Intertek Group PLC
05 September 2005

INTERIM 2005 RESULTS ANNOUNCEMENT

5 SEPTEMBER 2005

Intertek Group plc ('Intertek'), the global testing, inspection and certification company, today announces its interim results for the half year to 30 June 2005.

FINANCIAL HIGHLIGHTS

Revenue	£272.3m	Up 14.5% at actual exchange rates Up 15.7% at constant exchange rates Up 13.2% organically (Note 1)
Operating profit (Note 2)	£43.5m	Up 11.5% at actual exchange rates Up 13.3% at constant exchange rates Up 7.9% organically (Note 1) Up 9.1% organically, excluding IFRS share option charge (Note 1)
Operating margin (Note 1)	16.0%	Down from 16.3%
Operating cash flow	£20.0m	Down 34.2% from £30.4m
Profit before tax	£38.5m	Up 4.3% from £36.9m
Earnings per share (Note 3)	18.7p	Up 14.0% from 16.4p
Basic earnings per share	17.0p	Up 4.3% from 16.3p
Interim dividend per share	3.9p	Up 14.7% from 3.4p

1. At constant exchange rates
2. Excluding amortisation of intangibles £0.8m (H1 04: £0.3m) and goodwill impairment £2.0m (H1 04: £nil)

3. Diluted adjusted earnings per share based on profit before amortisation of intangibles and goodwill impairment

CHIEF EXECUTIVE OFFICER, WOLFHART HAUSER commented:

The Group once again performed well in the first half of 2005. Revenue grew at 14.5% at actual exchange rates and 15.7% at constant exchange rates. Organic revenue growth was 13.2% and all four divisions achieved organic revenue growth in excess of 10%. Profit before tax at £38.5m was up 4.3% and adjusted EPS was up 14.0%.

We are confident that we are well placed to be able to continue to capitalise on the strong drivers in our business.

In consideration of our confidence in the future prospects for the group, we have declared an interim dividend of 3.9p, an increase of 14.7% over last year.

ANALYSTS' MEETING
There will be a meeting for analysts at 9.30am today at Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB. A copy of the presentation will be available on the website later today.

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High resolution images of Intertek Group plc businesses are available to download, free of charge from
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ABOUT INTERTEK
Intertek is a leading international testing, inspection and certification organisation which assesses customers' products and commodities against a wide range of safety, regulatory, quality and performance standards and certifies the management systems of customers. Intertek has 307 laboratories and over 14,500 people around the world and is increasingly undertaking outsourced testing work for its customers.

Chairman's statement

Results overview
On behalf of the Board, I am pleased to announce a very good result for the first half of 2005, with each division reporting organic revenue growth of over 10%. At constant exchange rates, revenue for the Group increased 15.7% and operating profit before amortisation of intangibles and goodwill impairment increased 13.3%. On an organic basis, revenue grew 13.2% and operating profit grew 9.1%, before the share option charges required under IFRS. Approximately 80% of the Group's earnings are in US dollars or related currencies. At actual exchange rates, revenue increased 14.5% and operating profit increased 11.5% over the same period last year, reflecting a 3% weakening in the value of the US dollar against sterling.

New business

The Group continued its policy of making acquisitions to complement existing businesses. On 29 April 2005, we acquired Omega Point Laboratories Inc (OPL), a fire testing laboratory in Texas, USA, for £2.5m. As announced on 3 August 2005, we also acquired PARC Technical Services Inc (PARC), a US petroleum and chemical process testing company for £3.9m.

Further acquisitions are being pursued.

Dividends

The Board has decided to pay, on 15 November 2005, an interim dividend of 3.9p (2004: 3.4p), an increase of 14.7% over last year. The interim dividend will paid to members on the register at 4 November 2005. In accordance with International Accounting Standard 10, dividends payable are no longer accrued but are recognised when they are paid.

Accounting standards

To date, the Group has prepared its accounts in compliance with UK Generally Accepted Accounting Principles (UK GAAP). European Union (EU) regulations require the Group to adopt International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) in its financial statements from 2005. IFRS and IAS have been applied to the Group's consolidated interim financial statements from 1 January 2005 and the 2004 comparatives have been restated where applicable. The adoption of international standards has some impact on the presentation of our financial statements but does not fundamentally change our strategy, business and economic risks, financial position or our cash flows. A reconciliation of the impact on the income statement is given in note 14 to the interim report and full disclosure of the balance sheet impact is given in Appendix A. The policies adopted by the Group are detailed in Appendix B.

Looking ahead

Once again we expect another good outcome for the year. We feel confident in the continuing organic growth of the business, in the Group's ability to acquire and integrate acquisitions and to continue its progressive dividend policy.

Vanni Treves
Chairman

Chief Executive Officer's review

Overview

Revenue for the Group for the first half of 2005 (H1 05) was £272.3m, an increase of 15.7% over the first half of 2004 (H1 04) at constant exchange rates. At actual exchange rates, revenue grew by 14.5%, reflecting a 3% decline in the value of the US dollar against sterling. Excluding acquisitions and disposals organic growth was 13.2%. Strong revenue growth was achieved in ETL SEMKO, Caleb Brett and FTS which all delivered more than 17% growth over H1 04 at constant rates. Revenue growth in Labtest was lower, partly due to disposals made in 2004.

At constant exchange rates, total operating profit before amortisation of intangibles and impairment of goodwill, increased by 13.3% to £43.5m. Excluding acquisitions, disposals and share option charges, organic growth was 9.1%. At actual exchange rates, operating profit grew by 11.5% over H1 04. Operating margins improved in all the divisions apart from Labtest which declined slightly, mainly due to investment in China, a market which has grown rapidly and contraction in some countries. At constant exchange rates, the Group's profit margin after deducting central overheads, decreased from 16.3% to 16.0%.

