international laws and require all the Group's employees to operate professionally, fairly and with integrity and honesty in all business dealings. Failure to follow these principles could result in adverse publicity which could harm our reputation among our customers, damage our brand and affect both our operational performance and financial position.<br><br>There is a reputational risk arising from any merger or acquisition entered into by the Group. There is a rigorous and independent financial and legal 'due diligence' process applied to every transaction entered into by the Group in order to identify and mitigate any reputational risk prior to any acquisition taking place. | A combination of awareness training and targeted controls is in place to encourage and monitor adherence to these principles and prevent such events occurring. Media comments with regard to Group activities are centrally reviewed in order that senior management can, where necessary, take corrective action on a timely basis.<br><br>The Group has a 'whistle blowing' programme, managed by the Group Risk, Controls and Assurance Committee, which is designed to encourage staff to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group. There is a zero tolerance policy with regard to any inappropriate behaviour by any individual employed by the Group.<br><br>Classroom and on-line training in our ethical policies is available to staff.<br><br>There is a rigorous and independent financial and legal due diligence process applied to every material transaction entered into by the Group in order to identify and mitigate any reputational risk prior to any acquisition taking place. |

# Board of Directors

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**01 Vanni Treves (70)**
Chairman
Appointed to the Board as Chairman in May 2002. He is a corporate lawyer and was a Partner of a major London firm of Solicitors, Macfarlanes, for 30 years, (during 12 of which he was Senior Partner). He has been Chairman of three listed companies, Channel Four Television and London Business School and, until recently, of Equitable Life Assurance Society. He is currently Chairman of the National College for Leadership and of Korn Ferry/Whitehead Mann, a Director of Amplifon S.p.A. (an Italian public company) and a Trustee of the J Paul Getty Jr Charitable Trust.

**02 Wolfhart Hauser (61)**
Chief Executive Officer
Appointed to the Board as Chief Executive Officer in March 2005 after serving as a Non-Executive Director since November 2002. He was previously Chief Executive Officer and President of TÜV Süddeutschland AG for four years and Chief Executive Officer of TÜV Product Services for 10 years. Starting his career with various research activities he went on to establish and lead a broad range of successful international service industry businesses. He has held several non-executive board director and chairman roles in a variety of technology companies. He is currently a Non-Executive Director of Logica plc.

**03 David Allvey (65)**
Senior Independent Non-Executive Director
Appointed to the Board as a Non-Executive Director in May 2002. With a career that started in civil engineering and then as a Chartered Accountant he has held positions in major international businesses including Group Finance Director for BAT Industries plc and Barclays Bank plc and Chief Operating Officer for Zurich Financial Services. He is currently Chairman of Costain Group PLC and Arena Coventry Ltd, Senior Independent Director of Friends Provident Holdings and William Hill PLC and a Non-Executive Director of Thomas Cook Group plc. He is a former board member of the UK Accounting Standards Board.

**04 Edward Astle (57)**
Non-Executive Director
Appointed to the Board as a Non-Executive Director in September 2009. He is currently Pro-Rector, Enterprise at Imperial College London where he leads major international business development and project opportunities in the UK and internationally for the University. Edward was Executive Director of National Grid plc from 2001 to 2008, a Managing Director at the BICC Group from 1997 to 1999 and an Executive and Regional Director at Cable & Wireless plc from 1989 to 1997. Previously he held senior business strategy positions in the UK and France.

**05 Gavin Darby (55)**
Non-Executive Director
Appointed to the Board as a Non-Executive Director in September 2009. He spent 10 years with Vodafone PLC until 2010 including roles as CEO for Vodafone Affiliates in the USA, Africa, China and India from 2004 to 2008, and CEO/COO of Vodafone UK from 2001 to 2004. Multiple Board responsibilities at Vodafone included Verizon Wireless in the USA, Vodacom and Safaricom in Africa, China Mobile (as alternate), as well as Vodafone Essar, Bharti Airtel and Indus Towers in India. Gavin's operational and management experience spans the consumer goods as well as technology sectors, having served 15 years in senior executive positions at The Coca-Cola Co including President of Coca-Cola N W Europe, and President of Coca-Cola Central and Eastern Europe, as well as executive positions at S.C Johnson & Son Ltd (UK) and Spillers Foods.

**06 Christopher Knight (64)**
Non-Executive Director
Appointed to the Board as a Non-Executive Director in March 2006. He was an investment banker for nearly 30 years, for much of that time with Morgan Grenfell and Deutsche Bank, of which he was a managing director until 2001. He is a Chartered Accountant and has extensive corporate finance experience gained during his banking career in London, New York and Hong Kong. He is Chairman of Brooks Macdonald Group plc.

**07 Lloyd Pitchford (39)**
Chief Financial Officer
Appointed to the Board as Chief Financial Officer in April 2010. Previously, he was the Group Financial Controller for BG Group plc; one of the largest UK publicly listed companies and a global player in the exploration, production, distribution and supply of natural gas and oil. During his 10 years with the BG Group, Lloyd progressed through various finance roles in corporate and operations, based in the UK and the Middle East. Previously Lloyd worked for seven years in commercial, M&A and finance roles for Mobil Oil Corporation. He is a Fellow of the Chartered Institute of Management Accountants.

**08 Debra Rade (57)**
Non-Executive Director
Appointed to the Board as a Non-Executive Director in January 2006. Between 1989 and 2002, she was an officer of Underwriters Laboratories Inc., a global provider of systems certification, product inspection, testing and certification, and held various positions there, including Senior Vice President, Chief Administrative Officer and Chief Legal Officer. Formerly a partner in a large international law firm, she is the managing attorney of Rade Law LLC in Chicago focused on corporate law, and legal issues concerning product testing, safety, certification, standards and regulations. Additionally, she is the chief executive officer of Rade Consulting LLC providing corporate strategic planning services.

# Intertek Operations Committee

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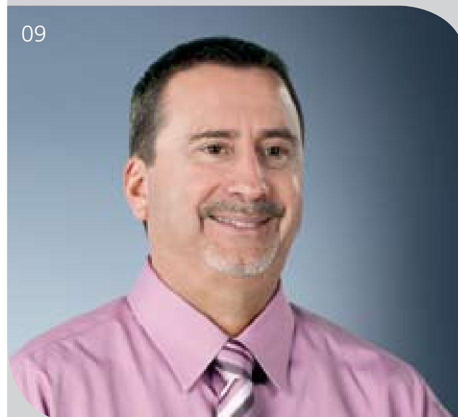
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### Intertek Operations Committee

The day-to-day management of the Group is undertaken by the Intertek Operations Committee (IOC). The IOC currently comprises the three Executive Directors, the six Executive Vice Presidents, who head up the operating divisions and the Vice President of Human Resources.

**01 Wolfhart Hauser**
Chief Executive Officer
See Board of Directors.

**02 Lloyd Pitchford**
Chief Financial Officer
See Board of Directors.

**03 Mark Loughead**
Chief Operating Officer
Through 2011 Mark is transitioning to retirement. Mark served as a member of the Board and as Chief Operating Officer of Intertek Group plc from January 2008 to December 2010. Previously he was Chief Executive of Intertek's Oil, Chemical & Agri division with an earlier role as Vice President of the division. Mark began his career with Intertek in 1993 when he joined as Operations Manager in Liverpool. Before joining Intertek, he spent 13 years at Inspectorate including six years in the Middle East.

**04 Paul Yao**
Group Executive Vice President
Joined Intertek in 1994
Paul Yao was appointed a member of the Executive management team on 1 July 2006. Prior to this, from January 2003 he was Vice President with responsibility for Consumer Goods in China and Taiwan. Before joining Intertek, Paul worked in regional sales and marketing for companies such as Hitachi Chemical, Brent Plc and SISIR Singapore.

**05 Stefan Butz**
Group Executive Vice President
Industrial Services
Joined Intertek in 2008
In addition to Industrial Services, Stefan Butz has responsibility for the Group functions of Strategy, Corporate Development and Marketing. Stefan has held this role since January 2008, when he Joined Intertek from TÜV SÜD, where he was CEO America with an earlier role as Head of Corporate Development. Prior to this he was a Strategy Consultant with Accenture Germany.

**06 Jonathan Lawrence**
Group Executive Vice President
Human Resources
Joined Intertek in 2005
Jonathan has many years experience as an international human resources director and of the testing and inspection business based from the UK, France and the USA. Before moving to Intertek, he was Group Senior Vice President of Human Resources at Bureau Veritas and prior to this he was Group Director Management Development at Valeo Automotive.

**07 Andrew Swift**
Division Executive Vice President
Analytical Services
Joined Intertek in 2001
Prior to assuming his current role, in January 2008, Andrew Swift was Vice President of Global Outsourcing within Intertek's Oil, Chemical & Agri division, having originally started as Business Development Manager and then Director of Global Outsourcing. Andrew began his career by launching CSMA Ltd, where he became Managing Director in 1993.

**08 Gregg Tiemann**
Division Executive Vice President
Commercial & Electrical
Joined Intertek in 1993
Prior to assuming his current role in January 2008 Gregg Tiemann was President of Intertek's Commercial & Electrical division in Europe and the Americas since 2004, having started as General Manager of the Los Angeles and Mexico City laboratories in 1993. Before joining Intertek, Gregg worked in sales and marketing for the software industry.

**09 Jay Gutierrez**
Division Executive Vice President
Oil, Chemical & Agri
Joined Intertek in 1997
Jay Gutierrez assumed his current role in January 2008 and incorporated Government Services in January 2009. Previously, he was Vice President for the Oil, Chemical and Agri division in the Americas. Jay began his career with Intertek with a focus to develop the Chemical business stream, later assuming responsibility for International Coordination and Sales & Marketing. Prior to joining Intertek he spent eight years as General Manager for C.J. Thibodeaux, Inc.

**10 Marc Hoffer**
Division Executive Vice President
Minerals
Joined Intertek in 2005
Marc Hoffer assumed his current role in January 2008 in addition to continued responsibility for Intertek's Oil, Chemical & Agri division in Asia. Prior to joining Intertek Marc spent 13 years at SGS, part of the time as Country Manager of Taiwan, Brazil and Switzerland and part as Regional Financial Controller for Asia and Europe.

# Corporate Governance Report

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### Chairman's foreword

The Board of Intertek Group plc recognises and is committed to the highest standards of corporate governance. On 27 May 2010 the Financial Reporting Council issued the UK Corporate Governance Code (the 'new Code') following its review of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Combined Code'), which is the end result of a year of consultation on the state of governance in the UK. The new Code applies to accounting periods beginning on or after 29 June 2010.

In July 2010 the Board reviewed and discussed the new Code, noting that the 'comply or explain' reporting mechanism continues to underpin the UK corporate governance system and that the proposed changes have been made to increase the effectiveness of boards and make them more accountable to their shareholders. The Board concluded that Intertek Group plc is in a strong position to comply with the provisions of that Code. However, we will continue to explain fully our reasons for any non-compliance if the Board feels compliance is not in the best interests of the Company or our shareholders. In line with the recommendation made by the new Code we have decided to introduce the annual re-election of all directors from 2011.

To ensure the continued effectiveness of the Board, each year all directors take part in a rigorous review of its effectiveness and the results of this review are discussed at the January Board meeting and an action plan formulated. During 2010 the Nominations Committee continued to consider if the Board has the right balance of skills, experience, independence and knowledge necessary to face challenges on key business decisions and risks. We have recently announced that two additional Non-Executive Directors, Michael Wareing and Alan Brown will be joining the Board with effect from 15 April 2011. I am delighted that they will be joining us and am sure that they will make a valuable addition to the Intertek Board. Steps have been taken to further strengthen the internal controls and risk management structures within the business. All these areas are described more fully in the following Corporate Governance Report.

I can confirm on behalf of the Board of Intertek Group plc that we are resolute in adhering to strong corporate governance guidelines and practices to ensure the continued effectiveness of the Board and the long-term success of the Group.

**Vanni Treves**
Chairman

## Governance framework

The Group is committed to high standards of corporate governance and this report outlines its compliance with the provisions of the Combined Code which remains applicable to the accounting period under review, until the new Code becomes effective. The Combined Code is available at www.frc.org.uk. Throughout 2010 the Group complied with all but one of the provisions of the Combined Code.

The one area of non-compliance is that prior to 13 May 2010 the membership of the Audit and Risk Committee included Vanni Treves, Chairman of the Company, which did not accord with the requirement of section C.3.1 of the Combined Code. On 13 May 2010 the Board reviewed and discussed the composition of the Audit and Risk Committee. As Edward Astle had been appointed to that committee in 2009, the Board agreed to accept the decision of Vanni Treves to step down as a member of the Committee and since that date the composition of the Committee has complied with the Combined Code.

The Board is responsible and accountable to shareholders for ensuring that the Company is appropriately managed and that it achieves its objectives. The Board's main role is to understand and meet its obligations to the Company's shareholders and others, to lead the Group within a framework of prudent and effective controls which enable risk to be assessed and managed, to approve the Group's strategic objectives and to ensure that sufficient resources are available to enable it to meet those objectives. The Board also ensures that plans are in place for orderly succession for appointments to the Board and to senior management.

During the year, the Board consisted of a Non-Executive Chairman, three Executive Directors and five independent Non-Executive Directors. All Directors have a wide range of experience and skills, bringing independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Directors' biographies appear on page 43. During the year, the Board met eight times, in addition to frequent informal contact between Directors to discuss the Group's affairs and develop its business. Directors' attendance at Board meetings is shown in the table on the right. Also on several occasions during 2010, the Chairman met with the Non-Executive Directors without the Executive Directors being present. The Non-Executive Directors have also had discussions without the Chairman being present.

If a Director has any concerns about the Group or a proposed action, then such concerns are recorded in the Board minutes as a matter of course. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information. Papers are circulated well before the Board and Committee meetings to ensure that Directors have the necessary time to read and review. The Non-Executive Directors receive monthly management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives and prior performance.

## Board attendance

| Name/Position | Attendance* |
|---|---|
| Vanni Treves<br>Chairman | 8 (8) |
| Wolfhart Hauser<br>Chief Executive Officer | 8 (8) |
| Lloyd Pitchford (appointed 26 April 2010)*<br>Chief Financial Officer | 6 (6) |
| David Allvey<br>Senior Independent Non-Executive Director | 8 (8) |
| Edward Astle<br>Independent Non-Executive Director | 8 (8) |
| Gavin Darby<br>Independent Non-Executive Director | 8 (8) |
| Christopher Knight<br>Independent Non-Executive Director | 8 (8) |
| Debra Rade<br>Independent Non-Executive Director | 8 (8) |
| **Former Directors** | |
| Bill Spencer (retired 31 March 2010)<br>Chief Financial Officer | 2 (2) |
| Mark Loughead (retired 31 December 2010)<br>Chief Operating Officer | 8 (8) |

*Actual attendance (maximum number) of meetings a Director could attend as a Board member.

# Corporate Governance Report

### Role of the Chairman, Chief Executive Officer and Senior Independent Director

In order to avoid any one individual having unfettered powers, there is a clear division of responsibilities between the Chairman and the Chief Executive Officer. These have been set out in writing and approved by the Board.

Vanni Treves was appointed Chairman of the Board in May 2002, at which point he met the independence criteria as set out in the Combined Code. His responsibilities as Chairman include: the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda; ensuring that the Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; facilitating the effective contribution to the Board of the Non-Executive Directors in particular; and ensuring constructive relationships between the Executive and Non-Executive Directors. The Chairman's other main commitments are detailed in his biography on page 43.

Wolfhart Hauser, the Chief Executive Officer, has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

David Allvey was appointed Senior Independent Director in May 2002. His responsibilities include leading the Non-Executive Directors' annual consideration of the Chairman's performance and holding discussions with the Non-Executive Directors without management present. David Allvey is readily available to shareholders if they have concerns that remain unresolved after contacting the Group through the usual channels of the Chairman or any of the Executive Directors, or where such contact is inappropriate.

### Board balance and independence

The Nominations Committee reviewed the independence of all the Non-Executive Directors taking into account the criteria outlined in A.3.1 of the Combined Code. As a result, there was no change to the independent status of the current Non-Executive Directors and the Board considers David Allvey, Edward Astle, Gavin Darby, Christopher Knight and Debra Rade to be independent in character and judgement. All the Non-Executive Directors continue to demonstrate the necessary characteristics of independence expected by the Board and they have no material relationships or links to the business which would compromise their independence.

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

At the forthcoming AGM all Directors will stand for re-election by shareholders.

### Professional development

Upon appointment to the Board, new Non-Executive Directors receive a formal induction programme, co-ordinated by the Group Company Secretary, tailored to suit the individual's previous experience. Ongoing training is provided to Directors as necessary, for example, on best practice and changes in legislation, developments in the economic and regulatory environment and on the Company's businesses. In addition, visits to sites are usually arranged at least once a year and one Board meeting is held abroad which provides an opportunity for the Board to meet more senior managers within the Group and to further their knowledge of the Group's operations. In November 2010 meetings were held in Miami with the focus on reviewing and discussing the regional strategy for Latin America. During the visit the Board met members of the Intertek Operations Committee and other senior managers within the Group. The Non-Executive Directors also attend various seminars during the year on topics relevant to a publicly listed company.

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

All Directors are entitled to obtain independent professional advice, at the Group's expense, in the performance of their duties as Directors. No such advice was sought during the year. The Company has granted an indemnity, to the extent permitted by law, to each of the Directors and Group Company Secretary. Directors' and officers' liability insurance is in place.

The Board believes that strong corporate governance improves the performance of the business and enhances shareholder value. During its meetings in 2010 the Board received and discussed reports from the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer on strategy, debt financing, market reports, share trading reports, analysts' forecasts, potential acquisitions, litigation reports, final and interim dividend recommendations, potential contract bids, road show and investor feedback, budgets, tax policy, Annual Report, Half Year Results, interim management statements, announcements and a wide range of other issues.

**Performance evaluation**

Once again, the Board engaged in a rigorous performance evaluation process led by the Chairman comprising a series of detailed questionnaires which provide a framework for the evaluation process. This provides a source of information not just on the Board's performance but also on that of individual Directors and the Chairman. There are questionnaires for each of the following: the Board; each individual Director; and the Audit and Risk, Nominations and Remuneration Committees. For 2010, no external facilitated evaluation was carried out as it was felt that an internal evaluation continued to be appropriate. The performance evaluation process will continue to be under review in the future.

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

The Chairman assesses the individual performance of each Director, taking into account discussions with other Directors. The Senior Independent Director has discussions with the other Executive and Non-Executive Directors, without the Chairman being present, in order to appraise the Chairman's performance during the year. Following feedback from the Board evaluation process which was discussed by the Board in January 2010, presentations from senior management to the Board have continued throughout 2010 and a session held on regional strategy to increase the understanding of the operations and opportunities. Each of the presentations made to the Board also includes a section on risk to ensure that all Directors are fully briefed in this area. The performance of the Board and each Director was, and is, effective, and all Directors demonstrate full commitment in their respective roles to the Company evidenced, inter alia, by the Board and Committee attendance records set out in this report. The evaluations further demonstrate that the Board has an appropriate set of skills, that all the Directors add value to the overall effectiveness and success of the Group, and that no substantial issues have arisen out of the evaluation process.

The Audit and Risk, Nominations and Remuneration Committees also each held an evaluation of their work and effectiveness during the year, the results of which were reported to the Board by the Group Company Secretary. The reviews concluded that each Committee was operating in an efficient and effective manner. The Board will continue to develop the evaluation process in order to ensure that it can properly review, on an annual basis, its performance and that of its individual members and Committees.

**Procedures to deal with Directors' conflicts of interests**

The Board has a formal system to deal with conflicts of Directors' interests. Each year all Directors complete a questionnaire in order to identify any conflicts or potential conflicts of interests. The decision to authorise a conflict of interest can only be made by non-conflicted Directors, meaning those who have no interest in the matter being considered. The authorised decisions are reviewed on an annual basis or, where appropriate, authorisation is sought prior to the appointment of any new directors or if a new conflict arises. During 2010 this procedure operated effectively.

**The Board and its Committees**

The Group has identified a number of key areas that are subject to regular reporting to the Board, so that the performance of management can be reviewed and monitored. A Board Approval Matrix is in place which formally outlines the matters specifically requiring the consent of the full Board. Matters include:

- group strategy;
- annual budget;
- annual Report, Half Year Results and related announcements;
- capital expenditure;
- acquisitions, disposals and other transactions outside delegated limits;
- material contracts;
- dividend policy;
- approval of tax, treasury and risk management policies.

The Board Approval Matrix also identifies areas where the Board has delegated authority to executive management, subject to certain financial limits. Where any of the activities involve amounts greater than those limits they are referred to the Board.

In order to operate effectively and to give appropriate attention and consideration to matters, the Board has established three Committees, each with clearly defined terms of reference, procedures and powers. These terms of reference are available on request from the Group Company Secretary at the registered office or can be downloaded from www.intertek.com. These Committees comprise the Remuneration Committee, the Nominations Committee and the Audit and Risk Committee. The Board is kept informed by the Committee chairmen through the provision of a summary of the issues discussed and decisions taken by the Committee.

The following sections explain the responsibilities of each Board Committee and the areas that they covered during the year.

### The Remuneration Committee

At the end of 2010, this Committee comprised three independent Non-Executive Directors, David Allvey (Chairman), Gavin Darby and Christopher Knight together with Vanni Treves. The Combined Code requires the Remuneration Committee to have at least three independent Non-Executive Directors whilst allowing the Chairman of the Board of Directors of the Company, if considered independent on appointment, to be a member.

The Committee has responsibility for determining and agreeing with the Board the framework or board policy for the remuneration of the Chairman, the Executive Directors and senior executives and for the determination, within agreed terms of reference, of additional benefits for each of the Executive Directors, including pension rights and any compensation for loss of office. The Committee is also responsible for the implementation and operation of employee share incentive arrangements. Details of the matters discussed and actions taken by the Remuneration Committee, including the Group's remuneration for Executive Directors, and details of benefits, share options, pension entitlements, service contracts and compensation payments are given in the Remuneration Report which starts on page 54.

Membership and attendance at meetings during the year was as follows:

| Name | Attendance* |
|---|---|
| David Allvey Chairman | 7 (7) |
| Gavin Darby | 7 (7) |
| Christopher Knight | 7 (7) |
| Vanni Treves | 7 (7) |

* Actual attendance (maximum number) of meetings a Director could attend as a Committee member.

### The Nominations Committee

This Committee currently comprises, Vanni Treves (Chairman), David Allvey and Christopher Knight. During 2010 this Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective. The composition of the Committee is in compliance with the Combined Code.

The main purpose of the Committee is to nominate candidates to fill Board vacancies, review talent mapping and succession planning for the Board and senior management and make recommendations on the balance and composition of the Board. In the event of any perceived conflict of interest, a sub committee comprising non-conflicted Directors is appointed.

During the year the Board accepted the Committee's recommendations that Lloyd Pitchford be appointed as successor to Bill Spencer who retired as Chief Financial Officer from the Board on 31 March 2010.

The Nominations Committee membership and attendance at meetings was as follows during the year:

| Name | Attendance* |
|---|---|
| Vanni Treves Chairman | 2 (2) |
| David Allvey | 2 (2) |
| Christopher Knight | 2 (2) |

* Actual attendance (maximum number) of meetings a Director could attend as a Committee member.

Organisation and succession planning are important components in ensuring the continued success of the Group. As part of the strategy processes our operations plan the future organisation needed and address the consequent talent pipelines for all key roles across the Group. The Group first introduced a global integrated approach to talent in 2006. This is central to building our customer-centric organisation for continued growth. Linked with the other HR frameworks in place across the Group, this delivers a pragmatic approach to talent management in a global yet geographically dispersed business.

Organisation and talent reviews cascade across the global organisation conducted by 'career committees' of the appropriate Executives. The principal actions resulting from these reviews relate to development of executive capacity across Intertek. Annual reviews of the overall process and global priorities, as well as detailed plans at the most senior levels, are reviewed annually by the Nominations Committee.

Bearing in mind the balance of existing skills, knowledge and experience of the Board, a job description is prepared for any new Board position and when a Non-Executive Director is appointed, the Committee requires confirmation that he or she can devote sufficient time to fulfil the commitments of the role. The Committee ensures that the search for any board candidate is conducted, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender. The terms and conditions of appointment of Non-Executive Directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting). All new Directors are subject to election by shareholders at the first AGM after their appointment and then subject to re-election by shareholders every year.

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

### The Audit and Risk Committee

This Committee currently comprises three Non-Executive Directors, David Allvey (Chairman), Edward Astle and Christopher Knight. Until 13 May 2010 Vanni Treves also served as a member of the Committee. As Chairman of the Board of Directors, Vanni Treves was not viewed as independent and therefore the Committee did not comply with the Combined Code. Notwithstanding the non-compliance with the Combined Code, the Committee felt that Vanni Treves continued to contribute valuable legal knowledge and experience to the discussions of the Committee and hence remained a member until 13 May 2010 when, following the appointment of Edward Astle in September 2009, Vanni Treves stepped down as a member of the Committee. Both David Allvey and Christopher Knight have recent and relevant financial experience as detailed in their biographies on page 43.

The key functions of the Audit and Risk Committee are to monitor the integrity of the Group's financial statements and any formal announcements relating to the Group's performance and review the effectiveness of the Group's systems of internal control and risk management. In accordance with its terms of reference, the Committee is responsible for:

- monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, reappointment and remuneration of the external auditors, and for ensuring that an appropriate relationship is maintained between the Group and its external auditors;
- reviewing annually the effectiveness of the Group's systems of internal control, risk management, the processes for monitoring and evaluating the risks facing the Group and the efficacy of the internal audit function;
- monitoring the progress of internal audit activity against the annual plan, and reviewing the strategy, scope and approach of the internal audit and risk management teams;
- reviewing the corrective action taken by management to address any control issues identified by the internal audit and risk management function; and
- approving the appointment and termination of the Vice President Risk Management and Internal Audit and meeting with him at least once a year without management present.

Committee meetings are usually attended by the Group's external auditors, Chief Executive Officer, Chief Financial Officer, Vice President Financial Control and the Vice President Risk Management and Internal Audit. The Group's external auditors meet with the members of the Audit and Risk Committee at least once a year without management present.

