Success through quality

Annual Report 2009

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

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

Intertek has the expertise, resources and global reach to support its customers through its network of more than 1,000 laboratories and offices and over 25,000 people in more than 100 countries around the world.

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

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www.intertek.com

Financial Highlights

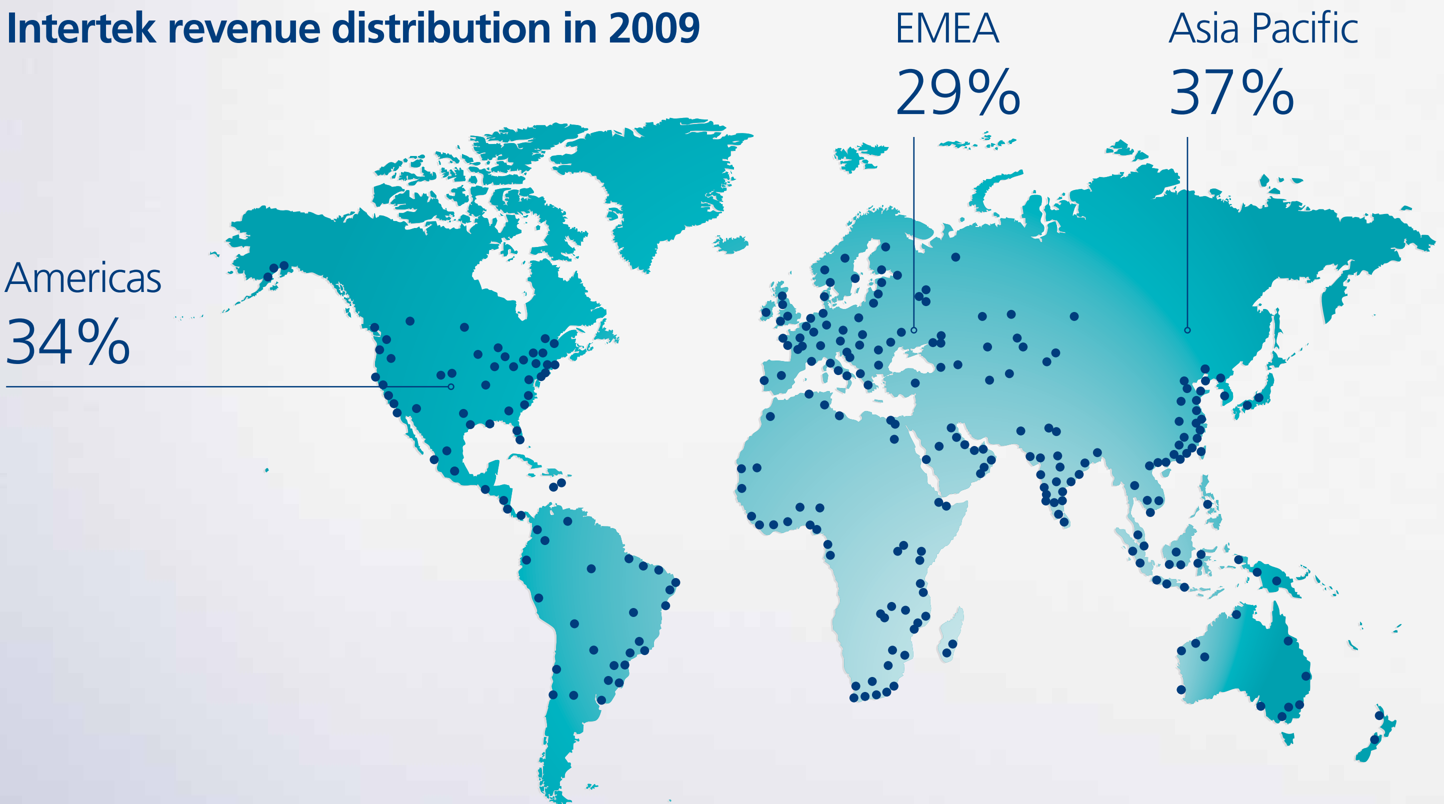
Recession-beating organic growth boosted by acquisitions and favourable currency movements.

> Revenue up 23% and adjusted operating profit up 27% at actual exchange rates

> Organic revenue and adjusted operating profit both up 4% at constant exchange rates

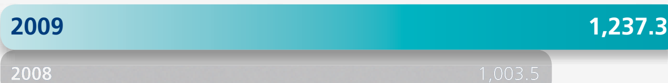
> Full year dividend up 23%

Intertek revenue distribution in 2009



Revenue £m

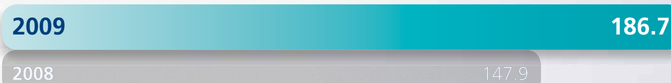
+23.3%



+7.0% at constant rates[1]

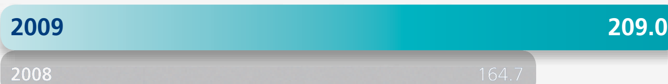
Operating profit £m

+26.2%



Adjusted operating profit[2] £m

+26.9%



+6.1% at constant rates[1]

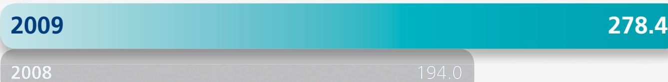
Adjusted operating profit margin

+50bp

down 10bp at constant rates[1]

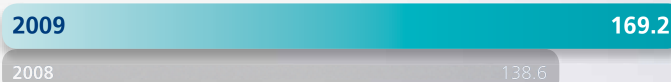
Operating cash flow £m

+43.5%



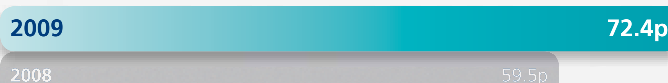
Profit before income tax £m

+22.1%



Basic earnings per share

+21.7%



81.5p diluted adjusted EPS[3]

Dividend per share[4]

+22.6%

1. Growth at constant exchange rates compares revenue and adjusted operating profit for 2009 and 2008 at the average exchange rates for 2009.
2. Operating profit before amortisation of acquisition intangibles, goodwill impairment and non-recurring costs (see reconciliation in note 3 to the financial statements).
3. Diluted adjusted EPS based on adjusted earnings (see note 9 to the financial statements).
4. Dividend per share is based on the interim dividend paid of 8.2p (2008: 7.1p) plus the proposed final dividend of 17.3p (2008: 13.7p).

Go online for the 5-year summary
www.intertek.com/investors/five-year-summary

At a Glance

25,000+ employees, 1,000+ labs and offices, 100+ countries across the globe serving the world's leading brands – our customers.

Our Divisions

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.

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

Through our global network of accredited offices we 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.

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.

Our Services

Testing

Inspection

Certification

Auditing

Outsourcing

Advisory

Training

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

- ADM
- AkzoNobel
- Alcan Packaging
- Arkema
- Auchan
- BHP Billiton
- Boddington Newmont
- Bombardier
- BP
- Bunge
- Canon
- Cargill
- Celanese
- Certified Automotive Parts Association
- Chevron
- Cisco
- CITGO
- Collective Brands
- ConocoPhillips
- DJO
- DSM
- Early Learning Centre
- ED&F Man
- Elmer's Products
- Essar
- ExxonMobil
- Fortescue Metals Group
- Gap Inc
- Glencore
- Haier
- Honeywell
- Hydro-Québec
- IAC Group
- IKEA
- Infineum
- JC Penney Company
- Kohl's
- Lear Corporation
- Levi Strauss & Co
- LG
- Lloyd's Register
- Louis Dreyfus
- Maersk
- Magellan Aerospace Corporation
- Marks & Spencer
- McDonald's Corporation
- Morgan Stanley
- Mothercare
- Nestlé
- Noble Group
- Nordstrom
- Panasonic
- Petrobras
- PetroChina
- Qatargas
- Reliance Industries
- Ricoh
- Rolls-Royce
- SABIC
- Samsung
- Sasol
- Saudi Aramco
- Sears Holdings Corporation
- Shell
- Smiths Medical
- Sportcraft
- Statoil
- Talisman Energy
- The Government of Bangladesh
- The Government of Kuwait
- The Government of Mexico
- The Government of Mozambique
- The Government of Nigeria
- The Government of Saudi Arabia
- Tokyo Electron
- Toshiba
- Total
- Trafigura
- Triumph Group
- Unilever
- U.S. Green Building Council
- Valero
- Vitol
- Wilmar Group
- Yamaha

Chairman's Statement

Positioning for future growth

Results
Intertek delivered strong results in 2009, notwithstanding very difficult macro-economic conditions throughout the world and ended the year with a revenue figure of £1,237.3m, up 23.3% over last year. Excluding acquisitions revenue growth was 19.4%.

Operating profit was £186.7m, up 26.2% over last year. Adjusted operating profit increased to £209.0m, up 26.9%. Our adjusted operating margin increased by 50 basis points to 16.9%. Excluding acquisitions, adjusted operating profit grew by 24.4%.

Earnings per share
Basic earnings per share were 72.4p, up 21.7% over last year and diluted adjusted earnings per share were 81.5p, up 21.5%.

Dividends
An interim dividend of 8.2p per share (2008: 7.1p) was paid to shareholders on 20 November 2009. The Directors will propose a final dividend of 17.3p per share at the Annual General Meeting on 14 May 2010, to be paid on 18 June 2010 to shareholders on the register at close of business on 4 June 2010. If approved, this will make a full year dividend of 25.5p per share (2008: 20.8p), an increase of 22.6%.

Acquisitions
In 2009, we made three bolt-on acquisitions for total consideration of £30.8m (2008: £83.1m). Details of these acquisitions are given in the Operating Review by division and in note 24 to the financial statements. Our strategy of growing key industry sectors through acquisitions is unchanged, although we deliberately scaled back our acquisitions in 2009 to concentrate on integrating the businesses we acquired in prior years. We will continue to invest in new opportunities as they arise.

The Board
On 14 January 2010, we announced that Bill Spencer has decided to retire from his position as Chief Financial Officer. Bill has served Intertek extremely well for over 18 years and has played a valuable part in the development of the Group. After 24 years with the Group, Richard Nelson retired from the Intertek Board on 1 September 2009. Richard's work over the past two decades, as Chief Executive Officer and more recently as Non-Executive Director and Deputy Chairman, will have a lasting impact and has been integral in taking Intertek to the successful position that it holds today. On behalf of the Board, I would like to thank both Bill and Richard very much for the significant contribution they have made to the Group. Our best wishes for the future to them both.

On 1 September 2009, I was pleased to welcome Edward Astle and Gavin Darby to the Board as Non-Executive Directors. Edward Astle is Pro-Rector of Commercial Development at Imperial College London where he leads the development of major business opportunities in the UK and internationally. Edward's management and commercial strategy experience at high level in the telecoms, industrial and science related fields will bring additional perspective to the Board.

Vanni Treves
Chairman

Gavin Darby is Operations and Business Development Director of Vodafone Group Plc for the Asia Pacific and Middle East Region. Gavin's extensive background in overseeing the operational development of businesses across international markets will be a valuable complement to the Board.

In April 2010, Lloyd Pitchford will join the Board as Chief Financial Officer. Lloyd has spent ten years with BG Group plc, one of the largest UK publicly listed companies holding the role of Group Financial Controller for the BG Group 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 contribute to Intertek's continued success.

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 are working on various initiatives to reduce this.

Quality and integrity
Quality and integrity are in essence what our customers are buying and they therefore lie at 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.

Employees
Our mission to support and add value for our customers is delivered through over 25,000 people across Intertek worldwide. It's been a tough year for many of our customers and 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 2009 another successful year.

Summary
Intertek has performed strongly in difficult circumstances and generated cash. Our key growth drivers remain intact and the Board's confidence in the future is reflected by the dividend increase of 22.6%.

Chief Executive Officer's Review

Our strategy in action

Our commitment to supporting and adding value to our customers by improving their products and processes and reducing their costs drives everything we do.

Introduction

As expected, 2009 was a challenging year with tougher global market conditions, recession in many countries and severe contraction in some industries. Despite these difficulties, the key business drivers to Intertek's global business remained intact and combined with our customer focused strategy enabled us to achieve strong results for the year.

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 divisions are organised to focus on specific sectors and they continuously improve their capabilities and procedures to deliver customer centric services. Our excellent staff, market leading response times and high value solutions differentiate us in the marketplace.

Our network of laboratories and offices are located where our customers need them and our highly motivated people are chosen for their understanding of local culture as well as their industry expertise. We understand that our people are our core assets and invest continuously in them. Our close relationship with our customers and our reputation for quality has allowed 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.

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. 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.

Wolfhart Hauser
Chief Executive Officer

In 2010, we will further strengthen our Intertek brand as the name on which leading global players rely if they want to be confident that their products and procedures match the highest quality, safety and environmental standards.

▶ Action: adding value to the energy sector

We have worked closely with some of the major oil companies to develop better ways to analyse crude oils from offshore production fields. We have developed a groundbreaking approach that uses near infra-red to conduct pipeline crude oil analysis in combination with predictive software. This solution has enabled our customers to cut costs, increase revenues and deliver greater profitability.

▶ Action: using global and local knowledge

We helped one of our well-known retailer clients improve their quality control procedures in various countries. Our solution balanced global and local concerns. Multi-disciplinary quality assurance teams worked closely with the client in each location to analyse the supply chain and strengthen local quality control procedures at source. Our innovative database technology provided transparency and allowed rapid analysis and correction of problems in supply before they hit the shelves – reducing costs for our client and protecting their worldwide reputation and brand.

▶ Action: helping our customers grow

We have helped our customers in China compete on the global stage. We contributed expertise in multiple areas for one of the world's largest manufacturer of white goods. By assisting with design and R&D and providing training to improve internal capability we helped our client make and market better products at a much faster rate. This improved their competitive advantage, enabling them to further their international growth.

▶ Action: expanding our service offering

Through our knowledge of the energy and industrial markets, we identified that our customers worldwide needed global technical inspection and expediting support to bring them new expertise, project efficiencies and cost saving. In February 2009, we acquired the WISco group of companies to add these service capabilities to our Industrial Services division. We are now able to offer these services globally to our customers.

▶ Action: understanding the regulations

We used our knowledge and understanding of international regulations and standards to help the world's largest manufacturer of rehabilitation equipment to navigate the labyrinth of medical regulatory standards that apply to their products. When a new edition of the IEC 60601 international series of standards for electronic medical devices was released, we were able to determine which edition would be most suitable for the client's design, certification and market entry needs, thus supporting their reputation for engineering excellence.

▶ Action: being close to our clients

One of our clients in the mining industry wanted to be able to analyse iron as soon as it was extracted. We set up a laboratory at their mine site which uses robotic technology and automated systems to provide faster, more accurate analysis which is also cleaner and safer. Our results allow our client to make more informed decisions and improve resource utilisation.

▶ Action: focusing on global trade

A customer in the aerospace industry had been working with multiple companies to certify their facilities across the world. They recognised the inefficiency of this approach and asked Intertek to provide this service globally. As one of the best known certifiers in the aerospace industry and one of the first companies to provide AS9100 certification (the internationally recognised quality management standard specifically written for the aerospace industry), we were a natural choice.

✔ Result: sustainable growth

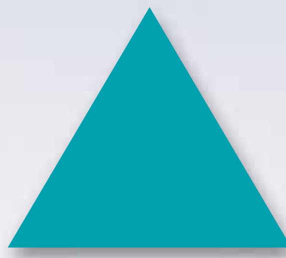
Despite tougher global market conditions, the key business drivers to Intertek's global business remain intact, namely product variety, supply chain complexity, the outsourcing of in-house testing laboratories and increasing demand for safe, environmentally friendly and quality products driven by ongoing regulation and end customers. Supporting our customers as they strive to be more competitive and cost effective underpins this growth. We expect this strategy and customer focus to generate continued and sustainable growth.

Chief Executive Officer's Review

The Intertek growth drivers

Our success lies in our strategy. Our consistent and committed focus on our customers is the cornerstone of our success and enables us to take advantage of the five key growth drivers in our business which are shown below.

1	**GLOBAL TRADE:**	**Impacting volume related businesses**
2	**MARKET DRIVERS:**	**Increasing demand for quality and safety, concern for the environment and product variety**
3	**EXPANSION:**	**More services, regions and industries**
4	**DRIVING THE INDUSTRY:**	**Customers outsourcing to make fixed costs variable**
5	**EXTERNAL GROWTH:**	**Strong track record of acquiring complementary businesses**



The drivers of our growth remain robust

Only about 30% of our business relies on the volume of global trade, so although growth in global trade has slowed down since the economic crisis began, this has primarily impacted our inspection related businesses.

Consumer demand for product variety and safe, environmentally friendly and quality products continues to grow. An increasing number of products are subject to regulations which require them to be tested, often by an independent company.

We are continually developing the range of services we can offer customers and expanding the industry sectors that we cover. Each of our divisions broadly supports different industries although customers have access to all the services available in the Group. We provide local support to our customers on an international scale by locating our offices and laboratories close to our customers' buying offices and manufacturers.

The trend is for customers to concentrate on their core business and reduce their fixed costs by outsourcing any non-core activities to specialists. We have a successful track record of providing outsourced laboratory services to many leading companies in a wide variety of industries.

We have acquired over 50 businesses in the past five years to complement and enhance our service portfolio. In 2009, we reduced our investment in acquisitions to reflect the uncertain market conditions and provide increased capacity to fund medium or larger acquisitions should suitable opportunities arise.

Go online for more information
www.intertek.com/investors/presentations

Chief Operating Officer's Review

Our Intertek as One programme positions us to serve our customers better and help them succeed in a difficult business environment.

Mark Loughead
Chief Operating Officer

Our clients are producing some of the most exciting innovations in their industries today, ranging from creating safer and more environmentally friendly products, to introducing groundbreaking technologies and developing alternative sources of energy. As the environment in which they are operating is evolving, our clients are rapidly adapting their strategies, business models and supply chains to ensure they keep their competitive edge. Intertek is changing with them, as we continue to execute our customer-focused Intertek as One strategy.

In 2009, we further strengthened the integration and co-operation across the operating divisions with the nomination of a further eight country managers, bringing the total to 25, covering 84% of the Group's revenues. The country managers are responsible for co-ordinating the actions and activities of the operating divisions within a country to ensure that we present a consistent 'face' to our clients and simplify our service offering to enable them to understand exactly how we can help them.

Under the Intertek as One initiative, we met with more than 200 global industry leading clients to understand their priorities. These meetings not only provided insight into their business challenges; we were able to talk about how we can expedite their product time-to-market, improve their supply chains, reduce cost and increase efficiency, meet regulatory requirements and adopt sustainable business practices. These client engagements resulted in over 130 assignments and contracts, including some significant projects with world-leading companies to provide services from the combined divisions of Intertek.

We also learnt that Intertek enjoys a reputation for integrity, speed of response, and prompt delivery of unique solutions, which is one of our competitive advantages. As we move into 2010, we will focus on developing collaborative relationships based on mutual trust and confidence, sustaining momentum in pursuing new opportunities, and delivering superior service that encourages retention.

In support of our single 'face' to clients and stakeholders, we launched the new Intertek website at www.intertek.com. Going forward, we will build on this new platform to increase engagement and develop new business.

Internally we are investing in infrastructure improvements to enable faster, more efficient service and productivity that will lead to higher long-term margins. We will transition to common systems and processes, beginning with the Intertek Common Financial Platform and shared service centre that are being piloted in North America. From 1 January 2010, we have a single accounting platform, billing system and Customer Relationship Management system, fully integrated across all divisions in the USA, operating from a newly created shared service centre in Houston.

We have reduced costs by leveraging our combined buying power across the Group and utilising central procurement teams. To date, we have consolidated our suppliers for services such as travel, telecoms, logistics office supplies and laboratory equipment and we will continue to seek other cost saving arrangements. Also as part of this strategy, and aligned with our corporate social responsibility planning, we are establishing a sustainable and ethical procurement system.

We have also redesigned and relaunched the Intertek Intranet with improved graphics and enhanced content, which will serve to inform and align our global organisation in support of our growth initiatives.

What we've accomplished this past year has positioned us to serve our customers better and help them succeed in a difficult business environment. There is no end point for our Intertek as One strategy, which will evolve as we invest in our capabilities and our people. We will continue to prioritise our spending where we see opportunities to grow our business and deliver faster, more efficient customer service.

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.

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Operating Review

Group overview

Intertek is a global market leader in many industries, supporting customers in the international marketplace and ensuring that their products comply with their own quality and safety standards and all relevant external regulations. Our services cover the whole supply chain including the sourcing of raw materials, product design, manufacturing processes, compliance certifications and performance testing of the end product.

Our customers range from major household names and international corporations to niche suppliers, globally and locally. With over 1,000 facilities in more than 100 countries and over 25,000 employees, we can provide services in almost every country in the world.

What we do

Intertek is a global market leader providing safety and quality services to customers to add value to their products and processes, and support their success in the global marketplace. We help customers improve performance, gain efficiencies in manufacturing and logistics, overcome market constraints and reduce risk. We offer a comprehensive range of services from testing, inspection and certification through to auditing and consultancy. Using internationally-approved methods, standards, equipment and guidelines, we test consumer products, commercial products, commodities, food, and raw materials for quality control, research, vendor compliance and against regulatory and customer requirements.

Our testing methods use a wide range of skills including complex analytical laboratory techniques in the fields of organic and inorganic chemistry and biochemistry, critical analysis to trouble-shoot customers' problems, 3D laser scanning, electromagnetic compatibility testing, minerals assay and performance testing amongst many others. We provide inspection services to manufacturers, retailers, bulk commodity traders, governments and international buyers and sellers of goods, including factory evaluation, quality inspection, custody transfer, pre-production, in-production, final random sampling, pre-shipment and loading supervision. We hold an extensive range of global accreditations, recognitions and agreements to provide certification services for manufacturers, retailers and traders to enable them to sell products in virtually any market in the world. Our audit services check whether a process, system or facility is performing in the prescribed manner. This includes corporate social responsibility auditing to ensure that factory conditions, especially in developing countries, meet the standards required by our clients. We also offer an extensive range of consultancy and training services. Our services are integrated together to provide our customers with a complete and customised service that meets the precise requirements of the different industries in which they operate.

Our market

Intertek provides services to a wide range of industry sectors, including Aerospace & Automotive, Building Products, Chemicals, Consumer Goods & Retailers, Electrical & Electronic, Energy, Food & Agriculture, Industrial, IT & Telecom, Medical & Pharmaceutical, Minerals, Petroleum, Toys, Games & Hardlines and Textiles, Apparel & Footwear. Each industry has its own characteristics but there are a number of key drivers for our services common to all markets. These are global and local trade through new product development, increasing consumer demand for good quality, safe and environmentally friendly products, more stringent regulations, and the increasing requirement for independent certification of the quantity and quality of traded commodities.

By outsourcing their testing to us, customers reduce the cost of maintaining in-house testing facilities and they benefit from the economies of scale that we can achieve by higher utilisation of the laboratory equipment and personnel. Many products are subject to increased regulation to protect consumers and the environment. For example, the US Consumer Product Safety Improvement Act (CPSIA) contains many provisions concerning the safety and quality of consumer goods and more stringent requirements for children's products. In the European Union, the Registration, Evaluation and Authorisation of Chemicals (REACH) regulation covers over 30,000 chemicals used in products. We advise our customers on the regulatory developments that are applicable to their products in the markets they choose.

Despite slower economic activity, the key growth drivers behind the Intertek business model remain intact. We tend to test products at the prototype stage and therefore our business is driven by product development activity rather than the volume of products sold.

Our employees

At 31 December 2009, the Group employed 25,183 people (2008: 23,841) in over 100 countries. Our people include highly skilled scientists and engineers with specialist knowledge of the industries in which we operate. Many are educated to degree level and above and are peer group leaders in their fields of expertise. Our operations are located close to our customers and our strategy is to employ and develop people native to those locations as they have a better understanding of local issues and cultures and can build strong customer relationships. Through their appointed relationship manager, our clients can access all the services and expertise offered by our global network. Through our Intertek as One programme we emphasise the need to join together to ensure our customers receive a co-ordinated and cohesive service. We have a strong emphasis on training and professional development and this together with the strength of our collective leadership ensures that our employees remain motivated to deliver a world class service.