The performance of each of the divisions is shown below at constant exchange rates:

	Revenue			Operating profit (Notes 1 &		
	H1 05	Change	Organic change	H1 05	Change	Organic change
					(Note 2)	(Note 2)
	£m	%	%	£m	%	%
At constant exchange rates (4)						
By division: Labtest	65.9	4.9	10.1	20.6	1.0	(0.5)
ETL SEMKO	69.3	20.1	11.1	11.1	24.7	12.8
Caleb Brett	100.0	17.9	13.2	8.9	20.3	11.1
Foreign Trade Standards	37.1	23.3	23.3	7.4	48.0	48.0
Central overheads				(4.5)	(36.4)	(36.4)
Total at constant exchange rates	272.3	15.7	13.2	43.5	13.3	7.9

1. Operating profit excludes the results of associates and is stated

before amortisation of intangibles £0.8m (H1 04: £0.3m) and goodwill impairment H1 05: £2.0m (H1 04: nil).

2. Operating profit for H1 04 has been restated under IFRS to include a share option charge of £0.5m and to exclude income from associates of £0.6m.
3. Excluding IFRS share option charge of £1.0m for H1 05 (H1 04: £0.5m)
4. Cumulative average exchange rates for the six months to 30 June 2005.

Impact of international financial reporting standards (IFRS)

Operating profit for H1 04, previously reported under UK GAAP, has been restated under IFRS. The table below shows the impact of the restatement together with the equivalent H1 05 figures for comparative purposes.

	H1 05 £m	H1 04 £m	Change %
Total operating profit before amortisation and impairment under UK GAAP	45.1	40.1	12.5
Less share of operating profits of associates	(0.6)	(0.6)	
IFRS share option charge	(1.0)	(0.5)	
Group operating profit under IFRS before amortisation, impairment and profit from associates (note 2)	43.5	39.0	11.5
Amortisation of intangible assets	(0.8)	(0.3)	
Impairment of goodwill	(2.0)	-	
Group operating profit under IFRS	40.7	38.7	5.2

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A detailed reconciliation of the impact on the income statement is given in note 14 to the interim report and full disclosure of the balance sheet impact is given in Appendix A.

The key areas of impact are described below:

IFRS 2: Share-based payments

A charge is made to the income statement for share options issued since November 2002. The charge is based on the fair value of options at the grant date, with the fair value being determined by an option pricing model. The charge was £1.0m for H1 05 for options issued in 2003, 2004 and 2005 and £0.5m for H1 04 for options issued in 2003 and 2004.

IFRS 3: Business combinations

Goodwill is no longer amortised and instead it is subject to annual impairment reviews. Capitalised goodwill was 'frozen' at its UK GAAP carrying value at 1 January 2004, and goodwill amortisation of £1.5m charged to the income statement in 2004 was reversed. This increased profit by £0.7m in H1 04, under IFRS.

IFRS 3: Business combinations/ IAS 38: Intangible assets

As required by IFRS, goodwill on acquisitions made after 31 March 2004, has been re-examined and analysed into separately identifiable intangible assets which are amortised over their estimated useful lives and capitalised goodwill which is unamortised. Our review of acquisitions made in the period 1 April 2004 to 31 December 2004, identified intangible assets such as covenants not to compete, patented technology and customer relationships with a value of £4.9m, therefore capitalised goodwill has been reduced by this amount. In H1 05 we acquired £0.2m of intangible assets in the OPL business mentioned in the Chairman's statement. The income statements for H1 05 and H1 04 were charged with £0.8m and £0.3m respectively for the amortisation of intangible assets.

IAS 32/39: Financial instruments

The transitional arrangements for hedge accounting were adopted in full from 1 January 2005, with no restatement of comparative information. A charge of £1.0m was made to retained earnings in shareholders' funds to reflect the fair value of the derivative financial instruments at 1 January 2005 (see note 7 to the Interim Report). Derivative financial instruments are brought onto the balance sheet at their fair value. At 30 June 2005, the fair value of the derivative financial instruments was £1.0m. This was included within net current assets on the balance sheet.

Hedge accounting has been adopted for four financial derivatives which qualify as cash flow hedges under IAS 39. These financial derivatives hedge the variable interest rate on the Group's external borrowings. The effective portions of the movement in the fair value of the financial derivatives that are hedge accounted were recognised directly in equity. This movement in H1 05 was £1.9m (see page 11). The ineffective portion of the movement in the fair value of the financial derivatives was taken to the income statement which in H1 05, resulted in a credit of £0.1m to finance income.

Hedge accounting has also been adopted for the foreign currency external borrowings which hedge the Group's net investment in its foreign subsidiaries. The effective portion of the gain or loss on the hedging instruments that are hedge accounted is recognised directly in retained earnings in shareholders' funds.

The foreign exchange contracts undertaken by the Group to hedge foreign currency transaction exposures were not hedge accounted under IAS 39. This is because the fair value movements are expected to be immaterial. The fair value movements on these foreign exchange contracts is therefore charged or credited to the income statement. At 30 June 2005, there was no change in the fair value of these contracts.

IAS 12: Tax

Adjustments arising from the adoption of IFRS have been tax effected as appropriate. Under UK GAAP the pension fund deficit was disclosed net of deferred tax. Under IFRS the pension deficit is disclosed gross of tax and the tax is shown as a deferred tax asset.

IAS 10: Dividends
Dividends are presented as a deduction in shareholders' equity when they have been declared or ratified by shareholders rather than as a deduction in the income statement when they have been proposed. The income statement for H1 04 has been adjusted to remove the proposed interim dividend of £5.2m.

IAS 14: Segment analysis
The Group's primary basis of segmentation is by business and its secondary basis is by geography.