The Audit and Risk Committee seeks to ensure the continued independence and objectivity of the Group's external auditors. A revised policy on the provision of non-audit work by the external auditors has been approved in February 2011 to ensure that auditors' objectivity and independence are safeguarded. To this end, the policy highlights those areas where the external auditor cannot provide services to the Group, including inter alia, the provision of Group management functions, internal audit outsourcing, provision of legal advice and recruitment and remuneration advice. The external auditors confirm by way of a letter to the Board that processes to ensure compliance with this policy are in place, and that these processes are monitored regularly. A detailed breakdown of the audit and non-audit fees paid to the Group's auditors during the year is set out in note 5 to the financial statements.

The Committee has recommended to the Board that KPMG Audit Plc be reappointed the Group's external auditor at the forthcoming AGM.

At its meetings during 2010 the Committee reviewed and endorsed prior to submission to the Board, the Group's 2009 Annual Report and 2010 Half Year Results. The Chairman and other Committee members also attend meetings with the external auditors and management to discuss any accounting issues associated with the annual audit. It also reviewed the Group's arrangements for the avoidance and detection of fraud and related matters, whistle-blowing and hotlines, compliance, training, quality assurance systems and potential claims affecting the Group.

The ultimate responsibility for reviewing and approving the Annual Report and the Half Year Results announcement remains with the Board.

Membership and attendance at meetings was as follows during the year:

| Name | Attendance* |
|---|---|
| David Allvey Chairman | 4 (4) |
| Edward Astle | 4 (4) |
| Christopher Knight | 4 (4) |
| Vanni Treves (retired from the Committee 13 May 2010) | 1 (1) |

* Actual attendance (maximum number) of meetings a Director could attend as a Committee member.

### Internal control

The Group's primary business objectives require adherence to local, national and international laws and require the Group's employees to show integrity and honesty in all business dealings. Risk management and internal controls are therefore embedded in the running of each division and support function, assuring the accuracy and validity of reports and certificates that the Group provides to customers. The Board is responsible for establishing and maintaining the Group's system of internal control and risk management and for reviewing its effectiveness. Such a system can realistically only manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss.

There are number of controls in place to ensure that the Group has robust procedures for preparing consolidated accounts and for financial reporting. Intertek has a clear set of Accounting Policies and Procedures available to all staff. This gives instructions on accounting treatment and reporting. There are ongoing reviews of adherence to these policies by Group Internal Audit and by Finance Management. The Group is audited externally by KPMG Audit Plc.

The Board confirms that in addition to internal audits, there is an ongoing process for identifying, evaluating and managing any significant risks to the Group's short-and long-term value, including those arising from social, environmental and ethical matters. This process, which is regularly reviewed by the Board and accords with the Turnbull Guidance, has been in place for the year under review and up to the date of approval of the Annual Report. Any breaches of internal controls identified by the Group's control review procedures are reported to the Audit and Risk Committee and corrective action taken. In carrying out the risk review, the Board is satisfied that it received adequate information from the operations around the world. Training is provided to Directors on these matters where necessary.

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

The Group maintains a robust stance in regard to breaches of ethics and all employees are required to sign a certificate confirming their understanding that any breaches of the Group's Code of Ethics will result in disciplinary action that may include summary dismissal of the employee concerned. To support Group policies and to facilitate the raising of concerns about possible improprieties in matters of financial reporting or any other matters, the Group provides and publicises email and telephone hotlines so that staff may report anonymously any inaccurate or unethical working practices. All complaints are investigated thoroughly with action taken as appropriate. The number of complaints received, together with the corrective actions taken, is reported to the Audit and Risk Committee. During 2010, 141 complaints were received and investigated (122 in 2009). The Group continues to publicise the existence of hotlines to internal and external parties, and sees hotlines as an important tool in eradicating isolated cases of poor behaviour. Most investigations concluded that the complaint was unfounded, but corrective action was taken where appropriate.

In carrying out its review, the Audit and Risk Committee endeavours to ensure that the Group has in place the most appropriate and effective controls, checks, systems and risk management techniques so as to be in line with best practice on such matters. During 2010 the control environment within the Group has been strengthened by the establishment of two internal committees. The Risk Control and Assurance Committee ('RCA') was established in July 2010 with the remit of overseeing the development of the internal control framework, reviewing risk matrices and risk management procedures, monitoring issues and providing a conduit of information to senior management. The Committee comprises the Chief Financial Officer, Group Company Secretary, Group Executive Vice President of Human Resources, Vice President Financial Control, Chief Financial Officer Asia and Vice President Risk Management and Internal Audit and meets every month. An Investment Committee has also been established with the remit of approving and reviewing requests for expenditure throughout the business within certain limits as outlined in the Board Approval Matrix. This Committee comprises the Chief Executive Officer and the Chief Financial Officer.

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

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

Each division and support function reports annually to the Audit and Risk Committee via the Vice President Risk Management and Internal Audit on its review of risks and how they are managed. Each year senior operational managers throughout the Group confirm the adequacy of their systems of internal controls, compliance with Group policies, local laws and regulations and report any control weaknesses identified in the past year. A separate review of the key financial controls is undertaken by the finance function. One of the Audit and Risk Committee's main roles is to review, on behalf of the Board, the key risks inherent in the business and the system of controls necessary to ensure such risks are properly managed.

Quality assurance audits are carried out by the divisions, and the findings reported to divisional management and to compliance officers. Each division has at least one compliance officer who undertakes investigations of issues that arise either from quality assurance audits or by other means, such as the employee hotline. Reports of significant findings are presented to the Audit and Risk Committee.

Each geographic region has at least one internal auditor who is independent of the divisions. Sites are reviewed regularly on a schedule based on materiality and perceived risk. Reports of significant findings are presented to the Audit and Risk Committee which monitors and reviews the effectiveness of the internal audit function. The internal audit department was awarded ISO 9001 accreditation in 2003 which was successfully renewed for a further three years in 2009. An external accreditation body conducts surveillance audits of the internal audit department every year and conducts a more detailed review every three years.

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

The Chief Executive Officer also reports to the Board on significant changes in the business and the external environment which could impact on risk. The Chief Financial Officer provides the Board with monthly financial information, which includes the comparison of key performance figures against budgets and forecasts. Information is also provided with regard to risk indicators. The Board approves the treasury policy and the Treasury department's activities are also subject to regular internal audits.

### Shareholders

The Board recognises the importance of maintaining an effective investor relations and communication programme as part of its ongoing relationship with the Company's shareholders. The Group produces an Annual Report which is available to shareholders and also publishes interim management statements and Half Year Results. The Group website www.intertek.com contains up-to-date information on its activities and published financial results. Shareholders can subscribe via the Investors' section of www.intertek.com to receive email alerts of important announcements made by the Group. The Companies Act 2006 and the UK Listing Authority Disclosure and Transparency Rules enable communications with shareholders using electronic means via the Group website or by email. The Group's Annual Report, notices of meetings and proxy forms are provided electronically as a default option. However, shareholders are also able to request paper copies of documents if they so choose.

Any significant comments received from institutional shareholders are communicated directly to the Board, and all analysts' and brokers' reports on the Group are sent to each Director.

The Company's AGM provides all shareholders with the opportunity to further develop their understanding of the Company and to ask questions of the full Board on the matters put to the meeting, including the Annual Report. All Board members attend the AGM and in particular, the Chairmen of the Audit and Risk, Nominations and Remuneration Committees are available to answer questions. At General Meetings a schedule of the proxy votes cast is made available to all shareholders and is also available on the Group website. The Company proposes a resolution on each substantially separate issue and does not combine resolutions inappropriately.

### Going concern

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

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### This Report

This report sets out the Group's policy and disclosures in relation to Directors' remuneration for the year ended 31 December 2010. It will be subject to a separate shareholder vote at the forthcoming AGM.

The report has been prepared on behalf of the Board and complies fully with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and the Combined Code on Corporate Governance (the Combined Code) as applicable for the financial year and has been audited by KPMG Audit Plc to the extent required by the Regulations.

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

### Commentary from the Chairman of the Remuneration Committee

In 2010 the Company saw a stabilisation and improvement in its markets; and the Remuneration Committee has focused on the continuing suitability of Intertek's reward arrangements to drive our strategy as a successful, increasingly complex, growing and global FTSE100 company. This has included a 'fit for purpose' review of total remuneration comprising salaries, cash bonuses and share incentives. With the help of our advisers we have also considered a number of improvements to ensure our continuing competitive position in the increasingly global markets for talent.

In May 2010 the Financial Reporting Council issued the UK Corporate Governance Code. The Committee has kept a close eye on developments and concluded that the views we had previously taken on the extent to which Intertek should and does comply with external guidance remained unchanged; we feel that we have sufficient regard to risk factors, adequate overview of Intertek's remuneration processes and their contribution to strategy and continue to tie rewards effectively to the continued long-term success of the Group.

The following report contains explanations wherever we have decided that a change is necessary to continue to ensure we motivate and keep the employees we need and to attract the best new talent worldwide to grow the Group.

One change we intend to make is to alter the performance criteria for performance-related long term share awards for our forty or so most senior executives to a balanced mix of Total Shareholder Return (TSR) and Earnings Per Share (EPS) where it was previously based wholly on relative TSR. This use of EPS as a measure of organic growth provides a more immediate driver for senior management than TSR alone and adds balance because there are few companies that are direct comparators for Intertek.

We are continuing our policy of preferring appropriate variable incentives to promote and reward good performance over movement in fixed salaries. We ensure targets continue to be sufficiently stretching to drive the continuing growth and excellence of the Group.

We were delighted to announce that Lloyd Pitchford would join us to replace Bill Spencer as Chief Financial Officer following Bill's retirement in March. Details of Lloyd's contractual arrangements can be found on page 59 of this report.

### Policy

Our remuneration strategy is to:
- attract, engage, motivate and retain the best available people by positioning total pay and benefits to be competitive in the relevant market and in line with the ability of the business to pay;
- reward people equitably for the size of their responsibilities and performance;
- align and recognise the individual's contribution to success in our strategy and long-term business goals;
- engage motivated high performers and, through variable bonus schemes, share the success with those who build and lead Intertek as a world class business.

Each year the Remuneration Committee (the Committee) approves the general strategy for pay packages for the Group and considers individual remuneration packages of the Executive Directors and other senior executives. There are no executives whose remuneration exceeds that of the Executive Directors.

We consider the balance between base salary and performance-related pay, rewarding excellent performance through variable pay and long-term incentives. We also review and set future reward objectives and targets to drive our business strategy. We continue to ensure resulting outcomes are a true reflection of the fundamental performance of the Group.

As a global service business, success is critically dependent on the performance and retention of key people. Employment costs represent the major element of Group operating costs but there is considerable variation in those costs amongst businesses. As a global group our pay arrangements take into account both local and international markets. For these reasons there is in place a global Remuneration Policy Framework to achieve our reward strategy, with each operation retaining the freedom to navigate within that framework to find the best local solution.

When determining salary increases for executives, we take account of pay and employment conditions elsewhere in the Group, as well as the general appropriate market. This is achieved by reviewing detailed information for the four countries (mainland China, USA, UK and Hong Kong) in which the Group employs the greatest number of employees.

Our peer groups for the majority of our employees consist of international industrial or business services organisations and similar-sized businesses. In respect of our more senior executives we base our pay comparisons on a blend of factors, including sector, job location, responsibility of the role and performance, whilst recognising the Company is UK listed.

We believe that for reward and retention of senior executives a significant proportion of remuneration should be performance-related with part of that remuneration being deferred in the form of share awards vesting well after grant. We also believe that share ownership should form a significant element in senior executives' compensation so that total remuneration will depend on the sustained future success of the Group.

The following table sets out the elements that make up the remuneration of the Executive Directors:

| Element | Description |
|---|---|
| Performance: short-term<br>Annual cash performance bonus | The cash bonus serves to drive and recognise short-term performance against targets which are a mix of shareholder, business and personal objectives, both numeric and non-numeric. The criteria and targets are reset each year to fit changing business objectives and the economic environment. |
| Performance: long-term<br>Deferred and Matching Awards made under the Intertek Deferred Bonus Share Plan | For the purposes of retention and to link reward clearly to shareholders' interests in the long-term success of the Company, a significant element of reward determined by business success has a value dependent on our share price at the end of the deferral period. |
| Fixed<br>Base salary | The annual base salary takes account of the size of the job and the competence and contribution of the job holder. We target annual base salary for fully competent performance at the median for the appropriate market. |
| Fixed<br>Pension | Provisions for retirement reflect the appropriate market and respect past obligations. |
| Fixed<br>Other benefits | These may include car allowances, life and private medical insurance and annual medicals, as appropriate for the Executive Directors of a listed company. |

**Executive Directors and other executives**

Last year the total remuneration for our Executive Directors and the balance between the above elements was:

Wolfhart Hauser (£2,572k)

Lloyd Pitchford (£1,106k)

Mark Loughead (£783k)

● Base salary ● Benefits ● Pensions ● Cash bonus ● Deferred shares ● Matching shares

The base salary, benefits, cash bonus, deferred shares and, for Wolfhart Hauser and Lloyd Pitchford, pension, are shown in the table on page 61. The pension for Mark Loughead is the increase in actual transfer value for 2010 as shown on page 62. The performance matching share award is half the fair value of the maximum potential number of matching shares that may vest, subject to performance. Details of how the fair values of the deferred and matching shares have been calculated are set out in note 23 to the financial statements. The remuneration for Lloyd Pitchford excludes the mirror share awards on page 64.

### Salaries

Salaries are reviewed annually, in accordance with the Group's Remuneration Policy Framework. Increases in base salary are linked to:

- the growth in size and complexity of the business;
- demonstrable effort and sustained contribution of an individual to the development of Intertek's strategy, synergy and efficiency;
- retention; and
- market movement.

Where a decision is made to increase a senior executive's base salary we will expect the individual, taking into account levels of experience, to have demonstrated strong leadership within the business combined with a results-orientated approach. Whilst the Committee takes benchmarking information into account, it primarily reviews the performance of the individual concerned against the above measures to ensure that there is no unjustified upward ratchet in base remuneration.

Salaries for the continuing Executive Directors were increased in 2010 and will increase in 2011 (see the table below). Applying the above criteria consistently with previous years, we considered that the performance of the individuals, taken in conjunction with the continuing growth, increasing complexity and financial success of the Group, justified the increases. In the case of Wolfhart Hauser, we regard his leadership of the Group as superior and his performance as exemplary. Lloyd Pitchford has made an excellent start in the role of CFO and delivered exceptional results since he started last April.

Elsewhere in the Group salary increases were also awarded where justified by the growth, increasing complexity and results of the relevant businesses or by market conditions.

The Executive Directors salaries are:

| | Basic salary from 1 April 2010 or date of appointment | % increase over 2009 salary | Base salary from 1 April 2011 | % increase over 2010 salary |
|---|---|---|---|---|
| Wolfhart Hauser | £606,375 | 5% | £667,000 | 10% |
| Mark Loughead[1] | US$556,400 | 4% | n/a | n/a |
| Lloyd Pitchford | £350,000 | n/a | £400,000 | 14.3% |

1. In addition to his base salary Mark Loughead received £43,000 in Director's fees in 2010 (2009: £43,000).

### Cash bonuses

The Executive Directors and senior executives are eligible for annual cash bonus payments for the achievement of the financial and strategic goals of the Group and its businesses. These bonuses are not pensionable. They are a mix of numeric and non-numeric measures and are reset each year.

The annual cash bonus potential set for 2010 and 2011 is:

| Percentage of base salary | 2010 | 2011 |
|---|---|---|
| Wolfhart Hauser | 130% | **130%** |
| Mark Loughead | 90% | **n/a** |
| Lloyd Pitchford | 90% | **90%** |
| Executive Vice Presidents | 75% | **75%** |

Group and divisional bonus targets are established and reviewed by the Committee each year and set to ensure they are linked to strategic and immediate current business goals, and are sufficiently demanding, taking full account of economic conditions and risk factors. Achievement of business targets typically delivers half of the bonus opportunity so as to encourage and reward performance above expectations.

Senior executives' bonus criteria for 2010 comprised the following: (i) Group performance elements; (ii) divisional performance elements, where the executive is responsible for divisional results, or job specific objectives; and (iii) non-financial elements. The goals derive from the annual planning process for the Group, which forms the cornerstone of the Group's results-focused culture. The divisional elements of bonus are based upon financial performance indicators similar to the Group elements but with targets appropriate to that division. The effect of exchange rate movements on earnings is one of the elements we consider before finalising bonus outcomes.

### Bonus elements 2010

Executive Directors

Group and Divisional EVPs

Group Function EVPs

- Group
- General contribution
- Divisional/job specific objectives

The weightings and outcomes for the Group financial bonus criteria for 2010 were:

| | Business outcome | % of bonus |
|---|---|---|
| Diluted adjusted earnings per share growth[1] | 7.6% | 50% |
| Adjusted operating profit growth[1] | 6.6% | 25% |
| Operating cash flow % of adjusted operating profit[1] | 91.8% | 15% |
| Return on invested capital | 25.2% | 10% |

1. Calculated using constant 2009 exchange rates.

Combined with the decisions on the non-financial part of total bonus, explained below, this resulted in total annual bonus outcome for the Executive Directors of 125.6%, 86.9% and 86.9% of base salary for Wolfhart Hauser, Mark Loughead and Lloyd Pitchford respectively, to be paid in March 2011.

For 2010 the non-financial, general contribution element of up to 20% of total bonus has been determined by taking into account the overall personal contribution of the executive to the goals and results of the Group for the year, the development of the medium-term strategy of the Group, the achievement over the year of strategic objectives and demonstrable efforts and results in team-building and leadership.

The Committee can award additional discretionary payments to recognise very exceptional performance or where circumstances have occurred which were beyond the direct responsibility of the executive and the executive has managed and mitigated the impact of any loss, or to address key retention issues. The Committee has the ability to reduce bonus payments if it believes that short-term performance has been achieved at the expense of the Group's long-term future success. The Committee also retains the discretion to reclaim payments if the performance achievements are subsequently found to have been significantly misstated. This discretion was not exercised in respect of the bonuses paid in 2010.

## Share Awards

### Deferred Bonus Share Plan

The only long-term incentive plan in use in 2010 has been the Intertek Deferred Bonus Share Plan (the Plan). The purposes of this Plan are the reward and retention of senior executives and key specialists and the alignment of their interests with shareholders by linking rewards to Intertek's share price performance.

The Plan has two elements:

- Deferred Shares are awarded to executives based on their annual achievement. For the Executive Directors and Intertek Operations Committee (IOC), who form the senior management of Intertek, the value of Deferred Shares will be equal to the cash bonus. We believe that this provides a simple and well-targeted form of reward. The awards normally vest three years after grant, provided the participant is still employed in the Group.
- Matching Share awards, which are subject to long-term performance requirements, are, at the discretion of the Committee, awarded to the most senior executives. Awards of Matching Shares are linked to awards of Deferred Shares, and for the Executive Directors and IOC are granted at the maximum ratio of two Matching Shares for every Deferred Share. Matching Shares vest after three years, once the Committee has determined the extent to which the applicable performance conditions have been satisfied and provided the participant is still employed in the Group.

Awards may be satisfied by the issue of new shares or by purchasing shares in the market.

*Performance conditions*

For awards granted during the years 2007-2010 the performance test for Matching Shares comprised the Company's relative Total Shareholder Return (TSR) measured against a peer group of companies from the FTSE Index (excluding investment trusts). For awards granted in 2008 the peer group comprised the members of the FTSE 250. For awards granted in 2009 the peer group comprised FTSE Index members 76 to 175. Grants made in 2010 used the peer group of FTSE Index members 51 to 150 (excluding investment trusts and banks).

In respect of outstanding awards, irrespective of the Company's TSR performance, no part of a Matching Award can vest unless the Company's normalised EPS growth over the performance period was, on average, at least 2% per annum above the growth in the UK Retail Prices Index (RPI). TSR calculations are conducted independently by advisors.

Awards vest as follows in respect of the TSR condition:

| TSR Ranking | % of Matching Award that vests |
|---|---|
| Below median | None |
| Median | 25% |
| Between median and upper quartile | Pro-rata on a straight line between 25% and 100% |
| Upper quartile | 100% |

During the course of 2010, we undertook a full review of the Plan. Whilst we believe that the overall structure remains fit for purpose we consider that several changes are desirable to improve its operation.

The first proposed amendment is to the performance conditions for the performance-related share awards.

In our consideration of share plan incentives in 2010 we reviewed the performance criteria for Matching Share awards, taking full account of the economy and business climate at the time of the award. In respect of awards made in March 2010, the previously-intended change to include an EPS element was discarded, as prevailing economic turbulence had continued to make the setting of realistic stretching EPS targets very difficult. In respect of awards granted in 2011, however, now that the economic climate has stabilised, we have decided that the performance measures applicable to Matching Awards made in 2011 should include EPS.

The vesting of half of the Matching Share awards will depend on the same TSR criteria as in 2010, but EPS targets will now apply to half the award. For the TSR element to vest, the Committee will need to be satisfied that the resulting outcome is a true reflection of underlying performance (which, in general, we expect to be determined by reference to EPS growth).

The proposed EPS performance condition will be set as a compound annual percentage growth over three years, measured against the base year, which is the year prior to the start of the measurement period. For each cycle the Committee will determine a threshold level of EPS growth and an upper vesting target for EPS growth.

Although the use of the RPI is common amongst UK companies in setting EPS targets, the wide geographical dispersion of Intertek's business means that this is of limited relevance to the majority of participants. We therefore propose to measure EPS growth as a nominal percentage.

Our proposed definition of EPS is fully diluted and adjusted for separately disclosed items. It will be calculated on the basis of foreign exchange rates adopted at the start of the cycle for internal budgeting purposes. This is an appropriate basis given the wide spread of operating currencies across the Group's global activities.

To the extent that acquisitions and disposals occur during the performance period, the Committee will judge whether EPS targets should be adjusted and, if so, by how much; or whether the effects of such transactions should be excluded from the calculation. Material adjustments would be disclosed in the Committee's report to shareholders.

The Committee anticipates that for the first award cycle for which EPS is used, the threshold level of EPS growth will be set at 6% per annum and the upper target at 16% per annum. We anticipate that targets for future cycles on both measures will be similarly stretching to the targets above and would expect to discuss any substantial changes in this range with shareholders.

Awards will vest as follows in respect of the EPS condition:

| EPS growth out-turn | % of Matching Award that vests |
|---|---|
| Below threshold | None |
| Threshold EPS | 25% |
| Between threshold and upper target | Pro-rata on a straight line between 25% and 100% |
| Upper target | 100% |

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

The second change proposed relates to the link between earned annual bonus and grants of share awards. For the most senior executives, for whom specific limits apply, the Committee has found that the rewards under the Plan may not provide sufficient retention incentive in the event that they receive a minimal or no cash bonus. Accordingly we propose to amend the Plan to allow, in exceptional circumstances, limited awards of performance-related shares only. The Committee would exercise discretion over whether or not, to provide a long-term incentive for these managers, a modest award of performance-related shares should be made, capped at a level which would ordinarily result from an individual earning 30% of their maximum cash bonus.

In order to effect this change and also a number of other administrative improvements, a revised plan is being proposed to shareholders at the forthcoming AGM. More information about the proposed changes will appear in the Notice of AGM.

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

The Company has undertaken to limit the number of awards satisfied by newly issued shares under the Plan in the 10-year period from the time the Plan was adopted to 5% of the Company's issued share capital. As at 31 December 2010 outstanding awards represented 1.83% of the Company's issued share capital and 0.48% of issued share capital had been issued in satisfaction of awards.

The Committee has decided not to publish the part way achievement of performance conditions applicable to outstanding awards, nor the expected value of the anticipated vested awards, as it considers this information would be misleading to a greater extent than it is informative.

### Mirrror share awards

As part of the arrangements made in respect of the appointment of Lloyd Pitchford, the Company agreed to compensate him for the loss of share incentive awards made to him by his previous employer by replacing each of his outstanding awards with an award (a 'mirror share award') over an appropriately adjusted number of Intertek Group plc shares. Details of these awards, and their performance criteria, are set out on page 64. All of the shares required to satisfy the mirror share awards will be obtained by market purchase.

## Share retention

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

## Pensions

As the result of its international profile, Intertek operates a number of pension arrangements around the world, appropriate to the employing location. Our review of the competitiveness of rewards included the assessment of the competitiveness of the various pension provision arrangements in place.

The pension arrangements for Executive Directors are as follows:

Wolfhart Hauser
Wolfhart Hauser is not a member of a Group company pension scheme. Instead the Group contributes an amount equal to 25% of his base salary to a personal pension arrangement. For 2010 this amounted to £143,000 (2009: £114,000). He has life cover benefit comprising a lump sum payment equivalent to four times his base salary.

Mark Loughead
Mark Loughead was a member of the legacy defined benefit section of the Intertek UK Company Pension Scheme throughout the year. This is a defined benefit and defined contribution occupational pension scheme approved by HMRC. Page 62 shows the increase in transfer value applicable to Mark Loughead's pension entitlement.

Lloyd Pitchford
Lloyd Pitchford is not a member of a Group company pension scheme. The Group instead contributes an amount equal to 20% of his salary in lieu of a pension. From his date of appointment this amounted to £48,000 in 2010. He is entitled to life cover benefit comprising a lump sum payment equivalent to four times his base salary.

Further details of the Group's pension schemes, including the funding position, are disclosed in note 21 to the financial statements. Details of the pension arrangements for those who have served as Executive Directors during the financial year are shown above and on page 62.

## Service contracts and appointment arrangements

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

| | Date of contract |
|---|---|
| Wolfhart Hauser | 1 March 2005 |
| Mark Loughead | 1 January 2008 (retired 31 December 2010) |
| Bill Spencer | 24 May 2002 (retired 31 March 2010) |
| Lloyd Pitchford | 13 January 2010 (effective 26 April 2010) |

Wolfhart Hauser has an executive service contract subject to 12 months' notice on either side. It contains provisions by way of compensation for loss of office, limited to payment of salary over a 12-month period in lieu of notice. The contract permits payments in lieu of notice to be made, at the Company's election, either (i) in full on termination or (ii) on a monthly basis, but only for so long as he receives no remuneration from any other business. If he does receive any such remuneration, the monthly amount payable will be reduced by that remuneration, determined on a monthly basis. The service contract contains no provisions regarding a change of control.