Operating Review

Group overview

Our impact on the environment

Being a service industry, energy consumption is not a material part of our cost base. In 2009, 1.2% (2008: 1.3%) of our total costs were spent on gas and electricity. However, we are mindful of our impact on the environment and where possible take measures to reduce energy consumption and eliminate waste. Our internal meetings are increasingly held by conference call to reduce our emissions footprint. We recycle waste paper and we dispose of our waste products responsibly and in compliance with applicable legislation. In the UK and Ireland we operate a 'green' company car policy.

Our main impact on the environment is through the services we offer to customers. We test the performance and evaluate the efficiency of products and advise customers of ways in which they can improve their products and processes to reduce energy use. Since we usually perform our work at the design stage of product development, the small amount of energy that we use to conduct our tests is far outweighed by the global benefits to the environment of our clients using our advice to produce energy efficient products on a larger scale. Our services are supporting the growing alternative energy sectors such as photovoltaic, biofuels and wind energy. More details about our employees and the environment are provided in our Corporate Social Responsibility Report which starts on page 32.

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.

Divisional structure

For management purposes we organise ourselves into operating divisions combining similar industry sectors. During 2009, these divisions were Consumer Goods, Commercial & Electrical, Oil, Chemical & Agri, Analytical Services, Industrial Services and Minerals. We aim to operate a balanced portfolio of businesses across industry sectors and regions.

Our performance in 2009

Considering the challenging economic environment the Group had a good year with underlying organic growth boosted by acquisitions and favourable exchange rates. Revenue increased by 23.3% (7.0% at constant exchange rates) and adjusted operating profit increased by 26.9% (6.1% at constant exchange rates). The adjusted operating margin was 16.9%, up 50 basis points from last year (down 10 basis points at constant exchange rates). The results for 2009 by division are summarised below.

	Revenue			Adjusted operating profit[1]		
£m	2009	Change at actual rates	Change at constant rates	2009	Change at actual rates	Change at constant rates
Consumer Goods	**320.9**	32.3%	12.4%	**105.5**	40.5%	16.8%
Commercial & Electrical	**244.8**	20.2%	2.3%	**34.7**	18.8%	(2.0)%
Oil, Chemical & Agri	**406.7**	16.7%	2.2%	**43.7**	11.2%	(7.2)%
Analytical Services	**137.5**	15.1%	4.3%	**14.6**	10.6%	(2.0)%
Industrial Services	**80.7**	77.0%	53.1%	**6.5**	132.1%	91.2%
Minerals	**46.7**	6.6%	(4.9)%	**4.0**	(21.6)%	(32.2)%
Revenue/Adjusted operating profit	**1,237.3**	23.3%	7.0%	**209.0**	26.9%	6.1%
Amortisation				**(12.8)**		
Non-recurring costs				**(9.5)**		
Operating profit				**186.7**	26.2%	
Net financing costs				**(17.5)**		
Profit before income tax				**169.2**	22.1%	
Income tax expense				**(45.5)**		
Result for the year	**1,237.3**	23.3%	7.0%	**123.7**	21.0%	

1. Before amortisation of acquisition intangibles, goodwill impairment and non-recurring costs.

We calculate organic growth by excluding the results of acquisitions made in 2008 and 2009. On an organic basis, revenue grew by 19.4% (3.5% at constant exchange rates) and adjusted operating profit grew by 24.4% (3.7% at constant exchange rates). The organic growth was generated primarily by growth in the market for quality and safety services, an increase in environmental regulations and an increase in outsourcing.

Part of the Group's growth strategy is to make acquisitions which complement and extend the Group's service offering into new areas of expertise and new locations. As the economic outlook in 2009 was uncertain and financial markets were turbulent, the Group took the strategic decision to slow down its acquisition activity. Three businesses were acquired in the first part of the year which had operations in six different countries. The two main acquisitions were in Industrial Services which is one of the sectors targeted for investment.

Details of the performance of each division, including more information about the acquisitions are given in the Review by division which starts on page 18.

The market for our services continues to expand. Consumers and regulatory bodies are increasingly concerned about the quality and safety of products and services and their impact on health and the environment. The number of global and domestic regulations regarding the environment and the safety and quality of products continues to increase. Manufacturers and retailers need to meet the demands of their customers and ensure that they comply with quality and safety requirements, increasingly complex legislation and longer supply chains. We work in partnership with our customers to help them meet those demands and increase the value of their products and services.

Our business is based on facilitating trade and increasing consumer demand for product variety, quality and safety, as well as manufacturers' desire to reduce overhead costs by outsourcing testing and inspection activities. Our 2009 organic revenue growth at constant exchange rates was 3.5%. As expected, some of our businesses were significantly affected by the global recession, however we are very well diversified, both geographically and across industry sectors, which helped to mitigate any weaker performing areas.

The key growth drivers in our business model remain unchanged so our business is robust. The prevailing economic uncertainty made it difficult to predict performance in 2009 and to some extent this continues into 2010. The decline in global trade in products and commodities affected our customers and reduced the volume of goods that we inspect. Some of our customers are undertaking fewer development projects and have reduced their outsourcing which has reduced the number of products that we test and certify.

Each of our divisions offers opportunities for organic growth through increasing our service offering to customers, to add value to their products and processes and help them compete in the global market. We anticipate that businesses will increasingly be looking to reduce the cost of non-core activities such as in-house testing, which provides us with an opportunity to offer our services. We have been very successful in finding acquisitions which extend our range of services. Whilst we deliberately reduced the number of acquisitions completed in 2009, we still maintain a pipeline of opportunities which we are pursuing, and we expect to continue our strategy of growing our business through acquisitions in the future.

Operating Review

Consumer Goods

Paul Yao
Group Executive
Vice President
Consumer Goods

Financial Highlights	2009 £m	Change at actual rates	Change at constant rates
Revenue	**320.9**	32.3%	12.4%
Adjusted operating profit	**105.5**	40.5%	16.8%
Adjusted operating margin	**32.9%**	190bp	120bp

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 2009

The Consumer Goods division delivered very strong results with total revenue of £320.9m up 32.3% (12.4% at constant exchange rates) and organic revenue up 29.0% (9.3% at constant exchange rates).

Textiles, Apparel & Footwear which is the largest sector in the division grew well, with excellent results in China supported by growth in Turkey, Taiwan, India and Vietnam. The first half of 2009, benefited from the surge in volume of children's products requiring testing to comply with the US Consumer Product Safety Improvement Act (CPSIA), which started in the second half of 2008. This increase was not sustained in the second half of 2009 as customers had cleared their inventory back logs and volumes became normalised. Intertek has 26 laboratories accredited under CPSIA, located in the Americas, Europe and Asia.

Although still relatively small, revenue from the food sector increased considerably, helped by good results from businesses we acquired in 2008. Our strategy of investing in the food industry continued with the establishment of new food testing laboratories in India and Thailand.

Total adjusted operating profit was £105.5m, up 40.5% (16.8% at constant exchange rates). Organic adjusted operating profit increased by 40.5% (16.6% at constant exchange rates). The total adjusted operating margin increased 190 basis points to 32.9% from 31.0% in 2008.

Zero injuries

The number of injuries reported following the implementation of our quality and safety programme for toys distributed by one of our global clients.

Concern over the safety of consumer products has increased demand from consumers and regulatory bodies for independent assurance of quality and safety.

On 13 October 2009, we celebrated the 20th anniversary of Intertek's operations in mainland China. The Group commenced its operations in China in 1989 with a consumer goods testing joint venture in Shenzhen, making it the first international provider of quality and safety solutions to enter China. Since then we have significantly expanded the range of services we offer and the industries we support. We continue to invest in our operations and facilities in China in all our divisions and today we have more than 6,000 employees in China and over 100 offices and laboratories.

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 expanding service lines such as consultancy, inspection, supply chain services, food 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.

24/7

Our virtual database tools provide 24/7 transparency and allow rapid real-time analysis and documentation of field data, helping us to deliver immediate solutions and recurring benefits to our clients.

Operating Review

Commercial & Electrical

Gregg Tiemann
Division Executive
Vice President
Commercial & Electrical

Financial Highlights	2009 £m	Change at actual rates	Change at constant rates
Revenue	**244.8**	20.3%	2.3%
Adjusted operating profit	**34.7**	18.8%	(2.0)%
Adjusted operating margin	**14.2%**	(10)bp	(70)bp

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 mostly manufacturers but also 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, as well as being 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, product variety and growing environmental concerns. This includes current concerns over climate change and the impact on the environment of electrical products.

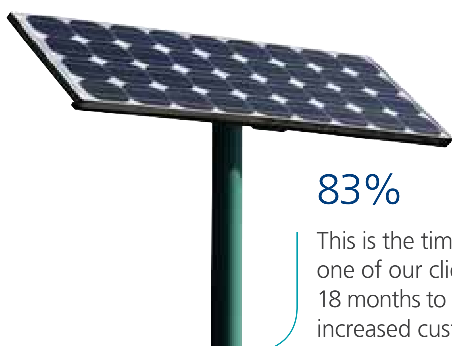
Our performance in 2009

Total revenue increased to £244.8m, up 20.3% (2.3% at constant exchange rates) and organic revenue increased by 18.0% (0.4% at constant exchange rates). Performance in the Commercial & Electrical division was strong in some sectors such as the core electrical testing business, which reported good results worldwide, particularly in lighting, and heating, ventilation and air conditioning (HVAC). We also reported good growth in the renewable energy sector where we guide clients through the complex regulatory issues affecting renewable energies including photovoltaic and wind power equipment. Growth in the building products sector was limited by delays in new construction projects and the automotive industry continued to be depressed.

Total adjusted operating profit was £34.7m, up 18.8% (down 2.0% at constant exchange rates). Organic adjusted operating profit increased by 10.9% (down 8.7% at constant exchange rates). The total adjusted operating margin decreased 10 basis points to 14.2%.

Despite difficult trading conditions in certain markets, the adjusted operating profit at constant exchange rates did not decline significantly. Underperforming sectors were reorganised to improve opportunities, maximise synergies and contain costs.

In April 2009, the Group acquired Sagentia Catella, a globally renowned battery testing business based in Sweden. This business has been integrated with Intertek's global energy services laboratories throughout Europe, the USA and Asia and benefits global customers who are developing more efficient energy storage technologies and more reliable and environmentally friendly products. Since acquisition, we have extended the service offering into the hybrid and electrical vehicles market, which we expect to be a future growth area.



83%

This is the time saving we achieved by streamlining one of our clients' solar panel testing process from 18 months to 84 days. Accelerating product delivery has increased customer satisfaction and improved sales.

Customer demand for safe, reliable, energy efficient products continues to increase and the market for Commercial & Electrical continues to evolve presenting opportunities for growth.

Customer demand for safe, reliable, energy efficient products continues to increase and the market for Commercial & Electrical continues to evolve presenting opportunities for 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. The consumer market for home appliances and electronics is under pressure and the growth of information, communication and technology products is also slowing down. This may provide us with opportunities as customers seek to maintain or increase their market share through product innovation, improvements in quality and durability, and performance comparisons, and cut their costs by improving efficiency. The issues in the automotive industry are well documented but we do not anticipate a significant further decline. We are closely monitoring our business in this sector and will reduce costs if revenue continues to decline.

Market conditions in 2009 provided both challenges and opportunities for the Commercial & Electrical division. The renewable energy industries are expected to grow rapidly and we are well placed to support this growth. The automotive sector remains a concern although there are signs that the decline will not worsen. We will continue to strive for operational excellence and aim to strengthen our market share by offering superior service. There are many small niche players in the market and this provides opportunities for us to continue adding infill acquisitions.

Rated "Best Buy"

This is the status a leading manufacturer of consumer electronics achieved when we helped to improve the performance of their LCD TVs through technical assessments.

Operating Review

Oil, Chemical & Agri

Jay Gutierrez
Division Executive
Vice President
Oil, Chemical & Agri

Financial Highlights	2009 £m	Change at actual rates	Change at constant rates
Revenue	**406.7**	16.7%	2.2%
Adjusted operating profit	**43.7**	11.2%	(7.2)%
Adjusted operating margin	**10.7%**	(60)bp	(110)bp

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 standards programmes to governments, national standards organisations and customs authorities. These services were previously reported separately as the Government Services division.

Our performance in 2009

Revenue increased to £406.7m, up 16.7% (2.2% at constant exchange rates). There were no acquisitions in this division so all growth is organic. Double digit revenue growth in the Middle East, Asia and South America was reduced by a decline in revenues in North America. The reduction in growth was mainly in the East Coast and the East Gulf Coast regions of the USA where trading conditions have been particularly badly affected by the economic downturn. Several refineries have closed and customers have reduced their development expenditure and retained more analytical work in-house. The recession also slowed the growth in demand for biofuels market, although we expect this to recover as soon as confidence in the economy returns.

Total adjusted operating profit increased to £43.7m, up 11.2% (down 7.2% at constant exchange rates). The adjusted operating margin declined by 60 basis points to 10.7%. The margin decline was mainly due to a change in the mix of services provided and increased pricing pressure. The revenue growth was mostly in inspection and inspection related testing which earns a lower margin than more complex non-inspection related testing. Underperforming operations have been reorganised and some small non-core businesses will be divested.

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. Once market conditions improve we expect the margin for this division to increase.

Recognition

We have a strong track record of turning original ideas into new solutions. Our new oil analysis process has been reviewed independently and been given formal accreditation to the international standard ISO 17025.

Analytical Services

Andrew Swift
Division Executive
Vice President
Analytical Services

Financial Highlights	2009 £m	Change at actual rates	Change at constant rates
Revenue	**137.5**	15.1%	4.3%
Adjusted operating profit	**14.6**	10.6%	(2.0)%
Adjusted operating margin	**10.6%**	(40)bp	(70)bp

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 2009

Total revenue in 2009 was £137.5m, up 15.1% (4.3% at constant exchange rates) over the prior year. Organic revenue increased 14.9% (4.0% at constant exchange rates).

Results in Analytical Services were mixed, with some operating segments delivering good results and others performing less well. Revenue increased in upstream oil and gas services, and in downstream chemicals and materials testing, but declined in pharmaceutical and speciality chemicals.

Much of Intertek's upstream services support the exploration, production and transportation of hydrocarbon reserves. Although crude oil prices remained fairly steady in 2009, most production facilities implemented aggressive cost reduction programmes where discretionary expenditure on all non-production critical projects was curtailed or delayed, causing our revenue growth to be lower than expected in one service line. Downstream chemicals and materials testing which accounted for almost half of the division's revenue, had a strong finish to the year with several manufacturing plants returning to normal production rates, from their previous 12-month record low. Our results also benefited strongly from our efforts to generate sales in new materials research and development projects and from the impact of impending new regulatory programmes in automotive lubricants. Overall, the pharmaceutical and speciality chemicals sector continued to be challenging. Sales erosion was experienced mostly in the USA, due to the merger of large pharmaceutical companies and the shortage of investment capital available to the smaller biotech companies. The Intertek pharmaceutical services business was restructured to consolidate resources and reposition its business growth opportunity into wider markets.

Total adjusted operating profit increased to £14.6m, up 10.6% (down 2.0% at constant exchange rates). Organic adjusted operating profit increased by 13.0% (down 1.5% at constant exchange rates). Despite the volatility in revenue which made it difficult to manage costs, the division reported an adjusted operating profit margin of 10.6%, down 40 basis points on the prior year.

The overall reduction in manufacturing volumes in the downstream chemicals and materials markets, combined with the upheaval in the global pharmaceuticals markets, made 2009 a particularly challenging and volatile year. We see signs of improvement in 2010, with evidence of recovering manufacturing volumes and larger projects being commissioned and clients reawakening their interest in outsourcing. We are currently considering a number of strategic opportunities which will enhance our future growth.

US$350,000

The potential lost revenue per day for one of our pharmaceutical clients if we had not been able to validate their quality control methods within the deadline set by the regulator.

Operating Review

Industrial Services

Stefan Butz
Group Executive
Vice President
Industrial Services

Financial Highlights	2009 £m	Change at actual rates	Change at constant rates
Revenue	**80.7**	77.0%	53.1%
Adjusted operating profit	**6.5**	132.1%	91.2%
Adjusted operating margin	**8.1%**	200bp	160bp

What we do

Industrial Services is a global provider of inspection, testing and auditing services. This includes 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. We serve a wide variety of industries including oil, gas, petrochemical, power, renewable energy, civil and infrastructure, aerospace and medical.

Our performance in 2009

Total revenue in 2009 was £80.7m, up 77.0% (53.1% at constant exchange rates) over the prior year. Organic revenue increased 22.8% (6.2% at constant exchange rates). Total adjusted operating profit increased to £6.5m, up 132.1% (91.2% at constant exchange rates). Organic adjusted operating profit increased 80.0% (38.5% at constant exchange rates). The adjusted operating margin was 8.1%, up 200 basis points on the prior year.

The Industrial Services division reported good organic growth which was further enhanced by successful acquisitions. In February 2009, the Group acquired the WISco group of companies, which provide global technical inspection and expediting support to a wide range of customers in the oil, gas, petrochemical and power generation industries and their supplier markets. The successful integration of the acquisition has had a positive impact on organic growth through enhanced management and economies of scale.

Also in February, the Group acquired Aptech Engineering Services which is a US based engineering consulting company specialising in the life management of infrastructure, facilities and equipment. This business has also performed very well in 2009.

Towards the end of 2009, the market for industrial services was affected by the lack of funding available for capital projects. Customers either cancelled or delayed projects pending the stabilisation of world economies and the global capital markets. There are signs that confidence is returning and investment is increasing but there is little certainty of significant improvement in 2010.

The market for systems certification was challenging, especially in the automotive sector resulting in reduced demand for our services. The development of the systems certification businesses depends on acquiring scale.

Although still relatively small, revenue in the health and environmental sector grew by over 30%. The impact of the REACH legislation has been minimal to date as only pre-registration has been required. However the next registration deadline is 1 December 2010 so, providing this is complied with, we expect growth in 2010. The compliance requirements are complicated and we anticipate a surge in interest ahead of the deadline. Other green initiatives from government to reduce greenhouse gas emissions will also create further opportunities for Intertek to advise clients on how best to meet these regulatory challenges.

Efficiency

Using sophisticated data capture and scanning technology a leading energy client, operating in the Gulf of Mexico, was delighted to be able to save on cost, release supply vessels and become operational ahead of schedule.

Minerals

Marc Hoffer
Division Executive
Vice President
Minerals

Financial Highlights	2009 £m	Change at actual rates	Change at constant rates
Revenue	**46.7**	6.6%	(4.9)%
Adjusted operating profit	**4.0**	(21.6)%	(32.2)%
Adjusted operating margin	**8.6%**	(300)bp	(350)bp

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 2009

In 2009, total revenue was £46.7m, up 6.6% (down 4.9% at constant exchange rates) over the prior year and organic revenue increased by 3.8% (down 7.4% at constant exchange rates). Total adjusted operating profit decreased to £4.0m, down 21.6% (down 32.2% at constant exchange rates). Organic adjusted operating profit decreased by 18.8% (down 29.1% at constant exchange rates). The adjusted operating margin was 8.6%, down 300 basis points on the prior year.

The difficult trading conditions in the minerals and industrial markets which started in the second half of 2008, continued through 2009. Although volumes have returned to almost pre-recession levels in some locations, overcapacity in the industry has resulted in increased price pressure. The revenue growth in facilities we established in 2008 has been steadily increasing, albeit at a slower rate than originally anticipated.

The price of commodities such as gold, uranium and other strategic metals remains high and this should encourage increased exploration by the established mining companies. The junior companies are likely to remain inactive until the capital markets recover and funding restrictions are eased. We have the expertise and capacity to take advantage of an upturn in activity and as we currently have a very small share of the available market in the minerals industry, even in a declining market we anticipate being able to grow revenues by gaining market share from competitors. We have reduced our costs and will concentrate on improving our margin in those areas which are underperforming.

Productivity & Safety

Robotic and automated systems are part of Intertek's commitment to increase daily productivity, quality and reduce costs for our clients.

Financial Review

Results for the year

Profit before income tax increased by 22.1% to £169.2m (2008: £138.6m) and diluted adjusted earnings per share were 81.5p (2008: 67.1p). Basic earnings per share were 72.4p (2008: 59.5p).

Key financial performance indicators

We use a variety of key performance indicators (KPIs) to monitor the performance of the Group. Similar indicators are used to review the performance of the operating divisions. These KPIs are reviewed by the Board and management on a monthly basis and are used to assess past performance and set targets for the future. Many 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 53.

Revenue

Up 23.3%

Organic revenue

Up 19.4%

Adjusted operating profit

Up 26.9%

Organic adjusted operating profit

Up 24.4%

Adjusted operating margin

Up 50bp

Operating cash flow

Up 43.5%

Operating cash flow/operating profit

121.0%

Diluted adjusted earnings per share

Up 21.5%

Dividend per share

Up 22.6%

Return on invested capital

26.5%

Growth in revenue
Top line revenue growth is a key performance measure. In 2009, revenue was £1,237.3m up 23.3% over the prior year (7.0% at constant exchange rates).

Impact of currency movements
The Group operates in 74 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 2009 and 2008.

Impact of currency movements

Value of £1	2009	2008
US dollar	**1.56**	1.87
Euro	**1.12**	1.26
Chinese renminbi	**10.63**	13.03
Hong Kong dollar	**12.06**	14.59

The weak value of sterling compared to most of the currencies in which we operate had a significant effect on our results in 2009. Our revenue growth was 23.3% at actual rates but 7.0% at constant exchange rates. Growth in adjusted operating profit was 26.9% at actual rates but 6.1% at constant exchange rates.

Growth in adjusted operating profit and margin

	2009 £m	2008 £m	Change
Operating profit	**186.7**	147.9	26.2%
Amortisation of acquisition intangibles	**12.8**	9.6	33.3%
Impairment of goodwill	**–**	0.5	–
Non-recurring costs	**9.5**	6.7	41.8%
Adjusted operating profit	**209.0**	164.7	26.9%
Adjusted operating margin	**16.9%**	16.4%	Up 50bp

In 2009, adjusted operating profit was £209.0m, up 26.9% over the previous year. The adjusted operating margin was 16.9%, up 50 basis points from 16.4%.

Amortisation of acquisition intangibles
Amortisation of acquisition intangibles is provided on a straight line basis over the life of the assets, which is normally five years but can be up to ten years. The charge was £12.8m in 2009, up from £9.6m in 2008 due to the accumulation of intangible assets acquired in the past five years.

Impairment of goodwill
As described in note 11 to the financial statements, we perform a detailed review of goodwill each year to consider whether there is any impairment in its carrying value. The capitalised goodwill at 31 December 2009 was £257.8m (2008: £242.1m) which relates to acquisitions made since 1998. As a result of the 'Intertek as One' internal Group-wide initiative, various levels of restructuring occurred during 2008 and 2009. This restructuring was considered as part of the annual goodwill impairment test which included a re-assessment of not only the constitution of the CGUs but also the allocation of goodwill across those CGUs and operating segments (as required under the newly adopted standard, IFRS 8 – Operating Segments). The impact of the restructuring has led to greater global operational control across divisions, improved management of global customer accounts, and more effective integration of acquired businesses into existing Intertek operations (which previously had more local, independent control over decision-making). The above review has led to a change in the composition of the CGUs and also to a change in the level at which we monitor goodwill. There are now eight CGUs which generate cash inflows which are largely independent of other CGUs and to which goodwill has been allocated. These CGUs have been tested for impairment in accordance with the Group's accounting policy described on page 81. This review revealed no requirement for any impairment in 2009 (2008: £0.5m).

Non-recurring costs
In 2009, the Group reported non-recurring costs of £9.5m which comprised acquisition costs of £2.5m and restructuring and other costs of £7.0m, as per note 4. Although the Group has not early adopted IFRS 3 (Revised), acquisition-related costs have been incurred prior to the adoption of this standard in relation to acquisitions that will be accounted for in accordance with IFRS 3 (Revised). The Group has chosen to expense these acquisition-related costs as incurred. Notwithstanding that IFRS 3 (Revised) is not yet effective, it is expected to be effective at the time that the related business combinations are expected to occur. The restructuring and other costs were principally related to employment costs, including redundancies, retirement costs and settlements to former employees. There were also some closure costs and asset write downs in underperforming businesses. The majority of the restructuring was in the Oil, Chemical & Agri division.