Impairment of goodwill
The carrying value of capitalised goodwill was reviewed for impairment and a charge of £2.0m was made to operating profit in H1 05 (H1 04: £nil) to reduce the goodwill to its fair value. The impairment related to an acquisition made in 2003 in Labtest in the UK.

Profitability
Group operating profit, after charging amortisation of intangibles of £0.8m (H1 04: £0.3m) and goodwill impairment of £2.0m (H1 04: £nil) was £40.7m, up 5.2% over H1 04. The net financing costs were £2.6m in H1 05, compared to £2.2m in H1 04, principally due to increased interest rates on the Group's borrowings. The tax rate of 27.0% for H1 05 was based on the estimated tax rate the Group expects for the full year. Excluding amortisation of intangibles and goodwill impairment, the effective rate was 25.2% Profit for the period was £28.1m, up 2.2%.

Cash flow

Cash from operating activities for H1 05 was £20.0m down 34% on H1 04. The decrease was mainly due to a 21.3% increase in trade and other receivables, partly reflecting growth in the business. In H1 05, the Group spent £13.4m (H1 04: £27.1m) on net investments, including capital expenditure of £11.7m (H1 04: £8.3m) and acquisitions of £2.2m (H1 04: £19.9m), £16.8m (H1 04: £19.3m) on financing activities, including repayment of borrowings of £7.6m (H1 04: £8.8m) and £10.8m (H1 04: £9.1m) on payment of dividends.

Divisional review

In the divisional review that follows, the figures are stated at the cumulative average exchange rates for the six months to 30 June 2005. Operating profit is stated before amortisation of intangibles and goodwill impairment.

Labtest

	H1 05	Change	Organic change	Organic change excl share option charge
	£m	%	%	%
Revenue	65.9	4.9	10.1	10.1
Operating profit	20.6	1.0	(0.5)	1.0
Operating margin	31.3%	(1.2)	(3.3)	(2.9)

The key growth drivers in Labtest remained strong, principally the sourcing of products from China, the wide range of products being sold by retailers, shorter product lifecycles and the demand for quality and safety. Growth in the division varied widely depending on location. Revenue from mainland China increased by 47% in H1 05 over H1 04; sometimes at the expense of other locations which suffered a contraction in revenue due to the relocation of business to China. The operating margin declined from 32.5% to 31.3% due to expansion in China, the cost of downsizing in other locations and an increase in the IFRS share option charge from £0.1m in H1 04 to £0.4m in H1 05. Organic growth was calculated after removing the results of a loss-making business which was sold in 2004 and a small acquisition also made in 2004.

ETL SEMKO

	H1 05 £m	Change %	Organic change %	Organic change excl share option charge %
Revenue	69.3	20.1	11.1	11.1
Operating profit	11.1	24.7	12.8	13.8
Operating margin	16.0%	0.6	0.2	0.4

ETL SEMKO had an excellent start to the year with strong growth in revenues and operating profit in H1 05 over H1 04. There was substantial organic growth in revenue in mainland China, particularly in the safety testing of household appliances manufactured for export. The Americas also performed well, with organic growth in electrical and building products supplemented by growth in the automotive component testing business which was acquired in May 2004. Further expansion of automotive component testing is planned in China for H2 05. The operating margin improved from 15.4% to 16.0%, mainly through tight cost control in the Americas.

Caleb Brett

	H1 05	Change	Organic change	Organic change excl share option charge
	£m	%	%	%
Revenue	100.0	17.9	13.2	13.2
Operating profit	8.9	20.3	11.1	10.8
Operating margin	8.9%	0.2	(0.2)	(0.2)

Caleb Brett performed strongly, particularly in the traditional cargo inspection market in the United States and in analytical services. The growth in the cargo inspection market in the United States was driven by increased demand for petroleum products and chemicals. The Americas also benefited from the acquisition of Kelley Completion Services in December 2004. Revenue from analytical services, which accounted for 33% of revenue in H1 05 (28% in H1 04), increased by 39.2% in H1 05 over H1 04, mainly due to contracts which started during 2004 and to a new Rolls-Royce contract which started in January 2005. Operating margin increased from 8.7% to 8.9%.

FTS

	H1 05	Change	Organic change	Organic change excl share option charge
	£m	%	%	%
Revenue	37.1	23.3	23.3	23.3
Operating profit	7.4	48.0	48.0	47.1
Operating margin	19.9%	3.3	3.3	3.3

The three key contracts in Nigeria, Saudi Arabia and Venezuela, which accounted for 63% of the division's revenue, performed well in H1 05. The pre-shipment inspection (PSI) contract in Venezuela terminated on 31 August 2005 which will reduce PSI revenue and profit in the short term. Provision for restructuring the office in Venezuela was made in the results for H1 05. A new cargo scanning contract in Sierra Leone commenced in H1 05 and the PSI contract in Malawi has been renewed for a further two years.

Central overheads

Central overheads were £4.5m for H1 05, an increase of £1.2m or 36.4% over H1 04, reflecting the growth in the business. The increase was primarily due to increased staff, legal and IT costs and a donation of £0.1m to the Tsunami disaster relief appeal.

Outlook

The first half of 2005, has been another period of good growth for the Group and the main drivers of our business offer a wide range of opportunities for further growth.

The increasing variety of new products and the reduction in average product lifespan is leading our customers to develop a greater number of prototypes which are also being sold in a wider range of countries. This increases their need for services covering all aspects of quality and safety, from the design stage through the supply chain to the final product.

Consumers are increasingly demanding safer, more reliable, higher quality products. Environmental and social pressure from consumers and authorities is leading to more complex regulations. We help our customers meet consumer expectations and comply with these regulations thus safeguarding their brand reputation
in an increasingly competitive environment.

Oil and chemical companies, manufacturers, retailers and traders, currently outsource only a small part of their quality and safety needs. Our range of technical expertise on a world-wide basis in all divisions, means we can offer customers a wider scope of quality services, to fulfil their individual needs. We believe our fast turn-around times and our tailored services will increase the amount of work outsourced to us in all markets.