Mark Loughead, who retired from the Board on 31 December 2010, had both an executive service contract with Intertek USA Inc. and a letter of appointment in respect of his directorship of Intertek Group plc during 2010. The executive service contract was subject to 12 months' notice on either side and contained provisions for him to continue to receive an amount equal to salary and benefits during the period of notice in accordance with his normal payroll schedule unless he received remuneration from any other business. Bonuses not already received were not to be paid unless pro-rata payment formed part of the bonus criteria. The service contract contained provisions regarding a change of control based on the same criteria as apply to the Intertek Deferred Bonus Plan. The appointment as an Executive Director of Intertek Group plc was for an initial term of three years, but terminable by either party giving one month's notice and provided for an annual fee of £43,000.

Lloyd Pitchford has an executive service contract subject to 12 months' notice on either side. It contains provisions by way of compensation for loss of office, limited to payment of salary and pension contributions over a 12-month period in lieu of notice. The contract permits payments in lieu of notice to be made, at the Company's election, either (i) in full on termination or (ii) in the amounts and at the times it would have been paid if he had continued to work throughout the period of notice but only for so long as he receives no remuneration from any other business. If he does receive any such remuneration, the monthly amount payable will be reduced by that remuneration, determined on a monthly basis. The service contract contains no provisions regarding a change of control and permits bonus payments to be reclaimed in the event that performance achievements are found to have been significantly misstated.

In consideration of Lloyd Pitchford accepting the Company's offer of the appointment as the Company's Chief Financial Officer, the Committee agreed to make mirror awards over Company shares, as described on page 64, in compensation for the loss of share incentive awards forgone by reason of resigning from his former employment.

## Policy on external appointments

The Company recognises that, during their employment with the Company, Executive Directors may be invited to become non-executive directors of other companies and that such duties can broaden their experience and knowledge. Executive Directors may, with the written consent of the Company, accept such appointments outside the Company, and the policy is that any fees may be retained by the Director. Wolfhart Hauser is a Non-Executive Director of Logica plc. His earnings for this appointment in 2010, which he retained, were £50,000.

## Non-Executive Directors

| Non-Executive Directors' appointment and fees | Original appointment date | Current expiry of appointment | Annual Basic Fee from 1 April 2010 £ | Remuneration Committee | Audit and Risk Committee | Nominations Committee | Additional committee fee £ | Total Annual fees £ | Fees used to purchase shares in 2010 £ |
|---|---|---|---|---|---|---|---|---|---|
| David Allvey | 29/05/02 | 28/05/11 | 53,000 | Chairman | Chairman | ✓ | 39,500 | 92,500 | 10,000 |
| Edward Astle | 01/09/09 | 30/08/12 | 53,000 | – | ✓ | – | 7,500 | 60,500 | 10,000 |
| Gavin Darby | 01/09/09 | 30/08/12 | 53,000 | ✓ | – | – | 5,000 | 58,000 | 10,000 |
| Christopher Knight | 01/03/06 | 28/02/12 | 53,000 | ✓ | ✓ | ✓ | 15,000 | 68,000 | 10,000 |
| Debra Rade | 01/01/06 | 31/12/11 | 53,000 | – | – | – | n/a | 53,000 | 10,000 |
| Vanni Treves | 29/05/02 | 28/05/11 | 192,000 | ✓ | – | Chairman | – | 192,000 | 20,000 |

Pursuant to the policy of aligning Directors' interests with those of shareholders, a proportion of the fees due to the Non-Executive Directors is used each year to purchase shares in the Company. A summary of the Non-Executive Directors' fees and the pre-tax amounts of those fees used to purchase shares in the Company in 2010 is shown in the table above. The Non-Executive Directors' base fees remained at the same level during 2010 and the Chairman's fee increased by £12,000 per annum with effect from 1 April 2010.

With effect from 1 April 2011 the base fee for Non-Executive Directors will rise to £55,000 and the Chairman's fee will increase to £200,000. The Remuneration Committee, having reviewed benchmarking information for the Chairman, felt that the increases to his fees in 2010 and 2011 are justified by the increased demands of the Group.

Other than Vanni Treves, who has the benefit of a company car, no other benefits-in-kind are provided.

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

In accordance with current best practice all Directors will be standing for re-election at the forthcoming AGM.

### The Committee

On behalf of the Board, the Committee:

- determines the Company's policy on the remuneration of, and incentives for, the Chairman, Executive Directors and other senior executives (mainly the IOC which comprises the Group and Executive Vice Presidents);
- determines their remuneration packages, including any compensation on termination of office;
- reviews the remuneration arrangements for the wider Group and considers issues relating to remuneration packages that may have significant impact on the Group;
- provides advice to, and consults with, the Chief Executive Officer on major policy issues affecting the remuneration of senior executives; and
- keeps remuneration policy under review in the light of regulatory and best practice developments and shareholder expectations. Due regard is given to the interests of shareholders and the requirements of the Listing Rules and associated guidance.

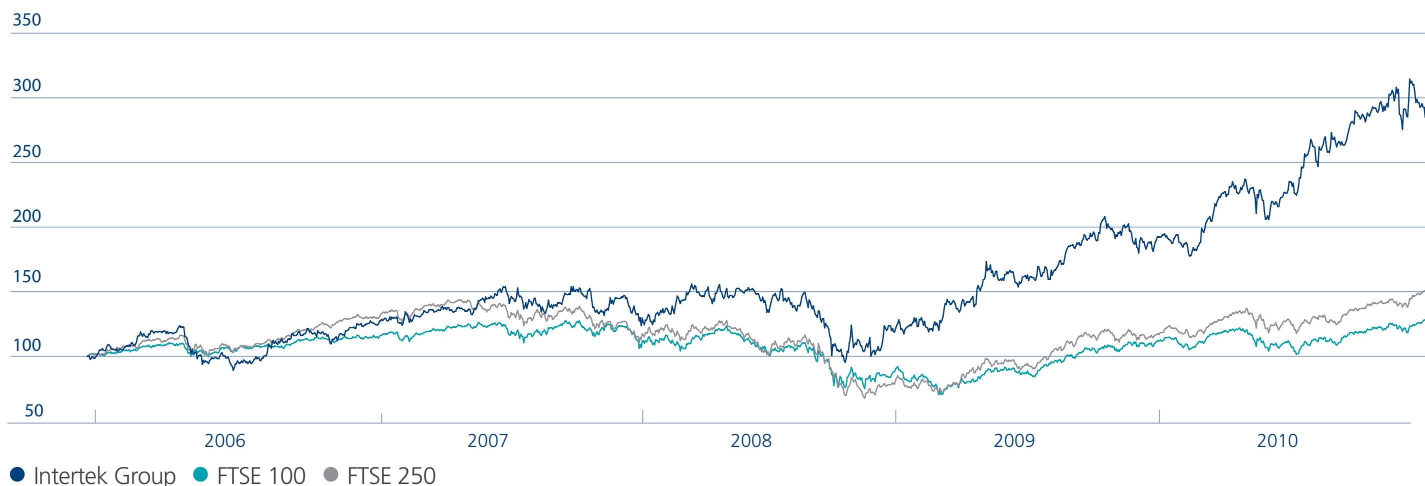
The Committee met seven times during 2010. Attendance statistics appear in the Corporate Governance Report on page 50. The Committee's terms of reference are available on our website at www.intertek.com.

The following Non-Executive Directors of the Company served on the Committee in 2010: David Allvey (Chairman), Gavin Darby, Christopher Knight and Vanni Treves.

David Allvey, Gavin Darby and Christopher Knight are independent in accordance with the Combined Code. Vanni Treves was independent at the time of his appointment as Chairman of the Board.

The Committee members have no personal financial interest, except as shareholders, in the matters to be decided. When there is any Executive Director or the Group Vice President Human Resources in attendance in an advisory capacity, that individual will absent himself from meetings for matters relating to his own remuneration.

Intertek Group v FTSE 100 and FTSE 250 TSR




Information provided by J.P. Morgan Cazenove and calculated according to methodology that is compliant with the requirements of the Companies Act 2006.
The performance of the Company, as indicated by the graph, is not indicative of vesting levels under Intertek's Deferred Bonus Share Plan.

TSR Performance graph

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

The graph above shows the TSR in respect of the Company over five years. The TSR for the Company is compared with;

i) the TSR for the FTSE 250 Index, which is the index we have used since the Company's flotation in 2002 as the most appropriate comparator, being a broad market index; and

ii) the TSR for the FTSE 100 Index. The Company joined the FTSE 100 in March 2009 and the Committee considers it helpful also to show this comparison.

**Information required to be audited**

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

The table below summarises Directors' remuneration and pension contributions for 2010 and the prior year for comparison.

Directors' remuneration summary

| | Notes | Base salary and fees 2010 £000 | Cash bonuses 2010 £000 | Other benefits 2010 £000 | Pension contributions[4] 2010 £000 | Total emoluments 2010 £000 | Total emoluments 2009 £000 | Deferred bonus[5] 2010 £000 | Deferred bonus[5] 2009 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | |
| Wolfhart Hauser | | **599** | **761** | **72** | **143** | **1,575** | 1,384 | **606** | 578 |
| Mark Loughead | 1 | **400** | **313** | **18** | **–** | **731** | 643 | **–** | 241 |
| Lloyd Pitchford | 2 | **240** | **304** | **14** | **48** | **606** | n/a | **304** | n/a |
| Bill Spencer | 3 | **72** | **–** | **3** | **–** | **75** | 488 | **–** | – |
| **Non-Executive Directors** | | | | | | | | | |
| David Allvey | | **93** | **–** | **–** | **–** | **93** | 91 | **–** | – |
| Edward Astle | | **61** | **–** | **–** | **–** | **61** | 17 | **–** | – |
| Gavin Darby | | **58** | **–** | **–** | **–** | **58** | 16 | **–** | – |
| Christopher Knight | | **68** | **–** | **–** | **–** | **68** | 67 | **–** | – |
| Debra Rade | | **53** | **–** | **–** | **–** | **53** | 53 | **–** | – |
| Vanni Treves | | **189** | **–** | **14** | **–** | **203** | 192 | **–** | – |
| **Total** | | **1,833** | **1,378** | **121** | **191** | **3,523** | 2,951 | **910** | 819 |

1. Mark Loughead's base salary, bonus and benefits are paid in US dollars. These were US$1.143m in 2010 (2009: US$0.934m). In addition he received Director's fees of £43,000 (2009: £43,000).
2. Appointed 26 April 2010.
3. Retired on 31 March 2010. The figures disclosed above for Bill Spencer exclude amounts payable in connection with his retirement. An amount of £211,751 was paid under the terms of his contract, of which £76,332 was paid into the Intertek Pension Scheme. In addition he received £23,525 in respect of reimbursement of legal fees. His outstanding deferred shares vested as set out on page 63.
4. Mark Loughead is and Bill Spencer was a member of the Intertek Pension Scheme, Defined Benefit section (see below). Contributions to that Scheme are not included in this table. Wolfhart Hauser and Lloyd Pitchford are not members of any Intertek Group pension plan. The contributions in this table are the amounts the Group pays in respect of their personal pension arrangements.
5. These figures exclude amounts relating to Matching Awards granted under the Intertek Deferred Bonus Share Plan. Details of those awards and their performance criteria are given on pages 63 and 57.

Details of Directors' entitlement to accrued pension on leaving service and the changes during the year are shown in the table below:

| Name | Age at 31 December 2010 | Contributions made by the Director during the year £ | Increase in accrued entitlement during the year[1] £ | Transfer value of increase in accrued entitlement less contributions made by Director £ | Accrued entitlement[1] 2010 £ | Transfer value[2] 2009 £ | Transfer value[2] 2010 £ | Increase in transfer value in year less contributions made by Director £ |
|---|---|---|---|---|---|---|---|---|
| Bill Spencer | 51 | 2,538[3] | 6,048 | 65,657 | 43,671[4] | 489,202 | 651,150 | 159,410 |
| Mark Loughead | 51 | 10,151 | 1,121 | 2,181 | 30,023 | 323,924 | 386,484 | 52,409 |

1. The increase in the accrued entitlement during the year is the increase in the accrued pension over the year, excluding the effect of inflation, on the accrued pension at the start of the year. The increase in the accrued entitlement has been calculated based on service to 31 December 2010 for Mark Loughead and 31 March 2010 for Bill Spencer. Including inflation, the increase during the year for Mark Loughead was £1,990, and for Bill Spencer, £7,179. Transfer values have been calculated using the Cash Equivalent Transfer Value Basis adopted by the Trustees with effect from 1 October 2008, in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI2008/1050).
2. The transfer values disclosed do not represent a sum paid or payable to the individual Director, instead they represent a potential liability of the Pension Scheme. The value represents the full transfer value without reduction for any shortfall in scheme funding.
3. Based on service to 31 March 2010.
4. In addition to the benefit accrued under the Intertek Pension Scheme shown above, Bill Spencer also has an additional fixed pension payable at 65 of £9,777 per annum in relation to previous transfers in. The liabilities in respect of the transferred-in benefits are included in the transfer values for Bill Spencer stated above.

*Advisors*

To ensure that the Group's remuneration practices drive and support achievement of strategies, are market competitive and help to achieve our objectives, we obtain advice from various independent sources. The Committee has appointed and taken independent advice on ensuring that remuneration is 'fit for purpose' and on share incentive arrangements from Kepler Associates (KA), on remuneration matters from Hewitt New Bridge Street (Hewitt), on remuneration benchmarking from Towers Watson (TW) and on UK pension matters from Premier Pensions Management Limited (PPM). During 2010, PPM's associate company provided additional FSA-regulated services in respect of UK pension matters. PPM, TW, KA and Hewitt have no other connection with the Company or its senior officers.

*Other benefits*

Executive Directors are entitled to the use of a company car or the cash equivalent, a fuel allowance, life assurance, an annual medical and private medical insurance. Vanni Treves is entitled to a company car.

*Transactions with Directors*

As disclosed in note 27 to the financial statements, no Director had a personal interest in any business transactions of the Group.

Directors' interests in ordinary shares

The interests of the Directors in the shares of the Company as at the year end are set out on the right. Save as stated in this report, during the course of the year, no Director nor any member of his or her immediate family had any other interest in the ordinary share capital of the Company or any of its subsidiaries.

| Number of ordinary shares of 1p | 31 December 2009 or on appointment | Acquired | Disposed | 31 December 2010 or at retirement |
|---|---|---|---|---|
| David Allvey | 6,574 | 392 | – | **6,966** |
| Edward Astle | – | 392 | – | **392** |
| Gavin Darby | – | 3,753 | – | **3,753** |
| Wolfhart Hauser | 26,970 | 111,965 | 51,258 | **87,677** |
| Christopher Knight | 6,304 | 392 | – | **6,696** |
| Mark Loughead[1] | 35,884 | 67,437 | 46,823 | **56,498** |
| Lloyd Pitchford[2] | – | 19,166 | – | **19,166** |
| Debra Rade | 2,133 | 399 | – | **2,532** |
| Bill Spencer[3] | 87,148 | – | – | **87,148** |
| Vanni Treves | 52,653 | 799 | – | **53,452** |

1. Retired as a Director 31 December 2010.
2. Appointed 26 April 2010.
3. Retired as a Director 31 March 2010.

No changes in the above Directors' interests have taken place between 31 December 2010 and the date of this report.

## Directors' interests in the Intertek Deferred Bonus Share Plan and share options

Non-Executive Directors are not allowed to participate in the Company's share plans. Additional information on these share plans appears below.

Awards made under the Intertek Deferred Bonus Share Plan are shown below. Share options granted to the Executive Directors under the 2002 Plan and the Approved Plan are shown on page 65.

### The Intertek Deferred Bonus Share Plan

| | | 31 December 2009 or on appointment Number of shares | Granted in 2010 Number of shares | Award Price[1] £ | Vested in 2010 Number of Shares[2] | Lapsed in 2010 Number of shares | **31 December 2010 Number of shares** | Date of vesting[3] |
|---|---|---|---|---|---|---|---|---|
| **Wolfhart Hauser** | | | | | | | | |
| 2007 | Deferred | 22,753 | – | 9.166 | (22,753) | – | **–** | April 2010 |
| | Matching | 45,506 | – | 9.166 | (45,506) | – | **–** | |
| 2008 | Deferred | 26,448 | – | 9.150 | – | – | **26,448** | March 2011 |
| | Matching | 52,896 | – | 9.150 | – | – | **52,896** | |
| 2009 | Deferred | 46,152 | – | 8.342 | – | – | **46,152** | March 2012 |
| | Matching | 92,304 | – | 8.342 | – | – | **92,304** | |
| 2010 | Deferred | – | 43,316 | 13.332 | – | – | **43,316** | March 2013 |
| | Matching | – | 86,632 | 13.332 | – | – | **86,632** | |
| **Total** | | 286,059 | 129,948 | | (68,259) | – | **347,748** | |
| **Bill Spencer** | | | | | | | | |
| 2007 | Deferred | 9,774 | – | 9.166 | (9,774) | – | **–** | April 2010 |
| | Matching | 19,548 | – | 9.166 | (19,548) | – | **–** | |
| 2008 | Deferred | 13,813 | – | 9.150 | (13,813) | – | **–** | April 2010 |
| | Matching | 27,626 | – | 9.150 | (27,626) | – | **–** | |
| 2009 | Deferred | 19,524 | – | 8.342 | (19,524) | – | **–** | April 2010 |
| | Matching | 39,048 | – | 8.342 | – | (39,048) | **–** | |
| **Total** | | 129,333 | – | | (90,285) | (39,048) | **–** | |
| **Mark Loughead** | | | | | | | | |
| 2007 | Deferred | 9,351 | – | 9.166 | (9,351) | – | **–** | April 2010 |
| | Matching | 18,702 | – | 9.166 | (18,702) | – | **–** | |
| 2008 | Deferred | 9,972 | – | 9.150 | – | – | **9,972** | March 2011 |
| | Matching | 19,944 | – | 9.150 | – | – | **19,944** | |
| 2009 | Deferred | 26,687 | – | 8.342 | – | – | **26,687** | March 2012 |
| | Matching | 53,374 | – | 8.342 | – | – | **53,374** | |
| 2010 | Deferred | – | 18,363 | 13.332 | – | – | **18,363** | March 2013 |
| | Matching | – | 36,726 | 13.332 | – | – | **36,726** | |
| **Total** | | 138,030 | 55,089 | | (28,053) | – | **165,066** | |
| **Lloyd Pitchford** | | | | | | | | |
| 2010 | Deferred | – | 8,313 | 14.434 | – | – | **8,313** | May 2013 |
| | Matching | – | 16,626 | 14.434 | – | – | **16,626** | |
| **Total** | | – | 24,939 | | – | – | **24,939** | |

1. Awards are made based on a share price obtained by averaging the closing share prices for the five dealing days before the date of grant. On the grant dates 9 March 2010 and 14 May 2010 the share price was £13.24 and £14.51 respectively. No payment is made by participants in the Plan.
2. Awards vested for UK participants who chose to accelerate the vesting, on 1 April 2010, and for most other participants vested on 10 April 2010, on which dates the closing market prices of shares were £14.96 and £15.01 respectively, all having been granted on 10 April 2007 on which date the closing market price was £9.31.
3. Awards normally vest three years after grant. The vesting of Matching Awards is subject to additional performance conditions described on page 57.
4. The aggregate gain made by Directors on the vesting of the awards was £2,766,200.

### Mirror share awards

On 14 May 2010, Lloyd Pitchford was granted conditional rights to acquire 49,039 1p shares in Intertek Group plc under a one-off arrangement in facilitation of his recruitment as Chief Financial Officer of the Company.

The award comprised eights parts (tranches A to H). The number of Intertek Group plc shares comprised within each tranche was as noted in the table below together with details of each tranche's normal vesting date.

The principal terms of the awards are summarised below:

| | Granted in 2010 Number of shares | Vested in 2010 Number of Shares | Lapsed in 2010 Number of shares | 31 December 2010 Number of shares | Vesting date of award |
|---|---|---|---|---|---|
| Tranche A | 22,106 | 19,166 | 2,940 | – | September 2010 |
| Tranche B | 8,497 | – | – | 8,497 | March 2011 |
| Tranche C | 1,378 | – | – | 1,378 | September 2011 |
| Tranche D | 4,429 | – | – | 4,429 | September 2011 |
| Tranche E | 2,730 | – | – | 2,730 | September 2011 |
| Tranche F | 1,723 | – | – | 1,723 | September 2012 |
| Tranche G | 5,170 | – | – | 5,170 | September 2012 |
| Tranche H | 3,006 | – | – | 3,006 | September 2012 |
| Total | 49,039 | 19,166 | 2,940 | 26,933 | |

Each tranche will ordinarily vest on its normal vesting date subject to Lloyd Pitchford's continued employment with Intertek.

In addition, in the case of tranches A, B, D and G the extent to which such tranches may vest is also contingent on the satisfaction of performance criteria.

The performance criterion applying to tranche A was a measure of BG Group plc's TSR performance over the three year period from 5 September 2007 when ranked against the TSR performance over the same period of companies in a comparator group of listed international oil and gas companies. Approximately 87% of tranche A vested against this performance criterion in 2010; the balance of tranche A lapsed.

The performance criterion applying to tranche B is a measure of BG Group plc's normalised EPS performance over a period of three financial years ending 31 December 2009. One half of tranche B may vest if EPS growth over the period is RPI +15% and thereafter rising on a straight line basis to full vesting for EPS growth over the period of RPI +30%.

The performance criterion applying to tranche D is a measure of Intertek Group plc's TSR performance over the period 26 April 2010 to 2 September 2011 (by reference to three month averaging periods expiring on such dates) against the TSR performance of a comparator group over the same period. For median performance, one quarter of tranche D may vest, rising proportionally to full vesting for upper quartile performance. The comparator group in the case of tranche D comprises the constituents of the FTSE 250 (excluding investment trusts) as at the start of such performance period.

The performance criterion applying to tranche G is a measure of Intertek Group plc's TSR performance over the period 26 April 2010 to 7 September 2012 (by reference to three month averaging periods expiring on such dates) against the TSR performance of a comparator group over the same period. For median performance, one quarter of tranche G may vest, rising proportionally to full vesting for upper quartile performance. The comparator group in the case of tranche G comprises the constituents of the positions 76 to 175 in the FTSE Index (excluding investment trusts and banks) as at the start of such performance period.

The awards will ordinarily lapse on cessation of employment save in certain 'good leaver' circumstances. Awards that vest early in connection with cessation of employment shall ordinarily vest to the extent that the performance conditions (if relevant) have been met over the shortened period and the extent of vesting ordinarily subject to time pro-ration.

In the event of a takeover, reconstruction or winding-up of the Company, the award will vest early at such time to the extent not already vested. In such circumstances, the vesting of the awards will be subject to the extent that the performance conditions (if relevant) have been met over the shortened period. In addition, time pro-ration will apply in the case of tranches D and G and may apply in the case of tranches C, E, F and H.

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the awards.

No amendments to the advantage of Lloyd Pitchford will be made to the material terms of the awards without shareholder approval other than any minor alteration to (i) benefit the administration of the awards, (ii) take account of a change in legislation, or (iii) obtain or maintain favourable tax, exchange or regulatory treatment for Lloyd Pitchford or the Company.

The awards are not transferable (save on death) or pensionable.

The awards may only be satisfied with market purchased shares or cash. No newly issued shares or treasury shares will be used in connection with the awards.

The gain made on vesting during 2010 was £333,300.

The 2002 Share Option Plans

| | 31 December 2009 Number of shares | Option price[1] £ | Options exercised in 2010 Number of shares | Options lapsed in 2010 Number of shares | **31 December 2010 Number of shares** | Date option became exercisable | Date of option expiry |
|---|---|---|---|---|---|---|---|
| **Wolfhart Hauser** | | | | | | | |
| Approved Plan | 3,277 | 7.78 | (3,277) | – | – | April 2008 | April 2015 |
| 2002 Plan | 40,429 | 7.78 | (40,429) | – | – | April 2008 | April 2015 |
| **Total** | 43,706 | | (43,706) | – | – | | |
| **Bill Spencer** | | | | | | | |
| 2002 Plan | 25,131 | 7.78 | (25,131) | – | – | April 2008 | April 2015 |
| **Total** | 25,131 | | (25,131) | – | – | | |
| **Mark Loughead** | | | | | | | |
| 2002 Plan | 21,472 | 5.24 | (21,472) | – | – | April 2007 | April 2014 |
| 2002 Plan | 17,912 | 7.78 | (17,912) | – | – | April 2008 | April 2015 |
| **Total** | 39,384 | | (39,384) | – | – | | |

1. Option exercise prices were determined by the average of the closing middle market quotations of an ordinary share in the Company on the five days immediately prior to the date of grant. No payment was made for participation in the option plans.
2. The aggregate gain made by Directors on the exercise of options was £811,000.
3. The market price of shares at the time of exercises carried out by Wolfhart Hauser and Mark Loughead was £14.73 and at the time of the exercise carried out by Bill Spencer was £14.90.

**Share information**
On 31 December 2010 the closing market price of Intertek Group plc's ordinary shares was £17.75. The highest and lowest prices of the shares during the year were £20.00 and £11.50 respectively.

**Approval of the Remuneration Report**
The Remuneration Report was approved by the Board on 4 March 2011.

**David Allvey**
Chairman, Remuneration Committee

# Other Statutory Information

In accordance with the requirements of the Companies Act 2006 ('the Act') and UK Listing Authority Disclosure and Transparency Rules, the following section describes the matters that are required for inclusion in the Directors' Report and were approved by the Board. Further details of matters required to be included in the Directors' Report that are incorporated by reference into this report are set out below.

## Directors

The Directors who held office during the year are set out below.

| | |
|---|---|
| Vanni Treves | Chairman |
| Wolfhart Hauser | Chief Executive Officer |
| Mark Loughead | Chief Operating Officer (retired on 31 December 2010) |
| Bill Spencer | Chief Financial Officer (retired on 31 March 2010) |
| Lloyd Pitchford | Chief Financial Officer (appointed on 26 April 2010) |
| David Allvey | Senior Independent Non-Executive Director |
| Edward Astle | Non-Executive Director |
| Gavin Darby | Non-Executive Director |
| Christopher Knight | Non-Executive Director |
| Debra Rade | Non-Executive Director |

The biographies of the Directors at the date of this report are set out on page 43.