Financial Review

In 2008, the Group incurred costs of £6.7m in relation to the integration of the Government Services division into the Oil, Chemical & Agri division.

Net financing costs

Details of the Group's net financing costs are given in note 7 to the financial statements.

The Group reported finance income in 2009 of £7.7m (2008: £13.1m). This comprised the gain in the fair value of financial instruments held for trading, the expected return on pension assets, the net change in fair value of available-for-sale financial assets transferred from equity, and interest on bank balances. The decrease was mainly due to the absence of foreign exchange gains made on the revaluation of net monetary assets and liabilities in 2008.

The Group's finance expense for 2009 was £25.2m compared to £22.6m in 2008. The charge comprised interest on borrowings, pension interest cost, foreign exchange losses on revaluation of net monetary assets and liabilities and other financing fees.

Income tax expense

Income tax expense for 2009 was £45.5m (2008: £36.4m), comprising a current tax charge of £54.1m (2008: £41.9m) less a deferred tax credit of £8.6m (2008: £5.5m). The effective tax rate was 26.9%, up from 26.3% in 2008. The change in the effective tax rate was mainly due to changes in the mix of profits and an increasing dividend withholding tax burden.

Profit for the year

Profit for the year after income tax was £123.7m (2008: £102.2m) of which £114.7m (2008: £93.8m) was attributable to equity holders of the Company.

Minority interests

Profit attributable to minority shareholders was £9.0m in 2009 (2008: £8.4m). The increase was mainly due to the strong growth in the Group's non-wholly owned subsidiaries in Asia.

Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. As set out in note 9 to the financial statements, basic earnings per share at the end of the year were 72.4p (2008: 59.5p), an increase of 21.7%. A diluted adjusted earnings per share calculation is also shown, which removes the post-tax impact of amortisation of acquisition intangibles, impairment of goodwill and non-recurring costs from earnings, and includes potentially dilutive share options in the number of shares, to give diluted adjusted earnings per share of 81.5p (2008: 67.1p), an increase of 21.5%. We consider that growth in the diluted adjusted earnings per share figure gives a more representative measure of underlying performance and is one of the key performance targets that the Group uses to incentivise its managers.

Dividends

During the year, the Group paid total dividends of £34.7m (2008: £30.4m), which comprised £21.7m in respect of the final dividend for the year ended 31 December 2008, paid on 19 June 2009 at the rate of 13.7p per share and £13.0m being the interim dividend in respect of the year ended 31 December 2009, paid on 20 November 2009 at a rate of 8.2p per share. These amounts were charged to retained earnings (see note 20 to the financial statements). After the 31 December 2009, the Board recommended a 26.3% increase in the final dividend in respect of the year ended 31 December 2009, to 17.3p per share (2008: 13.7p), which together with the interim dividend will give a full year dividend of 25.5p per share (2008: 20.8p), an increase of 22.6% over last year. If approved, the final dividend will be paid to shareholders on 18 June 2010. The total cost of the final dividend is expected to be £27.5m, giving a total cost of £40.5m for the dividends paid in respect of the year ended 31 December 2009. This represents 32.7% of the profit for the year for 2009, or a dividend covered 3.2 times by earnings, based on diluted adjusted earnings per share.

Cash and liquidity

Cash and liquidity	2009 £m	2008 £m	Change
Cash generated from operations	**278.4**	194.0	43.5%
Less net acquisition of property, plant, equipment and software	**(52.5)**	(67.2)	(21.9)%
Operating cash flow after capital expenditure	**225.9**	126.8	78.2%
Operating profit	**186.7**	147.9	26.2%
Operating cash flow/ operating profit	**121.0%**	85.7%	3530bp

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

The Group continued to generate good cash flow. Cash generated from operations was £278.4m for 2009, compared to £194.0m for 2008. The increase of 43.5% was due to favourable exchange rates, improved profitability and effective working capital management. One of the key performance indicators we use to measure the efficiency of our cash generation is the percentage of operating profit that is converted into cash. As shown in the table on page 28, in 2009, 121.0% of operating profit was converted into cash compared to 85.7% in 2008. The significant increase in the conversion rate reflects a 21.9% reduction in the capital expenditure, increase in operating profit and a much improved working capital position. The reduction in capital expenditure was induced by the need to conserve cash during the difficult borrowing environment in 2009.

In order to support our growth strategy we need to invest continually in our operations. In 2009, net cash flows used in investing activities were £79.6m (2008: £156.6m), a reduction reflecting a policy to conserve cash during the difficult economic background in 2009. We paid £23.9m net of cash acquired, (2008: £67.8m) for three new businesses, £10.2m (2008: £16.7m) for deferred consideration on prior year acquisitions, and £52.5m (2008: £67.2m) 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.

Cash flows from financing activities comprised proceeds from the issue of share capital following the exercise of employee share options of £3.6m (2008: £2.6m), the net repayment of debt of £58.7m (2008: drawdown of £79.5m), and cash outflows of dividends paid to minorities of £6.3m (2008: £6.1m) and dividends paid to Group shareholders of £34.7m (2008: £30.4m), which resulted in a net cash outflow from financing activities of £96.1m (2008: cash inflow £46.1m).

Interest bearing loans and borrowings were £335.6m at 31 December 2009, a decrease of 20.4% over 2008. The Group's borrowings are made in currencies which, as far as possible match its asset base. The decrease in borrowings comprised exchange adjustments of £27.3m due to the translation into sterling of borrowings denominated in other currencies and the net repayment of debt of £58.7m. Cash and cash equivalents at 31 December 2009, were £134.2m, an increase of 18.4% over 2008. This increase was due to a net cash inflow of £27.0m, partially offset by adverse exchange movements of £6.1m. As shown in note 27 to the financial statements, net debt at 31 December 2009 was substantially reduced to £201.4m (2008: £308.3m).

Borrowings

The Group has a sterling denominated multi-currency bank debt facility that was placed in December 2004. This facility was originally due to expire on 15 December 2009, however the Group exercised its option to extend the facility by a year in 2005 and by a further year in 2006, so the facility is now due to expire in December 2011. The margins currently paid on the borrowings in this facility are in the range of 0.3% to 1.5% over LIBOR. In June and July 2008, the Group raised a further £75.0m under this facility from three new banks who joined the existing syndicate of ten banks under the same terms and conditions and margin.

In 2008, the Group also raised a total of US$200.0m by way of senior note issues which have a blended fixed borrowing rate of 6.71%. This comprised US$100.0m with a fixed interest rate of 5.54%, repayable on 26 June 2015 and US$100.0m which is repayable in two tranches with US$25.0m at a fixed interest rate of 7.5%, repayable on 21 January 2014 and US$75.0m with a fixed interest rate of 8.0% repayable on 10 June 2016. These senior notes were applied against bank debt borrowings to increase the amount of liquidity headroom on the facility.

In January 2010, the Group successfully negotiated a US$60.0m bilateral, multi-currency revolving credit facility with the Bank of China, London Branch, available up to 25 January 2013.

The maturity of the Group's borrowings at 31 December 2009 is set out below:

Borrowings	2009 £m	2008 £m
Due within one year	**8.2**	14.0
Due between one and two years	**198.5**	44.3
Due between two and five years	**19.0**	222.0
Due in over five years	**109.9**	141.3
Total	**335.6**	421.6

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

	2009	2008
US dollar	**63%**	63%
UK sterling	**28%**	12%
Australian dollar	**9%**	1%
Hong Kong dollar	–	9%
Euro	–	8%
Swedish kroner	–	4%
Japanese yen	–	3%

Financial Review

The Group's policy is to ensure that a liquidity buffer is available in the short-term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. At 31 December the Group's liquidity position showed substantial improvement as shown below:

	2009 £m	2008 £m
Debt facilities	**600.3**	612.4
Repayments to 31 December	**(109.9)**	(88.0)
Borrowings	**(331.9)**	(417.7)
Letters of credit	**(5.3)**	(8.9)
Undrawn committed borrowing facilities	**153.2**	97.8
Cash and cash equivalents	**134.2**	113.3
Liquid funds	**287.4**	211.1

Where appropriate, cash is managed in currency based cash pools and is put on overnight deposit, bearing interest at rates fixed daily in advance. At 31 December 2009, 81.1% of cash was on overnight deposit (2008: 91.3%).

Capital structure and management

The Group is committed to enhancing shareholder value, both by investing in the business so as to improve the return on investment in the longer term and by managing our capital structure. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors both the demographic spread of shareholders, as well as the return on capital. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Return on capital in 2009 was 26.5% compared to 19.9% in 2008. This substantial increase was primarily due to a higher level of operating profit, reduced capital expenditure and a better working capital position in 2009.

Return on invested capital	2009 £m	2008 £m
Operating profit	**186.7**	147.9
Amortisation of acquisition intangibles	**12.8**	9.6
Impairment of goodwill	**–**	0.5
Non-recurring costs	**9.5**	6.7
Adjusted operating profit	**209.0**	164.7
Tax rate	**26.9%**	26.3%
Adjusted operating profit after tax	**152.8**	121.4
Property, plant and equipment	**220.9**	234.8
Goodwill	**257.8**	242.1
Other intangible assets	**46.9**	55.2
Inventories	**7.6**	8.2
Trade and other receivables	**265.9**	284.4
Trade and other payables	**(190.5)**	(187.8)
Provisions	**(31.5)**	(26.6)
Invested capital	**577.1**	610.3
Return on invested capital	**26.5%**	19.9%

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.

Critical accounting policies

The consolidated financial statements are prepared in accordance with IFRS as adopted by the EU. Intertek's accounting policies are set out in note 2 to the financial statements.

New accounting standards

The Group has adopted in the year the following new standards, amendments to standards and interpretations, which have had no material impact on the financial statements:

- IFRS 8 Operating segments;
- IAS 23 (Revised) Borrowing costs;
- IAS 1 (Revised) Presentation of financial statements;
- Improvements to International Financial Reporting Standards 2008.

IFRS 3 (Revised) Business combinations, was endorsed by the EU in June 2009 and is effective for annual periods on or after 1 July 2009. Although the Group has not early adopted IFRS 3 (Revised), acquisition-related costs have been incurred prior to the adoption of this standard in anticipation of acquisitions that will be accounted for in accordance with IFRS 3 (Revised). The Group has chosen to expense these acquisition-related costs as incurred. Notwithstanding that IFRS 3 (Revised) is not yet effective, it is expected to be effective at the time that the related business combinations are expected to occur.

Corporate Social Responsibility Report

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Introduction from the Chief Executive Officer

We continue to insist on the worldwide strict application of our ethical standards, which are fundamental to the success of our business. Our work helps our customers improve the quality, safety and sustainability of their products and enables consumers to rely on our customers' claims for their products. It is essential to us that the advice we give and the services we provide globally are independent and are seen to be so. Our Code of Ethics and Compliance Code are designed and implemented to help us achieve this.

This year we celebrated 20 years of operations in China. In that time China has achieved remarkable economic progress, with which Intertek's growth and development has been closely linked. Innovation, openness to global trade and increasing emphasis on sustainability, have corresponded with developments in Intertek's service offerings, leading us to world-class expertise across a full range of quality and safety activities. We operate in many countries but in our dealings with employees, customers and other partners we aim to provide the local approach, as the following report shows.

Our business

The range of services we provide has continued to increase. During 2009 we have introduced new ways of helping our customers to assure their customers of the quality of their products and we have added new capabilities to our services.

Our Green Leaf Mark, which helps consumers identify products that meet a range of international regulatory environmental standards, was launched in 2009.

Our main driver, as ever, is to provide the services that are needed to help customers around the world improve their products and reduce their risk. The benefits that arise may be environmental, for example by showing customers how to reduce hazardous waste or developing energy efficiency labelling programmes, or they may be in the safety of the product.

We are a world leader in the design of safe products, with particular expertise in children's toys. Our centres of excellence in Chicago and London provide 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.

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

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

The American Society for Quality has created the Spencer Hutchens Jr. Social Responsibility Medal which each year recognises the achievements of an individual who has been an outstanding advocate for social responsibility. Spencer Hutchens, after whom the medal is named, is a senior Vice President of Intertek in California, a global expert in the field of quality control and an Academician for the International Academy for Quality.

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:

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

In all our activities we aim to:

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

The following systems help us ensure that our values are maintained:

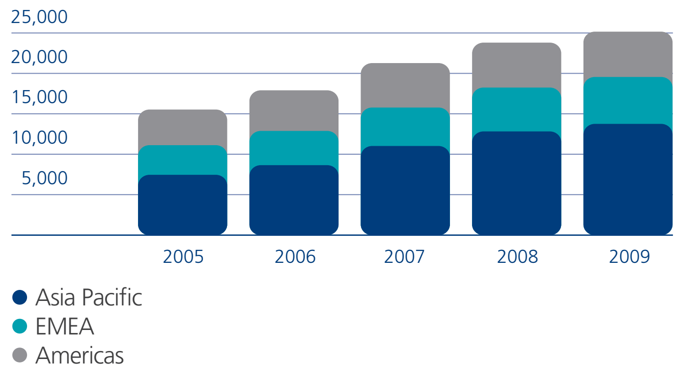
- all employees are required to sign the Group's Code of Ethics, which sets out our robust stance on upholding sound business ethics;
- our central compliance team ensures that our policies and procedures are properly applied in practice and that they remain appropriate to the business;
- all employees 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 strength is the talent 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 2009, we employed 25,183 people, an increase of 5.6% 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 was in the Asia Pacific region where more than 55% of employees are based. Because we operate in so many countries, we have adopted a framework of human resource procedures and policies to ensure a fair and consistent approach to employee matters around the Group.

Growth in employee numbers



Objectives

Our focus this year has been on:

- training;
- the strength of our collective leadership;
- communications with employees; and
- improving our capacity to attract, retain and motivate employees.

Our policies

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

The graph above shows how our workforce is distributed geographically and why it is important for us 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.

Corporate Social Responsibility Report

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.

Our ongoing commitment to reduce workplace injuries continues with good results. In the USA, which accounts for some 10% of our workforce, there was a significant reduction in the injury rate for 2009 compared with 2008, which was a statistically good year. Hazard awareness, safety training and local cultural development are helping to reduce injuries.

Also in the USA we are targeting specific safety training needs through 'learning paths' assigned by job responsibility and we use online monitoring of and documentation for particular groups, such as the employees who deal with dangerous goods shipments.

In several countries an incident log is maintained and posted on the intranet, allowing management to view injuries or near misses at other locations and discuss 'lessons learned' with their employees.

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 harm to our employees and our procedures are regularly monitored by our compliance team to ensure that they are being properly applied in practice.

We continually strive to promote a safety culture. In the UK this has led this year to the creation of a safety committee that effects HSE improvements country-wide rather than on a business-line basis and better identifies areas that need additional support. Also in the UK, all safety representatives are required to gain the IOSH Managing Safely certificate.

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 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.

Information for employees

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

The development of virtual communities through the extended intranet allows us to communicate and promote best practice in matters such as safety or marketing around the Group more speedily than before.

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

Online safety training began during the year. In the USA our online training programme was expanded to include additional safety, health and environmental matters and safety bulletins. Health, Safety & Environmental 'flash' notifications are used for notices that need to be issued quickly.

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 encouraging our senior executives to align themselves with the interests of shareholders and the Group's performance through the ownership of the Company's shares. The Company operates 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 53. We are pleased to note that a number of our employees have chosen to invest in the Group and that some £5m of our shares were held by employees and Directors at the end of 2009.

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.

Here are some examples:
In Thailand, where there has been flooding, our managers obtained the consent of a number of customers and were able to redeploy product samples not needed for testing – giving toys, clothes and utensils to local recipients.

Following the earthquake disaster in China, we joined with other companies in donating 50,000 books to children in the affected area.

Intertek in Taiwan supported the restoration work in Taiwan after the devastation caused by Typhoon Morakot, not only with a donation to the Red Cross, but by offering free food microbiology and chemical testing and also giving several jobs to victims. A Red Cross donation was also made by employees in Vietnam to help the victims of Typhoon Ketsana there.

Intertek in Singapore is a strong advocate of developing the scientists of tomorrow. On average 30 students per year take part in a structured intern training programme, enabling them to gain valuable industry experience and enhance their academic training.

In Africa, Intertek donated 20 used computers to two schools in the rural areas of KwaZulu Natal (KZN), which were identified as needing assistance by the KZN Department of Education.

Each year Intertek employees visit an orphanage called Bevies Nursery which caters for children with different disabilities or who are infected with HIV/AIDS, and provides the children with clothes, uniforms, toys, books, food and other items. The orphanage is located on the north of KZN and has become part of the Intertek family.

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

As an example, one of our Manchester based subsidiaries strengthened its relationship with its customers in the chemical industry by hosting an evening for the North West's Chemical Industry Association in 2009.

Corporate Social Responsibility Report

Our environment

We have measured our carbon emissions at 10 key sites over the last three 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 Singapore laboratory, for example, showed a much reduced CO_2 footprint following initiatives such as installing motion sensors, reducing fluorescent lighting and adjusting air-conditioning settings.

Our compliance team carries out regular reviews of risks at key sites, and as part of these reviews confirms that the sites comply with applicable environmental legislation. No major issues were identified in 2009 and minor issues were corrected as part of the process. Local operational managers review environmental controls on an ongoing 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 the local level during the year.

We have continued with the following initiatives:

- 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 communications including telephone 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;
- 'green office' initiatives have reduced paper usage, saved energy, and cut costs.

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

We continue to achieve ISO14001 (Environmental management) and OHSAS18001 (Health & Safety management) accreditation in the UK. Three additional sites have been accredited in 2009.

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

Our customers, 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.

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 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.

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 outlets 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 or functional managers to manage operations within the framework established by the Board of Intertek Group plc. We consider local managers are best placed to understand and react to their local business environment. They have the knowledge to apply policies with due regard to their relationships with local stakeholders such as employees, customers and communities.

The corporate social responsibility framework within which these activities are to be managed, was formally adopted by the Board of Intertek Group plc in 2007.

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, its 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 the management structure and added them to our corporate intranet to disseminate them. 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.

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

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/or reputation. The risks and uncertainties set out below, do not appear in any particular order of potential materiality or probability of occurrence.

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. 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, which calculates gross risk and net risk after mitigating controls are applied. The risk matrix is updated annually and is used to plan the Group's internal audit 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.

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 the business 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 are currently regarded as immaterial which could turn out to be material. Any of these risks could have the potential to impact the performance of the Group, its assets, liquidity and capital resources.

Market risk

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

Treasury management

The Board is responsible for approving the treasury policy for the Group. The Group's treasury and funding activities are undertaken by a centralised treasury function which reports to the Chief Financial Officer. Its primary activities are to manage the Group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates. The Group's policy is to ensure that adequate liquidity and financial resource is available to support the Group's continuing activities and growth whilst managing these risks. The Group's policy is not to engage in speculative financial transactions. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss. There have been no significant changes in the Group's policies in the last year. Group Treasury operates as a service centre within clearly defined objectives and controls and is subject to periodic review by internal audit.

Foreign currency risk

The Group operates in more than 100 countries and has 219 (2008: 217) subsidiaries, of which 185 (2008: 180) report in currencies other than sterling. The net assets of foreign subsidiaries represent a significant portion of the Group's shareholders' funds and a substantial percentage of the Group's revenue and operating costs are incurred in currencies other than sterling. Because of the high proportion of international activity, the Group's profit is exposed to exchange rate fluctuations. Two types of risk arise as a result: (i) translation risk, that is, the risk of adverse currency fluctuations in the translation of foreign currency operations and foreign assets and liabilities into sterling and (ii) transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Group's commercial cash flows in various currencies.

(i) Translation risk

The results of the Group's overseas activities are translated into sterling using the cumulative average exchange rates for the period concerned. The balance sheets of overseas subsidiaries are translated at actual exchange rates applicable at 31 December.

Key rates used during the year were as follows:

Value of £1	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
	31 Dec 09	31 Dec 08	2009	2008
US dollar	**1.60**	1.46	**1.56**	1.87
Euro	**1.12**	1.02	**1.12**	1.26
Chinese renminbi	**10.90**	9.95	**10.63**	13.03
Hong Kong dollar	**12.38**	11.28	**12.06**	14.59

Material changes in the exchange rates can create volatility in the results when they are translated into sterling. In order to mitigate this translation exposure, the Group's policy is to match the currency of external borrowings to the currency of expected cash flows and the currency of net investments. At 31 December 2009, over 60% of the Group's borrowings were denominated in US dollars.

(ii) Transaction risk

The Group's policy requires overseas subsidiaries to hedge all significant transaction exposures with Group Treasury where they are managed centrally. Subsidiaries' transaction exposures include committed foreign currency sales and purchases together with the anticipated transactions reasonably expected to occur during future periods. The Group's policy is also to hedge transaction exposures arising from the remittance of overseas dividends and interest as soon as they are committed. Transaction exposures are hedged forward using forward currency contracts which mature in less than 12 months.

Interest rate risk and exposure

The Group's policy is to ensure that between 33% and 67% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps. The balance between fixed and variable rate debt is periodically adjusted on the basis of prevailing and anticipated market conditions and the Group's gearing and interest cover, which are monitored by Group Treasury. Details of the interest rate hedges in place at 31 December 2009 are given in note 26 to the financial statements.

Liquidity

Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due. Managing liquidity risk is particularly important in the current economic environment where the availability of capital is limited.

The management of operational liquidity risk aims primarily at ensuring that the Group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. Group Treasury manages this liquidity risk through the use of daily headroom calculations as well as forecast headroom calculations. 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 has a sterling denominated multi-currency bank debt facility that was placed in December 2004. This facility was originally due to expire on 15 December 2009, however the Group exercised its option to extend the facility by a year in 2005 and by a further year in 2006, so the facility is now due to expire in December 2011. The margins currently paid on the borrowings in this facility are in the range of 0.3% to 1.5% over LIBOR. In 2008, the Group raised a further £75.0m under this facility under the same terms and conditions and margin and also raised US$200.0m by way of senior note issues which have a blended fixed borrowing rate of 6.71%. The notes are repayable in three tranches with US$100.0m due on 26 June 2015, US$25.0m due on 21 January 2014 and US$75.0m due on 10 June 2016. In January 2010, the Group successfully negotiated a US$60.0m bilateral, multi-currency revolving credit facility with the Bank of China, London Branch, available up to 25 January 2013.

The sterling equivalent of the gross available and drawn borrowings as at 31 December 2009 was £488.8m (2008: £519.4m) of which £335.6m (2008: £421.6m) was drawn and £153.2m (2008: £97.8m) was available when translated at the year end exchange rates. The Group also reported a cash balance of £134.2m at 31 December 2009 (2008: £113.3m). The borrowings and cash are mostly in currencies other than sterling and so the value of these can fluctuate when translated into sterling. The liquidity headroom is sterling denominated and so this can also fluctuate depending on the sterling value of the drawn borrowings. The Group has prepared forecasts, including scenarios adjusted for significantly worse economic conditions and we have concluded that these facilities are expected to be adequate to support the Group's medium-term funding requirements.

The analysis of the debt and a description of the borrowings and their respective maturity dates is given in note 17 to the financial statements and the currency of the debt is shown in note 26.

Surplus cash is placed on deposit with short-term maturities providing liquidity when required.

Principal Risks and Uncertainties

Credit risk

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

(i) Trade receivables

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers 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 any business with the customer. Each division has a range of targets for days sales outstanding and to encourage and reward good performance, these form part of the bonus criteria for divisional managers. The Group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Due to the current economic recession there is an increased risk that certain of our customers may face financial difficulties and as a result be unable to meet our credit terms or cease trading. We have reinforced our credit checking procedures and have increased our vigilance in monitoring and reacting to changes in our clients' circumstances.

(ii) Counterparty

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

Tax risk

Tax risk is the risk that the value of tax assets and liabilities in the Group's Consolidated Statement of Financial Position is misstated, resulting in financial loss to the Group.

The Group operates in more than 100 countries and is subject to wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

Risk of financial irregularities

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

The Group comprises 219 subsidiaries, operating in over 100 countries. Historically, the finance structure was organised on a divisional basis. In 2009, the function was reorganised on a geographic basis with a Chief Financial Officer allocated to each of the three regions. Country finance managers have been nominated in all major countries and the Group is migrating towards larger, multi-divisional accounting centres with common accounting systems and controls. These changes have further strengthened financial controls and support the Intertek as One programme.