We have the resources to take advantage of these and other opportunities and we are confident that we will continue to develop and grow our business.

Wolfhart Hauser
Chief Executive Officer

Consolidated interim income statement

	Notes	Six months to 30 June 2005 (Unaudited) £m	Six months to 30 June 2004 (Unaudited) £m	Year to 31 December 2004 (Unaudited) £m
Revenue	2	272.3	237.8	499.6
Cost of sales		(210.3)	(183.2)	(385.0)
Gross profit		62.0	54.6	114.6
Administrative expenses		(18.5)	(15.6)	(31.6)
Amortisation of intangible assets		(0.8)	(0.3)	(1.4)
Impairment of goodwill	2	(2.0)		
Total administrative expenses		(21.3)	(15.9)	(33.0)
Group operating profit	2	40.7	38.7	81.6
Finance income		1.9	2.1	4.2
Finance expense		(4.5)	(4.3)	(12.1)
Net financing costs		(2.6)	(2.2)	(7.9)
Share of profit of associates		0.4	0.4	0.7

Profit before taxation		38.5	36.9	74.4
Income tax expense	3	(10.4)	(9.4)	(19.6)
Profit for the period		28.1	27.5	54.8
Attributable to:				
Equity holders of the Company		26.4	25.2	52.0
Minority interest		1.7	2.3	2.8
Profit for the period		28.1	27.5	54.8
Earnings per share	4			
Basic		17.0p	16.3p	33.7p
Diluted		16.9p	16.2p	33.4 p

Consolidated interim balance sheet

	Notes	At 30 June 2005 (Unaudited) £m	At 30 June 2004 (Unaudited) £m	At 31 December 2004 (Unaudited) £m
ASSETS				
Property, plant and equipment		93.1	78.7	88.5
Goodwill		33.9	28.8	33.5
Other intangible assets	9	2.9	4.6	3.5

Investments in associates		1.9	1.5	1.8
Deferred tax assets		5.5	2.8	5.5
Total non-current assets		137.3	116.4	132.8
Inventories		1.7	1.6	1.5
Trade and other receivables		135.3	111.5	109.8
Cash and cash equivalents	8	43.3	64.0	52.5
Total current assets		180.3	177.1	163.8
Total assets		317.6	293.5	296.6
LIABILITIES				
Interest- bearing loans and borrowings	8	(14.4)	(21.5)	(14.0)
Current taxes payable		(21.4)	(19.9)	(19.5)
Trade and other payables		(79.6)	(69.3)	(75.9)
Provisions		(3.6)	(5.1)	(5.4)
Total current liabilities		(119.0)	(115.8)	(114.8)
Interest-bearing loans and borrowings	8	(150.1)	(175.6)	(150.9)
Deferred tax liabilities		(0.6)	(0.3)	(0.6)
Net pension liabilities		(14.1)	(7.5)	(16.1)
Other payables			(0.4)	(0.5)
Total non-current liabilities		(164.8)	(183.8)	(168.1)

	Notes			
Total liabilities		(283.8)	(299.6)	(282.9)
Net assets /(liabilities)		33.8	(6.1)	13.7
EQUITY				
Share capital	7	1.6	1.5	1.5
Share premium account	7	236.8	234.2	234.5
Reserves	7	13.6	8.8	13.5
Retained earnings	7	(224.9)	(257.3)	(241.5)
Total equity attributable to equity holders of the Company	7	27.1	(12.8)	8.0
Minority interest		6.7	6.7	5.7
Total equity		33.8	(6.1)	13.7

Consolidated interim statement of cash flows

	Notes	Six months to 30 June 2005 (Unaudited) £m	Six months to 30 June 2004 (Unaudited) £m	Year to 31 December 2004 (Unaudited) £m
Operating activities				
Profit for the period		28.1	27.5	54.8
Adjustments for:				
Depreciation charge		9.9	8.9	18.4
Amortisation of intangibles		0.8	0.3	1.4
Impairment of goodwill		2.0		

Share option expense		1.0	0.5	1.0
Share of profit of associates		(0.4)	(0.4)	(0.7)
Net financing costs		2.6	2.2	7.9
Income tax expense		10.4	9.4	19.6
Loss on disposal of fixed assets			0.1	0.2
Operating profit before changes in working capital and provisions		54.4	48.5	102.6
Increase in inventories		(0.2)	(0.2)	(0.8)
Increase in trade and other receivables		(22.3)	(8.5)	(8.9)
Increase in trade and other payables		1.9	2.8	11.9
Decrease in provisions		(3.8)	(3.2)	(2.9)
Cash generated from operations		30.0	39.4	101.9
Interest paid		(2.9)	(2.9)	(6.9)
Income taxes paid		(7.1)	(6.1)	(16.0)
Cash flows from operating activities		20.0	30.4	79.0
Investing activities				
Proceeds from sale of property, plant and equipment		0.1	0.2	0.2
Interest received		0.2	0.9	1.6
Dividends received from associated undertakings		0.2		0.8
Acquisition of subsidiaries, net of cash acquired	10	(2.2)	(19.9)	(26.6)
Acquisition of property, plant and equipment		(11.7)	(8.3)	(28.2)
Cash flows from investing activities		(13.4)	(27.1)	(52.2)

	Note			
Financing activities				
Proceeds from the issue of share capital		2.6	0.8	1.1
Issue of new debt				165.7
Repayment of borrowings	8	(7.6)	(8.8)	(202.0)
Dividends paid to minorities		(1.0)	(2.2)	(4.1)
Dividends paid	7	(10.8)	(9.1)	(14.4)
Cash flows from financing activities		(16.8)	(19.3)	(53.7)
Net decrease in cash and cash equivalents	8	(10.2)	(16.0)	(26.9)
Cash and cash equivalents at 1 January	8	52.5	81.5	81.5
Effect of exchange rate fluctuations on cash held	8	1.0	(1.5)	(2.1)
Cash and cash equivalents at end of period	8	43.3	64.0	52.5