The Company's Articles of Association contain provisions relating to the retirement, election and re-election of Directors but in 2011 for the first time, all Directors will stand for re-election at the AGM.

## Directors' powers and Articles of Association

The Directors are responsible for the management of the business of the Company and their powers to do so are determined by the provisions of the Act and the Company's Articles of Association. The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors and the conduct of the Board and general meetings. Copies are available upon request from the Group Company Secretary and are available at the Company's AGM. Further powers are granted by members in general meeting and those currently in place are set out in detail within the appropriate section of this report.

## Directors' interests

Other than employment contracts, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' service contracts and the Directors' interests in the shares and options of the Company, in respect of which transactions are notifiable to the Company under the UK Listing Authority Disclosure and Transparency Rule 3.1.2 are disclosed in the Remuneration Report on pages 54 to 65.

## Directors' indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions (as defined by section 234 of the Act), were accordingly in force during the course of the financial year ended 31 December 2010, for the benefit of the Directors and, at the date of this report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

## Principal activities and business review

The Group's principal activities, business and principal risks and uncertainties are contained in the Business Review, on pages 8 to 41 and the Corporate Governance section, on pages 46 to 53 which are incorporated by reference into this report.

## Dividend

The Directors are recommending a final dividend of 18.8p per ordinary share (2009: 17.3p) making a full year dividend of 28.1p per ordinary share (2009: 25.5p) which will, if approved at the AGM, be paid on 17 June 2011 to shareholders on the register at close of business on 3 June 2011.

## Share capital

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

The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and exercise voting rights. A waiver of dividend exists in respect of 11,834 shares held by the Intertek Group Employee Share Ownership Trust at 31 December 2010. There are no restrictions on the transfer of ordinary shares in the Company.

The rights attached to shares in the Company are provided by the Articles of Association, which may be amended or replaced by means of a special resolution of the Company in a General Meeting. The Directors' powers are conferred on them by UK legislation and by the Company's Articles of Association.

No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid. There are no arrangements known to the Company by which financial rights carried by any shares in the Company are held by a person other than the holders of the shares, nor are there any arrangements between holders of securities that may result in restrictions on the transfer of securities or on voting rights known to the Company. All issued shares are fully paid.

Shares are admitted to trading on the London Stock Exchange and may be traded through the CREST system.

### Allotment of shares

At the AGM held in 2010 the shareholders generally and unconditionally authorised the Directors to allot relevant securities up to approximately two-thirds of the nominal amount of issued share capital. It is the Directors intention to renew this authority in line with guidance issued by the Association of British Insurers. The resolution will be set out in the Notice of AGM, which shareholders will receive in April.

Also at the AGM in 2010 the Directors were empowered by the shareholders to allot equity securities, up to 5% of the Company's issued share capital, for cash under section 570 of the Act. It is intended that this authority be renewed, up to 5%, at the forthcoming AGM.

### Purchase of own shares

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

### Policy and practice on payment of suppliers

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

### Significant relationships

The Group does not have any contractual or other relationships with any single party which are essential to the business of the Group and therefore no such relationships have been disclosed.

### Social and community issues

We encourage our local managers to foster community links appropriate to the businesses they manage. Further details are given in our Corporate Social Responsibility Report on pages 31 to 37.

# Other Statutory Information

### Material interests in shares

The following disclosures of major holdings of voting rights have been made (and have not been amended or withdrawn) to the Company pursuant to the requirements of the UK Listing Authority Disclosure and Transparency Rule 5:

- BlackRock Inc. gave notice on 2 December 2010 that they had an indirect interest on 30 November 2010 in 7,965,320 Intertek Group plc ordinary shares, representing 4.99% of the ordinary shares in issue at that date.
- Capital Research and Management Company gave notice on 1 November 2010 that they had an indirect interest on 29 October 2010 in 8,064,491 Intertek Group plc ordinary shares, representing 5.06% of the ordinary shares in issue at that date.
- Morgan Stanley Investment Management Incorporated gave notice on 30 September 2010 that they had an indirect interest on 29 September 2010 in 7,976,686 Intertek Group plc ordinary shares, representing 5.00% of the ordinary shares in issue at that date.
- Lone Pine Capital LLC & Stephen F Mandel Jr gave notice on 28 September 2010 that they had an indirect interest on 24 September 2010 in 6,318,441 Intertek Group plc ordinary shares, representing 3.96% of the ordinary shares in issue at that date.
- Legal and General Group plc gave notice on 18 November 2009 that they had a direct interest on 17 November 2009 in 6,340,736 Intertek Group plc ordinary shares, representing 3.99% of the ordinary shares in issue at that date.

### Charitable and political donations

During 2010 the Group made charitable donations of £103,000 (2009: £107,000) to a wide variety of charities, including support to employees in Pakistan who were affected by natural disasters.

At the AGM in 2010 shareholders passed a resolution, on a precautionary basis, to authorise the Company to make donations to EU political organisations and to incur EU political expenditure (as such terms are defined in the Act) not exceeding £90,000. During the year the Group did not make any political donations (2009: £nil). It is the Company's policy not, directly or through any subsidiary, to make what are commonly regarded as donations to any political party. However, at the forthcoming AGM of the Company, shareholders' approval will again be sought to authorise the Group to make political donations and/or incur political expenditure (as such terms are defined in Sections 362 to 379 of the Act). Further details of this will be contained in the Notice of the AGM.

### Auditors

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the forthcoming AGM in accordance with Section 489 of the Act.

# Statement of Directors' Responsibilities

## Annual General Meeting

The Notice convening the AGM, to be held on Friday 20 May 2011, will be available for download from the Company's corporate website at www.intertek.com in April. The Notice will detail the business to be conducted at the meeting and include information concerning the deadlines for submitting proxy forms and in relation to voting rights.

## Statement of Disclosure of information to auditors

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

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors, having prepared the Financial Statements, have asked the auditors to take any steps and to undertake any inspection they consider to be appropriate to enable them to give their Audit Report. The auditors' responsibilities are set out in the Independent Auditors' Report on page 70.

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

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

## Responsibility statement of the Directors in respect of the annual financial report

Each of the Directors, whose name and functions are listed on page 43, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Directors' Report comprising pages 8 to 69 has been approved by the Board and signed on its behalf by:

**Wolfhart Hauser**
Chief Executive Officer

4 March 2011
Registered Office
25 Savile Row
London
W1S 2ES

Registered Number: 4267576

# Independent Auditors' Report to the members of Intertek Group plc

We have audited the financial statements of Intertek Group plc for the year ended 31 December 2010 set out on pages 72 to 121. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 69, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 53, in relation to going concern;
- the part of the Corporate Governance Statement in the Directors' Report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

**P Korolkiewicz (Senior Statutory Auditor)**
**for and on behalf of KPMG Audit Plc, Statutory Auditor**
Chartered Accountants
15 Canada Square
London E14 5GL
4 March 2011

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| 93 | 11 | Goodwill and other intangible assets |
| 96 | 12 | Deferred tax assets and liabilities |
| 97 | 13 | Inventories |
| 97 | 14 | Trade and other receivables |
| 97 | 15 | Interest bearing loans and borrowings |
| 98 | 16 | Trade and other payables |
| 99 | 17 | Provisions |
| 100 | 18 | Capital and reserves |
| 101 | 19 | Non-controlling interests |
| 101 | 20 | Commitments |
| 101 | 21 | Employee benefits |
| 105 | 22 | Acquisitions |
| 108 | 23 | Share schemes |
| 110 | 24 | Financial instruments |
| 115 | 25 | Analysis of net debt |
| 116 | 26 | Contingent liabilities |
| 116 | 27 | Related parties |
| 117 | 28 | Subsequent events |
| 117 | 29 | Principal operating subsidiaries |

# Consolidated Income Statement

For the year ended 31 December 2010

| | Notes | Adjusted results £m | Separately disclosed items* £m | Total 2010 £m | Adjusted results £m | Separately disclosed items* £m | Total 2009 £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | | 1,374.2 | – | **1,374.2** | 1,237.3 | – | 1,237.3 |
| Operating costs | | (1,146.7) | (21.0) | **(1,167.7)** | (1,028.3) | (22.3) | (1,050.6) |
| **Group operating profit** | 3 | 227.5 | (21.0) | **206.5** | 209.0 | (22.3) | 186.7 |
| Finance income | 7 | 7.2 | – | **7.2** | 7.7 | – | 7.7 |
| Finance expense | 7 | (22.8) | (1.0) | **(23.8)** | (25.2) | – | (25.2) |
| **Net financing costs** | | (15.6) | (1.0) | **(16.6)** | (17.5) | – | (17.5) |
| **Profit before income tax** | | 211.9 | (22.0) | **189.9** | 191.5 | (22.3) | 169.2 |
| Income tax expense | 8 | (56.6) | 5.7 | **(50.9)** | (51.1) | 5.6 | (45.5) |
| **Profit for the year** | | 155.3 | (16.3) | **139.0** | 140.4 | (16.7) | 123.7 |
| **Attributable to:** | | | | | | | |
| Equity holders of the Company | | 144.9 | (16.3) | **128.6** | 131.4 | (16.7) | 114.7 |
| Non-controlling interest | 19 | 10.4 | – | **10.4** | 9.0 | – | 9.0 |
| **Profit for the year** | | 155.3 | (16.3) | **139.0** | 140.4 | (16.7) | 123.7 |
| **Earnings per share**** | | | | | | | |
| Basic | 9 | | | **80.7p** | | | 72.4p |
| Diluted | 9 | | | **79.3p** | | | 71.2p |

* See note 4.
** Earnings per share on the adjusted results is disclosed in note 9.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

| | Notes | 2010 £m | 2009 £m |
|---|---|---|---|
| **Profit for the year** | | **139.0** | 123.7 |
| **Other comprehensive income** | | | |
| Foreign exchange translation differences of foreign operations | 7 | **30.1** | (35.4) |
| Net exchange (loss)/gain on hedges of net investments in foreign operations | 7 | **(6.3)** | 27.2 |
| Effective portion of changes in fair value of cash flow hedges | 7 | **0.9** | 1.3 |
| Net change in fair value of cash flow hedges transferred to profit or loss | 7 | **2.1** | 0.2 |
| Net change in fair value of available-for-sale financial assets | 7 | **–** | 1.1 |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss | 7 | **–** | (1.1) |
| Actuarial gains and losses on defined benefit pension schemes | 21 | **15.0** | (2.5) |
| Income tax recognised in other comprehensive income | 8 | **(1.0)** | (1.2) |
| **Total other comprehensive income/(expense) for the year** | | **40.8** | (10.4) |
| **Total comprehensive income for the year** | | **179.8** | 113.3 |
| | | | |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Company | | **168.2** | 104.9 |
| Non-controlling interest | 19 | **11.6** | 8.4 |
| **Total comprehensive income for the year** | | **179.8** | 113.3 |

# Consolidated Statement of Financial Position

As at 31 December 2010

| | Notes | 2010 £m | 2009 £m |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 10 | **243.1** | 220.9 |
| Goodwill | 11 | **301.5** | 257.8 |
| Other intangible assets | 11 | **44.1** | 46.9 |
| Deferred tax assets | 12 | **26.4** | 22.6 |
| **Total non–current assets** | | **615.1** | 548.2 |
| Inventories | 13 | **9.9** | 7.6 |
| Trade and other receivables | 14 | **315.2** | 266.1 |
| Cash and cash equivalents | 25 | **217.0** | 134.2 |
| **Total current assets** | | **542.1** | 407.9 |
| **Total assets** | | **1,157.2** | 956.1 |
| **Liabilities** | | | |
| Interest bearing loans and borrowings | 15 | **(93.6)** | (8.2) |
| Derivative financial instruments | 24 | **(1.0)** | (3.0) |
| Current taxes payable | | **(22.5)** | (29.2) |
| Trade and other payables | 16 | **(220.3)** | (186.9) |
| Provisions | 17 | **(23.5)** | (30.3) |
| **Total current liabilities** | | **(360.9)** | (257.6) |
| Interest bearing loans and borrowings | 15 | **(293.1)** | (327.4) |
| Deferred tax liabilities | 12 | **(7.6)** | (7.5) |
| Net pension liabilities | 21 | **(5.5)** | (19.5) |
| Other payables | 16 | **(7.3)** | (3.6) |
| Provisions | 17 | **(0.8)** | (1.2) |
| **Total non-current liabilities** | | **(314.3)** | (359.2) |
| **Total liabilities** | | **(675.2)** | (616.8) |
| **Net assets** | | **482.0** | 339.3 |
| **Equity** | | | |
| Share capital | 18 | **1.6** | 1.6 |
| Share premium | | **256.3** | 253.5 |
| Other reserves | | **51.5** | 25.9 |
| Retained earnings | | **149.5** | 40.3 |
| **Total equity attributable to equity holders of the Company** | | **458.9** | 321.3 |
| Non-controlling interest | 19 | **23.1** | 18.0 |
| **Total equity** | | **482.0** | 339.3 |

The financial statements on pages 72 to 117 were approved by the Board on 4 March 2011 and were signed on its behalf by:

**Wolfhart Hauser**
Director

**Lloyd Pitchford**
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

| | | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other reserves | | | | | | |
| | Notes | Share capital £m | Share premium £m | Translation reserve £m | Hedging reserve £m | Other £m | Retained earnings* £m | Total before non-controlling interest £m | Non-controlling interest £m | **Total equity £m** |
| At 1 January 2009 | | 1.6 | 249.9 | 30.1 | (4.5) | 6.4 | (41.8) | 241.7 | 16.0 | 257.7 |
| Comprehensive income for the year | | – | – | (7.6) | 1.5 | – | 111.0 | 104.9 | 8.4 | 113.3 |
| Dividends paid | 18,19 | – | – | – | – | – | (34.7) | (34.7) | (6.3) | (41.0) |
| Issue of shares | 18 | – | 3.6 | – | – | – | – | 3.6 | – | 3.6 |
| Equity-settled transactions | 23 | – | – | – | – | – | 4.9 | 4.9 | – | 4.9 |
| Income tax on equity-settled transactions | 8 | – | – | – | – | – | 1.4 | 1.4 | – | 1.4 |
| Purchase of non-controlling interest | 19 | – | – | – | – | – | (0.5) | (0.5) | (0.1) | (0.6) |
| **At 31 December 2009** | | **1.6** | **253.5** | **22.5** | **(3.0)** | **6.4** | **40.3** | **321.3** | **18.0** | **339.3** |
| At 1 January 2010 | | 1.6 | 253.5 | 22.5 | (3.0) | 6.4 | 40.3 | 321.3 | 18.0 | 339.3 |
| Comprehensive income for the year | | – | – | 22.6 | 3.0 | – | 142.6 | 168.2 | 11.6 | 179.8 |
| Dividends paid | 18,19 | – | – | – | – | – | (42.5) | (42.5) | (6.6) | (49.1) |
| Issue of shares | 18 | – | 2.8 | – | – | – | – | 2.8 | – | 2.8 |
| Purchase of own shares | 18 | – | – | – | – | – | (0.5) | (0.5) | – | (0.5) |
| Equity-settled transactions | 23 | – | – | – | – | – | 7.4 | 7.4 | – | 7.4 |
| Income tax on equity-settled transactions | 8 | – | – | – | – | – | 2.2 | 2.2 | – | 2.2 |
| Additions to non-controlling interest | 19 | – | – | – | – | – | – | – | 0.1 | 0.1 |
| **At 31 December 2010** | | **1.6** | **256.3** | **45.1** | **–** | **6.4** | **149.5** | **458.9** | **23.1** | **482.0** |

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2010

| | Notes | 2010 £m | 2009 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | 3 | 139.0 | 123.7 |
| Adjustments for: | | | |
| Depreciation charge | 10 | 51.1 | 47.4 |
| Amortisation of software | 11 | 4.2 | 4.0 |
| Amortisation of acquisition intangibles | 11 | 12.9 | 12.8 |
| Equity-settled transactions | 23 | 7.4 | 4.9 |
| Net financing costs | 7 | 16.6 | 17.5 |
| Income tax expense | 8 | 50.9 | 45.5 |
| Loss on disposal of property, plant, equipment and software | 5 | 0.2 | 0.4 |
| **Operating profit before changes in working capital and operating provisions** | | 282.3 | 256.2 |
| Change in inventories | | (1.3) | 0.3 |
| Change in trade and other receivables | | (32.5) | 8.9 |
| Change in trade and other payables | | 22.7 | 9.8 |
| Change in provisions | | 1.4 | 5.2 |
| Special contributions into pension schemes | 21 | (1.2) | (2.0) |
| **Cash generated from operations** | | 271.4 | 278.4 |
| Interest and other finance expense paid | | (15.4) | (16.1) |
| Income taxes paid | | (61.7) | (59.6) |
| **Net cash flows generated from operating activities** | | 194.3 | 202.7 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant, equipment and software | | 0.8 | 0.3 |
| Interest received | | 0.9 | 1.0 |
| Acquisition of subsidiaries, net of cash acquired | 22 | (41.9) | (23.9) |
| Consideration paid in respect of prior year acquisitions | 17 | (9.3) | (10.2) |
| Purchase of non-controlling interests | | – | (0.6) |
| Sale of a listed investment | | – | 5.7 |
| Sale of an associate | | – | 0.9 |
| Acquisition of property, plant, equipment and software | 10,11 | (65.9) | (52.8) |
| **Net cash flows used in investing activities** | | (115.4) | (79.6) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | 18 | 2.8 | 3.6 |
| Purchase of own shares | 18 | (0.5) | – |
| Drawdown of borrowings | | 355.2 | 191.8 |
| Repayment of borrowings | | (310.8) | (250.5) |
| Dividends paid to non-controlling interests | 19 | (6.6) | (6.3) |
| Equity dividends paid | 18 | (42.5) | (34.7) |
| **Net cash flows used in financing activities** | | (2.4) | (96.1) |
| **Net increase in cash and cash equivalents** | 25 | 76.5 | 27.0 |
| Cash and cash equivalents at 1 January | 25 | 134.2 | 113.3 |
| Effect of exchange rate fluctuations on cash held | 25 | 6.3 | (6.1) |
| **Cash and cash equivalents at 31 December** | 25 | 217.0 | 134.2 |

The notes on pages 77 to 117 are an integral part of these consolidated financial statements

# Notes to the financial statements

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

The Group financial statements as at and for the year ended 31 December 2010 consolidate those of the Company and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

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

## 2 Significant accounting policies
### (a) Basis of preparation
#### Statement of compliance
The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 118 to 121.

#### Measurement convention
The financial statements are prepared on the historical cost basis except that derivative financial instruments and available-for-sale financial assets are stated at fair value.

#### Functional and presentation currency
These consolidated financial statements are presented in sterling, which is the Company's functional currency. All information presented in sterling has been rounded to the nearest £0.1m.

#### Adjusted results
In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the income statement. Separately disclosed items are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted result to provide readers with a clear and consistent view of the business performance of the Group and its operating divisions. When applicable, these items include amortisation of intangibles, impairment of goodwill and other assets, the profit or loss on disposals of businesses or other significant fixed assets, costs of acquiring and integrating acquisitions, the cost of any fundamental restructuring of a business, material claims and settlements, significant recycling of amounts from equity to the income statement and unrealised gains/losses on financial assets/liabilities. Details of the separately disclosed items are given in note 4 of the notes to the financial statements.

#### Changes in accounting policies
The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except as explained below which addresses changes in accounting policies.

The Group has adopted in the year the following new standards, amendments to standards and interpretations:

(i) IFRS 3 – Business Combinations (revised 2008)

(ii) IAS 27 – Consolidated and Separate Financial Statements (amended 2008)

(iii) Amendments to IFRS 7 – Improving disclosures about financial instruments

(iv) Amendments to IFRIC 9 – Reassessment of Embedded Derivatives

(v) Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items

(vi) Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

(vii) Improvements to International Financial Reporting Standards 2009

(viii) Amendments to IAS 38 – Intangible assets – consequential amendments arising from IFRS 3 (revised)

(ix) Amendments to IFRIC 16 – Hedges of a net investment in foreign operation

(x) Amendments to IAS 36 – Impairment of assets

(i) IFRS 3 Business Combinations (revised 2008)

From 1 January 2010, the Group has applied IFRS 3 Business Combinations (revised 2008) in accounting for business combinations. The change in accounting policy has been applied prospectively. The impact of the change on basic earnings per share is three pence in the current year.

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

## 2 Significant accounting policies (continued)

### Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Costs relating to acquisitions are shown in separately disclosed items. See note 4 for the application of the new policy to the business combinations that occurred during the period.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. The determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future services.

### Acquisitions between 1 January 2004 and 31 December 2009

For acquisitions between 1 January 2004 and 31 December 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(ii) IAS 27 – Consolidated and Separate Financial Statements (amended 2008)

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2010 and have not been applied in preparing consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future accounting periods.

### Going concern

The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions. The Board has also reviewed the Group's funding requirements and has taken into consideration the issuance of US$250m notes in December 2010, the US$60m bilateral facility signed in January 2010, and the signing of a £30m bilateral multi-currency term loan facility in December 2010. It also took into consideration the refinancing of the Senior Bank Facility in February 2011 with a new syndicated US$600m multi-currency revolver available to 31 March 2016. As a result of these reviews the Board remains satisfied with the Group's funding and liquidity position. The Board believe that the Group is well placed to manage its business risks successfully. In addition, on the basis of its forecasts, both base case and stressed, and available facilities, which are described in note 15, the Board has concluded that the going concern basis of preparation continues to be appropriate.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business Review on pages 8 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the primary statements and in note 15 to the financial statements. In addition note 24 to the financial statements includes the Group's financial risk management objectives and also gives details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

### Use of judgements and estimates

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

## 2 Significant accounting policies (continued)

differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

In applying the Group's accounting policies, management has applied judgement in the following areas that have a significant impact on the amounts recognised in the financial statements. Also discussed below are key assumptions concerning the future and other key sources of estimation at the reporting date, that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### Income tax

The actual tax on profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements, see note 8.

### Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income, see note 12.

### Intangible assets

When the Group makes an acquisition, management review the business and assets acquired to determine whether any intangible assets should be recognised separately from goodwill. If such an asset is identified, then it is valued by discounting the probable future cash flows expected to be generated by the asset, over the estimated life of the asset. Where there is uncertainty over the amount of economic benefit and the useful life, this is factored into the calculation, see note 11.

### Impairment of goodwill

The Group determines on an annual basis whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash generating unit that holds the goodwill, at a determined discount rate to calculate the present value of those cash flows, see note 11.

### Contingent consideration

When the Group acquires businesses, the total consideration may consist of an amount paid on completion plus further amounts payable on agreed post completion dates. These further amounts are contingent on the acquired business meeting agreed performance targets. At the date of acquisition, the Group reviews the profit and cash forecasts for the acquired business and estimates the amount of contingent consideration that is likely to be due, see note 17.

### Basis of consolidation

Judgement is applied when determining if an entity acquired is controlled by the Group, and therefore is defined as a subsidiary. Control is presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. However, even if the Group owns half or less of the voting power of an entity, control may still exist. In assessing control, the Group considers whether it has the ability to control on a legal or contractual basis rather than whether that control is actually exercised. Specific examples of where the Group has control of subsidiaries are where it has the power to govern the entity's financial and operating policies by virtue of statute or agreement and where it has the power to cast the majority of votes of the entity's governing body, see note 22.

### Claims

In making provision for claims, management bases its judgement on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by senior management, see note 17.

### Employee post-retirement benefit obligations

The Group has four principal defined pension benefit plans. The obligations under these plans are recognised in the statement of financial position and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions, see note 21.

### Recoverability of trade receivables

Trade receivables are reflected net of an estimated provision for impairment losses. This provision is based primarily on a review of all outstanding accounts and considers the past payment history and creditworthiness of each account and the length of time that the debt has remained unpaid. The actual amounts of debts that ultimately prove irrecoverable could vary from the actual provision made, see note 24.

### (b) Basis of consolidation

### Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that

## 2 Significant accounting policies (continued)

presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

For purchases of non-controlling interest in subsidiaries, the Group applies the 'entity concept method'. Under this method, the entire difference between the cost of the additional interest in the subsidiary, and the non-controlling interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition of the non-controlling interests, is reflected directly in the shareholders' equity.

### Transactions eliminated on consolidation

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

### (c) Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except those arising on the retranslation of a financial liability designated as a hedge of net investment in a foreign operation, and on retranslation of available-for-sale equity instruments which are recognised directly in equity. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### Foreign operations

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

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

| | Assets and liabilities Actual rates | | Income and expenses Cumulative average rates | |
|---|---|---|---|---|
| **Value of £1** | **31 Dec 10** | 31 Dec 09 | **2010** | 2009 |
| US dollar | **1.55** | 1.60 | **1.55** | 1.56 |
| Euro | **1.17** | 1.11 | **1.17** | 1.12 |
| Chinese renminbi | **10.26** | 10.90 | **10.47** | 10.63 |
| Hong Kong dollar | **12.05** | 12.38 | **12.00** | 12.06 |

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

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

### (d) Financial instruments

### Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently are stated at their amortised cost less impairment losses (see accounting policy (i)). Loans and receivables comprise trade and other receivables.

### Cash and cash equivalents and net debt

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

### Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (which are recognised in the income statement), and foreign currency differences on available-for-sale monetary items (see note (c)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

### Non-derivative financial liabilities

Trade and other payables are recognised initially at fair value and subsequently are stated at their amortised cost.

## 2 Significant accounting policies (continued)

Interest-bearing borrowings are initially recognised at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

### Derivative financial instruments

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

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

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

### Classification of financial instruments issued by the Group

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

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

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

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

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

### (e) Hedging

### Cash flow hedges

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

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

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

### Hedge of monetary assets and liabilities

Where a derivative financial instrument is used economically to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

### Hedge of net investment in a foreign operation

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

## 2 Significant accounting policies (continued)

### (f) Property, plant and equipment

#### Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (see depreciation paragraph below) and accumulated impairment losses (see accounting policy (i)).

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

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

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

#### Leased assets

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

Other leases are operating leases. These leased assets are not recognised in the Group's statement of financial position.

#### Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

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

| | |
|---|---|
| Freehold buildings and long leasehold buildings | 50 years |
| Short leasehold buildings | Term of lease |
| Fixtures, fittings and equipment | 3–10 years |

Depreciation methods, residual values and the useful lives of all assets are re-assessed at each reporting date.