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

Risk of litigation

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

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

To reduce the likelihood of claims arising, the Group has extensive quality assurance and control procedures to ensure that work is performed in accordance with proper protocols. All incidents that could potentially result in a claim against the Group are reported to

compliance officers and 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 insurance against potential claims, however there can be no assurance that claims brought against the Group will always be covered by insurance, or that such insurance, if available, will be sufficient to cover fully the damages or other expenses which the Group may be required to pay.

Legal and regulatory compliance

We are subject worldwide to laws and regulations that govern and/or affect where and how our business may be conducted. We have implemented internal compliance and audit systems to facilitate compliance with the requirements of the laws and regulations affecting our business conduct, and we believe that we have taken the appropriate steps to comply with these requirements. However, there can be no assurance that compliance issues under the above laws and regulations may not arise with respect to Intertek, our employees or the contractors acting on our behalf. Non-compliance with applicable laws and regulations could result in criminal liability on behalf of the Company and/or the Directors, imposition of significant fines, as well as negative publicity and reputational damage.

Dependence on accreditations

Intertek holds accreditations and affiliations that manufacturers need for the global market entry of their products. These 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. In order to maintain an accreditation, each site is subject to regular audits by the accreditation issuer and other associated parties. Intertek 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. Failure to retain an accreditation could lead to loss of business in the relevant industry sector and damage to our reputation.

Loss of key facilities

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

Intertek operates facilities in geographical locations which are subject to local, environmental and political factors. Disasters such as fire, hurricanes, floods and earthquakes can cause damage to property and personnel and can disrupt operations, causing loss of revenue. The Group maintains disaster recovery plans at key facilities for such events and endeavours to ensure that adequate insurance is in place.

Environmental health and safety risks

We are subject to worldwide laws and regulations governing activities that may have adverse environmental effects, such as discharges to air and water and handling, storage and disposal of hazardous wastes and chemicals. In many jurisdictions these laws are complex, change frequently, and have tended to become more stringent over time. Our operations are also subject to various health and safety laws and regulations. We believe that we are in material compliance with applicable environmental and health and safety laws where failure to comply would materially and adversely affect the Intertek Group. However, there can be no assurance that breaches of these laws have not occurred or will not occur or be identified, or that these laws will not change in the future in a manner that could materially and adversely affect the Group. Environmental laws and regulations may also impose obligations to investigate and remediate or pay for the investigation and remediation of environmental contamination, and compensate public and private parties for related damages. If an environmental issue arises in relation to a property and it is not remedied, or not capable of being remedied, this may result in such property either being sold at a reduced sale price or becoming unsaleable.

Political risk

Political risk is the risk that the Group could suffer financial losses due to the action of a government.

The Group operates in some countries where there is potential risk of political instability which can make it difficult to operate. In particular, government contracts in the Oil, Chemical & Agri division can be subject to change or termination at short notice. The Group manages this risk by maintaining close relationships with government representatives, however the risk cannot be entirely mitigated.

Reputational risk

Our continued success is dependent upon our ability to maintain 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. A combination of awareness training and targeted controls is in place to encourage and monitor adherence to these principles and prevent such events occurring, however we cannot guarantee that our association with any negative publicity will not have an adverse effect upon public opinion and a consequential impact on our business.

Board of Directors

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01 Vanni Treves (69)
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 twelve 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 (60)
Chief Executive Officer

Appointed to the Board as Chief Executive Officer in March 2005 after serving as a Non-Executive Director since November 2002. He was previously Chief Executive Officer of TÜV Product Services for 10 years and Chief Executive Officer and President of TÜV Süddeutschland AG from 1998 to 2002. Starting his career as a scientist in pharmacology and ergonomics, he established and led a broad range of successful international service industry businesses over 25 years. He is also currently a Non-Executive Director of Logica plc.

03 Bill Spencer (50)
Chief Financial Officer (retiring 31 March 2010)

Appointed to the Board as a Director in April 2002, he has been Chief Financial Officer of the Group since its acquisition from Inchcape plc in 1996. Previously, he was the Finance Director of Inchcape Testing Services Ltd, having joined the Group in 1992 as a Regional Financial Officer in the Oil, Chemical & Agri division. He has held financial positions in Olivetti UK Ltd, Rexam PLC and Centrica plc. He is a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers.

04 David Allvey (64)
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, 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 and a Non-Executive Director of William Hill PLC and Thomas Cook Group plc, and is a former board member of the UK Accounting Standards Board.

05 Edward Astle (56)
Non-Executive Director

Appointed to the Board as a Non-Executive Director in September 2009. He is currently Pro-Rector of Commercial Development 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.

06 Gavin Darby (54)
Non-Executive Director

Appointed to the Board as a Non-Executive Director in September 2009. He is currently Operations & Business Development Director of Vodafone Group Plc for the Asia Pacific and Middle East Region, and prior to that, Chief Executive Officer for Vodafone Affiliates in the USA, Africa, China and India from 2004 to 2008, and CEO of Vodafone UK from 2002 to 2004. Gavin's operational and management experience spans the consumer goods and technology sectors, having held senior executive positions at Coca-Cola Co, S.C Johnson & Son Ltd (UK) and Spillers Foods. Gavin is currently an Executive Director of Vodafone Essar Ltd and Indus Towers Ltd (India), Vodafone Egypt SAE, Vodafone Hutchinson Australia Pty Limited, and alternate for China Mobile Ltd.

07 Christopher Knight (63)
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.

08 Mark Loughead (50)
Chief Operating Officer

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

09 Debra Rade (56)
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

01 Wolfhart Hauser
Chief Executive Officer

See Board of Directors.

02 Bill Spencer
Chief Financial Officer

See Board of Directors.

03 Mark Loughead
Chief Operating Officer

See Board of Directors.

04 Paul Yao
Group Executive Vice President
Consumer Goods
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 & 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.

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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.

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Corporate Governance Report

Introduction

The Group is committed to high standards of corporate governance and this report outlines its compliance with the provisions of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the Code). The Code is available at www.frc.org.uk.

Throughout 2009 the Group complied with almost all of the provisions of the Code. The areas of non-compliance are as follows, and are further discussed and explained below:

- the Board did not comprise at least half independent Non-Executive Directors in accordance with section A.3.2 of the Code. for the eight month period to 1 September 2009 but has done so since that date; and
- until 1 September 2009, the membership of the Remuneration Committee and the Audit and Risk Committee, each included two independent Non-Executive Directors instead of three, as required by sections B.2.1 and C.3.1 of the Code respectively because, as Chairman of the Company, Vanni Treves is not viewed as independent under the Code. Since 1 September 2009 the Remuneration Committee and the Audit and Risk Committee each now comprise three. independent Non-Executive Directors in compliance with the Code.

The Board

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 its 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 the appropriate financial and other resources as required are made 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. 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.

During the year the Board consisted of the Chairman Vanni Treves, the Non-Executive Deputy Chairman Richard Nelson (retired 1 September 2009), the Chief Executive Officer Wolfhart Hauser, the Chief Operating Officer Mark Loughead, the Chief Financial Officer Bill Spencer, and three independent Non-Executive Directors, David Allvey, who is also the Senior Independent Director, Christopher Knight and Debra Rade. On 1 September 2009 Edward Astle and Gavin Darby were appointed to the Board as Non-Executive Directors. The Directors' biographies appear on page 43.

Matters reserved for the Board

The Group has identified a number of key areas that are subject to regular reporting to the Board, so that the performance of management can be reviewed and monitored. A board matrix is in place which formally outlines the matters specifically requiring the consent of the full Board. 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 treasury and risk management policies.

The board 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.

Board meetings

There were seven scheduled and two unscheduled Board meetings held in 2009. There was, in addition, frequent informal contact between Directors to discuss the Group's affairs and develop its business. Directors' attendance at Board meetings is shown in the table on page 49. Also on several occasions, the Chairman met with the Non-Executive Directors without the Executive Directors being present. The Non-Executive Directors have also had discussions without the Chairman being present. 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.

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 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 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 Code requires that half of the Board comprises independent Non-Executive Directors. Following the appointment of Mark Loughead to the Board on 1 January 2008, independent Directors represented less than half the Board. In order to refresh the composition of the Board, the Nominations Committee appointed an independent search consultancy in January 2009. On 1 September 2009 two new Non-Executive Directors, Edward Astle and Gavin Darby, were appointed to the Board. Following these additional appointments, and the retirement of Richard Nelson, the Board now comprises more than half independent Non-Executive Directors.

The Board considers David Allvey, Edward Astle, Gavin Darby, Christopher Knight and Debra Rade independent in character and judgement and confirms that they have been Directors of the Company for less than nine years, were never employed by the Group and have no material relationships or links to the business which would compromise their independence. Under the Code, Richard Nelson was not considered to be independent in his position as Non-Executive Deputy Chairman due to his previous role as Chief Executive Officer of the Group. However, until his retirement in September Richard Nelson continued to bring an independent viewpoint and valuable expertise to the Board through his extensive knowledge of the business and industry.

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

The Company's Articles of Association contain provisions relating to the retirement, election and re-election of directors. At the forthcoming AGM Edward Astle and Gavin Darby will stand for election for the first time. David Allvey, Senior Independent Non-Executive Director will retire and, being eligible, will offer himself for re-election.

Information and professional development

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 them. The Non-Executive Directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives and prior performance.

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 arranged at least once a year and one Board meeting is held abroad which incorporates a visit to one of the Group's principal sites to further their knowledge of the Group's operations. 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. In accordance with the Company's Articles of Association, 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 2009, 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,

Corporate Governance Report

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 performance evaluation process led by the Chairman comprising of 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. It also provides the Chairman with a means of making year-on-year comparisons. There are questionnaires for each of the following: the Board; each individual Director; and the Audit and Risk, Nominations and Remuneration Committees.

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

The Chairman assesses the individual performance of each Director, taking into account discussions with other Directors. The Senior Independent Director has discussions with the other Executive and Non-Executive Directors, without the Chairman being present, in order to appraise the Chairman's performance during the year. For the year under review, these assessments concluded that the information supplied to the Board was extensive and informative. The assessment highlighted a wish for several presentations by senior managers to be made to the Board during 2009, which took place and such presentations will continue during 2010. 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.

Board Committees

The Board has established three Committees, each with clearly defined terms of reference, procedures and powers. These terms of reference are available on request from the Group Company Secretary at the registered office or can be downloaded from www.intertek.com. The Directors who held office during the year and the number of full Board meetings and Committee meetings attended by each Director during the year are given in the table on page 49.

The Remuneration Committee

At the end of 2009 this Committee comprised of three independent Non-Executive Directors, David Allvey (Chairman), Gavin Darby and Christopher Knight. Vanni Treves is also a member of the Committee. The Code requires the Remuneration Committee to have at least three independent Non-Executive Directors whilst allowing the Chairman of the Board of Directors of the Company, if considered independent on appointment, to be a member. The Committee complied with the Code provision on composition from 1 September 2009, when Gavin Darby was appointed as a member of the Remuneration Committee.

The Committee has responsibility for making recommendations to the Board on the remuneration of the Chairman, Executive Directors and senior executives and for the determination, within agreed terms of reference, of additional benefits for each of the Executive Directors, including pension rights and any compensation for loss of office. The Committee is also responsible for the implementation and operation of employee share incentive arrangements. 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 53.

The Nominations Committee

This Committee currently comprises three Non-Executive Directors, Vanni Treves (Chairman), David Allvey and Christopher Knight. During 2009 this Committee was evaluated and the Board agreed that membership of the Committee was appropriate and effective. The composition of the Committee is in compliance with the Code.

This Committee met three times during the year. 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.

During the year the Board accepted the Committee's recommendations that Edward Astle and Gavin Darby join the Board. Both were appointed on 1 September 2009 as Non-Executive Directors, increasing the number of independent

Attendance at Board and Committee meetings

Name/Position	Scheduled Board meetings	Audit and Risk Committee meetings	Nominations Committee meetings	Remuneration Committee meetings
Vanni Treves Chairman	7 (7)	4 (4)	3 (3)	6 (6)
Wolfhart Hauser Chief Executive Officer	7 (7)	n/a	n/a	n/a
Mark Loughead Chief Operating Officer	7 (7)	n/a	n/a	n/a
Bill Spencer Chief Financial Officer	7 (7)	n/a	n/a	n/a
David Allvey Senior Independent Non-Executive Director	7 (7)	4 (4)	3 (3)	6 (6)
Edward Astle (appointed 1 September 2009)* Independent Non-Executive Director	3 (3)	1(1)	n/a	n/a
Gavin Darby (appointed 1 September 2009)* Independent Non-Executive Director	3 (3)	n/a	n/a	1 (1)
Christopher Knight Independent Non-Executive Director	7 (7)	4 (4)	3 (3)	6 (6)
Debra Rade Independent Non-Executive Director	7 (7)	n/a	n/a	n/a
Former director				
Richard Nelson (retired 1 September 2009)* Non-Executive Deputy Chairman	3 (4)	n/a	n/a	n/a

*Actual attendance/maximum number of meetings a Director could attend as a Board/Committee member.
Membership of the three relevant Board Committees is set out on pages 48 to 50.

Non-Executive Directors to five, and also helping to maintain the balance of the Board in the context of the retirement of Richard Nelson from the Board during 2009. In respect of the appointment of Edward Astle and Gavin Darby, the Committee engaged an independent search consultancy to help it identify suitable candidates with the necessary skills and capabilities required.

Talent mapping and succession planning are important components in ensuring the continued success of the Group. The goal of the Intertek talent mapping process is to have the right organisation with the right people in the right jobs at the right time, including identifying and preparing the next generation. This approach was first introduced in 2006. The 2009 objectives were to continue the roll out of the customer centric organisation and cascade the talent processes through and across the global operations.

Reviews are conducted by 'career committees' of the Chief Executive Officer, Division Executive Vice Presidents, Group Executive Vice President Human Resources and the Division Vice Presidents Human Resources. The global Intertek talent mapping process includes the identification and readiness of potential successors and highlights coaching, mentoring and training if required.

Bearing in mind the balance of existing skills, knowledge and experience of the Board, a job description is prepared for any new Board position and when a Non-Executive Director is appointed, the Committee requires confirmation that he or she can devote sufficient time to fulfil the commitments of the role. The terms and conditions of appointment of Non-Executive Directors are available for inspection by any person at the Company's registered office during normal business hours and at the 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 once every three years.

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

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The Audit and Risk Committee

This Committee currently comprises four Non-Executive Directors, David Allvey (Chairman), Edward Astle, Christopher Knight and Vanni Treves. The Code requires the Audit and Risk Committee to have at least three independent Non-Executive Directors. As Chairman of the Company, Vanni Treves is not viewed as independent by the Code and therefore the Committee did not comply with the Code until 1 September 2009 when Edward Astle was appointed a member of the Audit and Risk Committee. Both David Allvey and Christopher Knight have recent and relevant financial experience as detailed in their biographies on page 43.

The Audit and Risk Committee monitors the integrity of the Group's financial statements and any formal announcements relating to the Group's performance. The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, reappointment and remuneration of the external auditors, and for ensuring that an appropriate relationship is maintained between the Group and its external auditors. It also reviews annually the Group's systems of internal control, risk management, the processes for monitoring and evaluating the risks facing the Group and the effectiveness of the internal audit function. It reviews the progress of internal audit activity against the annual plan, and reviews the strategy, scope and approach of the internal audit and risk management teams. It reviews the corrective action taken by management to address any control issues identified by the internal audit and risk management function. It is responsible for approving the appointment and termination of the Vice President Risk Management and Internal Audit and meets with him at least once a year without management present.

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

The Committee has recommended to the Board that KPMG Audit Plc be reappointed auditor at the forthcoming Annual General Meeting.

At its meetings during 2009, the Committee reviewed and endorsed prior to submission to the Board, the Group's 2008 Annual Report and 2009 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 Company.

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

During 2009 the Audit and Risk Committee met four times.

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 2009 this procedure operated effectively.

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 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 a 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 the 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, are reported to the Audit and Risk Committee. During 2009, 88 complaints were received and investigated. This is an increase from the 42 reported last year. The Group has increased the awareness 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.

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 may be associated with a variety of internal or external factors including control breakdowns, disruption of information systems, 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 managers throughout the Group confirm the adequacy of their systems of internal controls, compliance with Group policies, local laws and regulations and report any control weaknesses identified in the past year. One of the Audit and Risk Committee's main roles is to review, on behalf of the Board, the key risks inherent in the business and the system of controls necessary to ensure such risks are properly managed.

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. An external accreditation body conducts

Corporate Governance Report

surveillance audits of the internal audit department every year, and conducts a more detailed review every three years. During 2009, the department's ISO 9001 accreditation was successfully renewed for a further 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 regards to risk indicators. The Board approves the treasury policy and the Treasury department's activities are also subject to regular internal audits. During 2009 the policies and procedures of the Treasury department were also reviewed by PricewaterhouseCoopers.

Relations with 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 Disclosure and Transparency Rules of the Financial Services Authority 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 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.

Remuneration Report

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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 2009. It will be subject to 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 Code) and has been audited by KPMG Audit Plc to the extent required by the Regulations.

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

Commentary from the Chairman of the Remuneration Committee

The principal challenge for the Remuneration Committee this year has been to judge the changing economic conditions, their impact on employment and the reactions of investors and advisory bodies around the world.

During the period under review there has been increased external scrutiny of and changes proposed for corporate governance affecting reward, particularly across Europe and North America. There have been numerous proposals for changes in remuneration practices. The Committee has monitored these and will apply them where they are considered relevant and applicable to Intertek.

Reflecting the continued success of the business, in March 2009, Intertek was promoted into the FTSE 100. Because of this we have changed the peer groups we use to judge our relative performance when making remuneration decisions.

As you will see in the Financial Review, Intertek has continued to perform well compared to many other companies. In addition many of the current recommendations for remuneration governance under discussion for other sectors are already part of Intertek's policies. For example, evaluation of risk is a factor used to decide bonus, there is already deferral of part of bonus for three years and the possible claw-back of bonuses and share awards in the event of misstatement of results.

However, specific changes have been made over this year and in 2010 to take account of the wider economic and governance environments and the Company's success:

- Amending the Total Shareholder Return (TSR) performance conditions for our Deferred Bonus Share Plan performance awards granted in 2009 so that the peer group included FTSE companies ranked 76 to 175. We will change the peer group again for 2010 awards, to include companies ranked 51 to 150.
- Reconsidering the changes we had planned to make to performance conditions and deciding that Earnings per share (EPS) was not an appropriate measure for deferred bonus awards made in 2009 or 2010.
- Cash bonus and share bonus opportunities for Executive Directors and other senior employees have been increased for 2010 following a benchmarking review.

There are no major strategic changes of direction planned. Whilst market turbulence and changes in advised governance continue we will keep their effects on our remuneration policy under close review.

The Board has announced the retirement of Bill Spencer and the appointment of his successor, Lloyd Pitchford. Bill will be leaving the business on 31 March 2010. Details of Bill Spencer's arrangements on departure are set out on page 58. Details of Lloyd Pitchford's remuneration are still being finalised and will be disclosed in next year's Remuneration Report.

Remuneration Report

Policy

Our remuneration strategy remains to:

- attract, engage, motivate and retain the best available people by positioning total pay and benefits to be competitive in the local market and in line with the ability of the business to pay;
- reward people equitably for the size of their responsibilities, performance and potential;
- align and recognise the individual's contribution to success in our 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 whole 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.

The Committee considers the balance between base salary and performance-related benefits. It also reviews and sets future reward objectives and targets in line with business strategy as part of the annual planning process.

As a service business, success is critically dependent on the performance and retention of key people. Employment costs represent the major proportion of Group operating costs and there is considerable variation amongst businesses. As an international group our pay arrangements take into account both local and international markets. For these reasons there is in place a global Remuneration Policy Framework, which encompasses matters such as approval procedures and review frequency, with each operation retaining the freedom to navigate, within that framework to find the best local solution.

Our peer groups for the majority of our employees consist of international industrial organisations and similar-sized businesses in each domain. 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.

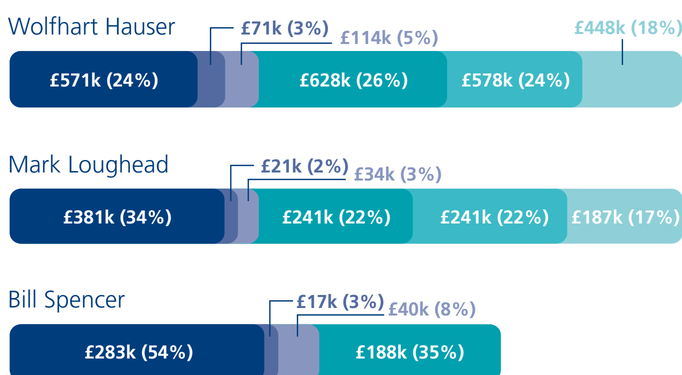
We believe that for reward and retention of senior executives a significant proportion of remuneration should be performance-related with part of that remuneration being deferred in the form of share awards vesting well after grant. We believe that share ownership should form a significant element in 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 Annual cash performance bonus	The cash bonus serves to recognise short-term performance against targets which are a mix of shareholder, business, team 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 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, 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 Base salary	The annual base salary takes account of the size of the job and the sustainable competence and contribution of the job holder. We target annual base salary for fully competent performance at the appropriate market median.
Fixed Pension	Provisions for retirement reflect the appropriate market and respect past obligations.
Fixed 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

For 2009 the total remuneration for our Executive Directors was as follows:



The base salary, benefits, cash bonus, deferred shares and for Wolfhart Hauser pension, are shown in the table on page 60. The pension for Mark Loughead and Bill Spencer is the increase in actual transfer value for 2009 as shown on page 62. The matching share bonus 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 25 of the financial statements.

Each of these components is examined in more detail below.

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. Targets are a mix of numeric and non-numeric measures.

The annual cash bonus potential set for 2009 and 2010 are:

Percentage of base salary	2009	2010
Wolfhart Hauser	100%	130%
Mark Loughead	70%	90%
Bill Spencer	70%	n/a
Executive Vice Presidents	60%	75%

The increase in bonus opportunity for 2010 has been agreed by the Committee based on benchmarking information in respect of similarly-sized companies.

Senior executives' bonus criteria for 2009 and the forthcoming year comprise the following: (i) Group performance elements; (ii) divisional performance elements, where the executive is responsible for divisional results, and personal objectives; and (iii) discretionary 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.

Bonus elements 2010

Executive Directors

Group and Divisional EVPs

Group Function VPs

- Group
- Divisional/personal
- Discretionary

Group bonus breakdown 2010

- Diluted adjusted earnings per share
- Adjusted operating profit
- Operating cash flow % of adjusted operating profit
- Return on invested capital

The business outcomes for the bonus criteria for 2009 were:

Diluted adjusted earnings per share growth	21.5%
Adjusted operating profit growth*	7.2%
Operating cash flow % of adjusted operating profit*	112.2%
Return on invested capital	26.5%

*calculated using constant 2008 exchange rates.

Combined with the decisions on the non-numeric discretionary part of total bonus this resulted in total annual bonus outcome for the Executive Directors of 100%, 70% and 65.8% of base salary for Wolfhart Hauser, Mark Loughead and Bill Spencer respectively, to be paid in March 2010. The Committee also decided that it was appropriate to award an additional discretionary cash bonus of £50,000 to Wolfhart Hauser in recognition of his outstanding contribution to the Group's strong performance in 2009, despite difficult market conditions.

Remuneration Report

Group and Division bonus targets are established and reviewed by the Committee each year and set to ensure they are linked to current business goals, and are sufficiently demanding, taking full account of the economic conditions.

Achievement of business targets typically delivers half of the bonus opportunity so as to encourage and reward performance above expectations.

The Committee has reviewed whether remuneration packages should take more account of risk behaviour. Intertek's business is not one with unusual risk features beyond the normal commercial ones that are described on pages 38 to 41 and the Committee has concluded that Group, personal and discretionary targets have been set with sufficient regard to risk issues.