Consolidated interim statement of recognised income and expense

	Six months to 30 June 2005 (Unaudited) £m	Six months to 30 June 2004 (Unaudited) £m	Year to 31 December 2004 (Unaudited) £m
Foreign exchange translation differences, net of tax	(0.8)	2.4	7.1
Actuarial pension loss			(9.0)

Deferred tax on actuarial loss			2.4
First time adoption IAS 39, cash flow hedges:			
Fair values on adoption at 1 January 2005	(1.0)		
Effective portion of changes in fair value	1.9		
Net expense recognised directly in equity	0.1	2.4	0.5
Profit for the period	28.1	27.5	54.8
Total recognised income and expense for the period	28.2	29.9	55.3
Attributable to:			
Equity holders of the Company	26.5	27.6	52.5
Minority interest	1.7	2.3	2.8
Total recognised income and expense	28.2	29.9	55.3

Reconciliation of shareholders' equity

	Six months to 30 June 2005 (Unaudited) £m	Six months to 30 June 2004 (Unaudited) £m	Year to 31 December 2004 (Unaudited) £m
Opening equity under UK GAAP	(3.6)	(43.1)	(43.1)

Restatement for International Accounting Standards (note 7)	11.6	9.2	9.2
Restated opening equity prior to adoption of IAS 39	8.0	(33.9)	(33.9)
Adoption of IAS 39 (note 7)	(1.0)		
Restated opening equity under IFRS	7.0	(33.9)	(33.9)
Issue of shares	2.4	2.1	2.4
Equity settled transactions	1.0	0.5	1.0
Tax on equity settled transactions			0.4
Profit for the period attributable to equity holders	26.4	25.2	52.0
Dividends	(10.8)	(9.1)	(14.4)
Foreign exchange translation differences, net of tax	(0.8)	2.4	7.1
Movement on cash flow hedges	1.9		
Actuarial pension loss			(9.0)
Deferred tax on actuarial pension loss			2.4
Closing equity under IFRS	27.1	(12.8)	8.0

Notes to the interim report

1. Basis of preparation

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the company, for the year ending 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU (adopted IFRS).

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 December 2005, or are expected to be endorsed and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting date at which it is required to use the adopted IFRS. Based on these adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied, which are set out in Appendix B, when the first annual IFRS financial statements are prepared for the year ending 31 December 2005.

In particular, the directors have assumed that 'Amendments to IAS 19' issued by the International Accounting Standards Board will be adopted by the EU in sufficient time to be available for use in the annual IFRS financial statements for the year ending 31 December 2005.

In addition, the adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2005, are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

The comparative figures for the financial year ended 31 December 2004, are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Principles (UK GAAP), have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

An explanation of how the transition to IFRS has affected the reported financial performance of the Group is provided in note 14. The impact of IFRS on the Group's reported financial position is shown in Appendix A.

A reconciliation of equity previously reported under UK GAAP to that reported under IFRS for the respective periods is shown on page 11.

2. SEGMENT ANALYSIS
Business analysis (Primary segment)

	Labtest	ETL SEMKO	Caleb Brett	FTS	Central overheads	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Six months to 30 June 2005	65.9	69.3	100.0	37.1	-	272.3
Six months to 30 June 2004	64.0	58.4	85.1	30.3	-	237.8
Year to 31 December 2004	132.3	122.4	177.3	67.6	-	499.6

Group operating profit	Labtest	ETL SEMKO	Caleb Brett	FTS	Central overheads	Total
	£m	£m	£m	£m	£m	£m
Six months to 30 June 2005						
Group operating profit	18.6	10.5	8.7	7.4	(4.5)	40.7
Add: impairment of goodwill*	2.0	-	-	-	-	2.0
Add: amortisation of intangibles	-	0.6	0.2	-	-	0.8

Operating profit before impairment and amortisation	20.6	11.1	8.9	7.4	(4.5)	43.5
Six months to 30 June 2004						
Group operating profit	20.8	8.8	7.4	5.0	(3.3)	38.7
Add: amortisation of intangibles	-	0.2	0.1	-	-	0.3
Operating profit before impairment and amortisation	20.8	9.0	7.5	5.0	(3.3)	39.0
Year to 31 December 2004						
Group operating profit	43.5	16.5	14.7	13.8	(6.9)	81.6
Add: amortisation of intangibles	-	0.8	0.6	-	-	1.4
Operating profit before impairment and amortisation	43.5	17.3	15.3	13.8	(6.9)	83.0

* Relates to Fastech, a UK business, acquired in 2003.

Geographic analysis (Secondary segment)

Revenue	Six months to 30 June 2005 £m	Six months to 30 June 2004 £m	Year to 31 December 2004 £m
Americas	94.4	80.2	169.0
Europe, Middle East and Africa	90.7	77.7	166.3
Asia	87.2	79.9	164.3
Total	272.3	237.8	499.6
Group operating profit			
Americas	10.8	8.6	16.6
Europe, Middle East and Africa	2.9	4.5	12.0
Asia	27.0	25.6	53.0
Total	40.7	38.7	81.6

3. Income tax expense

The tax charge on profits before tax for the six months to 30 June 2005 of £10.4m (30 June 2004: £9.4m) is based on the estimated effective rate for the full year. The effective tax rate at 30 June 2005 is 27.0% (30 June 2004: 25.5%, 31 December 2004: 26.3%). Excluding amortisation of intangibles and goodwill impairment, the effective rate at 30 June 2005 is 25.2% (30 June 2004: 25.3%, 31 December 2004: 25.6%).