#### Borrowing costs

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

### (g) Intangible assets

#### Goodwill

Goodwill arises on the acquisition of businesses. All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost less any accumulated impairment losses (see accounting policy (i)). Goodwill is allocated to cash generating units (CGUs) and is not amortised but is tested annually for impairment.

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

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

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

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

#### Other intangible assets

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

### 2 Significant accounting policies (continued)

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

| | |
|---|---|
| Computer software | Up to 7 years |
| Customer relationships | Up to 10 years |
| Know-how | Up to 5 years |
| Licences | Contractual life |
| Covenants not to compete | Contractual life |

#### (h) Inventories

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

#### (i) Impairment

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

All impairment losses are recognised in the income statement.

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

##### Non-financial assets

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

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

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

The recoverable amount of an asset or a cash generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount.

#### (j) Employee benefits

##### Defined contribution plan

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

### 2 Significant accounting policies (continued)

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of (i) an unconditional right to a refund from the plan or (ii) reductions in future contributions to the plan as measured by the estimated future service cost less the estimated minimum funding contributions required in respect of the future accrual of benefits in that year. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. In addition a provision for future minimum funding contributions is recorded to the extent that such payments are required to cover an existing shortfall, as measured on a minimum funding contribution basis, and having been paid will not be available as a refund or a reduction in future contributions to the plan.

The increase in the present value of the liabilities expected to arise from the employees' services in the accounting period is charged to the operating profit in the income statement. The expected return on the schemes' assets and the interest on the present value of the schemes' liabilities, during the accounting period, are shown as finance income and finance expense respectively. Actuarial gains and losses are recognised immediately in equity.

#### Share-based payment transactions

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

#### Own shares held by the Employee Share Ownership Trust ("ESOT")

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

#### (k) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### (l) Revenue

Revenue represents the total amount receivable for services rendered, excluding sales related taxes and intra-group transactions. Revenue from services rendered is recognised in the income statement when the relevant service is completed, usually when the report of findings is issued or in certain circumstances, in proportion to the stage of completion, normally determined by reference to costs incurred to date in proportion to the total anticipated costs of the transaction at the reporting date. Revenue in respect of outsourcing services is normally recognised when a tranche of work is complete and can be invoiced in accordance with contractual obligations. In certain countries it is standard practice for work performed on behalf of sub-contractors to be invoiced subsequent to the sub-contractors obtaining settlement from the main contractor. In these circumstances the revenue is recognised as deferred revenue on completion of a tranche of work.

#### (m) Expenses

#### Operating lease payments

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

#### Net financing costs

Net financing costs comprise interest expense on borrowings calculated using the effective interest rate method, facility fees, interest receivable on funds invested, net foreign exchange gains or losses on external income and expense relating to pension assets and liabilities, and gains and losses on hedging instruments, that are recognised in the income statement (see accounting policy (e)). Interest income is recognised in the income statement as it accrues using the effective interest rate method. All borrowing costs are recognised in the income statement using the effective interest rate method.

#### (n) Income tax

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

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

## 2 Significant accounting policies (continued)

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit; overseas retained earnings, the distribution of which is under the control of the Group, and which are not likely to be distributed in the foreseeable future; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

### (o) Dividends

Interim dividends are recognised as a movement in equity when they are paid. Final dividends are reported as a movement in equity in the year in which they are approved by the shareholders.

### (p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 3 Operating segments and presentation of results

The Group is organised into six operating divisions each of which offer services to different industries and are managed separately: Consumer Goods; Commercial & Electrical; Oil, Chemical & Agri; Analytical Services; Industrial Services; and Minerals. The costs of the corporate head office and other costs which are not controlled by the operating divisions are allocated to these divisions.

These divisions are the operating segments that are reported to the chief operating decision maker and are the Group's reportable segments. Inter-segment pricing is determined on an arm's length basis. There is no significant seasonality in the Group's operations.

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

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

### Principal activities are as follows:

*Consumer Goods* provides services to the textiles, toys, footwear, hardlines, food, and retail industries. Services include testing, inspection, auditing, advisory services, quality assurance, and hazardous substance testing.

*Commercial & Electrical* provides services including testing and certification, electromagnetic compatibility testing (EMC), outsourcing, benchmark and performance testing and environmental testing. These are provided to a wide range of industries including the home appliance, lighting, medical, building, industrial and HVAC/R (heating, ventilation, air conditioning and refrigeration), IT, telecom, renewable energy and automotive industries.

*Oil, Chemical & Agri* provides independent cargo inspection as well as non-inspection related laboratory testing, calibration and related technical services to the world's energy, petroleum, chemical and agricultural industries. It also provides cargo scanning, fiscal support services and standards programmes to governments, national standards organisations and customs authorities.

*Analytical Services* provides expert laboratory services and consultancy to a broad range of industries including chemical, pharmaceutical, oil and gas, and automotive and aerospace. We have an established track record of success in laboratory outsourcing with many large internationally recognised companies.

*Industrial Services* provides inspection, testing and auditing services, including management systems certification, second-party auditing, supplier evaluation, technical verification, conformity assessment, asset integrity management, dimensional control management, training, health and safety and risk consulting, and greenhouse gas services.

*Minerals* provides complete analytical solutions to the world's minerals, ore and mining industries.

## 3 Operating segments and presentation of results (continued)

Year ended 31 December 2010

| | Revenue from external customers £m | Inter-segment revenue £m | Total revenue £m | Adjusted operating profit £m | Separately disclosed items £m | Operating profit £m |
|---|---|---|---|---|---|---|
| Consumer Goods | 341.5 | 1.3 | 342.8 | 109.2 | (0.7) | 108.5 |
| Commercial & Electrical | 269.2 | 3.4 | 272.6 | 38.2 | (3.0) | 35.2 |
| Oil, Chemical & Agri | 452.7 | 2.8 | 455.5 | 51.0 | (3.9) | 47.1 |
| Analytical Services | 151.5 | 1.7 | 153.2 | 14.5 | (5.1) | 9.4 |
| Industrial Services | 93.8 | 0.8 | 94.6 | 7.3 | (3.3) | 4.0 |
| Minerals | 65.5 | 0.2 | 65.7 | 7.3 | (1.4) | 5.9 |
| Eliminations | – | (10.2) | (10.2) | – | – | – |
| **Total** | **1,374.2** | **–** | **1,374.2** | **227.5** | **(17.4)** | **210.1** |
| Unallocated separately disclosed items | | | | – | (3.6) | (3.6) |
| **Group operating profit** | | | | **227.5** | **(21.0)** | **206.5** |
| Net financing costs | | | | (15.6) | (1.0) | (16.6) |
| **Profit before income tax** | | | | **211.9** | **(22.0)** | **189.9** |
| Income tax expense | | | | (56.6) | 5.7 | (50.9) |
| **Profit for the year** | | | | **155.3** | **(16.3)** | **139.0** |

Year ended 31 December 2010

| | Segment assets £m | Segment liabilities £m | Depreciation and software amortisation £m | Capital expenditure including software £m |
|---|---|---|---|---|
| Consumer Goods | 139.5 | 47.0 | 13.3 | 15.5 |
| Commercial & Electrical | 200.4 | 51.5 | 11.3 | 16.9 |
| Oil, Chemical & Agri | 219.5 | 77.4 | 16.1 | 17.1 |
| Analytical Services | 167.5 | 22.1 | 6.1 | 7.5 |
| Industrial Services | 87.8 | 17.4 | 0.8 | 0.7 |
| Minerals | 85.6 | 9.7 | 6.0 | 3.4 |
| **Total allocated** | **900.3** | **225.1** | **53.6** | **61.1** |
| Unallocated | 256.9 | 450.1 | 1.7 | 4.8 |
| **Total** | **1,157.2** | **675.2** | **55.3** | **65.9** |

Year ended 31 December 2009

| | Revenue from external customers £m | Inter-segment revenue £m | Total revenue £m | Adjusted operating profit £m | Separately disclosed items £m | Operating profit £m |
|---|---|---|---|---|---|---|
| Consumer Goods | 320.9 | 0.8 | 321.7 | 105.5 | (0.8) | 104.7 |
| Commercial & Electrical | 244.8 | 2.9 | 247.7 | 34.7 | (3.1) | 31.6 |
| Oil, Chemical & Agri | 406.7 | 1.2 | 407.9 | 43.7 | (7.1) | 36.6 |
| Analytical Services | 137.5 | 1.7 | 139.2 | 14.6 | (4.1) | 10.5 |
| Industrial Services | 80.7 | 3.9 | 84.6 | 6.5 | (2.8) | 3.7 |
| Minerals | 46.7 | – | 46.7 | 4.0 | (1.2) | 2.8 |
| Eliminations | – | (10.5) | (10.5) | – | – | – |
| Total | 1,237.3 | – | 1,237.3 | 209.0 | (19.1) | 189.9 |
| Unallocated separately disclosed items | | | | – | (3.2) | (3.2) |
| Group operating profit | | | | 209.0 | (22.3) | 186.7 |
| Net financing costs | | | | (17.5) | – | (17.5) |
| Profit before income tax | | | | 191.5 | (22.3) | 169.2 |
| Income tax expense | | | | (51.1) | 5.6 | (45.5) |
| Profit for the year | | | | 140.4 | (16.7) | 123.7 |

## 3 Operating segments and presentaton of results (continued)

### Year ended 31 December 2009

| | Segment assets £m | Segment liabilities £m | Depreciation and software amortisation £m | Capital expenditure including software £m |
|---|---|---|---|---|
| Consumer Goods | 124.6 | 43.6 | 12.3 | 13.6 |
| Commercial & Electrical | 187.0 | 46.1 | 11.3 | 10.6 |
| Oil, Chemical & Agri | 180.8 | 65.5 | 16.2 | 15.4 |
| Analytical Services | 159.8 | 16.2 | 5.6 | 5.1 |
| Industrial Services | 62.2 | 11.9 | 0.7 | 0.4 |
| Minerals | 72.9 | 6.9 | 4.9 | 3.3 |
| Total allocated | 787.3 | 190.2 | 51.0 | 48.4 |
| Unallocated | 168.8 | 426.6 | 0.4 | 4.4 |
| Total | 956.1 | 616.8 | 51.4 | 52.8 |

### Geographic segments

All the business segments are managed on a worldwide basis but the main countries, which represent greater than 10% of either the Group's external revenues or non-current assets, are Australia, China (including Hong Kong), the United Kingdom and the United States.

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

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2010 £m** | 2009 £m | **2010 £m** | 2009 £m |
| China (including Hong Kong) | **293.6** | 273.7 | **37.3** | 38.4 |
| Australia | **60.3** | 44.7 | **63.2** | 58.5 |
| Other | **166.2** | 142.3 | **44.9** | 38.8 |
| **Total Asia Pacific** | **520.1** | 460.7 | **145.4** | 135.7 |
| United States | **358.0** | 342.6 | **220.5** | 207.2 |
| Other | **99.5** | 81.4 | **21.4** | 13.9 |
| **Total Americas** | **457.5** | 424.0 | **241.9** | 221.1 |
| United Kingdom | **122.0** | 120.6 | **104.1** | 91.9 |
| Other | **274.6** | 232.0 | **97.3** | 76.9 |
| **Total Europe, Middle East and Africa** | **396.6** | 352.6 | **201.4** | 168.8 |
| Unallocated | **–** | – | **26.4** | 22.6 |
| **Total** | **1,374.2** | 1,237.3 | **615.1** | 548.2 |

### Major customers

No revenue from any individual customer exceeded 10% of total Group revenue in 2009 or 2010.

## 4 Separately disclosed items

| | **2010 £m** | 2009 £m |
|---|---|---|
| **Operating costs:** | | |
| Amortisation of acquisition intangibles | **(12.9)** | (12.8) |
| Acquisition and integration costs | **(5.3)** | (2.5) |
| Restructuring costs | **–** | (3.2) |
| Claims and settlements | **(2.8)** | (3.8) |
| **Total operating costs** | **(21.0)** | (22.3) |
| Fair value of interest rate swaps recycled from equity (note 7) | **(1.0)** | – |
| **Total costs** | **(22.0)** | (22.3) |
| Income tax credit | **5.7** | 5.6 |
| **Total** | **(16.3)** | (16.7) |

### 4 Separately disclosed items (continued)

In line with IAS 38, acquisition intangibles are amortised over their useful economic life. This amortisation is excluded from adjusted results and is separately disclosed as this is consistent with the way in which results are reviewed by Intertek management and provides a consistent view of performance across the Group's operations.

Acquisition and integration costs include £2.7m (2009: £1.9m) for costs in relation to discussions with Det Norske Veritas, £2.1m (2009: £0.6m) for costs associated with the acquisitions described in note 22 and ongoing acquisitions, and £0.5m (2009: £nil) in respect of integration costs.

Claims of £2.8m (2009: £3.8m) relate principally to the settlement of a claim from a group of employees in the USA in the Oil, Chemical & Agri division.

The fair value of interest rate swaps of £1.0m (2009: £nil) was recycled from equity when the hedging instruments became ineffective on the repayment of senior term loans.

The income tax associated with the separately disclosed items is a credit of £5.7m (2009: credit of £5.6m).

### 5 Expenses and auditors' remuneration

| | 2010 £m | 2009 £m |
|---|---|---|
| **Included in profit for the year are the following expenses:** | | |
| Property rentals | 45.0 | 40.4 |
| Lease and hire charges – fixtures, fittings and equipment | 8.8 | 8.2 |
| Depreciation and software amortisation | 55.3 | 51.4 |
| Loss on disposal of property, fixtures, fittings, equipment and software | 0.2 | 0.4 |

| | 2010 £m | 2009 £m |
|---|---|---|
| **Auditors' remuneration:** | | |
| Audit of these financial statements | 0.3 | 0.3 |
| **Amounts receivable by auditors and their associates in respect of:** | | |
| Audit of financial statements of subsidiaries pursuant to legislation | 1.3 | 1.2 |
| Other services pursuant to such legislation – review of interim financial statements | 0.1 | 0.1 |
| Total fees pursuant to legislation | 1.7 | 1.6 |
| Taxation services | 0.8 | 0.2 |
| Transaction advisory | 0.8 | 0.4 |
| Other | 0.6 | 0.1 |
| **Total** | 3.9 | 2.3 |

In addition the auditors and their associates were paid £10,000 (2009: £10,000) in respect of the audit of associated pension schemes.

### 6 Employees

| Employee costs | 2010 £m | 2009 £m |
|---|---|---|
| Wages and salaries | 501.0 | 459.4* |
| Equity-settled transactions | 7.4 | 4.9 |
| Social security costs | 54.3 | 47.6 |
| Pension costs | 22.7 | 19.8 |
| Total employee costs | 585.4 | 531.7 |

*The wages and salaries cost for 2009 has been adjusted to exclude sub-contractor costs.

## 6 Employees (continued)

Details of the remuneration of the Directors are set out in the Remuneration Report. Details of pension arrangements and equity-settled transactions are set out in notes 21 and 23 respectively.

| Average number of employees by activity | 2010 | 2009 |
|---|---|---|
| Consumer Goods | **9,374** | 8,843 |
| Commercial & Electrical | **3,708** | 3,507 |
| Oil, Chemical & Agri | **8,906** | 8,627 |
| Analytical Services | **1,577** | 1,352 |
| Industrial Services | **873** | 765 |
| Minerals | **1,573** | 1,323 |
| Central | **220** | 163 |
| **Total average number for the year ended 31 December** | **26,231** | 24,580 |
| **Total actual number at 31 December** | **27,043** | 25,183 |

## 7 Net financing costs

| Recognised in income statement | 2010 £m | 2009 £m |
|---|---|---|
| **Finance income** | | |
| Interest on bank balances | **0.9** | 1.0 |
| Dividend income on available-for-sale financial assets | **–** | 0.1 |
| Expected return on pension assets (note 21) | **5.2** | 3.3 |
| Net change in fair value of available-for-sale financial assets transferred from equity | **–** | 1.1 |
| Ineffective portion of cash flow hedges* | **0.9** | – |
| Change in fair value of financial instruments held for trading (forward exchange contracts) | **0.2** | 2.0 |
| Change in fair value of financial instruments held for trading (interest rate swaps) | **–** | 0.2 |
| **Total finance income** | **7.2** | 7.7 |
| **Finance expense** | | |
| Interest on borrowings | **(14.5)** | (16.1) |
| Pension interest cost (note 21) | **(5.1)** | (3.7) |
| Net change in fair value of cash flow hedge transferred from equity* | **(1.9)** | (0.2) |
| Foreign exchange differences on revaluation of net monetary assets and liabilities | **(1.6)** | (4.7) |
| Facility fees and other | **(0.7)** | (0.5) |
| **Total finance expense** | **(23.8)** | (25.2) |
| **Net financing costs** | **(16.6)** | (17.5) |

* Represents the net effect of £1.0m (2009: £nil) in respect of the fair value of interest rate swaps recycled from equity (note 4).

| Recognised directly in other comprehensive income | 2010 £m | 2009 £m |
|---|---|---|
| Foreign exchange translation differences of foreign operations | **30.1** | (35.4) |
| Net exchange (loss)/gain on hedges of net investment in foreign operations | **(6.3)** | 27.2 |
| Effective portion of changes in fair value of cash flow hedges | **0.9** | 1.3 |
| Net change in fair value of cash flow hedges transferred to profit or loss | **2.1** | 0.2 |
| Net change in fair value of available-for-sale financial assets | **–** | 1.1 |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss | **–** | (1.1) |
| Income tax recognised in other comprehensive income | **(0.8)** | (0.4) |
| Finance income/(expense) recognised directly in other comprehensive income, net of tax | **26.0** | (7.1) |
| Attributable to: | | |
| Equity holders of the Company | **24.8** | (6.5) |
| Non-controlling interest | **1.2** | (0.6) |
| **Finance income/(expense) recognised directly in other comprehensive income, net of tax** | **26.0** | (7.1) |
| Recognised in: | | |
| Hedging reserve | **3.0** | 1.5 |
| Translation reserve and non-controlling interests | **23.8** | (8.2) |
| Retained earnings | **(0.8)** | (0.4) |
| **Finance income/(expense) recognised directly in other comprehensive income, net of tax** | **26.0** | (7.1) |

## 8 Income tax expense

| | 2010 £m | 2009 £m |
|---|---|---|
| UK corporation tax at 28.0% (2009: 28.0%) | 2.6 | (2.7) |
| Double taxation relief | (3.1) | (1.5) |
| UK taxation | (0.5) | (4.2) |
| Overseas taxation | 54.3 | 58.6 |
| Adjustments relating to prior year liabilities | 0.8 | (0.3) |
| Current tax | 54.6 | 54.1 |
| Deferred tax – origination and reversal of temporary differences | (3.7) | (8.6) |
| Total tax in income statement | 50.9 | 45.5 |
| | | |
| Tax on adjusted result | 56.6 | 51.1 |
| Tax on separately disclosed items | (5.7) | (5.6) |
| Total tax in income statement | 50.9 | 45.5 |

| **Income tax recognised in other comprehensive income** | 2010 Before tax £m | 2010 Tax expense £m | 2010 Net of tax £m | 2009 Before tax £m | 2009 Tax expense £m | 2009 Net of tax £m |
|---|---|---|---|---|---|---|
| Foreign exchange translation differences of foreign operations | 30.1 | – | 30.1 | (35.4) | – | (35.4) |
| Net exchange (loss)/gain on hedges of net investments in foreign operations | (6.3) | – | (6.3) | 27.2 | – | 27.2 |
| Effective portion of changes in fair value of cash flow hedges | 0.9 | (0.2) | 0.7 | 1.3 | (0.4) | 0.9 |
| Net change in fair value of cash flow hedges transferred to profit or loss | 2.1 | (0.6) | 1.5 | 0.2 | – | 0.2 |
| Actuarial gains and losses on defined benefit pension schemes | 15.0 | (0.2) | 14.8 | (2.5) | (0.8) | (3.3) |
| **Total other comprehensive income for the year** | 41.8 | (1.0) | 40.8 | (9.2) | (1.2) | (10.4) |

| **Income tax recognised directly in equity** | 2010 Before tax £m | 2010 Tax credit £m | 2010 Net of tax £m | 2009 Before tax £m | 2009 Tax credit £m | 2009 Net of tax £m |
|---|---|---|---|---|---|---|
| **Equity-settled transactions** | 7.4 | 2.2 | 9.6 | 4.9 | 1.4 | 6.3 |

### Reconciliation of effective tax rate

Reconciliation of the notional tax charge at UK standard rate of corporation tax of 28.0% (2009: 28.0%)

| | 2010 £m | 2009 £m |
|---|---|---|
| Profit before taxation | 189.9 | 169.2 |
| Notional tax charge at UK standard rate 28.0% (2009: 28.0%) | 53.2 | 47.4 |
| Differences in overseas tax rates | (12.4) | (10.6) |
| Tax on dividends | 5.0 | 6.0 |
| Non-deductible expenses | 3.4 | 4.8 |
| Tax exempt income | (0.4) | (0.6) |
| Losses brought forward utilised | (1.2) | (4.2) |
| Current year losses not recognised | 1.0 | 1.5 |
| Accelerated capital allowances and temporary differences not recognised | 2.6 | 4.4 |
| Brought forward accelerated capital allowances and temporary differences utilised | 0.1 | 0.3 |
| Recognition of previously unprovided accelerated capital allowances and temporary differences | (0.5) | (2.9) |
| Recognition of previously unprovided losses | (0.7) | (0.3) |
| Adjustments in respect of prior years | 0.8 | (0.3) |
| **Total tax in income statement** | 50.9 | 45.5 |

During the year there was a current tax credit of £0.8m on equity-settled transactions (2009: credit of £0.8m) and deferred tax credit of £0.4m on pension deficit, interest rate swaps and equity-settled transactions (2009: charge of £0.6m) charged directly to equity (see note 12).

**8 Income tax expense** (continued)

The effective tax rate on the result for the year was 26.8% (2009: 26.9%) and for the adjusted results was 26.7% (2009: 26.7%).

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011.

## 9 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year. In addition to the earnings per share required by IAS 33: Earnings Per Share, an adjusted earnings per share has also been calculated and is based on earnings excluding the effect of amortisation of acquisition intangibles, goodwill impairment and other separately disclosed items. It has been calculated to allow shareholders to have a better understanding of the trading performance of the Group. Details of the adjusted earnings per share are set out below:

| | 2010 £m | 2009 £m |
|---|---|---|
| Profit attributable to ordinary shareholders | 128.6 | 114.7 |
| Separately disclosed items (note 4) | 16.3 | 16.7 |
| **Adjusted earnings** | **144.9** | 131.4 |
| **Number of shares (millions)** | | |
| Basic weighted average number of ordinary shares | 159.3 | 158.4 |
| Potentially dilutive share options | 2.8 | 2.8 |
| **Diluted weighted average number of shares** | **162.1** | 161.2 |
| **Basic earnings per share** | **80.7p** | 72.4p |
| Options | (1.4)p | (1.2)p |
| **Diluted earnings per share** | **79.3p** | 71.2p |
| **Basic adjusted earnings per share** | **91.0p** | 83.0p |
| Options | (1.6)p | (1.5)p |
| **Diluted adjusted earnings per share** | **89.4p** | 81.5p |

## 10 Property, plant and equipment

| | Land and buildings £m | Fixtures, fittings and equipment £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2009 | 43.5 | 403.1 | 446.6 |
| Exchange adjustments | (2.5) | (22.6) | (25.1) |
| Additions | 7.3 | 38.4 | 45.7 |
| Disposals | – | (11.9) | (11.9) |
| Businesses acquired (note 22) | – | 0.4 | 0.4 |
| **At 31 December 2009** | **48.3** | **407.4** | **455.7** |
| **Depreciation** | | | |
| At 1 January 2009 | 6.1 | 205.7 | 211.8 |
| Exchange adjustments | (0.4) | (12.8) | (13.2) |
| Charge for the year | 1.7 | 45.7 | 47.4 |
| Disposals | – | (11.2) | (11.2) |
| **At 31 December 2009** | **7.4** | **227.4** | **234.8** |
| **Net book value at 31 December 2009** | **40.9** | **180.0** | **220.9** |
| Net book value at 1 January 2009 | 37.4 | 197.4 | 234.8 |
| **Cost** | | | |
| At 1 January 2010 | 48.3 | 407.4 | 455.7 |
| Exchange adjustments | 2.5 | 20.9 | 23.4 |
| Additions | 3.6 | 56.6 | 60.2 |
| Disposals | (0.4) | (10.3) | (10.7) |
| Businesses acquired (note 22) | 1.2 | 2.5 | 3.7 |
| **At 31 December 2010** | **55.2** | **477.1** | **532.3** |
| **Depreciation** | | | |
| At 1 January 2010 | 7.4 | 227.4 | 234.8 |
| Exchange adjustments | 0.4 | 12.6 | 13.0 |
| Charge for the year | 1.7 | 49.4 | 51.1 |
| Disposals | (0.4) | (9.3) | (9.7) |
| **At 31 December 2010** | **9.1** | **280.1** | **289.2** |
| **Net book value at 31 December 2010** | **46.1** | **197.0** | **243.1** |

Fixtures, fittings and equipment includes assets in the course of construction of £5.6m at 31 December 2010, (2009: £7.0m), mainly comprising of laboratories under construction. These assets will not be depreciated until they are brought into use. There are no significant borrowing costs capitalised within any qualifying assets (2009: £nil).

| | **2010 £m** | 2009 £m |
|---|---|---|
| Freehold | **42.7** | 37.9 |
| Long leasehold | **0.6** | 0.1 |
| Short leasehold | **2.8** | 2.9 |
| **Total** | **46.1** | 40.9 |

## 11 Goodwill and other intangible assets

| | Goodwill £m | Other intangible assets: Customer relationships £m | Licences £m | Other acquisition intangibles £m | Computer software £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2009 | 257.0 | 48.0 | 8.7 | 15.4 | 19.9 | 92.0 |
| Exchange adjustments | (9.0) | (2.4) | (0.5) | (0.7) | (2.0) | (5.6) |
| Additions | – | – | – | – | 7.1 | 7.1 |
| Disposals | – | – | – | – | (0.2) | (0.2) |
| Businesses acquired (note 22) | 24.4 | 4.5 | – | – | – | 4.5 |
| At 31 December 2009 | 272.4 | 50.1 | 8.2 | 14.7 | 24.8 | 97.8 |
| **Amortisation and impairment losses** | | | | | | |
| At 1 January 2009 | 14.9 | 14.8 | 2.9 | 9.0 | 10.1 | 36.8 |
| Exchange adjustments | (0.3) | (0.7) | (0.2) | (0.5) | (1.1) | (2.5) |
| Charge for the year | – | 9.3 | 1.5 | 2.0 | 4.0 | 16.8 |
| Impairment charge | – | – | – | – | (0.2) | (0.2) |
| At 31 December 2009 | 14.6 | 23.4 | 4.2 | 10.5 | 12.8 | 50.9 |
| **Net book value at 31 December 2009** | 257.8 | 26.7 | 4.0 | 4.2 | 12.0 | 46.9 |
| Net book value at 1 January 2009 | 242.1 | 33.2 | 5.8 | 6.4 | 9.8 | 55.2 |
| **Cost** | | | | | | |
| At 1 January 2010 | 272.4 | 50.1 | 8.2 | 14.7 | 24.8 | 97.8 |
| Exchange adjustments | 9.9 | 1.8 | 0.3 | 0.4 | 0.9 | 3.4 |
| Additions | – | – | – | – | 5.7 | 5.7 |
| Disposals | – | – | – | – | (0.1) | (0.1) |
| Businesses acquired (note 22) | 33.5 | 5.0 | – | 2.1 | – | 7.1 |
| **At 31 December 2010** | **315.8** | **56.9** | **8.5** | **17.2** | **31.3** | **113.9** |
| **Amortisation and impairment losses** | | | | | | |
| At 1 January 2010 | 14.6 | 23.4 | 4.2 | 10.5 | 12.8 | 50.9 |
| Exchange adjustments | (0.3) | 1.0 | 0.2 | 0.3 | 0.4 | 1.9 |
| Charge for the year | – | 9.6 | 1.4 | 1.9 | 4.2 | 17.1 |
| Disposals | – | – | – | – | (0.1) | (0.1) |
| **At 31 December 2010** | **14.3** | **34.0** | **5.8** | **12.7** | **17.3** | **69.8** |
| **Net book value at 31 December 2010** | **301.5** | **22.9** | **2.7** | **4.5** | **14.0** | **44.1** |

The other acquisition intangibles of £4.5m (2009: £4.2m) consist of covenants not to compete of £0.7m (2009: £1.3m), know-how of £2.1m (2009: £2.3m) and guaranteed income of £1.7m (2009: £0.6m). The average remaining amortisation period for customer relationships is three years (2009: 3.3 years).