The discretionary element, of up to 20% of total bonus, is determined by taking into account the overall personal contribution of the executive to the goals and results of the Group for the year, the development of the medium-term strategy of the Group, the achievement over the year of strategic objectives and demonstrable efforts and results in team-building and leadership. The Committee recognises its responsibility to shareholders to use its discretion in a reasonable and informed manner and in the Group's interests, and to be accountable and transparent in the exercise of that discretion.

The Committee can additionally award a discretionary payment if it feels very exceptional performance has taken place 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 where circumstances have arisen outside the Group's control and the Committee feels that payment is necessary to retain and motivate the executive concerned.

The Committee has the 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. The Committee also retains the discretion to reclaim payments if the performance achievements are subsequently found to have been significantly misstated. Neither of these discretions was exercised in respect of the bonuses paid in 2009.

Deferred Bonus Share Plan

The only long-term incentive plan currently in use is the Intertek Deferred Bonus Share Plan (the Plan). The key 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 bonus rewards to Intertek's share price performance. Additional detail about the Plan appears on page 64.

At the same time as it considers cash bonuses each year the Committee agrees the award of bonus shares to executives and key specialists. The awards usually vest three years after grant and in the case of Matching awards, which are granted to the most senior executives, vest subject to the achievement of performance criteria, discussed in more detail on page 64. Awards of Deferred Bonus Shares cannot exceed 100% of base salary and Matching awards are limited to twice the number of Deferred Bonus Shares. The majority of Plan participants receive awards equivalent to 10%-30% base salary.

In considering the grant of Plan awards in 2010 the Committee has taken into account benchmarking data and as a result removed in respect of awards to be granted in 2010 and following years the 70% of base salary limit it had previously imposed. In practice only the most senior employees will be affected by this change.

The Committee regularly reviews the appropriateness of the Company's share incentive arrangements and targets to ensure that they remain both competitive and challenging.

A minor variation to the terms of the Deferred and Matching awards granted under the Plan to executives in April 2007 has been made available to UK executives. Such awards (including awards held by the Executive Directors) will be permitted to vest nine days ahead of their normal vesting date, 10 April 2010 (the third anniversary of grant). All other terms of the awards will remain unchanged (including the performance conditions, which shall continue to apply over the three year performance period set for the awards, such period having expired 31 December 2009). The amendment will provide an opportunity for the lower taxation of the awards as a result of the maturity falling within the 2009/10 tax year. Any acceleration will be conditional on claw-back terms based on the provision that if the awards would have otherwise been forfeited between the new vesting date and the normal vesting date, for example in 'bad leaver' circumstances, the Company may recover the award gain from the participant.

In its consideration of share plan incentives in 2009 the Committee reviewed the performance criteria for future Matching Share awards, taking full account of the economy and business climate at the time of the award. The Committee reached the decision that in respect

of awards to be granted in 2009, the performance criteria should remain based wholly on TSR and not, as had been planned, be based partly on EPS. This was because the prevailing economic turbulence made the setting of realistic stretching EPS targets very difficult. The vesting schedule also remained unchanged from the previous year. This decision will apply also in respect of awards granted in 2010.

The Committee will continue to keep performance criteria under review.

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 ten-year period from the time the plan was adopted to 5% of the Company's issued share capital. As at 31 December 2009 outstanding awards represented 1.4% of the Company's issued share capital and 0.2% 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, or the expected value of the anticipated vested awards, as it considers this information would be misleading to a greater extent than it is informative.

Share retention

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

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 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 manager's base salary the Committee will expect the individual, taking into account levels of experience, to have demonstrated exceptional leadership within the business combined with a results-orientated approach. When the Committee takes benchmarking information into account it reviews the performance of the individual concerned against the above measures to ensure that there is no unjustified upward ratchet in remuneration.

When determining salary increases for Executive Directors, the Committee also takes account of pay and employment conditions elsewhere in the Group, as well as the general appropriate market. This is achieved by reviewing detailed information on the four countries (Hong Kong, mainland China, UK and USA) within the Group that employ the greatest number of employees.

Salaries for the Executive Directors were increased in 2009, (see table below). The Committee, applying the above criteria consistently with previous years, considered the performance of the individuals, taken in conjunction with the continuing growth, increasing complexity and financial success of the Group, justified the increases.

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

Having considered whether its remit over remuneration other than that relating to the Executive Directors is sufficiently broad, the Committee came to the conclusion that the salary review process adequately informs the Committee of issues relating to reward.

The Executive Directors' salaries are:

	Base salary from 1 April 2009	% increase over 2008 salary	Base salary from 1 April 2010	% increase over 2009 salary
Wolfhart Hauser	£577,500	5%	**£606,375**	5%
Mark Loughead[1]	US$535,000	7%	**US$556,400**	4%
Bill Spencer[2]	£286,173	4%	**n/a**	n/a

1. In addition to his base salary Mark Loughead received £43,000 in Directors' fees in 2009 (2008: £43,000)
2. Bill Spencer will retire from the Group on 31 March 2010.

Pensions

As the result of its international profile, Intertek operates a number of pension arrangements around the world, appropriate to the employing location. The pension arrangements for Executive Directors are as follows:

Remuneration Report

Wolfhart Hauser
Wolfhart Hauser is not a member of a Group company pension scheme. Instead the Group contributes an amount equal to 20% of his base salary to a personal pension arrangement. For 2009 this amounted to £114,000 (2008: £106,700). In 2010 the Group contribution will increase to an amount equal to 25% of base salary. He is entitled to life cover benefit comprising a lump sum payment equivalent to four times his base salary.

Mark Loughead and Bill Spencer
Mark Loughead and Bill Spencer were both members of the 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. The main features of the defined benefit section of the scheme and the benefit to the directors for 2009 are shown on page 61.

Service contracts
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
Bill Spencer	24 May 2002

Wolfhart Hauser's contract is a 12-month rolling contract terminable by either party on 12 months' notice and 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.

Bill Spencer, on leaving the Company, will take early retirement at the end of March 2010, prior to the imminent change in UK pension law which would require deferment of retirement at least to the age of 55. Actuarial reductions in accordance with the rules of the Intertek Pension Scheme will be made in respect of the pension he will receive. He has the option to have his early retirement benefits from the Scheme enhanced by requiring the Company to pay in some or all of a contractual departure payment up to £225,636. He will receive no bonus in respect of his service in 2010. As a retiree, he has good leaver status under the Deferred Bonus Plan rules. All Deferred awards will vest in full. The Committee has decided that the 2007 and 2008 Matching Share awards will vest fully, as to date the Total Shareholder Return conditions in respect of those awards have been met. The unvested Matching Share awards granted in 2009 will be forfeited.

Mark Loughead has both an executive service contract with Intertek USA Inc. and a letter of appointment in respect of his directorship of Intertek Group plc. The executive service contract is subject to 12 months' notice on either side and contains provisions for Mark Loughead 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 receives remuneration from any other business. Bonuses not already received will not be paid unless pro-rata payment formed part of the bonus criteria. The appointment as an Executive Director of Intertek Group plc is for an initial term of three years, but can be terminated by either party giving one month's notice and provides for an annual fee of £43,000. The service contract contains provisions regarding a change of control based on the same criteria as apply to the Intertek Deferred Bonus Plan.

Non-Executive Directors' fees	Annual Basic fee from 1 April 2009 or date of appointment £	Remuneration Committee	Audit and Risk Committee	Nominations Committee	Additional committee fee £	Total Annual fees £	Fees used to purchase shares in 2009 £
David Allvey	53,000	Chairman	Chairman	✓	39,500	92,500	10,000
Edward Astle[1]	53,000	–	✓	–	7,500	60,500	n/a
Gavin Darby[1]	53,000	✓	–	–	5,000	58,000	n/a
Christopher Knight	53,000	✓	✓	✓	15,000	68,000	10,000
Richard Nelson[2]	68,000	–	–	–	n/a	68,000	10,000
Debra Rade	53,000	–	–	–	n/a	53,000	10,000
Vanni Treves	180,000	✓	✓	Chairman	–	180,000	20,000

1. Appointed 1 September 2009. Pro-rata fees paid in 2009 appear in the remuneration table on page 60. Fees of £10,000 will be used to purchase shares in 2010.
2. Retired 1 September 2009.

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 for 2009, which he retained, were £45,000.

Non-Executive Directors

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 2009 is shown in the table on page 58. The Non-Executive Directors' basic fees increased by £3,000 per annum and the Chairman's fee increased by £10,000 per annum, with effect from 1 April 2009. David Allvey, as Chairman of two Committees, also received an increase of £2,000 per annum in his Committee fees. The Executive Directors, having reviewed benchmarking information, felt that these increases were justified in view of the increasing time commitment for Non-Executive Directors and the increasing complexity of Intertek's business.

Other than Vanni Treves, who has the benefit of a company car, and Richard Nelson, for whom the Group continued to maintain a life insurance policy in accordance with the terms of his previous employment contract with the Company, no other benefits-in-kind are provided.

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

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

Richard Nelson retired on 1 September 2009. His original engagement by the Group as a Non-Executive Director was under the terms of a letter of appointment for an initial period of three years commencing 8 April 2005, extended for a further two years on 7 March 2008.

Under the terms of his letter of appointment Richard Nelson was entitled to remuneration of £1,000 per working day for any special project work agreed in advance by the Chairman. In addition the Company agreed to pay premiums for a life assurance policy for Richard Nelson for his lifetime.

Debra Rade was engaged by the Group as a Non-Executive Director under the terms of a letter of appointment for an initial period of three years commencing 1 January 2006. This appointment was renewed for a further three years with effect from 1 January 2009.

Christopher Knight was engaged by the Group as a Non-Executive Director under the terms of a letter of appointment for an initial period of three years commencing 30 March 2006. This appointment was renewed for a further three years, effective from 30 March 2009.

Edward Astle and Gavin Darby each joined the Group on 1 September 2009. Each has been engaged under the terms of a letter of appointment for an initial period of three years commencing 1 September 2009, subject to election by the shareholders at the forthcoming AGM.

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 below 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 FTSE100 in March 2009 and the Committee considers it helpful to show this comparison also.

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.

Remuneration Report

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;
- 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 six times during 2009. Its 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 2009: David Allvey (Chairman), Gavin Darby (from 1 September 2009), Christopher Knight and Vanni Treves. David Allvey and Christopher Knight are independent in accordance with the Code. Vanni Treves was independent at the time of his appointment as Chairman of the Board. Gavin Darby joined the Committee with effect from 1 September 2009. He is regarded as an independent Non-Executive Director in accordance with the Code.

The Committee members have no personal financial interest, except where they are as shareholders, in the matters to be decided. Where 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.

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 2009 and the prior year for comparison. As described on page 58, Bill Spencer is entitled to a contractual departure payment of £225,636 on his retirement. No other payments for loss of office were made during the year or the prior year and no other awards were made to any Director.

Directors' remuneration summary

	Notes	Base salary and fees 2009 £000	Cash bonuses 2009 £000	Other benefits 2009 £000	Pension contributions[5] 2009 £000	Total emoluments 2009 £000	Total emoluments 2008 £000	Deferred bonus[6] 2009 £000	Deferred bonus[6] 2008 £000
Executive Directors									
Wolfhart Hauser		**571**	**628**	**71**	**114**	**1,384**	1,227	**578**	374
Mark Loughead	1	**381**	**241**	**21**	–	**643**	496	**241**	170
Bill Spencer	2	**283**	**188**	**17**	–	**488**	449	–	163
Non-Executive Directors									
David Allvey		**91**	–	–	–	**91**	86	–	–
Edward Astle	3	**17**	–	–	–	**17**	–	–	–
Gavin Darby	3	**16**	–	–	–	**16**	–	–	–
Christopher Knight		**67**	–	–	–	**67**	65	–	–
Richard Nelson	4	**48**	–	**51**	–	**99**	116	–	–
Debra Rade		**53**	–	–	–	**53**	50	–	–
Vanni Treves		**178**	–	**14**	–	**192**	181	–	–
Total		**1,705**	**1,057**	**174**	**114**	**3,050**	2,670	**819**	707

1. Mark Loughead's base salary, bonus and benefits are paid in US dollars. These were US$933,582 in 2009 (2008: US$846,533). In addition he received Directors' fees of £43,000 (2008: £43,000).
2. The figures disclosed above for Bill Spencer exclude amounts payable in connection with his retirement on 31 March 2010. An amount of £225,636 will be paid under the terms of his contract and his outstanding deferred shares will vest in full.
3. Appointed on 1 September 2009.
4. Retired on 1 September 2009.
5. Mark Loughead and Bill Spencer are members of the Intertek Defined Benefit Pension Scheme (see page 61). Contributions to that Scheme are not included in this table. Wolfhart Hauser is not a member of any Intertek Group pension plan. The contributions in this table are the amounts the Group pays to a personal pension arrangement.
6. 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 56 and 64.

Mark Loughead and Bill Spencer
Intertek Defined Benefit Pension Scheme

Normal retirement age	65
Annual pension at normal retirement age	1/60 of final pensionable salary (highest base salary in any 12-month period during the five years immediately preceding retirement date) for each year of pensionable service, except, for those members who were active members of the Scheme on 5 April 1996, the accrual rate is 1/45 for pensionable service in the period after 5 April 1996 and before 6 April 1999. Members may exchange part of their pension for a tax-free cash sum. This will reduce their pension but not that of their spouse.
Spouse's or dependant's pension payable on death of member	Half of member's pension.
Early retirement	From age 50 onwards with the consent of the Company and the Trustees, based on accrued entitlement reduced by an amount calculated in accordance with the Scheme rules for each year of retirement prior to age 65. With effect from 6 April 2010, the minimum retirement age will increase to age 55.
Pension increases in payment or deferment	Increases in deferment – revaluation is in two parts: i) The part that represents the Guaranteed Minimum Pension (GMP) will be increased at the rate of 4% for each complete tax year between date of leaving and State Pension Age. ii) The balance of the pension will increase at the rate of 2.5% per annum or in line with the Retail Price Index if lower, for each completed year between the date of leaving and the Normal Retirement Date. Increases in retirement (or payment): i) Pre 6 April 1997, excess pension benefits will increase at the rate of 3% per annum. ii) 6 April 1997 to 5 April 2005, excess pension benefits will increase at the rate of the lower of 2.5% per annum or the increase in the Retail Price Index. iii) Post 5 April 2005, excess pension benefits will increase at the rate of the lower of 2.5% per annum or the increase in the Retail Price Index. iv) Pre 1988 GMP will not increase. v) Post 1988 GMP will increase at the rate of 3% per annum or the increase in the Retail Price Index, if lower.
Employee contributions	As determined by the Company and the Trustees: currently 8.5% of base salary (excluding incentive payments) up to the Company-set earnings cap which is £119,427 for the 09/10 tax year (£115,949 for 08/09).
Employer contributions	As determined by the Company and the Trustees: currently 16% of base salary (excluding incentive payments) up to the Company-set earnings cap.
Ill health or incapacity	In the case of ill health, the pension is calculated as for early retirement but without reduction. In the case of incapacity, the pension is calculated as if pensionable service had continued to normal retirement date.
Death in service	Death in service leads to a refund of the member's own contributions plus either: i) a lump sum of four times pensionable salary plus spouse's pension which is 50% of the member's prospective pension at normal retirement date (based on prospective pensionable service to normal retirement date and final pensionable salary immediately prior to the member's death); or ii) a lump sum of eight times pensionable salary, but with no spouse's pension (except for the contracting-out requirements).

Remuneration Report

Details of the accrued pension to which Mark Loughead and Bill Spencer would be entitled on leaving service and the changes during the year are shown in the table below:

Name	Age at 31 December 2009	Contributions made by the Director during the year £	Increase in accrued entitlement during the year[2] £	Accrued entitlement[1] 2009 £	Transfer value[3] 2008 £	Transfer value[3] 2009 £	Increase in transfer value in year less contributions made by Director £
Mark Loughead	50	10,077	2,962	28,032	273,634	323,924	40,213
Bill Spencer[4]	50	10,077	3,278	36,492	445,044	489,202	34,081

1. The accrued pension entitlement is the amount that would be paid each year on retirement at 65 based on service to 31 December 2009, excluding the effect of inflation.
2. Including inflation, the increases during the year for Bill Spencer and Mark Loughead were £3,278 and £2,962 respectively (these are the same as the figures given above as the inflationary increase during the year was nil).
3. 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). The transfer values disclosed above 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.
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. The liabilities in respect of the transferred-in benefits are included in the transfer values stated above.

Advisors

To ensure that the Group's remuneration practices are market competitive and to help achieve its objectives, the Committee obtains information from various independent sources. The Committee has appointed and taken independent advice on remuneration matters and share incentive arrangements from Hewitt New Bridge Street (Hewitt), on remuneration benchmarking from Towers Watson (TW) and on UK pension matters from Premier Pensions Management Limited (PPM). During 2009 PPM's associate company was engaged to provide additional FSA-regulated services in respect of UK pension matters. PPM, TW 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. Richard Nelson was entitled to life assurance in accordance with the terms of his previous employment contract with the Company, for £1.0m to be maintained for the whole of his life and payable to his beneficiaries on his death. Vanni Treves is entitled to a company car.

Transactions with Directors

As disclosed in note 29 to the financial statements, no Director had a personal interest in any business transactions of the Group.

Pensions

The Committee continues to review the liabilities under the defined benefit section of the UK pension scheme and to monitor the effect of changes to future mortality rates and investment returns and consider how to limit the potential liability created by pension commitments. The majority of the Group's employees are non-UK based and are therefore unaffected. Further details of the Group's pension schemes, including the funding position, are disclosed in note 23 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 pages 57, 58 and 61.

The Intertek Deferred Bonus Share Plan

		31 December 2008 or on appointment Number of shares	Granted in 2009 Number of shares	Award Price[1] £	Vested in 2009 Number of shares[2]	Lapsed in 2009 Number of shares	**31 December 2009 Number of shares**	Date award vests[3]
Wolfhart Hauser								
2006	Deferred	14,514	–	8.276	(14,514)	–	**–**	April 2009
	Matching	29,028	–	8.276	(29,028)	–	**–**	
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**	
Total		191,145	138,456		(43,542)	–	**286,059**	
Bill Spencer								
2006	Deferred	6,391	–	8.276	(6,391)	–	**–**	April 2009
	Matching	12,782	–	8.276	(12,782)	–	**–**	
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**	March 2011
	Matching	27,626	–	9.150	–	–	**27,626**	
2009	Deferred	–	19,524	8.342	–	–	**19,524**	March 2012
	Matching	–	39,048	8.342	–	–	**39,048**	
Total		89,934	58,572		(19,173)	–	**129,333**	
Mark Loughead								
2006	Deferred	7,133	–	8.276	(7,133)	–	**–**	April 2009
	Matching	14,266	–	8.276	(14,266)	–	**–**	
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**	
Total		79,368	80,061		(21,399)	–	**138,030**	

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 date of grant in 2009 the share price was £8.995. No payment is made by participants in the Plan.
2. Awards vested on 7 April 2009, on which date the closing market price of shares was £9.165, having been granted on 7 April 2006 on which date the closing market price was £8.31.
3. Awards normally vest three years after grant. The vesting of Matching Awards is subject to additional performance conditions described on page 64.
4. UK participants in the Plan have been offered the opportunity to elect for accelerated vesting on the Award due to mature in April 2010. An explanation appears on page 56.
5. The aggregate gain made by Directors on the vesting of the awards was £771,000.

Remuneration Report

Directors' interests in ordinary shares

The interests of the Directors in the shares of the Company as at the year end are set out below. 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 2008 or on appointment	Acquired	Disposed	31 December 2009 or at retirement
David Allvey	5,897	677	–	**6,574**
Edward Astle	–	–	–	–
Gavin Darby	–	–	–	–
Wolfhart Hauser	1,336	43,542	17,908	**26,970**
Christopher Knight	5,627	677	–	**6,304**
Mark Loughead	14,485	21,399	–	**35,884**
Richard Nelson[1]	500,637	574	–	**501,211**
Debra Rade	1,445	688	–	**2,133**
Bill Spencer	132,000	85,978	130,830[2]	**87,148**
Vanni Treves	51,276	1,377	–	**52,653**

1. Retired 1 September 2009.
2. Includes 63,000 shares in which Bill Spencer ceased to be beneficially interested on 10 March 2009.

No changes in the above Directors' interests have taken place between 31 December 2009 and the date of this report.

Directors' interests in the Intertek Deferred Bonus 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 on page 63. Share options granted to the Executive Directors under the 2002 Plan and the Approved Plan are shown on page 65.

Additional information about the Intertek Deferred Bonus Share Plan

The Plan

The Plan has two elements:

- Deferred Shares are awarded to executives based on their annual achievement. For the Executive Directors and IOC the value of Deferred Shares will be equal to the cash bonus, subject, to a maximum of 100% of salary. The Committee believes that this provides a simple and well-targeted form of reward. The awards normally vest three years after grant subject to continued employment.
- 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 depending on performance. For awards granted 2006-2009 the performance test for Matching Share 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 between 2006 and 2008 the peer group comprised the members of the FTSE250. For awards granted in 2009 the peer group comprised FTSE Index members 76 to 175. Grants made in 2010 will use the peer group of FTSE Index members 51 to 150.

In addition, 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. TSR calculations are conducted independently by Hewitt.

Awards vest as follows:

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

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 2002 Share Option Plans

	31 December 2008 Number of shares	Option price[1] £	Options exercised in 2009 Number of shares	Options lapsed in 2009 Number of shares	**31 December 2009 Number of shares**	Date option became exercisable[1]	Date option expires
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							
Approved Plan	6,864	4.37	(6,864)[2]	–	**–**	May 2005	May 2012
2002 Plan	15,466	4.37	(15,466)[3]	–	**–**	May 2005	May 2012
2002 Plan	20,406	3.59	(20,406)[3]	–	**–**	April 2006	April 2013
2002 Plan	24,069	5.24	(24,069)[3]	–	**–**	April 2007	April 2014
2002 Plan	25,131	7.78	–	–	**25,131**	April 2008	April 2015
Total	91,936		(66,805)	–	**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 closing market price of shares on the date of exercise of options was £8.915.
3. The closing market price of shares on the date of exercise of options was £10.49.
4. The aggregate gain made by Directors on the exercise of options was £393,000.

Deferred awards will normally vest on the third anniversary of grant provided the participant is still employed in the Group. Matching awards will normally vest on the third anniversary of grant once the Committee has determined the extent to which the applicable performance conditions have been satisfied and provided the participant is still employed in the Group. As described on page 56 the Committee has made a concession in respect of the vesting period for UK-based participants who have awards maturing in April 2010.

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

If a participant leaves employment for certain reasons beyond the participant's control or for any other reason at the discretion of the Committee, then the awards vest as follows: (i) Deferred awards will vest on a pro-rata basis on the date of cessation, although the Committee may decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances; (ii) Matching awards will vest at the end of the period over which the performance conditions are measured, or the Committee may decide that the Matching award will vest on cessation of employment. The extent to which a Matching award will vest will depend upon the extent to which the performance conditions have been satisfied over the full performance period or up to the date of cessation as appropriate and awards will vest on a pro-rata basis on the date of cessation, although the Committee may decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances. In the event of a change of control, vesting of Matching awards will occur on the same basis as for leaving employment, described above. Deferred awards will vest in full.

Share information

On 31 December 2009 the closing market price of Intertek ordinary shares was £12.55. The highest and lowest prices of the shares during the year were £13.54 and £7.73 respectively.

Approval of the Remuneration Report

The Remuneration Report was approved by the Board on 8 March 2010.

David Allvey
Chairman
Remuneration Committee

Other Statutory Information

Directors

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

Vanni Treves	Chairman
Richard Nelson	Non-Executive Deputy Chairman (retired 1 September 2009)
Wolfhart Hauser	Chief Executive Officer
Mark Loughead	Chief Operating Officer
Bill Spencer	Chief Financial Officer (to retire on 31 March 2010)
David Allvey	Senior Independent Non-Executive Director
Edward Astle	Non-Executive Director (appointed 1 September 2009)
Gavin Darby	Non-Executive Director (appointed 1 September 2009)
Christopher Knight	Non-Executive Director
Debra Rade	Non-Executive Director

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

- Edward Astle and Gavin Darby have been appointed since the last AGM and therefore will offer themselves for election at the forthcoming AGM.
- David Allvey, having not been re-appointed at either of the previous two AGMs, retires by rotation and, being eligible, offers himself for re-election at the forthcoming AGM.
- Bill Spencer retires on 31 March 2010.