Differences between the estimated effective rate of 27% and the notional statutory UK rate of 30% include, but are not limited to, the effect of tax rates in foreign jurisdictions, non deductible expenses, the effect of tax losses utilised and under/(over) provisions in previous years.

4. Earnings per ordinary share

Based on the profit for the year:	Six months to 30 June 2005 £m	Six months to 30 June 2004 £m	Year to 31 December 2004 £m
Basic earnings			
Profit attributable to ordinary shareholders	26.4	25.2	52.0
Amortisation of intangibles	0.8	0.3	1.4
Impairment of goodwill	2.0		
Amortisation of debt issuance costs on refinancing, less tax			2.2
Adjusted earnings	29.2	25.5	55.6
Number of shares (millions):			
Basic weighted average number of shares	154.9	154.3	154.4
Potentially dilutive share options	1.5	0.7	1.1

Diluted weighted average number of shares	156.4	155.0	155.5
Basic earnings per share	17.0p	16.3p	33.7p
Options	(0.1)p	(0.1)p	(0.3)p
Diluted earnings per share	16.9p	16.2p	33.4p
Basic adjusted earnings per share	18.9p	16.5p	36.0p
Options	(0.2)p	(0.1)p	(0.2)p
Diluted adjusted earnings per share	18.7p	16.4p	35.8p

The weighted average number of shares used in the calculation of the diluted earnings per share for the six months to 30 June 2005, excludes 1,497,513 potential shares (31 December 2004: 56,280, 30 June 2004: 1,414,765) as these were not dilutive in accordance with IAS 33: Earnings per share.

5. Pension schemes

There has been no significant change in the net liabilities of the Group's defined benefit pension schemes since 31 December 2004. As permitted by IAS 19, actuarial valuations of the assets and liabilities of the defined benefit pension schemes were not performed at 30 June 2005.

The expense recognised in the consolidated interim income statement consists of the current service cost, interest on the obligation for employee benefits and the expected return on plan assets. For the six months ended 30 June 2005, the Group recognised a net expense of £1.2m (30 June 2004: £1.1m).

6. Share-based payments

The Company has share option schemes, details of which were contained in the Annual report and accounts for the year ended 31 December 2004.

During the period, the company granted 1,499,197 options to employees at an exercise price of 778p which are exercisable between 7 April 2008 and 7 April 2015.

In accordance with IFRS 2, the fair values of services received in return for share options granted to employees, is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes formula, a financial model used to calculate the fair value of options. During the six months ended 30 June 2005, the Group recognised an expense of £1.0m in respect of outstanding share awards issued in 2003, 2004 and 2005. For the six months ended 30 June 2004, the charge was £0.5m for outstanding share awards issued in 2003 and 2004. Under UK GAAP, there was no expense since the exercise price represented the market value of the shares at date of issue.

7. Reconciliation of shareholders' equity

			Reserves			
	Share capital	Share premium account	Translation reserve	Hedging reserve	Other reserves	ea
	£m	£m	£m	£m	£m	
At 31 December 2004 under UK GAAP	1.5	234.5			6.4	
Restatement for IAS:						
Goodwill						

Goodwill amortisation					
Amortisation of intangibles					
Tax relief on share option charge					
Dividend accruals					
Foreign exchange translation differences, net of tax			7.1		
Restated 31 December 2004	1.5	234.5	7.1		6.4
Adoption of IAS 39*				(1.0)	
At 1 January 2005 under IFRS	1.5	234.5	7.1	(1.0)	6.4
Movement on cash flow hedges				1.9	
Profit for the period attributable to equity holders					
Dividends paid					
Issue of shares	0.1	2.3			

Equity settled transactions						
Foreign exchange translation differences, net of tax			(0.8)			
At 30 June 2005	1.6	236.8	6.3	0.9	6.4	*(

* After charging £244.1m for goodwill written off to reserves in relation to subsidiaries acquired prior to 31 December 1997.

IAS 39 'Financial instruments: Recognition and measurement' was adopted on 1 January 2005. This resulted in fair values (negative) of hedged derivatives of £1.0m to be included in the Balance Sheet.

The dividend of £10.8m represents the dividend declared on 6 May 2005, at the rate of 7.0p per ordinary share.

There was an issue of 503,426 ordinary shares during the period on exercise of share options.

8. Analysis of net debt

	At 1 January 2005 £m	Cash flow £m	Exchange adjustments £m	At 30 June 2005 £m
Cash	52.5	(10.2)	1.0	43.3
Borrowings	(164.9)	7.6	(7.2)	(164.5)
Total net debt	(112.4)	(2.6)	(6.2)	(121.2)

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9. Other intangible assets
As required by IFRS, goodwill on acquisitions made after 31 March 2004, has been re-examined and analysed into separately identifiable intangible assets which are amortised over their estimated useful lives and capitalised goodwill which is unamortised. In 2004, intangible assets with a value of £4.9m were capitalised and goodwill was reduced by this amount. In the six months to 30 June 2005, £0.2m of intangible assets were acquired. Intangible assets comprised covenants not to compete, patented technology and customer relationships which are being amortised over their contractual live. The amortisation charged in the six months to 30 June 2005 was £0.8m (30 June 2004: £0.3m, 31 December 2004: £1.4m).

10. Acquisition of subsidiaries
On 29 April 2005, the Group acquired, on a cash free/debt free basis, all the shares in Omega Point Laboratories Inc (OPL), a company incorporated in the USA, for cash consideration of £2.2m. In addition, a further amount, which is estimated to be £0.3m, will be payable as deferred consideration. The company is engaged in the business of fire testing.

The acquisition had the following effect on the Group's assets and liabilities.