Computer software net book value of £14.0m at 31 December 2010 (2009: £12.0m) includes software in construction of £3.2m (2009: £5.8m). Borrowing costs capitalised within software in the course of construction is £0.1m (2009: £nil).

### 11 Goodwill and other intangible assets (continued)

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

| | 2010 £m | 2009 £m |
|---|---|---|
| Consumer Goods | 4.0 | 1.2 |
| Commercial & Electrical | – | 2.6 |
| Oil, Chemical & Agri | 3.9 | – |
| Analytical Services | 12.6 | – |
| Industrial Services | 12.3 | 20.4 |
| Minerals | 0.7 | 0.2 |
| **At 31 December** | 33.5 | 24.4 |

The total carrying amount of goodwill by operating segment is as follows:

| | 2010 £m | 2009 £m |
|---|---|---|
| Consumer Goods | 27.2 | 23.5 |
| Commercial & Electrical | 59.7 | 57.6 |
| Oil, Chemical & Agri | 28.1 | 23.4 |
| Analytical Services | 95.9 | 81.8 |
| Industrial Services | 47.2 | 34.4 |
| Minerals | 43.4 | 37.1 |
| **Net book value at 31 December*** | 301.5 | 257.8 |

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

#### Impairment Review

The following table analyses the total Group goodwill of £301.5m (2009: £257.8m) between eight identified cash generating units (CGUs).

| | 2010 £m | 2009 £m |
|---|---|---|
| Consumer Goods | 27.2 | 23.5 |
| Commercial & Electrical | 59.7 | 57.6 |
| Oil, Chemical & Agri | 28.1 | 23.4 |
| Analytical Services – Materials & Pharmaceutical Testing | 70.9 | 57.5 |
| Analytical Services – Upstream | 25.0 | 24.3 |
| Industrial Services – Systems Certification | 3.3 | 3.2 |
| Industrial Services – Technical Services | 43.9 | 31.2 |
| Minerals | 43.4 | 37.1 |
| **Total goodwill net book value at 31 December** | 301.5 | 257.8 |

In order to determine whether impairments are required the Group estimates the recoverable amount of each CGU. The calculation is based on projecting future cash flows over a five year period and using a terminal value to incorporate expectations of growth thereafter. The terminal value is calculated using a perpetuity model which assumes long term growth rate on the operating cash flows of between 2.5% to 4.1% (2009: 2% to 5%) reflecting the long term GDP growth forecasts in the various regions in which the respective CGUs operate. A discount factor is applied to obtain a 'value in use' which is the recoverable amount, unless the fair value less costs to sell the respective CGU is an amount in excess of the 'value in use'.

The value in use calculation includes estimates about the future financial performance of the CGUs. The approved budget for the following financial year forms the basis for the cash flow projections for a CGU. The cash flow projections in the four financial years following the budget year reflect management's conservative expectations of the medium term operating performance of the CGUs and growth prospects in the various CGU's markets and regions.

### Key assumptions

The key assumptions in the value in use calculations are the revenue and operating margin growth rates which directly influence the forecasted operating cash flows, as well as the discount rate applied. In determining the key assumptions, management have taken into account the current economic climate and the resulting impact on expected growth and discount rates.

The calculation of the value in use is sensitive to the following key assumptions:

#### (i) Operating cash flow

One of the key drivers of the operating cash flow is revenue. The 2011 revenue figures for each CGU are based on the 2011 approved budget. For the years 2012 to 2015, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience and GDP growth prospects. The annual growth rates ranged from 8.3% to 13.9% (2009: 3.5% to 8.4%). In all cases it is considered that the assumed growth rates are conservative.

The other key driver of the operating cash flow is operating profit. The assumed operating profit growth rates, which are considered conservative, ranged from 7.6% to 22.1% (2009: 1.3% to 16.7%) reflecting management assessment of current and future market environment of the sectors and countries in which the CGUs operate.

#### (ii) Discount rate applied

The discount rate applied to a CGU represents a pre tax rate that reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU. The discount rates applied to the CGU were in the range of 9.8% to 14.3% (2009: 10.6% to 14.5%).

### Sensitivity analysis

There are no realistic changes that could be made to the key assumptions that would cause the carrying amount of each CGU to exceed its recoverable amount. Management have also considered the effect of the following extreme scenarios:

(i) Assuming revenues decline each year by 1% in 2012 to 2015 from the 2011 budgeted revenues, with margins increasing with base assumptions, all CGUs continue to show sufficiency of headroom.

(ii) Assuming 0% growth in operating profit in 2012 to 2015, with revenues increasing per base assumptions, all CGUs continue to show positive headroom.

(iii) Assuming an increase in the discount rates used by 1%, all CGUs continue to show headroom.

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

There are no intangible assets with indefinite lives.

## 12 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets 2010 £m | Assets 2009 £m | Liabilities 2010 £m | Liabilities 2009 £m | Net 2010 £m | Net 2009 £m |
|---|---|---|---|---|---|---|
| Intangible assets | – | – | (10.8) | (8.7) | (10.8) | (8.7) |
| Property, fixtures, fittings and equipment | 3.3 | 2.6 | (2.0) | (1.8) | 1.3 | 0.8 |
| Pensions | 0.2 | 0.4 | – | (0.1) | 0.2 | 0.3 |
| Equity-settled transactions | 5.2 | 3.2 | – | – | 5.2 | 3.2 |
| Interest rate swaps | 0.3 | 0.9 | – | – | 0.3 | 0.9 |
| Provisions and other temporary differences | 18.6 | 16.4 | (0.4) | (0.3) | 18.2 | 16.1 |
| Tax value of losses | 4.4 | 2.5 | – | – | 4.4 | 2.5 |
| Tax set-off | (5.6) | (3.4) | 5.6 | 3.4 | – | – |
| **Total** | 26.4 | 22.6 | (7.6) | (7.5) | 18.8 | 15.1 |

### Unrecognised deferred tax assets

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

| | 2010 £m | 2009 £m |
|---|---|---|
| Deductible temporary differences | 3.6 | 4.8 |
| Pensions | 0.9 | 4.7 |
| Tax losses | 12.5 | 18.1 |
| Property, fixtures, fittings and equipment | 5.6 | 3.4 |
| Equity-settled transactions | 1.3 | 0.9 |
| **Total** | 23.9 | 31.9 |

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

There is a temporary difference of £12.5m (2009: £11.7m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from or sell the associated subsidiaries in the foreseeable future.

| Movements in temporary differences during the year | 1 January 2010 £m | Exchange adjustments £m | Acquisitions £m | Recognised in income statement £m | Recognised in equity* £m | 31 December 2010 £m |
|---|---|---|---|---|---|---|
| Intangible assets | (8.7) | (0.3) | (1.2) | (0.6) | – | (10.8) |
| Property, fixtures, fittings and equipment | 0.8 | – | – | 0.5 | – | 1.3 |
| Pensions | 0.3 | – | – | 0.1 | (0.2) | 0.2 |
| Equity-settled transactions | 3.2 | – | – | 0.6 | 1.4 | 5.2 |
| Interest rate swaps | 0.9 | – | – | 0.2 | (0.8) | 0.3 |
| Provisions and other temporary differences | 16.1 | 0.7 | – | 1.4 | – | 18.2 |
| Tax value of losses | 2.5 | 0.4 | – | 1.5 | – | 4.4 |
| **Total** | 15.1 | 0.8 | (1.2) | 3.7 | 0.4 | 18.8 |

*See note 8.

| | 1 January 2009 £m | Exchange adjustments £m | Acquisitions £m | Recognised in income statement £m | Recognised in equity* £m | 31 December 2009 £m |
|---|---|---|---|---|---|---|
| Intangible assets | (10.3) | 0.2 | (0.4) | 1.8 | – | (8.7) |
| Property, fixtures, fittings and equipment | (0.7) | – | – | 1.5 | – | 0.8 |
| Pensions | 1.2 | – | – | (0.1) | (0.8) | 0.3 |
| Equity-settled transactions | 1.7 | – | – | 0.9 | 0.6 | 3.2 |
| Interest rate swaps | 1.3 | – | – | – | (0.4) | 0.9 |
| Provisions and other temporary differences | 14.5 | (1.7) | (0.4) | 3.7 | – | 16.1 |
| Tax value of losses | 1.6 | 0.1 | – | 0.8 | – | 2.5 |
| **Total** | 9.3 | (1.4) | (0.8) | 8.6 | (0.6) | 15.1 |

*See note 8.

## 13 Inventories

| | 2010 £m | 2009 £m |
|---|---|---|
| Raw materials and consumables | 7.0 | 6.3 |
| Work in progress | 2.1 | 0.7 |
| Finished goods | 0.8 | 0.6 |
| **Total inventories** | **9.9** | 7.6 |

The amount of inventory recognised as an expense in 2010 was £11.4m (2009: £10.2m). All inventories are expected to be recovered within 12 months. The amount of inventory written off in 2010 was £nil (2009: £nil).

## 14 Trade and other receivables

| | 2010 £m | 2009 £m |
|---|---|---|
| Trade receivables | 235.7 | 203.7 |
| Other receivables | 38.1 | 25.5 |
| Prepayments and accrued income | 41.4 | 36.9 |
| **Total trade and other receivables** | **315.2** | 266.1 |

Trade receivables are shown net of an allowance for impairment losses of £10.3m (2009: £9.9m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of operating costs was £4.8m (2009: £6.2m).

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

The Group's exposure to credit and currency risks and further details on impairment losses related to trade and other receivables are disclosed in note 24.

## 15 Interest bearing loans and borrowings

| | Current 2010 £m | Current 2009 £m | Non-current 2010 £m | Non-current 2009 £m |
|---|---|---|---|---|
| Senior term loans and notes | 93.6 | 8.2 | 290.0 | 323.7 |
| Other borrowings | – | – | 3.1 | 3.7 |
| **Total borrowings** | **93.6** | 8.2 | **293.1** | 327.4 |

| **Analysis of debt** | 2010 £m | 2009 £m |
|---|---|---|
| Debt falling due: | | |
| In one year or less (senior term loans) | 93.6 | 8.2 |
| Between one and two years (senior term loans) | – | 198.5 |
| Between two and five years (senior notes and £2.8m of other borrowings) | 80.8 | 19.0 |
| Over five years (senior notes and £0.3m of other borrowings) | 212.3 | 109.9 |
| **Total borrowings** | **386.7** | 335.6 |

### 15 Interest bearing loans and borrowings (continued)

#### Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2010 were £336.2m (2009: £153.2m).

#### Principal bank facility

In February 2011, the Group successfully completed the refinancing of the principal bank facility. The new syndicated facility comprises a US$600m multi-currency revolving credit facility available to 31 March 2016. Advances under the new facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending upon the Group's leverage. On execution of the new facility, the Group's original principal bank facility was cancelled.

The original facility was raised in 2004 and had a final maturity date of 15 December 2011. The facility comprised four separate tranches or facilities, all of which were cancelled in February 2011, which were as follows:

Facility A was a £14m multi-currency term loan that was repaid prior to 2010.

Facility B was a £225m multi-currency revolving credit facility that was repaid during 2010. Drawings under facility B at 31 December 2010 were £nil (2009: £106.4m).

Facility C was a 364 day £80m multi-currency revolving credit facility. Facility C was initially reduced to £48m prior to 2010 and then reduced to £44m in November 2010. Drawings under facility C at 31 December 2010 were £nil (2009: £8.1m).

Facility D was a £100m multi-currency term loan facility that was reduced to £93.6m prior to 2010. Drawings under facility D at 31 December 2010 were £93.6m (2009: £92.1m).

Advances under the facilities bear interest at a rate equal to LIBOR, or other local currency equivalent, plus a margin. The margin over LIBOR for facility D was in the range of 0.3% to 0.5% in accordance with a leverage grid. As at 31 December 2010, the margin was 0.3%.

#### Private placement bonds

In June 2008, the Group raised US$100m by way of a senior note issue. The notes are repayable on 26 June 2015 and pay a fixed annual interest rate of 5.54%.

In December 2008, the Group issued a further US$100m of senior notes. These notes were issued in two tranches with US$25m repayable on 21 January 2014 at a fixed annual interest rate of 7.5% and US$75m repayable on 10 June 2016 at a fixed annual interest rate of 8.0%.

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

#### Other facilities

In January 2010, the Group signed a US$60m bilateral, multi-currency facility available to 25 January 2013. Drawings under this facility at 31 December 2010 were nil.

In December 2010, the Group signed a further bilateral multi-currency facility available to 31 March 2016. The facility comprises a £20m multi-currency revolver facility and a €12m multi-currency term loan facility. Drawings under these facilities at 31 December 2010 were nil.

### 16 Trade and other payables

| | **Current 2010 £m** | Current 2009** £m | **Non-current 2010 £m** | Non-current 2009 £m |
|---|---|---|---|---|
| Trade payables | **36.7** | 32.2 | **–** | – |
| Other payables* | **22.8** | 17.0 | **2.2** | 3.6 |
| Accruals and deferred income | **160.8** | 137.7 | **5.1** | – |
| **Total trade and other payables** | **220.3** | 186.9 | **7.3** | 3.6 |

* Includes £1.8m (2009: £0.5m) of deferred consideration in respect of acquisitions.
** During the year, payments on account were transferred to accruals and deferred income. The amounts in respect of 2009 have been adjusted.

The Group's exposure to liquidity risk related to trade payables is disclosed in note 24. All trade payables are expected to be paid within 12 months.

## 17 Provisions

| | Contingent consideration £m | Claims £m | Other £m | Total £m |
|---|---|---|---|---|
| At 1 January 2010 | 11.5 | 15.8 | 4.2 | 31.5 |
| Exchange adjustments | 0.4 | 0.3 | – | 0.7 |
| Provided in the year: | – | 6.6 | 1.1 | 7.7 |
| in respect of current year acquisitions | 0.6 | – | – | 0.6 |
| in respect of prior year acquisitions | 0.9 | – | – | 0.9 |
| Released during the year | (1.7) | (1.6) | – | (3.3) |
| Utilised during the year | (9.3) | (3.2) | (1.3) | (13.8) |
| **At 31 December 2010** | **2.4** | **17.9** | **4.0** | **24.3** |
| **Included in:** | | | | |
| Current liabilities | 2.1 | 17.9 | 3.5 | 23.5 |
| Non-current liabilities | 0.3 | – | 0.5 | 0.8 |
| **At 31 December 2010** | **2.4** | **17.9** | **4.0** | **24.3** |

Contingent consideration represents the additional amounts payable on acquisitions which are uncertain in amount, since they are based on the acquired businesses achieving agreed future performance targets.

From time to time, the Group is involved in various claims and lawsuits incidental to the ordinary course of its business. The outcome of such litigation and the timing of any potential liability cannot be readily foreseen, as it is often subject to legal proceedings. Based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future.

The provision for claims of £17.9m (2009: £15.8m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. The timing of the cash outflow relating to the provisions is uncertain but is likely to be within one year. Details of contingent liabilities in respect of claims are set out in note 26.

The other provision of £4.0m (2009: £4.2m) comprises £1.5m (2009: £2.5m) for restructuring in the Oil, Chemical & Agri division, £2.0m (2009: £1.7m) in relation to onerous contracts and £0.5m (2009: £nil) in relation to acquisition integration costs.

## 18 Capital and reserves

### Share capital

| Group and Company | 2010 Number | 2010 £m | 2009 £m |
|---|---|---|---|
| Allotted, called up and fully paid: | | | |
| Ordinary shares of 1p each at start of year | 158,711,209 | 1.6 | 1.6 |
| Employee share option schemes – options exercised (note 23) | 423,749 | – | – |
| Deferred Bonus Share Plan (note 23) | 419,251 | – | – |
| **Ordinary shares of 1p each at end of year** | 159,554,209 | 1.6 | 1.6 |
| **Shares classified in shareholders' funds** | | 1.6 | 1.6 |

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

During the year, the Company issued 423,749 (2009: 569,428) ordinary shares in respect of the share options exercised, for consideration of £2.8m (2009: £3.6m) settled in cash and issued 419,251 (2009: 336,288) shares under the Long Term Incentive Plan for £nil (2009: £nil) consideration.

#### Translation reserve

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

#### Hedging reserve

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

#### Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets until the investments are derecognised or impaired.

#### Purchase of own shares

During the year ended 31 December 2010, the Company purchased 31,000 of its own shares with an aggregate nominal value of £310 for £0.5m which was debited to retained earnings in equity and was held by the Intertek Group Employee Share Ownership Trust (ESOT). The ESOT held 11,834 shares with an aggregate nominal value of £118, at 31 December 2010 (2009: nil). The associated cash out flow was presented as a financing cash flow.

The ESOT is managed and controlled by an independent offshore trustee. The total ESOT costs charged to the income statement in 2010 were £6,200 (2009: £9,700).

#### Other

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

### Dividends

| | 2010 £m | 2010 Pence per share | 2009 £m | 2009 Pence per share |
|---|---|---|---|---|
| Amounts recognised as distributions to equity holders: | | | | |
| Final dividend for the year ended 31 December 2008 | – | – | 21.7 | 13.7 |
| Interim dividend for the year ended 31 December 2009 | – | – | 13.0 | 8.2 |
| Final dividend for the year ended 31 December 2009 | 27.6 | 17.3p | – | – |
| Interim dividend for the year ended 31 December 2010 | 14.9 | 9.3p | – | – |
| **Dividends paid** | 42.5 | 26.6p | 34.7 | 21.9 |

After the reporting date, the Directors proposed a final dividend of 18.8p per share in respect of the year ended 31 December 2010, which is expected to amount to £30m. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with IAS 10: Events after the reporting date, it has not been included as a liability in these financial statements. If approved, the final dividend will be paid to shareholders on 17 June 2011.

## 19 Non-controlling interests

| | 2010 £m | 2009 £m |
|---|---|---|
| At 1 January | **18.0** | 16.0 |
| Exchange adjustments | **1.2** | (0.6) |
| Share of profit for the year | **10.4** | 9.0 |
| Additions | **0.1** | – |
| Purchase of non-controlling interests | **–** | (0.1) |
| Dividends paid to non-controlling interests | **(6.6)** | (6.3) |
| **At 31 December** | **23.1** | 18.0 |

In 2009, the Group recognised a decrease in non-controlling interests of £0.1m and a decrease in retained earnings of £0.5m.

## 20 Commitments

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

| | 2010 | 2010 | 2010 | 2009 | 2009 | 2009 |
|---|---|---|---|---|---|---|
| | Land and buildings £m | Other £m | Total £m | Land and buildings £m | Other £m | Total £m |
| Within one year | **37.9** | **6.3** | **44.2** | 32.4 | 5.0 | 37.4 |
| In the second to fifth years inclusive | **59.1** | **4.4** | **63.5** | 53.9 | 5.0 | 58.9 |
| Over five years | **41.2** | **0.5** | **41.7** | 29.3 | – | 29.3 |
| **Total** | **138.2** | **11.2** | **149.4** | 115.6 | 10.0 | 125.6 |

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

Contracts for capital expenditure which are not provided in the financial statements amounted to £5.6m (2009: £6.4m).

## 21 Employee benefits

### Pension schemes

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are significant defined benefit schemes in the United Kingdom, Hong Kong and Switzerland. The United Kingdom schemes are the Intertek Pension Scheme and the Capcis Limited Pension and Life Assurance Scheme that came into the Group through the acquisition of the Umitek group in January 2007. These are funded schemes, with assets held in separate trustee administered funds. The schemes in the United Kingdom and Hong Kong were closed to new entrants in 2002 and 2000, respectively.

In 2010, as part of the acquisition of Expert Services on 31 March 2010, Swiss pension assets were transferred by the vendors into an insurance plan on behalf of the employees transferred to the Group. Pension arrangements in respect of existing Intertek Swiss employees were also transferred into the same plan. This insured plan provides a guaranteed rate of return on investment and a guaranteed annuity conversion rate in accordance with Swiss law. As such this plan has been treated as a defined benefit plan. Subsequent to the acquisition date, a new fully insured Swiss pension scheme was formed.

Other funded defined benefit schemes are not considered to be material and are therefore accounted for as if they were defined contribution schemes.

The Group fully recognises any actuarial gains and losses in each year in equity through the consolidated statement of comprehensive income.

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

| | 2010 £m | 2009 £m |
|---|---|---|
| Defined contribution schemes | **20.3** | 17.8 |
| Defined benefit schemes – current service cost | **2.4** | 2.0 |
| **Pension cost included in operating profit (note 6)** | **22.7** | 19.8 |

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

(b) The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom was carried out as at 1 April 2010, but this has been updated to 31 December 2010 for IAS 19 purposes. The last full triennial actuarial valuation of the Capcis Limited Pension and Life Assurance Scheme in the UK was carried out as at 1 April 2007 and this has also been updated to 31 December 2010 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2009, for local accounting purposes but this has been updated to 31 December 2010 for IAS 19 purposes. The Swiss plans were actuarially valued for IAS 19 purposes at 31 December 2010.

The Group is currently making additional contributions into the pension schemes with the overall objective of paying off the deficits in line with actuaries' recommendations.

### 21 Employee benefits (continued)

The amounts recognised in the statement of financial position were as follows:

| | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| Fair value of scheme assets | 96.3 | 73.0 | 58.6 |
| Present value of funded defined benefit obligations | (101.8) | (92.5) | (77.1) |
| **Net liability in the statement of financial position** | (5.5) | (19.5) | (18.5) |

The amounts recognised in the income statement were as follows:

| | 2010 £m | 2009 £m |
|---|---|---|
| Current service cost | (2.4) | (2.0) |
| Expected return on scheme assets (note 7) | 5.2 | 3.3 |
| Pension interest cost (note 7) | (5.1) | (3.7) |
| **Total charge** | (2.3) | (2.4) |

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

(c) Changes in the fair value of scheme assets:

| | 2010 £m | 2009 £m |
|---|---|---|
| Fair value of scheme assets at 1 January | 73.0 | 58.6 |
| Acquisitions | 9.3 | – |
| New Swiss scheme | 1.9 | – |
| Expected return on schemes assets | 5.2 | 3.3 |
| Normal contributions by the employer | 1.9 | 2.2 |
| Special contributions by the employer | 1.2 | 2.0 |
| Contributions by scheme participants | 0.7 | 0.5 |
| Benefits paid | (3.1) | (3.5) |
| Effect of exchange rate changes on overseas plans | 1.3 | (1.8) |
| Actuarial gains | 4.9 | 11.7 |
| **Fair value of scheme assets at 31 December** | 96.3 | 73.0 |

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

| | 2010 £m | 2009 £m |
|---|---|---|
| Defined benefit obligations at 1 January | 92.5 | 77.1 |
| Acquisitions | 11.0 | – |
| New Swiss scheme | 1.9 | – |
| Current service cost | 2.4 | 2.0 |
| Interest cost | 5.1 | 3.7 |
| Contributions by scheme participants | 0.7 | 0.5 |
| Benefits paid | (3.1) | (3.5) |
| Effect of exchange rate changes on overseas plans | 1.4 | (1.5) |
| Actuarial (gains)/losses | (10.1) | 14.2 |
| **Defined benefit obligations at 31 December** | 101.8 | 92.5 |

(e) Actuarial losses recognised directly in the consolidated statement of comprehensive income:

| | 2010 £m | 2009 £m |
|---|---|---|
| Cumulative loss at 1 January | (15.8) | (13.3) |
| Recognised profits/(losses) in the year | 15.0 | (2.5) |
| Cumulative loss at 31 December | (0.8) | (15.8) |

(f) Company contributions

In 2011, the Group expects to make normal contributions of £2.0m (2010: £1.9m). Additionally, in February 2011, the Group made a special contribution of £1.2m (2010: £1.2m) to the UK pension schemes.