Short biographies of all the Directors are set out on page 43.

Directors' powers

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 Companies Act 2006 and the Company's Articles of Association as amended at the previous AGM on 15 May 2009 and which came into force on 1 October 2009. 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

Richard Nelson who resigned on 1 September 2009 occasionally undertook special project work for the Group, although none was performed in 2009 or 2008. Details of these service arrangements are disclosed in the Remuneration Report on page 59. With this exception, other than employment contracts, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' service contracts and the Directors' interests in the shares and options of the Company in respect of which transactions are notifiable to the Company under the Disclosure and Transparency Rule 3.1.2 are disclosed in the Remuneration Report on pages 58 and 64 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 2009 for the benefit of the Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

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 20 to the financial statements.

Rights and obligations attaching to shares

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. 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.

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 2009, 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. This authority was not exercised during the year. It is the Directors intention to renew this authority in line with guidance issued by the Association of British Insurers. The resolution is set out in the Notice of AGM accompanying this Annual Report.

Also at the AGM in 2009, 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 Companies Act 2006. It is intended that this authority be renewed, up to 5%, at the forthcoming AGM.

Purchase of own shares

At the AGM held in 2009, shareholders generally and unconditionally authorised the Company to buy back up to 10% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. No such purchases have been made to date pursuant to this authority. The Directors will seek to renew this authority for up to 10% of the Company's issued share capital at the forthcoming AGM. This power will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and accordingly that the purchase is in the interests of shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position. Any shares purchased in this way may be held in treasury which, the Directors believe, will provide the Company with flexibility in the management of its share capital. Where treasury shares are used to satisfy share options or awards, they will be classed as new issue shares for the purpose of the 10% limit on the number of shares that may be issued over a ten-year period under our relevant share plan rules.

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 Parent 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 that are appropriate to the businesses they manage. Further details are given in our Corporate Social Responsibility Report on page 35.

Substantial shareholdings

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 Financial Services Authority Disclosure and Transparency Rule 5:

- Lone Pine Capital LLC & Stephen F Mandel Jr gave notice on 3 February 2010 that they had an indirect interest on 1 February 2010 in 15,354,614 Intertek Group plc ordinary shares, representing 9.67% of the ordinary shares in issue at that date.
- Legal and General Group plc gave notice on 19 November 2009 that it 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.
- Eminence Capital, LLC & Ricky C Sandler gave notice on 19 October 2009 that they had an indirect interest on 19 October 2009 in 6,110,000 Intertek Group plc ordinary shares, representing 3.85% of the ordinary shares in issue at that date.

Charitable and political donations

During 2009, the Group made charitable donations of £107,000 (2008: £108,000), to a wide variety of charities, including support to employees in the Philippines and Vietnam affected by natural disasters.

At the AGM in 2009 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 Companies Act 2006) not exceeding £90,000. During the year the Group did not make any political donations (2008: £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 Companies Act 2006). Further details of this are 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 Companies Act 2006.

Statement of Directors' Responsibilities

Annual General Meeting

The Notice convening the AGM, to be held on Friday 14 May 2010, is available for download from the Company's corporate website at www.intertek.com. 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 Directors' responsibilities in respect of the Annual Report and the financial statements

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

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

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 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.

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

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

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

We confirm that to the best of our 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.

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.

This Directors' Report comprising pages 8 to 68 has been approved by the Board and signed on its behalf by:

Wolfhart Hauser
Director

8 March 2010
Registered Office
25 Savile Row
London
W1S 2ES
Registered Number: 4267576

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Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Revenue		**1,237.3**	1,003.5
Cost of sales		**(965.4)**	(792.6)
Gross profit		**271.9**	210.9
Administrative expenses		**(85.2)**	(63.0)
Group operating profit	3	**186.7**	147.9
Analysis of Group operating profit			
Adjusted Group operating profit		**209.0**	164.7
Amortisation of acquisition intangibles*	11	**(12.8)**	(9.6)
Impairment of goodwill*	11	**–**	(0.5)
Non-recurring costs*	4	**(9.5)**	(6.7)
Group operating profit	3	**186.7**	147.9
Finance income	7	**7.7**	13.1
Finance expense	7	**(25.2)**	(22.6)
Net financing costs		**(17.5)**	(9.5)
Share of profit of associates	12	**–**	0.2
Profit before income tax		**169.2**	138.6
Income tax expense	8	**(45.5)**	(36.4)
Profit for the year		**123.7**	102.2
Attributable to:			
Equity holders of the Company		**114.7**	93.8
Minority interest	21	**9.0**	8.4
Profit for the year		**123.7**	102.2
Earnings per share			
Basic	9	**72.4p**	59.5p
Diluted	9	**71.2p**	58.9p

*included in administrative expenses

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Profit for the year		**123.7**	102.2
Other comprehensive income			
Foreign exchange translation differences of foreign operations	7	**(35.4)**	138.4
Net exchange gain/(loss) on hedges of net investments in foreign operations	7	**27.2**	(110.9)
Effective portion of changes in fair value of cash flow hedges	7	**1.3**	(3.7)
Net change in fair value of cash flow hedges transferred to profit or loss	7	**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	23	**(2.5)**	(12.3)
Income tax recognised in other comprehensive income	8	**(1.2)**	0.1
Total other comprehensive income for the year		**(10.4)**	11.6
Total comprehensive income for the year		**113.3**	113.8
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**104.9**	101.9
Minority interest	21	**8.4**	11.9
Total comprehensive income for the year		**113.3**	113.8

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 £m	2008 £m
Assets			
Property, plant and equipment	10	220.9	234.8
Goodwill	11	257.8	242.1
Other intangible assets	11	46.9	55.2
Investments in associates	12	0.2	1.3
Other investments	13	–	4.4
Deferred tax assets	14	22.6	15.7
Total non-current assets		548.4	553.5
Inventories	15	7.6	8.2
Trade and other receivables	16	265.9	284.4
Cash and cash equivalents		134.2	113.3
Total current assets		407.7	405.9
Total assets		956.1	959.4
Liabilities			
Interest bearing loans and borrowings	17	(8.2)	(14.0)
Derivative financial instruments	26	(3.0)	(4.5)
Current taxes payable		(29.2)	(36.3)
Trade and other payables	18	(186.9)	(184.4)
Provisions	19	(30.3)	(26.4)
Total current liabilities		(257.6)	(265.6)
Interest bearing loans and borrowings	17	(327.4)	(407.6)
Deferred tax liabilities	14	(7.5)	(6.4)
Net pension liabilities	23	(19.5)	(18.5)
Other payables	18	(3.6)	(3.4)
Provisions	19	(1.2)	(0.2)
Total non-current liabilities		(359.2)	(436.1)
Total liabilities		(616.8)	(701.7)
Net assets		339.3	257.7
Equity			
Share capital	20	1.6	1.6
Share premium		253.5	249.9
Other reserves		25.9	32.0
Retained earnings		40.3	(41.8)
Total equity attributable to equity holders of the Company		321.3	241.7
Minority interest	21	18.0	16.0
Total equity		339.3	257.7

The financial statements on pages 70 to 118 were approved by the Board on 8 March 2010 and were signed on its behalf by:

Wolfhart Hauser
Director

Bill Spencer
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Notes	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Fair value reserve £m	Other £m	Retained earnings* £m	Total before minority interest £m	Minority interest £m	Total equity £m
		Attributable to equity holders of the Company									
				Other reserves							
At 1 January 2008		1.6	247.3	6.1	(0.8)	–	6.4	(96.4)	164.2	11.6	175.8
Total comprehensive income for the year											
Profit		–	–	–	–	–	–	93.8	93.8	8.4	102.2
Other comprehensive income		–	–	24.0	(3.7)	–	–	(12.2)	8.1	3.5	11.6
Total comprehensive income for the year		–	–	24.0	(3.7)	–	–	81.6	101.9	11.9	113.8
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners:											
Dividends paid	20/21	–	–	–	–	–	–	(30.4)	(30.4)	(6.1)	(36.5)
Issue of shares	20	–	2.6	–	–	–	–	–	2.6	–	2.6
Equity-settled transactions	25	–	–	–	–	–	–	3.3	3.3	–	3.3
Income tax on equity-settled transactions	8	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Total contributions by and distributions to owners		–	2.6	–	–	–	–	(27.2)	(24.6)	(6.1)	(30.7)
Changes in ownership interests in subsidiaries:											
Additions to minority interest	21	–	–	–	–	–	–	–	–	0.7	0.7
Purchase of minority interest	21	–	–	–	–	–	–	0.2	0.2	(2.1)	(1.9)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	0.2	0.2	(1.4)	(1.2)
Total transactions with owners		–	2.6	–	–	–	–	(27.0)	(24.4)	(7.5)	(31.9)
At 31 December 2008		1.6	249.9	30.1	(4.5)	–	6.4	(41.8)	241.7	16.0	257.7
At 1 January 2009		**1.6**	**249.9**	**30.1**	**(4.5)**	**–**	**6.4**	**(41.8)**	**241.7**	**16.0**	**257.7**
Total comprehensive income for the year											
Profit		–	–	–	–	–	–	114.7	114.7	9.0	123.7
Other comprehensive income		–	–	(7.6)	1.5	–	–	(3.7)	(9.8)	(0.6)	(10.4)
Total comprehensive income for the year		**–**	**–**	**(7.6)**	**1.5**	**–**	**–**	**111.0**	**104.9**	**8.4**	**113.3**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners:											
Dividends paid	20/21	–	–	–	–	–	–	(34.7)	(34.7)	(6.3)	(41.0)
Issue of shares	20	–	3.6	–	–	–	–	–	3.6	–	3.6
Equity-settled transactions	25	–	–	–	–	–	–	4.9	4.9	–	4.9
Income tax on equity-settled transactions	8	–	–	–	–	–	–	1.4	1.4	–	1.4
Total contributions by and distributions to owners		–	3.6	–	–	–	–	(28.4)	(24.8)	(6.3)	(31.1)
Changes in ownership interests in subsidiaries:											
Purchase of minority interest	21	–	–	–	–	–	–	(0.5)	(0.5)	(0.1)	(0.6)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	(0.5)	(0.5)	(0.1)	(0.6)
Total transactions with owners		**–**	**3.6**	**–**	**–**	**–**	**–**	**(28.9)**	**(25.3)**	**(6.4)**	**(31.7)**
At 31 December 2009		**1.6**	**253.5**	**22.5**	**(3.0)**	**–**	**6.4**	**40.3**	**321.3**	**18.0**	**339.3**

*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 2009

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Profit for the year	3	123.7	102.2
Adjustments for:			
Depreciation charge	10	47.4	36.6
Amortisation of software	11	4.0	2.9
Amortisation of acquisition intangibles	11	12.8	9.6
Impairment of goodwill	11	–	0.5
Equity-settled transactions	25	4.9	3.3
Share of profit of associates	12	–	(0.2)
Net financing costs	7	17.5	9.5
Income tax expense	8	45.5	36.4
Loss on disposal of property, fixtures, fittings, equipment and software	5	0.4	0.6
Operating profit before changes in working capital and operating provisions		256.2	201.4
Change in inventories		0.3	(1.1)
Change in trade and other receivables		8.9	(20.1)
Change in trade and other payables		9.8	11.4
Change in provisions		5.2	5.4
Special contributions into pension schemes	23	(2.0)	(3.0)
Cash generated from operations		278.4	194.0
Interest and other finance expense paid		(16.1)	(16.5)
Income taxes paid		(59.6)	(36.6)
Net cash flows generated from operating activities		202.7	140.9
Cash flows from investing activities			
Proceeds from sale of property, fixtures, fittings, equipment and software		0.3	0.4
Interest received		1.0	1.5
Acquisition of subsidiaries, net of cash acquired	24	(23.9)	(67.8)
Consideration paid in respect of prior year acquisitions	19	(10.2)	(16.7)
Purchase of minority interests	21	(0.6)	(1.9)
Sale/(purchase) of a listed investment	13	5.7	(4.4)
Sale/(purchase) of an associate	12	0.9	(0.1)
Acquisition of property, fixtures, fittings and equipment	10	(45.7)	(63.9)
Acquisition of software	11	(7.1)	(3.7)
Net cash flows used in investing activities		(79.6)	(156.6)
Cash flows from financing activities			
Proceeds from the issue of share capital	20	3.6	2.6
Issue of shares by subsidiary undertaking to minority		–	0.5
Drawdown of borrowings		191.8	177.9
Repayment of borrowings		(250.5)	(98.4)
Dividends paid to minorities	21	(6.3)	(6.1)
Equity dividends paid	20	(34.7)	(30.4)
Net cash flows (used in)/from financing activities		(96.1)	46.1
Net increase in cash and cash equivalents	27	27.0	30.4
Cash and cash equivalents at 1 January	27	113.3	58.6
Effect of exchange rate fluctuations on cash held	27	(6.1)	24.3
Cash and cash equivalents at 31 December	27	134.2	113.3

The notes on pages 75 to 118 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 2009 consolidate those of the Company and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

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

2 Significant accounting policies

(a) 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 119 to 122.

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 £100,000.

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 8 – Operating Segments

(ii) IAS 23 (Revised) – Borrowing Costs

(iii) IAS 1 (Revised) – Presentation of Financial Statements

(iv) Improvements to International Financial Reporting Standards 2008

i) Operating Segments – As of 1 January 2009, the Group determines and presents operating segments based on the information that is internally presented to the Board of Directors, who in their entirety are the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segmental Reporting. Comparative segmental information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

ii) Borrowing Costs – In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, 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. Previously the Group immediately recognised all borrowing costs as an expense. The change in accounting policy was due to the adoption of IAS 23 Borrowing Costs (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy has had no material effect on earnings per share.

iii) Presentation of Financial Statements – The Group applies revised IAS 1 Presentation of Financial Statements (2007) which became effective as of 1 January 2009. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in two separate statements, the consolidated income statement displaying components of profit and loss and a consolidated statement of comprehensive income displaying components of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

iv) Improvements to International Financial Reporting Standards – There have been no impact on the financial statements from the application of these improvements.

Notes to the financial statements

2 Significant accounting policies (continued)

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- IFRS 3 (Revised) – Business combinations (effective for annual periods on or after 1 July 2009, endorsed by the EU in June 2009)
- IAS 27 (Revised) – Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009, endorsed by the EU in June 2009)
- Amendments to IFRS 7 – Improving disclosures about financial instruments (effective for annual periods on or after 1 January 2009, endorsed by the EU in November 2009)
- Amendments to IAS 39 and IFRIC 9 – Embedded Derivatives (effective for annual periods on or after 30 June 2009, endorsed by the EU in November 2009)
- Amendments to IFRS 2 – Group cash-settled share-based payment transactions (effective for annual periods on or after 1 January 2010, not yet endorsed by the EU)
- Improvements to International Financial Reporting Standards 2009 (effective for annual periods on or after 1 July 2009, not yet endorsed by the EU)

The adoption of these standards and interpretations in future periods is not expected to have a material impact on the income, expenses, assets and liabilities of the Group, except as listed below:

IFRS 3 (Revised) – Although the Group has not early adopted IFRS 3 (Revised), acquisition-related costs have been incurred prior to the adoption of this standard in relation to acquisitions that will be accounted for in accordance with IFRS 3 (Revised). The Group has chosen to expense these acquisition-related costs as incurred, see note 4. Notwithstanding that IFRS 3 (Revised) is not yet effective, it is expected to be effective at the time that the related business combinations are expected to occur.

Under the new accounting policy, as mentioned above, transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred. The change in accounting policy may have an impact on earnings per share.

IAS 27 (Revised) – Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised on these transactions. The change in accounting policy will not have a significant impact on earnings per share.

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 considered the expiry of its sterling denominated multi-currency bank debt in December 2011. As a result of these reviews the Board remains satisfied with the Group's funding and liquidity position. The Board believes that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. In addition, on the basis of its forecasts, both base case and stressed, and available facilities, which are described in note 17, 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 14 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the primary statements and note 17 to the financial statements. In addition note 26 to the financial statements includes the Group's financial risk management objectives; 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 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 balance sheet date, that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Non-recurring costs

These are items which, in management's judgement, need to be disclosed by virtue of their size or incident in order for the user to obtain a proper understanding of the financial information. The determination of which items are separately disclosed as non-recurring costs requires a significant degree of judgement, see note 4.

2 Significant accounting policies (continued)

Income tax

The actual tax on profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements, 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 14.

Intangible assets

When the Group makes an acquisition, management reviews 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 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 19.

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 24.

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 19.

Employee post-retirement benefit obligations

The Group has three principal defined pension benefit plans. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions, see note 23.

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 26.

(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 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 minority 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 minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of acquisition of the minority interests, is reflected directly in the shareholders' equity.

Notes to the financial statements

2 Significant accounting policies (continued)

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has a legal or constructive obligation or has made payments on behalf of an associate. The Group does not consider the associates to be an integral part of the Group's operations and therefore its results are presented outside of the Group operating profit.

Transactions eliminated on consolidation

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

(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 09**	31 Dec 08	**2009**	2008
US dollar	**1.60**	1.46	**1.56**	1.87
Euro	**1.11**	1.02	**1.12**	1.26
Chinese renminbi	**10.90**	9.95	**10.63**	13.03
Hong Kong dollar	**12.38**	11.28	**12.06**	14.59

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.

2 Significant accounting policies (continued)

Non-derivative financial liabilities

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

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 balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the difference between the quoted forward price and the exercise price of the contract.

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.

Notes to the financial statements

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 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 on the Group's balance sheet.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

Freehold buildings and long leasehold 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 purchase method. Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost less any accumulated impairment losses (see accounting policy (i)). Goodwill is allocated to cash generating units (CGUs) and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investments in associates.

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

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

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

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

Other intangible assets

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

2 Significant accounting policies (continued)

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

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

(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.

Notes to the financial statements

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 ESOT trust

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

(k) Provisions

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

(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 balance sheet date.

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

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

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

(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

From 1 January 2009, 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. Prior to 1 January 2009, Government Services was reported as a separate division. This division was restructured in 2008 and from 1 January 2009 was incorporated into the Oil, Chemical & Agri division. Following the restructuring, a small number of companies have changed division to ensure a good strategic fit. Segmental information previously reported for periods prior to 1 January 2009 has been restated to show a like-for-like comparison.

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.

Notes to the financial statements

3 Operating segments (continued)

Year ended 31 December 2009

	Revenue from external customers £m	Inter-segment revenue £m	Total revenue £m	Adjusted operating profit £m	Amortisation of acquisition intangibles £m	Non-recurring costs £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	(0.8)	(6.3)	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**	**(12.8)**	**(6.3)**	**189.9**
Unallocated non-recurring costs							(3.2)
Group operating profit							**186.7**
Net financing costs							(17.5)
Profit before income tax							**169.2**
Income tax expense							(45.5)
Profit for the year							**123.7**

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
Central	9.9	14.7	0.4	4.4
Total allocated	**797.2**	**204.9**	**51.4**	**52.8**
Investments	–	–	–	–
Unallocated	158.9	411.9	–	–
Total	**956.1**	**616.8**	**51.4**	**52.8**

Year ended 31 December 2008

	Revenue from external customers £m	Inter-segment revenue £m	Total revenue £m	Adjusted operating profit £m	Amortisation of acquisition intangibles £m	Impairment of goodwill £m	Non-recurring costs £m	Operating profit £m
Consumer Goods	242.5	0.5	243.0	75.1	(1.0)	–	–	74.1
Commercial & Electrical	203.5	2.6	206.1	29.2	(1.5)	(0.5)	–	27.2
Oil, Chemical & Agri*	348.6	7.3	355.9	39.3	(0.6)	–	(6.7)	32.0
Analytical Services	119.5	–	119.5	13.2	(3.9)	–	–	9.3
Industrial Services	45.6	1.8	47.4	2.8	(1.6)	–	–	1.2
Minerals	43.8	–	43.8	5.1	(1.0)	–	–	4.1
Eliminations	–	(12.2)	(12.2)	–	–	–	–	–
Total	1,003.5	–	1,003.5	164.7	(9.6)	(0.5)	(6.7)	147.9
Net financing costs								(9.5)
Share of profit of associates								0.2
Profit before income tax								138.6
Income tax expense								(36.4)
Profit for the year								102.2

3 Operating segments (continued)

Year ended 31 December 2008

	Segment assets £m	Segment liabilities £m	Depreciation and software amortisation £m	Capital expenditure including software £m
Consumer Goods	139.2	47.3	9.3	14.3
Commercial & Electrical	198.8	47.2	8.8	16.3
Oil, Chemical & Agri*	202.4	61.5	13.6	17.0
Analytical Services	171.8	16.4	4.4	5.4
Industrial Services	33.9	4.8	0.4	0.5
Minerals	68.9	6.3	2.8	12.3
Central	6.5	8.0	0.2	1.8
Total allocated	**821.5**	**191.5**	**39.5**	**67.6**
Investments	5.7	–	–	–
Unallocated	132.2	510.2	–	–
Total	**959.4**	**701.7**	**39.5**	**67.6**

*Oil, Chemical & Agri includes Government Services which was previously reported as a separate division.

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	
	2009 £m	2008 £m	**2009 £m**	2008 £m
China (including Hong Kong)	**273.7**	210.1	**38.4**	46.4
Australia	**44.7**	41.0	**58.5**	52.8
Other	**142.3**	115.7	**38.8**	42.5
Total Asia Pacific	**460.7**	366.8	**135.7**	141.7
United States	**342.6**	272.3	**207.2**	205.4
Other	**81.4**	68.8	**13.9**	10.7
Total Americas	**424.0**	341.1	**221.1**	216.1
United Kingdom	**120.6**	108.9	**91.9**	93.3
Other	**232.0**	186.7	**76.9**	81.0
Total Europe, Middle East and Africa	**352.6**	295.6	**168.8**	174.3
Unallocated	**–**	–	**22.8**	21.4
Total	**1,237.3**	1,003.5	**548.4**	553.5

Major customers

No revenue from any individual customer exceeded 10% of total Group revenue in 2008 or 2009.

Notes to the financial statements

4 Non-recurring costs

The non-recurring costs of £9.5m in 2009 comprise acquisition costs of £2.5m and restructuring and other costs of £7.0m. Although the Group has not early adopted IFRS 3 (Revised), acquisition-related costs have been incurred prior to the adoption of this standard in relation to acquisitions that will be accounted for in accordance with IFRS 3 (Revised). The Group has chosen to expense these acquisition-related costs as incurred. Notwithstanding that IFRS 3 (Revised) is not yet effective, it is expected to be effective at the time that the related business combinations are expected to occur. The restructuring and other costs are principally related to employment costs, including redundancies, retirement costs and settlements to former employees. There are also some closure costs and asset write downs in underperforming businesses. The majority of the restructuring was in the Oil, Chemical & Agri division.

The tax impact for these costs is a tax credit of £1.6m.

The non-recurring costs of £6.7m in 2008 comprised employee redundancies and settlements, lease terminations and consultancy and legal fees. The tax impact was a tax credit of £1.2m. The costs related primarily to the integration of the Government Services division with the Oil, Chemical & Agri division, following the Group's strategic review of its operating segments.

5 Expenses and auditors' remuneration

	2009 £m	2008 £m
Included in profit for the year are the following expenses:		
Property rentals	40.4	32.7
Lease and hire charges – fixtures, fittings and equipment	8.2	6.2
Depreciation and software amortisation	51.4	39.5
Loss on disposal of property, fixtures, fittings, equipment and software	0.4	0.6

	2009 £000's	2008 £000's
Auditors' remuneration:		
Audit of these financial statements	349	313
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	1,182	1,055
Other services pursuant to such legislation – review of interim financial statements	80	79
Taxation services	172	137
Transaction advisory	397	–
Pension services	–	22
Other	137	52
Total	2,317	1,658

In addition the auditors and their associates were paid £10,000 (2008: £10,000) in respect of the audit of associated pension schemes.

6 Employees

Employee costs	2009 £m	2008 £m
Wages and salaries	477.4	383.7
Equity-settled transactions	4.9	3.3
Social security costs	47.6	37.6
Pension costs	19.8	16.3
Total employee costs	549.7	440.9

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 23 and 25 respectively.