OPL's net assets at the acquisition date:

	Recognised values £m
Intangibles	0.2
Property, plant and equipment	0.8
Trade and other receivables	0.3
Trade and other payables	(0.1)
Net identifiable assets and liabilities	1.2

Goodwill on acquisition (provisional)	1.3
Cash paid	2.2
Estimated additional consideration payable	0.3

There were no fair value adjustments.

11. Post balance sheet event
On 3 August 2005, the Group acquired the share capital of PARC Technical Services Inc (PARC), a US petroleum and chemical process testing company for £3.9m.

12. Contingent liabilities: claims and litigation
There have been no material developments concerning claims and litigation, which in the opinion of the directors, would give rise to a material adverse effect on the financial position of the Group in the foreseeable future.

13. Approval

The consolidated interim financial statements were approved by the Board on 2 September 2005.

14. Explanation of transition to IFRS

As stated in note 1, these are the Group's first consolidated interim financial statements prepared in accordance with IFRS. The comparative information for the six months to 30 June 2004, and for the year ended 31 December 2004, previously prepared under UK GAAP, have been restated under IFRS. An explanation of how the transition from previous GAAP to IFRS has affected the Group's financial performance is shown in the table below.

Impact on the income statement:

	Notes	Six months to 30 June 2005 (Unaudited)	Six months to 30 June 2004 (Unaudited)	Year to 31 December 2004 (Unaudited)
		£m	£m	£m
Retained profit for the period under UK GAAP		20.8	19.8	36.6
IFRS adjustments:				
Goodwill amortisation	a	1.1	0.7	1.5
Amortisation of intangibles	b	(0.8)	(0.3)	(1.4)
Share option expense	c	(1.0)	(0.5)	(1.0)
Tax relief on share option charge	c	0.1	0.3	0.2
Ineffective hedges	d	0.1		
Minority interest	e	1.7	2.3	2.8
Dividends	f	6.1	5.2	16.1
Net profit for the period under IFRS		28.1	27.5	54.8

a) Under UK GAAP, there was a charge to profit in respect of amortisation of goodwill. Under IFRS, there is no such charge. However, under IFRS there is an annual review required of goodwill which could result in an impairment charge.

b) IFRS requires qualifying intangibles, previously included within goodwill under UK GAAP, to be separately identified and amortised over their useful economic lives.

c) IFRS requires a charge to be made for the fair value of options granted to employees.

d) Under IFRS, the movement in fair values of financial derivatives in respect of an ineffective hedge is cycled through the income statement.

e) Under UK GAAP, minority interest was deducted in arriving at profit for the period. Under IFRS, the minority interest is not deducted but is disclosed by way of a note.

f) Under UK GAAP, dividends proposed were deducted in arriving at retained profit. Under IFRS, dividends are taken to reserves when they are paid.

Impact on the balance sheet
Appendix A sets out the reconciliation between UK GAAP and IFRS balance sheets together with an explanation of the IFRS adjustments.

Impact on the cash flow statement
The move from UK GAAP to IFRS does not change any of the cash flows of the Group. The IFRS cash flow format is similar to UK GAAP but presents various cash flows in different categories and in a different order from UK GAAP.

Accounting policies
Appendix B sets out the IFRS accounting policies

Appendix A: Effect of transition to International Financial Reporting Standards

Balance sheets

		At 1 January 2004	(Unaudited)		At 30 June 2004	(Unaudited)		
		UK GAAP	Effect of transition	IFRS	UK GAAP	Effect of transition	IFRS	UK GA
	Notes	£m	£m	£m	£m	£m	£m	
ASSETS								
Property, plant and equipment		77.8		77.8	78.7		78.7	88
Goodwill	1	17.8		17.8	33.0	(4.2)	28.8	36
Other intangible assets	1					4.6	4.6	
Investments in associates		1.2		1.2	1.5		1.5	1
Deferred tax assets	2		2.5	2.5		2.8	2.8	
Total non-current assets		96.8	2.5	99.3	113.2	3.2	116.4	127
Inventories		1.4		1.4	1.6		1.6	1
Trade and other receivables		105.3		105.3	111.5		111.5	109
Cash and cash equivalents		81.5		81.5	64.0		64.0	52

Total current assets		188.2		188.2	177.1		177.1	163
Total assets		285.0	2.5	287.5	290.3	3.2	293.5	291
LIABILITIES								
Interest bearing loans and borrowings		(17.5)		(17.5)	(21.5)		(21.5)	(14
Current taxes payable		(16.6)		(16.6)	(19.9)		(19.9)	(19
Trade and other payables	3	(75.5)	9.1	(66.4)	(74.5)	5.2	(69.3)	(86
Provisions		(8.3)		(8.3)	(5.1)		(5.1)	(5
Total current liabilities		(117.9)	9.1	(108.8)	(121.0)	5.2	(115.8)	(125
Interest bearing loans and borrowings		(196.2)		(196.2)	(175.6)		(175.6)	(150
Deferred tax liabilities		(0.3)		(0.3)	(0.3)		(0.3)	(0
Net pension liabilities	2	(5.1)	(2.4)	(7.5)	(5.1)	(2.4)	(7.5)	(11
Other creditors		(1.4)		(1.4)	(0.4)		(0.4)	(0
Total non-current liabilities		(203.0)	(2.4)	(205.4)	(181.4)	(2.4)	(183.8)	(163

Total liabilities		(320.9)	6.7	(314.2)	(302.4)	2.8	(299.6)	(288
Net (liabilities)/ assets		(35.9)	9.2	(26.7)	(12.1)	6.0	(6.1)	2
EQUITY								
Share capital		1.5		1.5	1.5		1.5	1
Share premium account		232.1		232.1	234.2		234.2	234
Reserves	4	6.4		6.4	6.4	2.4	8.8	6
Retained earnings		(283.1)	9.2	(273.9)	(260.9)	3.6	(257.3)	(246
Retained earnings		(283.1)	9.2	(273.9)	(260.9)	6.0	(54.9)	(246
Total attributable to the equity holders of the company	5	(43.1)	9.2	(33.9)	(18.8)	6.0	(12.8)	(3
Minority interest		7.2		7.2	6.7		6.7	5
Total equity		(35.9)	9.2	(26.7)	(12.1)	6.0	(6.1)	2

Notes to the IFRS adjustments

1. Goodwill amortisation charged under UK GAAP since 1 January 2004,

(the IFRS transitional date) is reversed, since under IFRS goodwill is not amortised. IFRS requires a review for impairment of goodwill. This review did not result in any impairment loss in the periods covered by the tables above.