## 21 Employee benefits (continued)

(g) Fair value of scheme assets in each category:

| | United Kingdom Schemes | | Hong Kong Scheme | | Swiss Schemes | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Equities | 63% | 71% | 67% | 68% | – | – |
| Bonds | 30% | 24% | 31% | 31% | 100% | – |
| Cash/other | 7% | 5% | 2% | 1% | – | – |

(h) The pension deficit of each scheme at 31 December 2010 was as follows:

| | United Kingdom Schemes £m | Hong Kong Scheme £m | Swiss Schemes* £m | Total £m |
|---|---|---|---|---|
| Fair value of scheme assets | 68.8 | 15.1 | 12.4 | 96.3 |
| Present value of funded defined benefit obligations | (71.4) | (15.4) | (15.0) | (101.8) |
| **Deficit in schemes** | **(2.6)** | **(0.3)** | **(2.6)** | **(5.5)** |

*The Swiss schemes relate to existing employees and to those employees transferred as a result of the acquisition of Expert Services in March 2010.

(i) Principal actuarial assumptions:

| | United Kingdom Schemes | | Hong Kong Scheme | | Swiss Schemes | | Weighted average | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Discount rate | 5.4% | 5.5% | 3.1% | 2.6% | 3.0% | – | 4.7% | 5.0% |
| Inflation rate (based on CPI)* | 3.1% | n/a | n/a | n/a | 0.5% | – | 2.7% | 3.7% |
| Rate of salary increases | 4.1% | 4.2% | 3.0% | 3.0% | 1.5% | – | 3.5% | 4.0% |
| Rate of pension increases: | | | | | | | | |
| CPI subject to a maximum rate of 5% p.a. | 3.1% | n/a | n/a | n/a | n/a | – | 3.1% | n/a |
| Increases subject to a maximum rate of 2.5% p.a. | 2.5% | 2.5% | n/a | n/a | n/a | – | 2.5% | 2.5% |
| Annualised expected return on scheme assets | 6.0% | 6.8% | 7.8% | 7.9% | 4.0% | – | 6.0% | 7.0% |

*In July 2010, the UK Government announced its intention to base statutory minimum increases in revaluation in deferment and pension increases on the Consumer Prices index (CPI), rather than the Retail Prices Index (RPI). The Trustees of the main UK scheme therefore took legal advice on how this would impact on the scheme. Following this legal advice, the revaluation of benefits in deferment and pension increases in payment under the Scheme will, with effect from January 2011, be based on the CPI instead of the RPI. For pension accrued after 5 April 2005, pension increases in payment are subject to a cap of 2.5% per annum. For pensions accrued prior to 5 April 2005, pension increases in payment are subject to a cap of 5% per annum. It is estimated that the effect of this change to CPI has resulted in a reduction in liabilities of approximately £2.7m. This gain has been recognised within the actuarial gains and losses.

The retirement arrangements in Hong Kong pays lump sums to members instead of pensions and the Swiss schemes are insured plans.

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

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

The actual return on scheme assets was as follows:

| | United Kingdom Schemes | | Hong Kong Scheme | | Swiss Schemes | |
|---|---|---|---|---|---|---|
| | 2010 £m | 2009 £m | 2010 £m | 2009 £m | 2010 £m | 2009 £m |
| **Actual return** | 8.4 | 10.9 | 1.6 | 4.1 | 0.2 | – |

## 21 Employee benefits (continued)

(j) Life expectancy assumptions at year end for:

| | United Kingdom Schemes | | Hong Kong Scheme* | | Swiss Schemes** |
|---|---|---|---|---|---|
| | 2010 £m | 2009 £m | 2010 £m | 2009 £m | 2010 £m |
| Male aged 40 | 46.5 | 48.5 | n/a | n/a | 40.2 |
| Male aged 65 | 21.0 | 22.3 | n/a | n/a | 17.9 |
| Female aged 40 | 48.7 | 51.1 | n/a | n/a | 44.2 |
| Female aged 65 | 23.6 | 24.7 | n/a | n/a | 20.9 |

* The retirement arrangement in Hong Kong pays lump sums to members instead of pensions at the point they retire. Since the amount of the lump sum is not related to the life expectancy of the members, the post-retirement mortality is not a relevant assumption for the Hong Kong scheme.
** Applies from March 2010 following the acquisition of Expert Services.

The table above shows, for the United Kingdom schemes, the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The 2010 mortality tables adopted are the PNA00 projected by year of birth, with an allowance for the medium cohort effect and a minimum improvement of 1% (the same tables were used in 2009). For the Swiss schemes, the mortality table adopted is the BVG 2005, an industry standard in Switzerland which is based on statistical evidence of major Swiss pension funds.

(k) Sensitivity analysis

The table below sets out the sensitivity on the pension assets and liabilities as at 31 December 2010 of the two main assumptions.

| Change in assumptions | Liabilities £m | Assets £m | Deficit £m | Increase/ (decrease) in deficit £m |
|---|---|---|---|---|
| No change | 101.8 | 96.3 | 5.5 | – |
| 0.25% rise in discount rate | 97.0 | 96.3 | 0.7 | (4.8) |
| 0.25% fall in discount rate | 106.7 | 96.3 | 10.4 | 4.9 |
| 0.25% rise in inflation | 103.9 | 96.3 | 7.6 | 2.1 |
| 0.25% fall in inflation | 99.8 | 96.3 | 3.5 | (2.0) |

(l) History of experience gains and losses:

| | 2010 £m | 2009 £m | 2008 £m | 2007 £m | 2006 £m |
|---|---|---|---|---|---|
| Fair value of scheme assets | 96.3 | 73.0 | 58.6 | 66.6 | 56.4 |
| Defined benefit obligations | (101.8) | (92.5) | (77.1) | (73.9) | (71.6) |
| Deficit | (5.5) | (19.5) | (18.5) | (7.3) | (15.2) |
| Experience gains/(losses) on scheme liabilities | 2.8 | (1.8) | 0.4 | 1.5 | 1.6 |
| Experience gains/(losses) on scheme assets | 4.9 | 11.7 | (17.4) | 2.1 | 1.3 |

## 22 Acquisitions

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

Provisional details of net assets acquired and fair value adjustments are set out below. The analysis is provisional and amendments may be made to these figures in the 12 months following the date of each acquisition, with a corresponding adjustment to goodwill.

| | Book value prior to acquisition £m | Fair value adjustments £m | Fair value to Group on acquisition £m |
|---|---|---|---|
| Property, plant and equipment | 4.6 | (1.0) | 3.6 |
| Goodwill* | – | 34.5 | 34.5 |
| Other intangible assets | – | 7.1 | 7.1 |
| Inventory | 0.6 | – | 0.6 |
| Trade and other receivables** | 7.2 | – | 7.2 |
| Trade and other payables | (6.4) | (2.5) | (8.9) |
| Net pension liability | (2.1) | 0.4 | (1.7) |
| Deferred tax liability | – | (1.2) | (1.2) |
| **Net assets acquired** | **3.9** | **37.3** | **41.2** |
| Cash outflow (net of cash acquired) | | | 41.9 |
| Deferred consideration | | | (1.3) |
| Contingent consideration (note 17) | | | 0.6 |
| **Total consideration** | | | **41.2** |

* Total goodwill additions per note 11 of £33.5m is made up of £34.5m in respect of 2010 acquisitions above and £(1.0)m in respect of the 2009 acquisitions (see note 22(d)).
** Trade receivables comprise gross contractual amounts due of £7.2m at acquisition date.

### (a) Expert Services

The largest acquisition, which was a combined share and asset deal, was that of the regulatory and safety testing businesses of Expert Services headquartered in Switzerland and operating in several countries, from BASF SE on 31 March 2010, for a cash consideration of £21.4m. A receivable of £2.5m, outstanding at 31 December 2010, will be paid in 2011. Cash acquired within the business was £0.2m. The acquisition related costs amounted to £0.5m and have been charged to operating costs.

ES Regulatory Services help clients to gain health, safety and environmental approvals for their products and to address hazardous substances and chemicals notifications and regulations worldwide. ES Safety Testing Services are used by a range of global companies primarily in the pharmaceutical and chemicals sectors to ensure their products meet relevant safety requirements. The acquisition is being integrated into the Analytical and Industrial Services divisions. Initial integration costs of £0.5m have been charged to operating costs (note 4).

Provisional details of net assets acquired and fair value adjustments are set out below:

| | Book value prior to acquisition £m | Fair value adjustments £m | Fair value to Group on acquisition £m |
|---|---|---|---|
| Property, plant and equipment | 2.4 | (1.0) | 1.4 |
| Goodwill | – | 17.3 | 17.3 |
| Other intangible assets | – | 3.0 | 3.0 |
| Inventory | 0.1 | – | 0.1 |
| Trade and other receivables | 2.0 | – | 2.0 |
| Trade and other payables | (0.9) | (2.2) | (3.1) |
| Net pension liability | (2.1) | 0.4 | (1.7) |
| Deferred tax liability | – | (0.3) | (0.3) |
| **Net assets acquired** | **1.5** | **17.2** | **18.7** |
| Cash outflow (net of cash acquired) | | | 21.2 |
| Deferred consideration | | | (2.5) |
| **Total consideration** | | | **18.7** |

Deferred consideration relates to sums due from the vendor.

**22 Acquisitions** (continued)
The goodwill of £17.3m represents the benefits that the Group expects to gain from strengthening its competitive position in mainland Europe, adding new niche services to the Group's portfolio of services, gaining access to a sales force in strategically important countries and strengthening the relationship with BASF globally. The other intangible assets of £3.0m represent value placed on customer relationships and the deferred tax thereon was £0.3m.

The revenue for the period 1 January 2010 to 31 March 2010 was £5.4m. The revenue attributable to the Group from the date of acquisition to 31 December 2010 was £16.9m. The profit after tax for the period 1 January 2010 to 31 March 2010 was £0.4m. The profit attributable to the Group from the date of acquisition to 31 December 2010 was £1.1m.

(b) Other acquisitions
There were six other acquisitions.

Norca Ingenieria de Calidad, S.L
The Group acquired 100% of the share capital of Norca Ingenieria de Calidad, S.L (Norca), a company based in Spain, on 4 May 2010, for a cash consideration of £4.3m. Cash acquired in the business was £0.5m. This represents the opportunity for the Group to increase its portfolio of services in the engineering and inspection of nuclear plants. The other intangible assets of £0.8m arising on the acquisition represent value placed on customer relationships and the deferred tax thereon was £0.2m. The profit after tax for the period 1 January 2010 to 4 May 2010 was £0.2m. The profit attributable to the Group from 5 May 2010 to 31 December 2010 was £0.2m.

Expertises Technologies & Services Analyses S.A
On 1 July 2010, the Group acquired 100% of the share capital of Expertises Technologies & Services Analyses S.A (ETSA), a company based in France, for a cash consideration of £7.5m. An adjustment of £0.2m was outstanding at 31 December 2010. Cash acquired in the business was £1.4m. ETSA provides cargo inspection and testing services for the oil and gas industry. The acquisition represents the opportunity for Intertek to reinforce its laboratory testing capabilities in France and brings niche expertise in lubricant testing to complement Intertek's current services in this area. The other intangible assets of £0.9m arising on the acquisition represent value placed on customer relationships and the deferred tax thereon was £0.3m. The profit after tax for the period 1 January 2010 to 1 July 2010 was £0.4m. The profit attributable to the Group from 2 July 2010 to 31 December 2010 was £0.3m.

Metoc Limited
The Group acquired 100% of the share capital of Metoc Limited, a company based in the United Kingdom, on 27 October 2010, for a cash consideration of £7.5m and additional estimated deferred consideration of £0.9m. Metoc originally provided oceanographic and meteorological services to the oil and gas industry and has expanded its customer base to renewable energy providers (offshore wind, wave, tidal), water utilities and power connection and distribution companies. Cash acquired within the business was £2.1m. This acquisition will strengthen the Industrial Services division and represents the opportunity for Intertek to increase its portfolio of services in renewable energy. The other intangible assets provisionally of £0.7m arising on the acquisition represent value placed on customer relationships and an existing order book and the deferred tax thereon was £0.2m. The profit after tax for the period 1 January 2010 to 27 October 2010 was £0.5m. The profit attributable to the Group from 28 October 2010 to 31 December 2010 was £0.1m.

Profitech Limited
The Group acquired, on 1 October 2010, 100% of the share capital of Profitech Limited, a company based in the United Kingdom, that provides mathematical modelling services to the Energy industry and will form part of the Analytical Services division. The initial cash consideration was £0.5m with additional consideration of up to £0.6m payable contingent on the achievement of specified targets. Cash acquired in the business was £0.2m. The other intangible assets of £0.6m arising on the acquisition represent value placed on licences and patents and the deferred tax thereon was £0.2m. The profit after tax for the period 1 January 2010 to 30 September 2010 was £nil. The profit attributable to the Group from 1 October 2010 to 31 December 2010 was £0.1m.

Pacifica Limited
The Group acquired, on 10 November 2010, the business and assets of Pacifica Limited, a company based in Papua New Guinea that provides petroleum and agricultural inspections and marine consultancy services and will form part of the Minerals division. The cash consideration was £0.9m. The other intangible assets of £0.4m relate to the value placed on customer relationships. The profit after tax for the period 1 January 2010 to 9 November 2010 was £0.2m. The profit attributable to the Group from 10 November 2010 to 31 December 2010 was £nil.

American Analytical Chemistry Laboratories Corporation
The Group acquired 100% of the share capital of American Analytical Chemistry Laboratories Corporation, a company based in Illinois, USA, on 31 December 2010, for an initial cash consideration of £4.5m; and additional deferred consideration of between £0.1m and £0.5m. Cash acquired in the business was £0.4m. This represents the opportunity for the Consumer Goods division to build on its strategy of developing a network of laboratories of centralised chemical and localised microbiological food testing in North America. The other intangible assets provisionally of £0.7m arising on the acquisition represent value placed on customer relationships. The profit after tax for the period 1 January 2010 to 31 December 2010 was £0.4m. No profit was attributed to the Group in 2010.

(c) Contribution of acquisitions to revenue and profits
In total the acquisitions made during the year contributed revenues of £24.1m and attributable profits of £1.8m to the Group from their respective dates of acquisition to 31 December 2010.

## 22 Acquisitions (continued)

The Group revenue and profit after tax for the year ended 31 December 2010 would have been £1,395.4m and £145.0m respectively if all the acquisitions were assumed to have been made on 1 January 2010.

### (d) Details of 2009 acquisitions

The Group made three acquisitions during 2009, all of which were paid for in cash.

The net assets acquired and fair value adjustments are set out below:

| | Book value prior to acquisition £m | Fair value adjustments £m | Fair value to Group on acquisition £m |
|---|---|---|---|
| Property, plant and equipment | 0.4 | (0.1) | 0.3 |
| Goodwill* | – | 19.4 | 19.4 |
| Other intangible assets | – | 4.5 | 4.5 |
| Trade and other receivables | 10.6 | – | 10.6 |
| Trade and other payables* | (3.6) | – | (3.6) |
| Tax payable | (0.7) | – | (0.7) |
| Deferred tax liability | (0.4) | (0.4) | (0.8) |
| **Net assets acquired** | **6.3** | **23.4** | **29.7** |
| Cash outflow (net of cash acquired) | | | 23.9 |
| Contingent and deferred consideration* | | | 5.8 |
| **Total consideration** | | | **29.7** |

*The 2009 reported figures have been adjusted for movements in 2010. Goodwill has been decreased by £1.0m, from the previously reported figure of £20.4m to £19.4m as contingent and deferred consideration decreased by £1.1m from the previously reported figure of £6.9m to £5.8m. There was also £0.1m fair value adjustment to property, plant and equipment decreasing the previously reported figure of £0.4m to £0.3m.

The other intangible assets of £4.5m represent the value placed on client relationships and certification marks.

(i) The largest acquisition was the purchase on 13 February 2009, of 100% of the share capital of the WISco group of companies (WISco), the largest of which is registered in the USA. WISco specialises in providing third party inspection, expediting and coordination services to customers in the oil and gas industry.

Cash consideration, inclusive of expenses, was £20.5m. Cash acquired within the business was £0.4m. This acquisition expands the Intertek technical inspection business, providing it with a global platform and network.

Details of net assets acquired and fair value adjustments are set out below:

| | Book value prior to acquisition £m | Fair value adjustments £m | Fair value to Group on acquisition £m |
|---|---|---|---|
| Goodwill | – | 12.4 | 12.4 |
| Other intangible assets | – | 3.2 | 3.2 |
| Trade and other receivables | 6.2 | – | 6.2 |
| Trade and other payables | (1.7) | – | (1.7) |
| **Net assets acquired** | **4.5** | **15.6** | **20.1** |
| Cash outflow (net of cash acquired) | | | 20.1 |
| Contingent consideration | | | – |
| **Total consideration** | | | **20.1** |

The goodwill of £12.4m represents the benefit that Intertek expects to gain from leveraging the relationship with WISco customers and gain global contracts for a combined service offering. The other intangible assets of £3.2m represent the value placed on client relationships.

The profit after tax for the period 1 January 2009 to 12 February 2009 was £0.2m. The profit attributable to the Group from the date of acquisition to 31 December 2009 is £1.0m.

(ii) The Group acquired 100% of the share capital of Aptech Engineering Services, Inc., (Aptech) a company based in California, USA, on 10 February 2009, for an initial cash consideration, inclusive of expenses, of £3.9m and additional consideration of up to £6.9m payable contingent on the achievement of specified profit targets. Cash acquired within the business was £0.4m. Aptech is a full-service engineering consultancy company that specialises in the life management of facilities, equipment, and infrastructure for clients in energy-related industries. This acquisition will strengthen the service offering of Intertek's Industrial Services division.

## 22 Acquisitions (continued)

Details of net assets acquired and fair value adjustments are set out below:

| | Book value prior to acquisition £m | Fair value adjustments £m | Fair value to Group on acquisition £m |
|---|---|---|---|
| Property, plant and equipment | 0.2 | – | 0.2 |
| Goodwill | – | 8.0 | 8.0 |
| Other intangible assets | – | 1.2 | 1.2 |
| Trade and other receivables | 4.4 | – | 4.4 |
| Trade and other payables | (1.9) | – | (1.9) |
| Tax payable | (0.7) | – | (0.7) |
| Deferred tax liability | (0.4) | (0.4) | (0.8) |
| **Net assets acquired** | **1.6** | **8.8** | **10.4** |
| Cash outflow (net of cash acquired) | | | 3.5 |
| Contingent consideration | | | 6.9 |
| **Total consideration** | | | **10.4** |

The goodwill of £8.0m represents the opportunity for Intertek to enter the US market for risk based inspection and specialist asset integrity services. The other intangible assets of £1.2m represent value placed on client relationships and the deferred tax thereon was £0.4m.

The profit after tax for the period 1 January 2009 to 9 February 2009 was £0.1m. The profit attributable to the Group from the date of acquisition to 31 December 2009 is £0.9m.

(iii) The other acquisition was that of the business and assets of Sagentia Catella AB (Sagentia). Sagentia, acquired on 30 April 2009, is an independent testing laboratory based in Sweden providing battery testing, battery forensics and battery application advisory services. The cash consideration was £0.3m representing acquisition of fixed assets for £0.2m and £0.1m for intangibles relating to the value placed on customer relationships. The profit after tax for the period 1 January 2009 to 29 April 2009 was £8,000. The profit attributable to the Group from the date of acquisition to 31 December 2009 was £30,000.

(iv) On 12 February 2009, the Group acquired an additional 34% interest in Intertek Metering and Measurement Limited (formerly known as Rhomax-ITS Limited) for £0.6m in cash, increasing its ownership from 66% to 100%. The carrying amount of the net assets of Rhomax on the date of acquisition was £0.4m. The Group recognised a decrease in non-controlling interest of £0.1m and a decrease in retained earnings of £0.5m.

All the acquisitions made during the year contributed revenues of £24.1m and attributable profits of £1.9m to the Group from their respective dates of acquisition to 31 December 2009.

The Group revenue and profit after tax for the year ended 31 December 2009 would have been £1,247m and £124m respectively if all the acquisitions were assumed to have been made on 1 January 2009.

## 23 Share schemes

### (a) Share option schemes

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

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

| | 2010 | 2010 | 2009 | 2009 |
|---|---|---|---|---|
| | **Weighted average exercise price** | **Number of options** | Weighted average exercise price | Number of options |
| At beginning of year | **646p** | **813,457** | 642p | 1,392,623 |
| Exercised | **599p** | **(423,749)** | 634p | (569,428) |
| Forfeited | **769p** | **(10,361)** | 773p | (9,738) |
| **Outstanding options at end of year** | **631p** | **379,347** | 646p | 813,457 |
| **Exercisable at end of year** | **631p** | **379,347** | 646p | 813,457 |

## 23 Share schemes (continued)

The weighted average share price of the Company at the date of exercise of share options was 1,534p (2009: 1,040p).

The options outstanding at the year end have an exercise price in the range of 359p to 778p and a weighted average contractual life of 3.6 years.

(ii) The outstanding options at 31 December 2010 are exercisable as follows:

| Option Scheme | Number of options outstanding | Exercise price per share | Exercisable between | |
|---|---|---|---|---|
| 2002 Plan | 31,156 | 437p | 30 May 2005 | 30 May 2012 |
| | 7,056 | 359p | 7 April 2006 | 7 April 2013 |
| | 4,977 | 462p | 12 September 2006 | 12 September 2013 |
| | 87,251 | 523.5p | 7 April 2007 | 7 April 2014 |
| | 4,600 | 607p | 14 September 2007 | 14 September 2014 |
| | 188,746 | 778p | 7 April 2008 | 7 April 2015 |
| | 2,125 | 711p | 13 September 2008 | 13 September 2015 |
| | 325,911 | | | |
| Approved Plan | 3,651 | 437p | 30 May 2005 | 30 May 2012 |
| | 94 | 380p | 17 July 2005 | 17 July 2012 |
| | 31,996 | 359p | 7 April 2006 | 7 April 2013 |
| | 262 | 462p | 12 September 2006 | 12 September 2013 |
| | 10,396 | 523.5p | 7 April 2007 | 7 April 2014 |
| | 7,037 | 778p | 7 April 2008 | 7 April 2015 |
| | 53,436 | | | |
| **Total** | **379,347** | | | |

### (b) Deferred Bonus Share Plan

As explained in the Remuneration Report on page 57 deferred and matching shares are awarded under this plan. The first awards were granted on 7 April 2006. The awards under this plan vest three years after grant date, subject to fulfilment of the performance conditions.

| | 2010 Deferred shares | 2010 Matching shares | 2010 Total shares | 2009 Deferred shares | 2009 Matching shares | 2009 Total shares |
|---|---|---|---|---|---|---|
| At beginning of year | 1,356,955 | 870,563 | 2,227,518 | 866,571 | 535,056 | 1,401,627 |
| Granted | 501,849 | 358,779 | 860,628 | 784,098 | 513,240 | 1,297,338 |
| Vested | (262,120) | (157,131) | (419,251) | (220,907) | (115,381) | (336,288) |
| Forfeited | (91,589) | (57,771) | (149,360) | (72,807) | (62,352) | (135,159) |
| **Outstanding share awards at end of year** | 1,505,095 | 1,014,440 | 2,519,535 | 1,356,955 | 870,563 | 2,227,518 |

### (c) Mirror share awards

On 14 May 2010, Lloyd Pitchford was granted conditional rights to acquire 49,039 1p shares in Intertek Group plc under a one-off arrangement to facilitate his recruitment as Chief Financial Officer of the Company. During the year 19,166 shares vested and 2,940 shares lapsed. At 31 December 2010, there were 26,933 shares outstanding.

Details of the share option schemes, the Deferred Bonus Share Plan and the mirror share awards are shown in the Remuneration Report on pages 54 to 65.

### (d) Equity-settled transactions

In accordance with IFRS 2, the fair value of services received in return for shares and share options granted to employees, is measured by reference to the fair value of shares and share options granted. The estimate of the fair value of the services received is measured based on the Monte Carlo formula, a financial model used to calculate the fair value of shares and share options.

During the year ended 31 December 2010, the Group recognised an expense of £7.4m (2009: £4.9m) in respect of outstanding share and share option awards granted from 7 November 2002 onwards.

## 23 Share schemes (continued)

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

| | Share awards | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Deferred shares | Matching shares | Deferred shares | Matching shares | Deferred shares | Matching shares | Deferred shares | Matching shares |
| Date shares awarded | 10 April 2007 | 10 April 2007 | 11 April 2008 | 11 April 2008 | 10 Mar 2009 & 2 April 2009 | 10 Mar 2009 & 2 April 2009 | 9 March 2010 | 9 March 2010 |
| Fair value at measurement date (pence) | 887.6 | 498.8 | 906.9 | 619.8 | 839.3 | 697.8 | 1,249.5 | 854.7 |
| Share price (pence) | 931.0 | 931.0 | 959.5 | 959.5 | 899.5 | 899.5 | 1,324.0 | 1,324.0 |
| Expected volatility | n/a | 21.4% | n/a | 22.8% | n/a | 29.1% | n/a | 30.8% |
| Dividend yield | 1.6% | 1.6% | 1.9% | 1.9% | 2.3% | 2.3% | 1.9% | 1.9% |
| Risk free interest rate | n/a | 5.4% | n/a | 3.9% | n/a | 1.8% | n/a | 3.0% |
| Time to maturity (years) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

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

The deferred and matching shares, under the Deferred Bonus Share Plan, are granted under a service condition. Such condition is not taken into account in the fair value measurement at grant date. The matching shares, issued under the Deferred Bonus Share Plan, are also granted under a performance related market condition and as a result this condition is taken into account in the fair value measurement at grant date.

## 24 Financial instruments

Details of the Group's treasury controls, exposures and the policies and processes for managing capital and credit, liquidity, interest rate and currency risk are set out in the Directors' Report – Financial Review on pages 27 to 29 and Principal Risks and Uncertainties on pages 38 to 41.