Average number of employees by activity	2009	2008
Consumer Goods	8,843	7,895
Commercial & Electrical	3,507	3,259
Oil, Chemical & Agri	8,627	8,866
Analytical Services	1,352	1,166
Industrial Services	765	287
Minerals	1,323	1,141
Central*	163	65
Total average number for the year ended 31 December	24,580	22,679
Total actual number at 31 December	25,183	23,841

*IT staff reallocated from divisions to form part of the newly created central IT function, in addition to new staff recruited in the year.

7 Net financing costs

Recognised in income statement	2009 £m	2008 £m
Finance income		
Interest on bank balances	1.0	1.6
Dividend income on available-for-sale financial assets	0.1	–
Expected return on pension assets (note 23)	3.3	4.1
Net change in fair value of available-for-sale financial assets transferred from equity	1.1	–
Foreign exchange differences on revaluation of net monetary assets and liabilities	–	7.4
Change in fair value of financial instruments held for trading (forward exchange contracts)	2.0	–
Change in fair value of financial instruments held for trading (interest rate swaps)	0.2	–
Total finance income	7.7	13.1
Finance expense		
Interest on borrowings	16.1	13.7
Pension interest cost (note 23)	3.7	3.9
Ineffective portion of cash flow hedges	–	0.1
Foreign exchange differences on interest accruals	–	0.8
Change in fair value of financial instruments held for trading (forward exchange contracts)	–	3.5
Net change in fair value of cash flow hedge transferred from equity	0.2	–
Foreign exchange differences on revaluation of net monetary assets and liabilities	4.7	–
Facility fees and other	0.5	0.6
Total finance expense	25.2	22.6
Net financing costs	17.5	9.5

Recognised directly in other comprehensive income	2009 £m	2008 £m
Foreign currency translation differences of foreign operations	(35.4)	138.4
Net exchange gain/(loss) on hedges of net investment in foreign operations	27.2	(110.9)
Effective portion of changes in fair value of cash flow hedges	1.3	(3.7)
Net change in fair value of cash flow hedge transferred to profit or loss	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 on income and expense above recognised directly in equity	(0.4)	0.1
Finance (expense)/income recognised directly in other comprehensive income, net of tax	(7.1)	23.9
Attributable to:		
Equity holders of the Company	(6.5)	20.4
Minority interest	(0.6)	3.5
Finance (expense)/income recognised directly in other comprehensive income, net of tax	(7.1)	23.9
Recognised in:		
Hedging reserve	1.5	(3.7)
Translation reserve and minority interests	(8.2)	27.5
Retained earnings	(0.4)	0.1
Finance (expense)/income recognised directly in other comprehensive income, net of tax	(7.1)	23.9

Notes to the financial statements

8 Income tax expense

	2009 £m	2008 £m
UK corporation tax at 28.0% (2008: 28.5%)	(2.7)	(3.4)
Double taxation relief	(1.5)	(0.7)
UK taxation	(4.2)	(4.1)
Overseas taxation	58.6	47.8
Adjustments relating to prior year liabilities	(0.3)	(1.8)
Current tax	54.1	41.9
Deferred tax – origination and reversal of temporary differences	(8.6)	(5.5)
Total tax in income statement	**45.5**	**36.4**

Income tax recognised in other comprehensive income	2009 Before tax £m	2009 Tax expense £m	2009 Net of tax £m	2008 Before tax £m	2008 Tax credit/(expense) £m	2008 Net of tax £m
Foreign exchange translation differences of foreign operations	(35.4)	–	(35.4)	138.4	–	138.4
Net exchange gain/(loss) on hedges of net investments in foreign operations	27.2	–	27.2	(110.9)	–	(110.9)
Effective portion of changes in fair value of cash flow hedges	1.3	(0.4)	0.9	(3.7)	1.1	(2.6)
Net change in fair value of cash flow hedges transferred to profit or loss	0.2	–	0.2	–	–	–
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–
Actuarial gains and losses on defined benefit pension schemes	(2.5)	(0.8)	(3.3)	(12.3)	(1.0)	(13.3)
Total other comprehensive income for the year	**(9.2)**	**(1.2)**	**(10.4)**	**11.5**	**0.1**	**11.6**

Income tax recognised directly in equity	2009 Before tax £m	2009 Tax credit £m	2009 Net of tax £m	2008 Before tax £m	2008 Tax expense £m	2008 Net of tax £m
Equity-settled transactions	4.9	1.4	6.3	3.3	(0.1)	3.2
Total tax income/(expense) recognised directly in equity	**4.9**	**1.4**	**6.3**	**3.3**	**(0.1)**	**3.2**

Reconciliation of effective tax rate

Reconciliation of the notional tax charge at UK standard rate of corporation tax of 28.0% (2008: 28.5%).

	2009 £m	2008 £m
Profit before taxation	169.2	138.6
Notional tax charge at UK standard rate 28.0% (2008: 28.5%)	47.4	39.5
Differences in overseas tax rates	(10.6)	(2.8)
Tax on dividends	6.0	1.0
Non-deductible expenses	4.8	3.2
Tax exempt income	(0.6)	(1.6)
Losses brought forward utilised	(4.2)	(0.3)
Current year losses not recognised	1.5	1.1
Accelerated capital allowances and temporary differences not recognised	4.4	1.8
Brought forward accelerated capital allowances and temporary differences utilised	0.3	(2.1)
Recognition of previously unprovided accelerated capital allowances and temporary differences	(2.9)	(1.3)
Recognition of previously unprovided losses	(0.3)	(0.3)
Adjustments in respect of prior years	(0.3)	(1.8)
Total tax in income statement	**45.5**	**36.4**

During the year there was a current tax credit of £0.8m on equity-settled transactions (2008: credit of £0.1m) and deferred tax charge of £0.6m on pension deficit, interest rate swaps and equity-settled transactions (2008: charge of £0.1m) charged directly to equity (see note 14).

The effective tax rate was 26.9% (2008: 26.3%). The main reason for the increase in the effective tax rate was a change in the mix of profits and an increasing dividend withholding tax burden.

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 non-recurring costs. 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:

	2009 £m	2008 £m
Profit attributable to ordinary shareholders	114.7	93.8
Adjusting items:		
Amortisation of acquisition intangibles	12.8	9.6
Impairment of goodwill	–	0.5
Non-recurring costs	9.5	6.7
Adjusted earnings	137.0	110.6
Tax impact on adjusting items	(5.6)	(3.7)
Adjusted earnings after tax impact	131.4	106.9
Number of shares (millions)		
Basic weighted average number of ordinary shares	158.4	157.7
Potentially dilutive share options*	2.8	1.7
Diluted weighted average number of shares	161.2	159.4
Basic earnings per share	72.4p	59.5p
Options	(1.2)p	(0.6)p
Diluted earnings per share	71.2p	58.9p
Basic adjusted earnings per share after tax impact	83.0p	67.8p
Options	(1.5)p	(0.7)p
Diluted adjusted earnings per share after tax impact	81.5p	67.1p

*The weighted average number of shares used in the calculation of the diluted earnings per share for the year to 31 December 2009, excludes nil (2008: 780,343) contingently issuable shares as the performance conditions were not met.

Notes to the financial statements

10 Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 January 2008	27.1	249.2	276.3
Exchange adjustments	10.1	92.1	102.2
Additions	2.1	61.8	63.9
Disposals	–	(5.7)	(5.7)
Businesses acquired (note 24)	4.2	5.7	9.9
At 31 December 2008	43.5	403.1	446.6
Depreciation			
At 1 January 2008	3.9	123.2	127.1
Exchange adjustments	1.4	51.6	53.0
Charge for the year	0.8	35.8	36.6
Disposals	–	(4.9)	(4.9)
At 31 December 2008	6.1	205.7	211.8
Net book value at 31 December 2008	37.4	197.4	234.8
Net book value at 1 January 2008	23.2	126.0	149.2
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 24)	–	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**

Fixtures, fittings and equipment includes assets in the course of construction of £7.0m at 31 December 2009, (2008: £7.8m), comprising mainly 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 (2008: £nil).

The net book value of land and buildings comprised:

	2009 £m	2008 £m
Freehold	**37.9**	34.1
Long leasehold	**0.1**	0.6
Short leasehold	**2.9**	2.7
Total	**40.9**	37.4

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 2008	160.3	27.9	5.1	7.6	10.5	51.1
Exchange adjustments	43.3	10.2	0.7	2.1	5.9	18.9
Additions	–	–	–	–	3.7	3.7
Disposals	–	–	–	–	(0.2)	(0.2)
Businesses acquired (note 24)	53.4	9.9	2.9	5.7	–	18.5
At 31 December 2008	257.0	48.0	8.7	15.4	19.9	92.0
Amortisation and impairment losses						
At 1 January 2008	11.9	6.0	1.5	4.8	3.8	16.1
Exchange adjustments	2.5	3.1	0.3	1.4	3.4	8.2
Charge for the year	–	5.7	1.1	2.8	2.9	12.5
Impairment charge	0.5	–	–	–	–	–
At 31 December 2008	14.9	14.8	2.9	9.0	10.1	36.8
Net book value at 31 December 2008	242.1	33.2	5.8	6.4	9.8	55.2
Net book value at 1 January 2008	148.4	21.9	3.6	2.8	6.7	35.0
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 24)	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
Disposals	–	–	–	–	(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**

The other acquisition intangibles of £4.2m (2008: £6.4m) consist of covenants not to compete of £1.3m (2008: £2.1m), know-how of £2.3m (2008: £3.2m) and guaranteed income of £0.6m (2008: £1.1m). The average remaining amortisation period for customer relationships is 3.3 years (2008: 4.1 years).

Computer software net book value of £12.0m at 31 December 2009 (2008: £9.8m) includes software in construction of £5.8m (2008: £2.2m). Borrowing costs capitalised within software in the course of construction is £nil (2008: £0.1m).

Notes to the financial statements

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:

	2009 £m	2008 £m
Consumer Goods	1.2	13.6
Commercial & Electrical	2.6	13.0
Oil, Chemical & Agri	–	0.5
Analytical Services	–	8.0
Industrial Services	20.4	10.7
Minerals	0.2	7.6
Total goodwill	24.4	53.4

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

	2009 £m	2008 £m
Consumer Goods	23.5	23.3
Commercial & Electrical	57.6	59.8
Oil, Chemical & Agri	23.4	24.4
Analytical Services	81.8	86.0
Industrial Services	34.4	16.2
Minerals	37.1	32.4
Total goodwill net book value at 31 December*	257.8	242.1

*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.

Cash generating units

At 31 December 2008, the carrying amount of goodwill was £242.1m allocated across 45 cash generating units (CGUs). Each acquired legal entity was treated as a separate CGU unless it was subsumed into an existing Intertek legal entity.

As a result of the "Intertek as One" internal Group-wide initiative, various levels of restructuring occurred during 2008 and 2009 which have been noted below. Intertek as One was designed to facilitate greater cohesion and integration within the Group, to encourage significant cross-selling and to share common clients amongst operating units and globally. The restructuring was considered as part of the annual goodwill impairment test which included a re-assessment of not only the constitution of the CGUs but also the allocation of goodwill across those CGUs and operating segments (as required under the newly adopted standard, IFRS 8 – Operating Segments).

- From 1 January 2008, the Group was restructured into seven operating divisions (previously four): Consumer Goods, Commercial & Electrical, Oil, Chemical & Agri, Government Services, Analytical Services, Industrial Services and Minerals.
- The Government Services division was restructured at the end of 2008, being integrated into Oil, Chemical & Agri, such that the Group operated in six divisions effective 1 January 2009.
- Effective 1 January 2009, the management reporting structure was reorganised such that management was more unified on a regional and country basis, and senior management was responsible for divisional results globally. The internal reporting systems were also changed to support the new reporting structure. Previously, lines of responsibilities and ultimately decision-making were held at a more local level whereas in 2009, lines of responsibilities and decision-making were held at a global divisional level.

The impact of the above restructuring has led to greater global operational control across divisions, improved management of global customer accounts, and more effective integration of acquired businesses into existing Intertek operations (which previously had more local, independent control over decision-making).

The above review has led to a change in the composition of the CGUs and also to a change in the level at which management monitors goodwill. There are now eight CGUs which generate cash inflows which are largely independent of other CGUs and to which goodwill has been allocated.

11 Goodwill and other intangible assets (continued)

Impairment Review

The following table shows how the total Group goodwill of £257.8m (2008: £242.1m) is split into eight CGUs.

Cash generating units (CGUs)	2009 £m	2008 £m
Consumer Goods	23.5	23.3
Commercial & Electrical	57.6	59.8
Oil, Chemical & Agri	23.4	24.4
Analytical Services – Materials & Pharmaceutical Testing	57.5	62.2
Analytical Services – Upstream	24.3	23.8
Industrial Services – Systems Certification	3.2	3.3
Industrial Services – Technical Services	31.2	12.9
Minerals	37.1	32.4
Total goodwill net book value at 31 December	**257.8**	242.1

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% and 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 2010 revenue figures for each CGU are based on the 2010 approved budget. For the years 2011 to 2014, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience and the GDP growth prospects. The average growth rates ranged from 3.5% to 8.4% (2008: 5%). In all cases it is considered the assumed growth rates are conservative.

The other key driver of the operating cash flow is operating margin. The assumed weighted average operating margin growth rates, which are considered conservative, ranged from a decline of 3.2% to a growth of 5% (2008: 5%) 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 10.6% to 14.5% (2008: 10.9%).

Sensitivity Analysis

There are no reasonable possible changes in the key assumptions that would cause the carrying amount of each CGU to exceed its recoverable amount. Management has also considered the effect of the following extreme scenarios which management considers the likelihood of any or all occuring is low.

(i) Assuming revenues decline each year by 1% in 2011 to 2014 from the 2010 budgeted revenues, with margins increasing with base assumptions, all CGUs continue to show sufficiency of headroom with the exception of Minerals which shows a deficit of £6.8m.

(ii) Assuming 0% growth in operating margins in 2011 to 2014, with revenues increasing per base assumptions, all CGUs continue to show positive headroom.

(iii) Assuming an increase in the discount rate of 1%, all CGUs continue to show positive headroom.

For Minerals, currently, the price of commodities such as gold, uranium and other strategic metals remains high and this should continue to encourage exploration by the mining companies. Intertek has the expertise and capacity to take advantage of an upturn in activity. The Minerals division has reduced costs in 2009 and will concentrate on improving margins in those areas which are underperforming. In view of this, management believe that on the basis of reasonable assumptions used in the impairment review, there is no impairment in the Minerals CGU.

Notes to the financial statements

11 Goodwill and other intangible assets (continued)

In 2008, an impairment charge of £0.5m was recognised within administrative expenses in the Commercial & Electrical division in respect of the goodwill of Intertek Testing and Certification Limited. This was necessitated by lower than expected trading results. The goodwill impairment was based on a calculation of the recoverable amount based on value-in-use, using projected cash flows for this business, discounted by a pre-tax rate of 10.9%. The charge of £0.5m represented the shortfall of the recoverable amount to the carrying value. The carrying amount of goodwill after the impairment was £5.5m.

There are no intangible assets with indefinite lives.

12 Investment in associates

	2009 £m	2008 £m
Cost		
At 1 January	1.1	0.6
Additions	–	0.1
Disposals	(0.8)	–
Exchange adjustments	(0.2)	0.4
At 31 December	0.1	1.1
Share of post-acquisition reserves		
At 1 January	0.2	–
Share of profit for the year	–	0.2
Disposals	(0.1)	–
Exchange adjustments	–	–
At 31 December	0.1	0.2
Net book value at 31 December	0.2	1.3

On 28 October 2009, the Group disposed of its 40% interest in Allium LLC, a company registered in the USA. The Group's interest in Allium LLC of £0.9m was sold for a consideration of £0.9m. The loss on sale, adjusted for exchange, was £nil.

The net book value at 31 December 2009 was wholly comprised of a 49% interest in Euro Mechanical Instrument Services LLC, Abu Dhabi.

Summary financial information on associates (100% basis) as at 31 December is set out below:

	Assets* £m	Liabilities £m	Equity £m	Revenues £m	Profit/(loss) £m
2009	0.5	0.1	0.4	0.5	–
2008	14.5	13.1	1.4	23.1	0.4

*Excluding goodwill and intangibles of £nil (2008: £2.5m).

13 Other investments

	2009 £m	2008 £m
Available-for-sale financial assets	–	4.4

The Group's equity investment, listed on the Australian Securities Exchange, was sold on a piecemeal basis during the year for £5.7m. The profit on disposal of the investment was £nil, after an exchange adjustment of £0.2m was realised in the year. The net change in fair value recycled from reserves was £1.1m, see note 7.

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m	Net 2009 £m	Net 2008 £m
Intangible assets	–	–	(8.7)	(10.3)	(8.7)	(10.3)
Property, fixtures, fittings and equipment	2.6	1.5	(1.8)	(2.2)	0.8	(0.7)
Pensions	0.4	1.2	(0.1)	–	0.3	1.2
Equity-settled transactions	3.2	1.7	–	–	3.2	1.7
Interest rate swaps	0.9	1.3	–	–	0.9	1.3
Provisions and other temporary differences	16.4	14.6	(0.3)	(0.1)	16.1	14.5
Tax value of losses	2.5	1.6	–	–	2.5	1.6
Set-off of tax	(3.4)	(6.2)	3.4	6.2	–	–
Total	22.6	15.7	(7.5)	(6.4)	15.1	9.3

14 Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	2009 £m	2008 £m
Deductible temporary differences	4.8	2.4
Pensions	4.7	4.2
Tax losses	18.1	30.6
Property, fixtures, fittings and equipment	3.4	8.6
Equity-settled transactions	0.9	–
Total	31.9	45.8

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 £11.7m (2008: £9.7m) 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.

	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.

	1 January 2008 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity* £m	31 December 2008 £m
Intangible assets	(2.5)	(2.5)	(3.0)	(2.3)	–	(10.3)
Property, fixtures, fittings and equipment	(2.1)	–	(0.5)	1.9	–	(0.7)
Pensions	2.1	–	–	0.1	(1.0)	1.2
Equity-settled transactions	1.9	–	–	–	(0.2)	1.7
Interest rate swaps	0.2	–	–	–	1.1	1.3
Provisions and other temporary differences	6.6	3.0	0.1	4.8	–	14.5
Tax value of losses	0.4	0.1	0.1	1.0	–	1.6
Total	6.6	0.6	(3.3)	5.5	(0.1)	9.3

*See note 8.

15 Inventories

	2009 £m	2008 £m
Raw materials and consumables	6.3	6.6
Work in progress	0.7	1.1
Finished goods	0.6	0.5
Total inventories	7.6	8.2

The amount of inventory recognised as an expense in 2009 was £10.2m (2008: £6.9m). All inventories are expected to be recovered within 12 months. The amount of inventory written off in 2009 was £nil (2008: £nil).

Notes to the financial statements

16 Trade and other receivables

	2009 £m	2008 £m
Trade receivables	**203.7**	219.4
Other receivables	**25.3**	27.0
Prepayments and accrued income	**36.9**	38.0
Total trade and other receivables	**265.9**	284.4

Trade receivables are shown net of an allowance for impairment losses of £9.9m (2008: £10.0m) and are all expected to be recovered within 12 months. Impairment on trade receivables charged as part of costs of sales was £6.2m (2008: £4.4m).

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 which are internationally dispersed.

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

17 Interest bearing loans and borrowings

	Current 2009 £m	Current 2008 £m	Non-current 2009 £m	Non-current 2008 £m
Senior term loans and notes	**8.2**	14.0	**323.7**	403.7
Other borrowings	**–**	–	**3.7**	3.9
Total borrowings	**8.2**	14.0	**327.4**	407.6

Analysis of debt	2009 £m	2008 £m
Debt falling due:		
In one year or less (senior term loans)	**8.2**	14.0
Between one and two years (senior term loans)	**198.5**	44.3
Between two and five years (senior term loans, notes and £3.4m of other borrowings)	**19.0**	222.0
Over five years (senior notes and £0.3m of other borrowings)	**109.9**	141.3
Total borrowings	**335.6**	421.6

Description of borrowings

In December 2004, the Group refinanced its existing £300.0m secured facility with a £300.0m non-secured facility. In August 2007, an additional £100.0m tranche was added making a total facility of £400.0m. In June 2008, the Group amended the facility to allow a further £120.0m to be borrowed under the same facility. Of this £120.0m, £75.0m was committed from three further banks to make a syndicate of 13 banks. The committed i.e. contractually obligated amount of debt facilities from these 13 banks was £365.1m as at 31 December 2009.

The facility was originally for five years expiring on 15 December 2009, with two one-year extension options to extend this up to a further two years. The facility was extended by a year in 2005 and by a further year in 2006. The facility now expires in December 2011.

The facility comprises four tranches. Facility A is a £14.0m multi-currency term loan, now repaid in full. Facility B is a £225.0m multi-currency revolving credit facility, available up to 15 December 2011. Facility C is a 364 day, £48.0m multi-currency revolving credit facility (original £80.0m less repayments to 31 December 2009 of £32.0m), with the option to convert this, at any time by written notice, into a term loan expiring 364 days from the date of notice. This amount has been included in debt falling due in less than one year. Facility D is a £92.1m multi-currency term loan facility (original £100.0m less repayments to 31 December 2009 of £7.9m) available up to 15 December 2011.

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 B is in the range of 0.4% to 0.6% in accordance with a leverage grid. As at 31 December 2009, the margin was 0.45%. The margin over LIBOR for facility C is in the range of 1.1% to 1.5% in accordance with a leverage grid. As at 31 December 2009, the margin was 1.2%. The margin over LIBOR for facility D is in the range of 0.3% to 0.5% in accordance with a leverage grid. As at 31 December 2009, the margin was 0.35%.

In June 2008, US$100.0m was raised by way of a senior note issue. This debt is repayable on 26 June 2015 and the interest rate is fixed at 5.54%. In December 2008, a further US$100.0m was raised by way of a second senior note issue. This debt is repayable in two tranches with US$25.0m repayable on 21 January 2014 and the interest rate is fixed at 7.50% and the second US$75.0m repayable on 10 June 2016 and the interest rate is fixed at 8.00%.

The undrawn committed borrowing facilities, which can be drawn down at any time, mature in December 2011 and amounted to £153.2m (2008: £97.8m), having taken into account £5.3m (2008: £8.9m) facility for letters of credit.

In January 2010, the Group successfully negotiated a US$60.0m bilateral, multi-currency revolving credit facility with the Bank of China, London Branch, available up to 25 January 2013.

18 Trade and other payables

	Current 2009 £m	Current 2008 £m	Non-current 2009 £m	Non-current 2008 £m
Trade payables	**54.4**	54.0	**–**	–
Other payables*	**17.0**	20.5	**3.6**	3.4
Accruals and deferred income	**115.5**	109.9	**–**	–
Total trade and other payables	**186.9**	184.4	**3.6**	3.4

*There is £0.5m (2008: £1.8m) of contingent consideration included within other payables.

The Group's exposure to liquidity risk related to trade payables is disclosed in note 26. All trade payables are expected to be paid within 12 months.

19 Provisions

	Contingent consideration £m	Claims £m	Other £m	Total £m
At 1 January 2009	11.4	11.6	3.6	26.6
Exchange adjustments	(1.2)	(0.4)	–	(1.6)
Provided in the year:	–	8.0	2.8	10.8
in respect of current year acquisitions	6.9	–	–	6.9
in respect of prior year acquisitions	4.6	–	–	4.6
Released during the year	(1.3)	(0.5)	–	(1.8)
Utilised during the year*	(8.9)	(2.9)	(2.2)	(14.0)
At 31 December 2009	**11.5**	**15.8**	**4.2**	**31.5**
Included in:				
Current liabilities	11.5	15.8	3.0	30.3
Non-current liabilities	–	–	1.2	1.2
At 31 December 2009	**11.5**	**15.8**	**4.2**	**31.5**

*In addition to the £8.9m, another £1.3m was also paid which was accrued within other payables at 31 December 2008.

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. They are expected to be settled within 12 months of the balance sheet date.

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 £15.8m (2008: £11.6m) 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 28.

The other provision of £4.2m (2008: £3.6m) comprises £2.5m (2008: £2.3m) for restructuring in the Oil, Chemical & Agri division (2008: integration of the Government services division into the Oil, Chemical & Agri division) and £1.7m (2008: £1.3m) in relation to onerous contracts.