In addition, specific intangible assets, previously included within goodwill under UK GAAP, have been separately identified and shown as 'Other intangibles'

2. The deferred tax asset netted off against the pension liabilities under UK GAAP, is now shown separately under IFRS. In addition the deferred tax asset includes tax on the share option charge.

3. Under IFRS, a dividend accrual is only made when the dividend is declared payable. Under UK GAAP dividends had been accrued although they had not been declared.

4. Under IFRS, cumulative translation differences, previously included in retained earnings under UK GAAP, are shown in a separate translation reserve.

5. The adjustment to retained earnings represents the sum of the adjustments explained in the notes 1 to 4 above.

Appendix B: IFRS accounting policies

(a) Statement of compliance
The consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). These are the Group's first consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS. IFRS 1 has been applied before its effective date in the preparation of the Group's consolidated interim financial statements.

(b) Basis of preparation

The consolidated interim financial statements have been prepared on a historical cost basis except for derivative financial instruments which are stated at their fair value from 1 January 2005. The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing an opening IFRS balance sheet at 1 January 2004, for the purposes of the transition to IFRS with the exception of IAS 39 which, as required, has been applied from 1 January 2005. The accounting policies have been applied consistently by Group entities.

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

(ii) Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated interim financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with associates

are eliminated to the extent of the Group's interest in the entity.

(d) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date, are translated into sterling at the contracted rate or the rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates ruling at the dates the values were determined.

(ii) Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at average rates of exchange during the year. Foreign exchange differences arising on translation are recognized directly in equity, net of exchange differences arising on related foreign currency borrowings, where net investment hedging is in place.

Any differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. They are recycled and recognized in profit or loss upon disposal of the operation. Translation differences that arose before the date of transition to IFRS in respect of all foreign entities are not presented as a separate component.

(e) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and

investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.
Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (f)).
The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(f) Hedging

(i) 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, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and recognised in the income statement immediately.

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

(ii) 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.

(iii) Hedge of net investment in foreign operation
The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

(g) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (l)).

(ii) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are treated as if they had been purchased at the present value of the minimum lease payments. This cost is included in property, plant and equipment and depreciation is provided over the shorter of the lease term or the estimated useful life. The corresponding obligations under these leases are included within borrowings. The finance charge element of rentals payable is charged to the income statement to produce a constant rate of interest. Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

(iii) Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings and long leasehold land and buildings	50 years
Short leasehold land and buildings	Term of lease
Plant and machinery	3 - 10 years

(h) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents amounts arising on acquisitions, being the difference between the fair value of consideration payable and the fair value of separable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses (see accounting policy (l)).

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

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.

Fair value accounting adjustments are made in respect of acquisitions and these may be made on provisional estimates. Amendments may be made to these adjustments in the subsequent 12 months with a corresponding adjustment to goodwill in the light of post acquisition experience.

(ii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of other intangible assets from the date they are available for use. The estimated useful lives are as follows:

Covenants not to compete	Contractual life
Patented technology	Contractual life

Customer relationships	Up to 10 years

(i) Trade and other receivables
Trade and other receivables are stated at their cost less impairment loses (see accounting policy (l)).

(j) Inventories
Inventories and work in progress are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of business in bringing inventories and work in progress 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.

(k) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. 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.

(l) Impairment
The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there has been any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.
Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit/group of units and then to reduce the carrying amount of the other assets in the unit.
Goodwill was tested for impairment at 1 January 2004, the date of transition to IFRS, even though no indication of impairment existed.

(m) Dividends

Dividends are recognised as a liability in the period in which they are declared.

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

(o) Employee benefits

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

(ii) Defined benefit plans
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 periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the attained age method for closed schemes and projected unit method for open schemes.

The defined benefit schemes' assets are valued at bid prices and the schemes' liabilities are discounted to present values using high quality corporate bond rates. The resultant pension scheme surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full on the face of the balance sheet.
The increase in the present value of the liabilities expected to arise from the employees' services in the accounting period is charged to the income statement.

The expected return on the schemes' assets less the interest on the present value of the schemes' liabilities during the accounting period is shown as 'Other finance income'. Actuarial gains and losses, net of deferred tax, are recognised in the consolidated statement of total recognised income and expenses.

(iii) Share-based payment transactions
The share option programme allows Group employees to acquire shares in the Company. The fair value of options granted, is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted, is measured using the Black- Scholes method. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

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

(i) Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(ii) Claims
A provision for a claim is recognised when a judgement has been passed or a settlement agreed. Provision is made for estimated legal fees as soon as a claim becomes active.

(q) Trade and other payables
Trade and other payables are stated at their cost.

(r) Revenue

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

(s) Expenses

(i) 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.

(ii) Net financing costs

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

(t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, overseas retained earnings the distribution of which is under the control of the Group and which are not likely to be distributed in the foreseeable future, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

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

Independent review report by KPMG Audit Plc to Intertek Group plc

Introduction

We have been engaged by the company to review the financial information set out on pages 8 to 26 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.
As disclosed in note 1 to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRS adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 1, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

KPMG Audit Plc
Chartered Accountants
London
2 September 2005