### (a) Credit risk

*(i) Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2010 £m | 2009 £m |
|---|---|---|
| Trade receivables, net of allowance | 235.7 | 203.7 |
| Cash and cash equivalents | 217.0 | 134.2 |
| **Total** | **452.7** | **337.9** |

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

| | 2010 £m | 2009 £m |
|---|---|---|
| Americas | 74.8 | 73.9 |
| Europe, Middle East and Africa | 85.9 | 71.8 |
| Asia Pacific | 75.0 | 58.0 |
| **Total** | **235.7** | 203.7 |

## 24 Financial instruments (continued)

*(ii) Impairment losses*

The ageing of trade receivables at the reporting date was as follows:

| | 2010 £m | 2009 £m |
|---|---|---|
| Under 3 months | **205.2** | 173.5 |
| Between 3 and 6 months | **21.8** | 22.7 |
| Between 6 and 12 months | **11.7** | 10.8 |
| Over 12 months | **7.3** | 6.6 |
| **Gross trade receivables** | **246.0** | 213.6 |
| Allowance for impairment | **(10.3)** | (9.9) |
| **Trade receivables, net of allowance** | **235.7** | 203.7 |

Included in trade receivables under three months of £205.2m (2009: £173.5m) are trade receivables of £118.2m (2009: £101.1m) which are not yet due for payment under the Group's standard terms and conditions of sale.

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

| Impairment allowance for doubtful trade receivables | 2010 £m | 2009 £m |
|---|---|---|
| At 1 January | **9.9** | 10.0 |
| Exchange differences | **0.3** | (0.6) |
| Cash recovered | **(0.4)** | (0.4) |
| Impairment loss recognised | **4.8** | 6.2 |
| Receivables written off | **(4.3)** | (5.3) |
| **At 31 December** | **10.3** | 9.9 |

There were no significant individual impairments of trade receivables.

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

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

*(iii) Counterparty*

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

(b) Liquidity risk

The table below provides information about the contractual maturities and interest rate profile of the Group's senior term loans and notes at 31 December 2010.

| Liabilities 2010 | 2011 £m | 2012 £m | 2013 £m | 2014 £m | 2015 £m | 2016+ £m | Carrying amount £m |
|---|---|---|---|---|---|---|---|
| Floating rate (USD) | 93.6 | – | – | – | – | – | 93.6 |
| Average interest rate | *0.6%* | – | – | – | – | – | – |
| Fixed rate (USD) | – | – | – | 15.9 | 64.5 | 209.6 | 290.0 |
| Average interest rate | – | – | – | *7.5%* | *5.5%* | *4.6%* | – |
| **Total** | **93.6** | **–** | **–** | **15.9** | **64.5** | **209.6** | **383.6** |

The other borrowings of £3.1m (2009: £3.7m), relate to a variable rate loan denominated in Australian dollars with a contractual maturity of November 2013. The current variable rate is 6.3% (2009: 4.6%).

## 24 Financial instruments (continued)

The table below provides information about the contractual maturities and interest rate profile of the Group's senior term loans at 31 December 2009.

| Liabilities 2009 | 2010 £m | 2011 £m | 2012/2013 £m | 2014 £m | 2015+ £m | Carrying amount £m |
|---|---|---|---|---|---|---|
| Floating rate (USD) | 8.2 | 78.3 | – | – | – | 86.5 |
| Average interest rate | *1.4%* | *0.8%* | – | – | – | – |
| Fixed rate (USD) | – | – | – | 15.6 | 109.6 | 125.2 |
| Average interest rate | – | – | – | *7.5%* | *6.6%* | – |
| Floating rate (GBP) | – | 94.0 | – | – | – | 94.0 |
| Average interest rate | – | *0.9%* | – | – | – | – |
| Floating rate (AUD) | – | 26.2 | – | – | – | 26.2 |
| Average interest rate | – | *4.4%* | – | – | – | – |
| **Total** | **8.2** | **198.5** | **–** | **15.6** | **109.6** | **331.9** |

The following are the contractual maturities of financial liabilities including interest:

| 2010 | Carrying amount £m | Contractual cash flows £m | Six months or less £m | 6-12 months £m | 1-2 years £m | 2-5 years £m | More than five years £m |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Senior term loans and notes* | 383.6 | 477.6 | 7.5 | 101.1 | 14.5 | 119.8 | 234.7 |
| Other loans | 3.1 | 4.0 | 0.1 | 0.1 | 0.2 | 3.0 | 0.6 |
| Trade payables | 36.7 | 36.7 | 36.7 | – | – | – | – |
| | 423.4 | 518.3 | 44.3 | 101.2 | 14.7 | 122.8 | 235.3 |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps | 1.0 | 1.0 | 0.8 | 0.2 | – | – | – |
| Forward exchange contracts: | | | | | | | |
| Outflow | – | 34.2 | 34.2 | – | – | – | – |
| Inflow | – | (34.2) | (34.2) | – | – | – | – |
| | 1.0 | 1.0 | 0.8 | 0.2 | – | – | – |
| **Total** | **424.4** | **519.3** | **45.1** | **101.4** | **14.7** | **122.8** | **235.3** |

*£93.6m of the senior term loan contractually liable to be repaid in six to twelve months was repaid in February 2011.

| 2009 | Carrying amount £m | Contractual cash flows £m | Six months or less £m | 6-12 months £m | 1-2 years £m | 2-5 years £m | More than five years £m |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Senior term loans and notes | 331.9 | 385.5 | 5.6 | 13.7 | 209.5 | 39.7 | 117.0 |
| Other loans | 3.7 | 4.5 | 0.1 | 0.1 | 0.2 | 3.6 | 0.5 |
| Trade payables | 32.2 | 32.2 | 32.2 | – | – | – | – |
| | 367.8 | 422.2 | 37.9 | 13.8 | 209.7 | 43.3 | 117.5 |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps for hedging | 3.0 | 3.0 | 1.2 | 1.2 | 0.6 | – | – |
| Forward exchange contracts: | | | | | | | |
| Outflow | – | 28.4 | 28.4 | – | – | – | – |
| Inflow | – | (28.4) | (28.4) | – | – | – | – |
| | 3.0 | 3.0 | 1.2 | 1.2 | 0.6 | – | – |
| **Total** | **370.8** | **425.2** | **39.1** | **15.0** | **210.3** | **43.3** | **117.5** |

## 24 Financial instruments (continued)

### Cash flow hedges

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

#### Interest rate swaps – liabilities

| | Carrying amount £m | Expected cash outflows £m | Six months or less £m | 6-12 months £m | 1-2 years £m | 2-5 years £m | More than five years £m |
|---|---|---|---|---|---|---|---|
| **2010** | **1.0** | **1.0** | **0.8** | **0.2** | **–** | **–** | **–** |
| 2009 | 3.0 | 3.0 | 1.2 | 1.2 | 0.6 | – | – |

### (c) Interest rate risk

*(i) Hedging*

The Group assesses and monitors its interest rate risk.  The Group has entered into swaps to maintain an appropriate level of fixed and floating rate interest payments. Under the interest rate swap agreements, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount.

During the year, the Group increased its proportion of fixed rate debt, repaying its floating rate debt. On repayment of the floating rate debt, the interest rate swaps attached to the relevant tranche of debt became ineffective. Consequently, an amount of £1.9m (2009: £nil) was recycled to the income statement from the hedging reserve. The remaining swaps mature over the next year and have fixed swap rates ranging from 3.3% to 3.8%. At 31 December 2010, the Group had interest rate swaps with a notional contract amount of £64.6m (2009: £88.5m).

The net fair value of swaps at 31 December 2010 was £1.0m (2009: £3.0m) comprising liabilities of £1.0m (2009: £3.0m). These amounts were recognised as fair value derivatives.

*(ii) Profile*

The information about the contractual maturities and interest rate profile of the Group's borrowings is shown in section (b) liquidity risk.

The interest rate profile of the Group's short-term deposits and cash at 31 December 2010 is set out below:

| **Assets 2010** | Effective interest rates | At floating interest rates £m | Interest free £m | Total carrying amount and fair value £m |
|---|---|---|---|---|
| Short-term deposits and cash*: | | | | |
| Sterling | 0.30% | 3.3 | 0.7 | 4.0 |
| US dollar | 0.20% | 109.8 | 2.7 | 112.5 |
| Chinese renminbi | 0.80% | 52.2 | 0.4 | 52.6 |
| Hong Kong dollar | 0.03% | 2.3 | 0.4 | 2.7 |
| Euro | 0.25% | 8.7 | 1.9 | 10.6 |
| Other currencies | Various | 14.9 | 19.7 | 34.6 |
| **Total cash and cash equivalents** | | **191.2** | **25.8** | **217.0** |

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

The interest rate profile of the Group's short-term deposits and cash at 31 December 2009 was as follows:

| Assets 2009 | Effective interest rates | At floating interest rates £m | Interest free £m | Total carrying amount and fair value £m |
|---|---|---|---|---|
| Short-term deposits and cash*: | | | | |
| Sterling | 0.40% | 5.2 | 0.7 | 5.9 |
| US dollar | 0.20% | 31.7 | 3.6 | 35.3 |
| Chinese renminbi | 0.50% | 41.5 | – | 41.5 |
| Hong Kong dollar | 0.10% | 6.7 | 0.4 | 7.1 |
| Euro | 0.30% | 7.7 | 1.3 | 9.0 |
| Other currencies | Various | 16.1 | 19.3 | 35.4 |
| **Total cash and cash equivalents** | | **108.9** | **25.3** | **134.2** |

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

**24 Financial instruments** (continued)

*(iii) Sensitivity*

At 31 December 2010, it is estimated that a general increase of 3% in interest rates would decrease the Group's profit before tax by approximately £0.4m (2009: £0.5m). Interest rate swaps have been included in this calculation. This analysis assumes all other variables remain constant.

(d) Foreign currency risk

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

*(i) Profile*

The foreign currency profile of the trade receivables and payables at the reporting date were as follows:

| 2010 | Carrying amount £m | Sterling £m | US dollar £m | Chinese renminbi £m | Hong Kong dollar £m | Euro £m | Other currencies £m |
|---|---|---|---|---|---|---|---|
| **Trade receivables** | **235.7** | **25.8** | **65.2** | **23.6** | **9.4** | **32.8** | **78.9** |
| **Trade payables** | **36.7** | **9.1** | **6.2** | **2.5** | **1.5** | **7.7** | **9.7** |
| 2009 | | | | | | | |
| Trade receivables | 203.7 | 25.4 | 60.9 | 19.4 | 8.9 | 28.0 | 61.1 |
| Trade payables | 32.2 | 6.5 | 6.4 | 2.6 | 2.0 | 6.1 | 8.6 |

*(ii) Recognised assets and liabilities*

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

At 31 December 2010, the fair value of forward exchange contracts was £nil (2009: £nil).

*(iii) Hedge of net investment in foreign subsidiaries*

The Group's foreign currency denominated loans are designated as a hedge of the Group's investment in its respective subsidiaries. The carrying amount of these loans at 31 December 2010 was £383.6m (2009: £237.9m).

A foreign exchange loss of £6.3m (2009: gain of £27.2m) was recognised in the translation reserve in equity on translation of these loans to sterling.

*(iv) Sensitivity*

It is estimated that a general increase of 10% in the value of sterling against the US dollar (the main currency impacting the Group) would have decreased the Group's profit before tax for 2010 by approximately £13.8m (2009: £15.8m). The forward exchange contracts have been included in this calculation. This analysis assumes all other variables remain constant.

(e) Fair values

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

| | **Book value 2010 £m** | **Fair value 2010 £m** | Book value 2009 £m | Fair value 2009 £m |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | **217.0** | **217.0** | 134.2 | 134.2 |
| Trade receivables | **235.7** | **235.7** | 203.7 | 203.7 |
| **Total financial assets** | **452.7** | **452.7** | 337.9 | 337.9 |
| **Financial liabilities** | | | | |
| Interest bearing loans and borrowings | **386.7** | **397.3** | 335.6 | 349.8 |
| Interest rate swaps | **1.0** | **1.0** | 3.0 | 3.0 |
| Trade payables | **36.7** | **36.7** | 32.2 | 32.2 |
| **Total financial liabilities** | **424.4** | **435.0** | 370.8 | 385.0 |

## 24 Financial instruments (continued)

### (f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

| **31 December 2010** | Level 1 £m | Level 2 £m | Level 3 £m | Total liabilities £m |
|---|---|---|---|---|
| **Interest rate swaps** | **–** | **(1.0)** | **–** | **(1.0)** |

| 31 December 2009 | Level 1 £m | Level 2 £m | Level 3 £m | Total liabilities £m |
|---|---|---|---|---|
| Interest rate swaps | – | (3.0) | – | (3.0) |

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

*(i) Interest rate swaps*

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

*(ii) Forward exchange contracts*

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

*(iii) Interest bearing loans and borrowings*

The fair value of the floating interest bearing loans and borrowings is equal to the book value, since the floating interest rates were reset just prior to the year end. The fair value of the fixed interest bearing loans and borrowings has been calculated based on the present value of future principal and interest cash flows discounted at the market rate at the reporting date.

*(iv) Trade receivables and payables*

For trade receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All others are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

*(v) Available-for-sale financial assets*

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

*(vi) Interest rates used for determining fair value*

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

### g) Capital management

The Group actively monitors the financial capital of the Group to maintain a robust capital base to ensure that market and key stakeholders retain confidence in the capital profile. This is discussed in more detail in the Financial Review on page 29.

## 25 Analysis of net debt

| | 1 January 2010 £m | Cash flow £m | Exchange adjustments £m | 31 December 2010 £m |
|---|---|---|---|---|
| Cash | 134.2 | 76.5 | 6.3 | 217.0 |
| Borrowings | (335.6) | (44.4) | (6.7) | (386.7) |
| **Total net debt** | **(201.4)** | **32.1** | **(0.4)** | **(169.7)** |

The Group's exposure to interest rate risk, currency risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

## 26 Contingent liabilities

| | 2010 £m | 2009 £m |
|---|---|---|
| **Guarantees, letters of credit and performance bonds*** | 7.4 | 5.8 |

* Covered by cash collateral of £0.3m (2009: £0.5m).

### Litigation

From time to time, the Group is involved in various claims and lawsuits incidental to the ordinary course of its business, including claims for damages, negligence and commercial disputes regarding inspection and testing and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business.

The outcome of litigation to which the Intertek Group companies are party cannot be readily foreseen as in some cases the facts are unclear or further time is needed to properly assess the merits of the case. However, based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future.

### Tax

The Group operates in more than 100 countries and is subject to a wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable; but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

## 27 Related parties

### Identity of related parties

The Group has a related party relationship with its key management.

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

### Transactions with key management personnel

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

| | 2010 £m | 2009 £m |
|---|---|---|
| Short-term benefits | 6.2 | 5.6 |
| Post-employment benefits | 0.4 | 0.3 |
| Equity-settled transactions | 2.3 | 1.5 |
| **Total** | 8.9 | 7.4 |

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

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

## 28 Subsequent events

In February 2011, the Group successfully negotiated the refinancing of the Senior Bank Facility. The new syndicated facility comprises a US$600m multi-currency revolving credit facility available to 31 March 2016.

## 29 Principal operating subsidiaries

The Group comprises 219 subsidiary companies. As permitted by Section 410 (1) of the Companies Act 2006, only the holding companies and the principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group in 2010 and 2009 have been shown below. A full list of subsidiaries will be attached to the Company's next Annual Return filed with the Registrar of Companies. All the subsidiaries shown were consolidated at 31 December 2010.

| | | | Percentage of ordinary shares held in 2010 and 2009 | |
|---|---|---|---|---|
| Company name | Country of incorporation | Activity by division* | Group | Company |
| Intertek Testing Services Holdings Limited | England and Wales | Holding company | 100 | 100 |
| Intertek Holdings Limited | England and Wales | Holding company | 100 | 100 |
| Intertek Testing Services UK Limited | England and Wales | Holding company | 100 | – |
| Intertek Overseas Holdings Limited | England and Wales | Holding company | 100 | – |
| Intertek UK Holdings Limited | England and Wales | Holding company | 100 | – |
| Intertek Finance plc | England and Wales | Finance | 100 | – |
| Intertek Testing Management Limited | England and Wales | Management company | 100 | – |
| Intertek International Limited | England and Wales | OCA, IS | 100 | – |
| ITS Testing Services (UK) Limited | England and Wales | OCA, AS | 100 | – |
| Intertek Australia Holdings Pty Limited | Australia | Holding company | 100 | – |
| Intertek Testing Services (Australia) Pty Limited | Australia | OCA | 100 | – |
| Genalysis Laboratory Services Pty Limited | Australia | M | 100 | – |
| Intertek do Brasil Inspecoes Ltda | Brazil | CG, OCA | 100 | – |
| ITS Testing Holdings Canada Limited | Canada | Holding company | 100 | – |
| Intertek Testing Services (ITS) Canada Limited | Canada | OCA | 100 | – |
| Intertek Testing Services Limited | China | CG, C&E, OCA, IS, M | 85 | – |
| Intertek Testing Services Shenzhen Limited | China | CG, C&E, IS | 100 | – |
| Testing Holdings France EURL | France | Holding company | 100 | – |
| Intertek Testing Services (France) SARL | France | CG | 100 | – |
| Intertek Testing Services Pacific Limited | Hong Kong | Holding company | 100 | – |
| Labtest Hong Kong Limited | Hong Kong | Holding company | 100 | – |
| ITS Hong Kong NA Limited | Hong Kong | CG, C&E, OCA, IS | 100 | – |
| Intertek Holdings Nederland BV | Netherlands | Holding company | 100 | – |
| Intertek Polychemlab BV | Netherlands | AS | 100 | – |
| Intertek West Lab AS | Norway | AS | 100 | – |
| Intertek Testing Services (Singapore) Pte Limited | Singapore | C&E, CG, IS, OCA | 100 | – |
| Testing Holdings Sweden AB | Sweden | Holding company | 100 | – |
| Intertek Semko AB | Sweden | C&E | 100 | – |
| Intertek Testing Services Taiwan Limited | Taiwan | CG, C&E, OCA | 100 | – |
| H.P. White Laboratory Inc | USA | C&E | 100 | – |
| Intertek Testing Services NA Inc | USA | C&E, IS | 100 | – |
| Intertek USA Finance LLC | USA | Finance | 100 | – |
| Intertek USA Inc | USA | OCA, AS, IS | 100 | – |
| Labtest International Inc | USA | CG | 100 | – |
| Testing Holdings USA Inc | USA | Holding company | 100 | – |

* Consumer Goods (CG), Commercial & Electrical (C&E), Oil, Chemical & Agri (OCA), Analytical Services (AS), Industrial Services (IS) and Minerals (M).

# Intertek Group plc – Company Balance Sheet

As at 31 December 2010

| | Notes | 2010 £m | 2009 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments in subsidiary undertakings | (d) | 295.2 | 289.6 |
| **Current assets** | | | |
| Debtors due after more than one year | (e) | 43.6 | 20.6 |
| Debtors due within one year | (f) | 1.7 | 0.8 |
| | | 45.3 | 21.4 |
| Cash at bank and in hand | | 0.2 | 0.8 |
| | | 45.5 | 22.2 |
| **Creditors due within one year** | | | |
| Other creditors | (g) | (0.2) | (0.3) |
| **Net current assets** | | 45.3 | 21.9 |
| **Total assets less current liabilities** | | 340.5 | 311.5 |
| **Creditors due after more than one year** | | | |
| Other creditors | (h) | (0.1) | (0.1) |
| **Net assets** | | 340.4 | 311.4 |
| **Capital and reserves** | | | |
| Called up share capital | (i) | 1.6 | 1.6 |
| Share premium | (i) | 256.3 | 253.5 |
| Profit and loss account | (i) | 82.5 | 56.3 |
| **Shareholders' funds** | | 340.4 | 311.4 |

The financial statements on pages 118 to 121 were approved by the Board on 4 March 2011 and were signed on its behalf by:

**Wolfhart Hauser**
Director

**Lloyd Pitchford**
Director

# Notes to the Company financial statements

## (a) Accounting policies – Company

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

### Basis of preparation

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

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

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

### Foreign currencies

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

### Taxation

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

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

### Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

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

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

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

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

### Dividends on shares presented within shareholders' funds

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

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

### Investments in subsidiaries

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

### Intercompany financial guarantees

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

### Share-based payments

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

(a) Accounting policies – Company (continued)
The fair value of options and share awards granted to employees of the Company is recognised as an employee expense with a corresponding increase in equity. As the Company has no employees, there is no recognition of an employee expense nor the corresponding increase in equity. However, the Company grants options and awards over its own shares to the employees of its subsidiaries and therefore the Company recognises an increase in the cost of investment in its subsidiaries, equivalent to the equity-settled share-based payment charge recognised in respect of employees of the subsidiaries, with the corresponding credit being recognised directly in equity.

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

The fair value of shares granted under the Long Term Incentive Plan is also measured using the Monte Carlo model and is spread over the period during which the employee becomes unconditionally entitled to the shares.

See note 23 in the Group financial statements for further information on the share schemes.

(b) Profit and loss account
Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

The Company does not have any employees.

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

(c) Dividends
The aggregate amount of dividends comprises:

| | 2010 £m | 2009 £m |
|---|---|---|
| Final dividend paid in respect of prior year but not recognised as a liability in that year | 27.6 | 21.7 |
| Interim dividends paid in respect of the current year | 14.9 | 13.0 |
| **Aggregate amount of dividends paid in the financial year** | **42.5** | 34.7 |

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2010 is £nil (2009: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2010 is £30m (2009: £27.5m).

(d) Investment in subsidiary undertakings

| | 2010 £m | 2009 £m |
|---|---|---|
| **Cost and net book value** | | |
| At 1 January | 289.6 | 284.7 |
| Additions due to share-based payments | 7.4 | 4.9 |
| Disposals* | (1.8) | – |
| **At 31 December** | **295.2** | 289.6 |

* Relates to the closure of the captive, Leeward Insurance Company Limited.

The Company has granted options over its own shares and made share awards to the employees of its direct and indirectly owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £7.4m (2009: £4.9m). Details of the principal operating subsidiaries are set out in note 29 to the Group financial statements.

The Company had two direct subsidiary undertakings at 31 December 2010. Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, are incorporated in the United Kingdom and registered in England and Wales. All interests are in the ordinary share capital and all are wholly owned. In the opinion of the Directors, the value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

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

(e) Debtors due after more than one year

| | 2010 £m | 2009 £m |
|---|---|---|
| **Amounts owed by Group undertakings** | **43.6** | 20.6 |

The amounts owed by Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

(f) Debtors due within one year

| | 2010 £m | 2009 £m |
|---|---|---|
| Corporation tax | 0.7 | 0.4 |
| Amounts owed by Group undertakings | 1.0 | 0.4 |
| **Total debtors due within one year** | 1.7 | 0.8 |

(g) Creditors due within one year

| | 2010 £m | 2009 £m |
|---|---|---|
| Amounts owed to Group undertakings | – | 0.1 |
| Accruals and deferred income | 0.2 | 0.2 |
| **Total creditors due within one year** | 0.2 | 0.3 |

(h) Creditors due after more than one year

| | 2010 £m | 2009 £m |
|---|---|---|
| **Amounts owed to Group undertakings** | 0.1 | 0.1 |

The amounts owed to Group undertakings represent long-term loans due in two to five years, which carry interest based on the denomination of the borrowing currency.

(i) Reconciliation of movements in shareholders' funds

| | Share capital £m | Share premium £m | Profit and loss £m | Total £m |
|---|---|---|---|---|
| At 1 January 2009 | 1.6 | 249.9 | 36.4 | 287.9 |
| Profit for the financial year | – | – | 49.7 | 49.7 |
| Dividends paid | – | – | (34.7) | (34.7) |
| Credit in relation to share-based payments | – | – | 4.9 | 4.9 |
| Shares issued | – | 3.6 | – | 3.6 |
| **At 31 December 2009** | 1.6 | 253.5 | 56.3 | 311.4 |
| Profit for the financial year | – | – | 61.8 | 61.8 |
| Dividends paid | – | – | (42.5) | (42.5) |
| Credit in relation to share-based payments | – | – | 7.4 | 7.4 |
| Purchase of own shares | – | – | (0.5) | (0.5) |
| Shares issued | – | 2.8 | – | 2.8 |
| **At 31 December 2010** | **1.6** | **256.3** | **82.5** | **340.4** |

Details of share capital are set out in note 18 and details of share-based payments are set out in note 23 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the financial year, before dividends paid to shareholders of £42.5m (2009: £34.7m) was £61.8m (2009: £49.7m) which was mainly in respect of dividends received from subsidiaries.

During the year ended 31 December 2010, the Company purchased 31,000 of its own shares with an aggregate nominal value of £310 for £0.5m which was debited to profit and loss in equity.

(j) Related party transactions
Detailed of related party transactions are set out in note 27 of the Group financial statements.

(k) Contingent liabilities
The Company is a member of a group of UK companies that are part of a composite banking cross guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool, guaranteeing the total gross liability position of the pool which was £14.1m at 31 December 2010 (2009: £11.4m).

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

(l) Post balance sheet events
Details of post balance sheet events relevant to the Company and the Group are given in note 28 of the Group financial statements.

# Shareholder Information

### Shareholders' Enquiries
Any shareholder with enquiries relating to their shareholding should, in the first instance, contact our Registrars, Equiniti using the address overleaf.

### Electronic Shareholder Communications
Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by email each time the Company distributes documents, instead of receiving a paper version of such documents. Registering for electronic communication is very straightforward and can be done via shareview, www.shareview.co.uk. Shareview is Equiniti's suite of online services that helps shareholders to manage their holdings and gives access to a wide range of useful information.

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

The facility also allows shareholders to view their holding details, find out how to register a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers.

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

J.P. Morgan Cazenove
10 Aldermanbury
2nd Floor
London EC2V 7RF
T: +44 20 7155 5338

### ShareGift
If you have a small shareholding which is uneconomical to sell, you may want to consider donating it to ShareGift. The Orr Mackintosh Foundation operates this charity share donation scheme. Details of the scheme are available from:

ShareGift at www.sharegift.org
T: +44 20 7930 3737.

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

## Financial Calendar

| | |
|---|---|
| Financial year end | 31 December 2010 |
| Results announced | 7 March 2011 |
| Annual General Meeting | 20 May 2011 |
| Ex-dividend date for final dividend | 1 June 2011 |
| Record date for final dividend | 3 June 2011 |
| Final dividend payable | 17 June 2011 |
| Interim results announced | 1 August 2011 |
| Ex-dividend date for interim dividend | 2 November 2011 |
| Record date for interim dividend | 4 November 2011 |
| Interim dividend payable | 18 November 2011 |

# Corporate Information

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