Notes to the financial statements

20 Capital and reserves

Authorised share capital

Authorised share capital was abolished under the UK Companies Act 2006 with effect from 1 October 2009 and the necessary amendments to the Company's Articles of Association were approved by shareholders at the 2009 Annual General Meeting.

At 31 December 2008, the authorised ordinary share capital of Intertek Group plc was £2.0m divided into 200,000,000 ordinary shares of 1p each.

At 31 December 2008, the authorised zero coupon redeemable preference shares of Intertek Group plc was £105.5m divided into 105,478,482 preference shares of £1 each.

Issued shared capital Group and Company	2009 Number	2009 £m	2008 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	157,805,493	1.6	1.6
Employee share option schemes – options exercised (note 25)	569,428	–	–
Deferred Bonus Share Plan (note 25)	336,288	–	–
Ordinary shares of 1p each at end of year	158,711,209	1.6	1.6
Shares classified in shareholders' funds		1.6	1.6

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

During the year, the Company issued 569,428 ordinary shares in respect of the share options exercised, for consideration of £3.6m settled in cash and issued 336,288 shares under the Long Term Incentive Plan for £nil consideration.

Preference shareholders have the right to a return of capital on winding up but receive no priority over ordinary shareholders with respect to repayment of capital paid up and have no further rights to participate in the profits or assets of the Company.

The Employee Share Ownership Trust (ESOT) is managed and controlled by an independent offshore trustee. The total ESOT costs charged to the Group profits for 2009 were £9,700 (2008: £6,500). The ESOT did not hold any shares of the Company at 31 December 2009 (2008: nil).

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.

Other

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

Dividends

	2009 £m	2009 Pence per share	2008 £m	2008 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2007	–	–	19.2	12.2
Interim dividend for the year ended 31 December 2008	–	–	11.2	7.1
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	–	–
Dividends paid	34.7	21.9	30.4	19.3

After the balance sheet date, the Directors proposed a final dividend of 17.3p per share in respect of the year ended 31 December 2009, which is expected to amount to £27.5m. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with IAS 10: Events after the Balance Sheet Date, it has not been included as a liability in these financial statements. If approved, the final dividend will be paid to shareholders on 18 June 2010.

21 Minority interests

	2009 £m	2008 £m
At 1 January	16.0	11.6
Exchange adjustments	(0.6)	3.5
Share of profit for the year	9.0	8.4
Additions	–	0.7
Purchase of minority interests	(0.1)	(2.1)
Dividends paid to minority interests	(6.3)	(6.1)
At 31 December	**18.0**	16.0

On 12 February 2009, the Group acquired an additional 34% interest in Intertek Metering and Measurement Limited (IMML) (formerly known as Rhomax-ITS Limited) for £0.6m in cash, increasing its ownership from 66% to 100%. The total net assets of IMML on the date of acquisition was £0.4m. The Group recognised a decrease in minority interest of £0.1m and a decrease in retained earnings of £0.5m.

The purchase of minority interests of £2.1m in 2008 relates to the acquisition in November 2008 of the outstanding 15% interest in Intertek Testing Services Shenzhen Limited, a company registered in China for a cash consideration of £1.9m. The company is now a wholly owned subsidiary of the Group.

22 Commitments

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

	2009 Land and buildings £m	2009 Other £m	2009 Total £m	2008 Land and buildings £m	2008 Other £m	2008 Total £m
Within one year	32.4	5.0	37.4	29.0	5.6	34.6
In the second to fifth years inclusive	53.9	5.0	58.9	54.1	4.8	58.9
Over five years	29.3	–	29.3	31.6	–	31.6
Total	115.6	10.0	125.6	114.7	10.4	125.1

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 these accounts amounted to £6.4m (2008: £4.7m).

23 Employee benefits

Pension schemes

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are significant defined benefit schemes in the United Kingdom and one in Hong Kong. The United Kingdom schemes are the Intertek Pension Scheme and the Capcis Limited Pension and Life Assurance Scheme that came into the Group through the acquisition of the Umitek group in January 2007. These are funded schemes, with assets held in separate trustee administered funds. Other funded defined benefit schemes are not considered to be material and are therefore accounted for as if they were defined contribution schemes. The schemes in the United Kingdom and Hong Kong were closed to new entrants in 2002 and 2000, respectively.

The Group recognises any actuarial gains and losses in each year in equity through the consolidated statement of comprehensive income.

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

	2009 £m	2008 £m
Defined contribution schemes	17.8	14.4
Defined benefit schemes – current service cost	2.0	1.9
Pension cost included in operating profit (note 6)	**19.8**	16.3

(b) The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom was carried out as at 1 April 2007, but this has been updated to 31 December 2009 for IAS 19 purposes. The last full triennial actuarial valuation of the Capcis Limited Pension and Life Assurance Scheme in the UK was also carried out as at 1 April 2007 and this has been updated to 31 December 2009 for IAS 19 purposes. The last full actuarial valuation of the Hong Kong scheme was carried out as at 31 December 2008, for local accounting purposes but this has been updated to 31 December 2009 for IAS 19 purposes.

Notes to the financial statements

23 Employee benefits (continued)

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.

The amounts recognised in the balance sheet were as follows:

	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	73.0	58.6	66.6
Present value of funded defined benefit obligations	(92.5)	(77.1)	(73.9)
Net liability in the balance sheet	(19.5)	(18.5)	(7.3)

The amounts recognised in the income statement were as follows:

	2009 £m	2008 £m
Current service cost	(2.0)	(1.9)
Pension interest cost (note 7)	(3.7)	(3.9)
Expected return on scheme assets (note 7)	3.3	4.1
Total charge	(2.4)	(1.7)

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

(c) Changes in the fair value of scheme assets:

	2009 £m	2008 £m
Fair value of scheme assets at 1 January	58.6	66.6
Expected return on scheme assets	3.3	4.1
Normal contributions by the employer	2.2	1.5
Special contributions by the employer	2.0	3.0
Contributions by scheme participants	0.5	0.6
Benefits paid	(3.5)	(3.0)
Effect of exchange rate changes on overseas plan	(1.8)	3.2
Actuarial gains/(losses)	11.7	(17.4)
Fair value of scheme assets at 31 December	73.0	58.6

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

	2009 £m	2008 £m
Defined benefit obligations at 1 January	77.1	73.9
Current service cost	2.0	1.9
Interest cost	3.7	3.9
Contributions by scheme participants	0.5	0.6
Benefits paid	(3.5)	(3.0)
Effect of exchange rate changes on overseas plan	(1.5)	4.9
Actuarial losses/(gains)	14.2	(5.1)
Defined benefit obligations at 31 December	92.5	77.1

(e) Actuarial losses recognised directly in the consolidated statement of comprehensive income:

	2009 £m	2008 £m
Cumulative loss at 1 January	(13.3)	(1.0)
Recognised losses in the year	(2.5)	(12.3)
Cumulative loss at 31 December	(15.8)	(13.3)

(f) Company contributions

In 2010, the Group expects to make normal contributions of £1.0m (2009: £1.1m) to the UK pension schemes and £0.6m (2009: £1.4m) to the Hong Kong pension scheme. Additionally, in February 2010, the Group made a special contribution of £1.2m (2009: £2.0m) to the UK pension schemes.

23 Employee benefits (continued)

(g) Fair value of scheme assets in each category:

Value of £1	United Kingdom Schemes 2009	United Kingdom Schemes 2008	Hong Kong Scheme 2009	Hong Kong Scheme 2008
Equities	**71%**	68%	**68%**	59%
Bonds	**24%**	28%	**31%**	39%
Cash/other	**5%**	4%	**1%**	2%

(h) The pension deficit of each scheme at 31 December 2009 was as follows:

	The Intertek Pension Scheme £m	The Capcis Limited Pension and Life Assurance Scheme £m	Intertek Hong Kong Retirement Scheme £m	Total £m
Fair value of scheme assets	55.4	4.7	12.9	73.0
Present value of funded defined benefit obligations	(72.1)	(6.0)	(14.4)	(92.5)
Deficit in schemes	**(16.7)**	**(1.3)**	**(1.5)**	**(19.5)**

(i) Principal actuarial assumptions:

	United Kingdom Schemes 2009	United Kingdom Schemes 2008	Hong Kong Scheme 2009	Hong Kong Scheme 2008	Weighted average 2009	Weighted average 2008
Discount rate	**5.50%**	6.00%	**2.60%**	1.10%	**5.00%**	4.80%
Inflation rate	**3.70%**	3.00%	**n/a**	n/a	**3.70%**	3.00%
Rate of salary increases	**4.20%**	3.50%	**3.00%**	3.00%	**4.00%**	3.40%
Rate of pension increases	**3.60%**	2.90%	**n/a**	n/a	**3.60%**	2.90%
Annualised expected return on scheme assets	**6.83%**	5.96%	**7.90%**	7.30%	**7.02%**	6.20%

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

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

The actual return on scheme assets was as follows:

	United Kingdom Schemes 2009 £m	United Kingdom Schemes 2008 £m	Hong Kong Scheme 2009 £m	Hong Kong Scheme 2008 £m
Actual return	**10.9**	(9.5)	**4.1**	(3.8)

(j) Life expectancy assumptions at year end for:

	United Kingdom Schemes 2009	United Kingdom Schemes 2008	Hong Kong Scheme* 2009	Hong Kong Scheme* 2008
Male aged 40	**48.5**	48.4	**n/a**	n/a
Male aged 65	**22.3**	22.2	**n/a**	n/a
Female aged 40	**51.1**	51.0	**n/a**	n/a
Female aged 65	**24.7**	24.6	**n/a**	n/a

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

The table above shows the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The 2009 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 2008).

Notes to the financial statements

23 Employee benefits (continued)

(k) Sensitivity analysis

The table below sets out the sensitivity on the pension assets and liabilities as at 31 December 2009 of the two main assumptions.

Change in assumptions	Liabilities £m	Assets £m	Deficit £m	Increase/ (decrease) in deficit £m
No change	92.5	73.0	19.5	–
0.25% rise in discount rate	88.1	73.0	15.1	(4.4)
0.25% fall in discount rate	97.1	73.0	24.1	4.6
0.25% rise in inflation	95.0	73.0	22.0	2.5
0.25% fall in inflation	90.0	73.0	17.0	(2.5)

(l) History of experience gains and losses:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	**73.0**	58.6	66.6	56.4	55.0
Defined benefit obligations	**(92.5)**	(77.1)	(73.9)	(71.6)	(72.8)
Deficit	**(19.5)**	(18.5)	(7.3)	(15.2)	(17.8)
Experience (losses)/gains on scheme liabilities	**(1.8)**	0.4	1.5	1.6	(0.5)
Experience gains/(losses) on scheme assets	**11.7**	(17.4)	2.1	1.3	4.3

24 Acquisitions

The Group made three 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	0.4	–	0.4
Goodwill*	–	20.4	20.4
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**	**24.5**	**30.8**
Cash outflow (net of cash acquired)			23.9
Contingent and deferred consideration (note 19)			6.9
Total consideration			**30.8**

*Total goodwill additions per note 11 of £24.4m is made up of £20.4m in respect of 2009 acquisitions above and £4.0m in respect of the 2008 acquisitions (see note 24(f)).

24 Acquisitions (continued)

(a) WISco Enterprises LP

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
Property, plant and equipment	–	–	–
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.

(b) Aptech Engineering Services, Inc.

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.

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.

Notes to the financial statements

24 Acquisitions (continued)

(c) Other acquisitions

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.

(d) Acquisition of minority interest

On 12 February 2009, the Group acquired an additional 34% interest in Intertek Metering and Measurement Limited (IMML) (formerly known as Rhomax-ITS Limited) for £0.6m in cash, increasing its ownership from 66% to 100%. The total net assets of IMML on the date of acquisition was £0.4m. The Group recognised a decrease in minority interest of £0.1m and a decrease in retained earnings of £0.5m.

(e) Contribution of acquisitions to revenue and profits

The acquisitions made during the year contributed combined 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 attributable profit for the year ended 31 December 2009 would have been £1,247.0m and £124.0m respectively if all the acquisitions were assumed to have been made on 1 January 2009.

(f) Details of 2008 acquisitions

The Group made 14 acquisitions during 2008, 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	7.2	2.7	9.9
Goodwill*	–	56.2	56.2
Other intangible assets	–	18.5	18.5
Inventories and work in progress	1.5	(0.2)	1.3
Trade and other receivables	8.9	(0.2)	8.7
Trade and other payables*	(6.1)	(1.0)	(7.1)
Tax payable	(0.9)	(0.2)	(1.1)
Deferred tax liability	(0.3)	(3.0)	(3.3)
Net assets acquired	**10.3**	**72.8**	**83.1**
Cash outflow (net of cash acquired)			67.8
Contingent and deferred consideration*			15.3
Total consideration			**83.1**

*The 2008 reported figures have been adjusted for movements in 2009. Goodwill has been increased by £4.0m, from the previously reported figure of £52.2m to £56.2m as contingent and deferred consideration increased by £3.6m from the previously reported figure of £11.7m to £15.3m and there were £0.4m of fair value adjustments to trade and other payables increasing the previously reported figure of £6.7m to £7.1m. The £3.6m increase in consideration comprised an additional £4.6m provision offset by a £1.3m release as shown in note 19 and the remaining £0.3m increase is included in trade and other payables (note 18).

The other intangible assets of £18.5m represent the value placed on client relationships and certification marks. The fair value adjustment of £2.7m brings the property, plant and equipment to its approximate market value on acquisition. The £0.2m relates to impairment provision against inventories and the £0.2m relates to additional allowance for doubtful receivables. The £1.0m represents additional accruals and liabilities recognised on acquisition. The £0.2m represents additional tax liabilities recognised and £3.0m relates to deferred tax liability on intangibles.

(i) The largest acquisition was the purchase on 24 September 2008, of 100% of the share capital of HP White Laboratory Inc, a company incorporated in the USA, which provides ballistic resistance testing of protective equipment and which also tests ammunition and firearms. This acquisition will strengthen the service offering of Intertek's Commercial & Electrical division.

Initial cash consideration, inclusive of expenses, was £20.2m and additional contingent consideration of £1.5m was estimated to be payable at 31 December 2008. There was an increase of £2.6m to the consideration payable in 2009, of which £0.3m was included in trade and other payables. This acquisition fits within Intertek's Life Safety Services strategy by not only expanding its capability in the personal protective equipment sector but more importantly enabling it to enter the ballistic testing services market.

24 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	1.0	2.8	3.8
Goodwill	–	13.1	13.1
Other intangible assets	–	6.5	6.5
Inventories and work in progress	0.6	(0.1)	0.5
Trade and other receivables	0.6	(0.1)	0.5
Trade and other payables	(0.1)	–	(0.1)
Net assets acquired	**2.1**	**22.2**	**24.3**
Cash outflow (net of cash acquired)			20.2
Contingent consideration			4.1
Total consideration			**24.3**

The goodwill of £13.1m represents the opportunity for Intertek to establish a market leading position in ballistics testing and to become firmly established in the military and defence service sectors. The other intangible assets of £6.5m represent the value placed on client relationships, accreditations and non-compete agreements. The fair value adjustment of £2.8m arises from the revaluation of land and buildings based on a professional valuation. The fair value adjustments in respect of inventories and trade receivables represent impairment provisions against these assets.

The profit after tax for the period 1 January 2008 to 23 September 2008 was £1.1m. The profit attributable to the Group from the date of acquisition to 31 December 2008 was £0.4m.

(ii) On 9 April 2008, the Group acquired 100% of the share capital of Hi-Cad Technical Services Ltd (Hi-Cad), a company registered in the UK, which provides specialist 3D data capture and measurement services, primarily to customers in the upstream and downstream oil and petroleum industry in the UK and the US. This acquisition strengthens Intertek's Industrial Services division and the development of asset integrity management services.

Consideration paid, inclusive of expenses, was £14.0m and additional contingent consideration of £3.0m is estimated to be payable based on the future performance of Hi-Cad. Cash acquired within the business was £1.0m.

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	0.4	–	0.4
Goodwill	–	12.2	12.2
Other intangible assets	–	4.5	4.5
Inventories and work in progress	0.1	–	0.1
Trade and other receivables	3.1	–	3.1
Trade and other payables	(2.2)	(0.3)	(2.5)
Tax payable	(0.2)	–	(0.2)
Deferred tax liability	(0.3)	(1.3)	(1.6)
Net assets acquired	**0.9**	**15.1**	**16.0**
Cash outflow (net of cash acquired)			13.0
Contingent consideration			3.0
Total consideration			**16.0**

The goodwill of £12.2m represents the knowledge and expertise of the Hi-Cad workforce and the benefit that Intertek will gain from being able to offer a cohesive vendor assessment and quality inspection service to its customers globally. The other intangible assets of £4.5m represent the value placed on client relationships, know-how and an exclusive software distributorship. The fair value adjustment of £0.3m relates to additional accruals. The deferred tax liability fair value adjustment of £1.3m arises on intangibles.

The profit after tax for the period 1 January 2008 to 8 April 2008 was £0.2m. The profit attributable to the Group from the date of acquisition to 31 December 2008 was £0.9m.

Notes to the financial statements

24 Acquisitions (continued)

(iii) On 13 February 2008, the Group acquired 100% of CML Biotech Ltd (CML), a UK registered holding company for the Commercial Microbiology Group, for an initial cash consideration, inclusive of expenses, of £8.3m. Additional contingent consideration of £1.4m was estimated to be payable at 31 December 2008 based on the future performance of CML but was reduced by £0.2m in 2009. CML provides laboratory and consultancy services and sells testing kits related to the measurement and management of bacteria in the upstream oil and gas industries. This acquisition will strengthen the service offering of Intertek's Analytical Services division.

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	0.8	–	0.8
Goodwill	–	7.0	7.0
Other intangible assets	–	1.9	1.9
Inventories and work in progress	0.1	–	0.1
Trade and other receivables	1.4	–	1.4
Trade and other payables	(0.9)	–	(0.9)
Tax payable	–	(0.3)	(0.3)
Deferred tax liability	–	(0.5)	(0.5)
Net assets acquired	**1.4**	**8.1**	**9.5**
Cash outflow (net of cash acquired)			8.3
Contingent consideration			1.2
Total consideration			**9.5**

The goodwill of £7.0m represents the knowledge and expertise of the CML workforce and the benefit that Intertek will obtain from expanding the suite of expert services that the Group can deliver as a partner to the oil and gas exploration industries globally. The other intangible assets of £1.9m represent value placed on client relationships. The fair value tax adjustment of £0.3m relates to a provision for additional tax liabilities. The deferred tax liability fair value adjustment of £0.5m arises on intangibles.

The profit after tax for the period 1 January 2008 to 12 February 2008 was £0.1m. The profit attributable to the Group from the date of acquisition to 31 December 2008 was £0.4m.

(iv) On 4 April 2008, the Group acquired 100% of 4-Front Research Limited, a holding company of a group of companies registered in the UK, France and India. Cash consideration paid, inclusive of expenses, was £7.3m and cash acquired within the business was £0.9m. Additional contingent consideration of £2.3m was estimated to be payable at 31 December 2008 based on the future performance of 4-Front Research. This was increased by £1.5m in 2009. 4-Front Research provides analytical support for clinical research studies on cosmetic, personal care, functional food and over-the-counter pharmaceutical and medical products. With seven sites in England and sites in Hyderabad, India and Paris, France, 4-Front will form part of Intertek's Consumer Goods division.

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	0.5	–	0.5
Goodwill	–	8.2	8.2
Other intangible assets	–	1.7	1.7
Inventories and work in progress	0.4	–	0.4
Trade and other receivables	0.7	–	0.7
Trade and other payables	(0.5)	(0.2)	(0.7)
Tax payable	(0.1)	–	(0.1)
Deferred tax liability	–	(0.5)	(0.5)
Net assets acquired	**1.0**	**9.2**	**10.2**
Cash outflow (net of cash acquired)			6.4
Contingent consideration			3.8
Total consideration			**10.2**

24 Acquisitions (continued)

The goodwill of £8.2m represents the additional value that Intertek will gain from adding new high-value services to support its consumer healthcare customers and from having a strategic position in the developing market for consumer healthcare products in India and other Asian countries. The other intangible assets of £1.7m represent value placed on client relationships. The fair value adjustment of £0.2m relates to additional accruals. The deferred tax liability of £0.5m arises on intangibles.

The profit after tax for the period 1 January 2008 to 3 April 2008 was £0.1m. The profit attributable to the Group from the date of acquisition to 31 December 2008 was £0.3m.

(v) The other 10 acquisitions during the year were as follows:

Electrical Mechanical Instrument Services (UK) Ltd (EMIS), a UK registered company, was 100% acquired on 3 January 2008, for consideration, inclusive of expenses, of £1.2m. Cash acquired within the business was £0.4m. EMIS provides calibration services to the oil and gas industries in the UK and the Middle East.

Epsilon Technical Services Ltd, a UK registered company was 100% acquired on 5 February 2008, for initial cash consideration, inclusive of expenses, of £2.1m. No contingent consideration is expected to be payable. Epsilon provides safety and advisory services to companies with products for use in potentially explosive atmospheres.

Bioclin Research Laboratories Ltd, a company registered in the Republic of Ireland, was 100% acquired on 8 February 2008, for initial cash consideration, inclusive of expenses, of £2.8m. Cash acquired within the business was £0.4m. Additional contingent consideration of £0.6m was estimated to be payable based on Bioclin's performance in 2008. An additional £0.2m consideration became payable in 2009. Bioclin provides product quality testing and bio-analytical services to pharmaceutical, medical device and biotechnology companies, in Ireland and internationally.

The Limburg Water Board of The Netherlands outsourced all laboratory activities of Waterschapsbedrijf Limburg to Intertek with effect from 3 March 2008, for a minimum period of five years and transferred employees to Intertek. Total consideration, inclusive of expenses, was £1.6m. Intertek will provide extended analytical testing and consultancy services in the areas of environmental science, regulation and complex analysis of silt, soil and water.

100% of a company registered in the Philippines, was acquired on 2 April 2008, for cash consideration, inclusive of expenses, of £3.0m. Cash acquired within the business was £0.2m. This company operates the largest commercial assay laboratory in the Philippines and offers geophysical surveys and inspection services to the minerals industries.

Applica GmbH, a food testing company, based in Germany was 100% acquired on 15 July 2008, for an initial cash consideration, inclusive of expenses, of £3.1m and a contingent consideration of £0.6m payable in March 2009 dependent on financial performance. Cash acquired within the business was £0.3m.

Transworld Laboratories (Ghana) Limited, a company incorporated in the Republic of Ghana, was 100% acquired on 24 October 2008, for a cash consideration, inclusive of expenses, of £2.2m. The company provides analytical testing services to the minerals and exploration industry. An additional fair value adjustment of £0.4m was made in 2009 being recognition of additional accruals and liabilities.

Eko-Lab Sp. z.o.o, a company registered in Poland was 100% acquired on 27 November 2008, for an initial cash consideration, inclusive of expenses, of £2.1m and a contingent consideration of £1.4m dependent on future financial performance. The company provides testing services for the food, pharmaceutical and cosmetics industry.

The assets and the audit and inspection business of RQA, operating in the food industry in the USA, was acquired on 30 December 2008, for an initial cash consideration of £0.9m and a contingent consideration of £0.9m based on future financial performance. In 2009, after exchange adjustment, there was a reduction in consideration payable of £1.1m.

Porst & Partner GmbH, a company registered in Germany, was 100% acquired on 31 December 2008, for a cash consideration, inclusive of expenses, of £2.2m. An additional consideration of £0.6m became payable in 2009. The company provides chemical analysis of harmful substances in leather, textiles, toys and hard goods.

Notes to the financial statements

24 Acquisitions (continued)

The table below sets out the analysis of the net assets acquired and the fair value to the Group in respect of the ten acquisitions described above.

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	4.5	(0.1)	4.4
Goodwill	–	15.7	15.7
Other intangible assets	–	3.9	3.9
Inventories and work in progress	0.3	(0.1)	0.2
Trade and other receivables	3.1	(0.1)	3.0
Trade and other payables	(2.4)	(0.5)	(2.9)
Tax payable	(0.6)	0.1	(0.5)
Deferred tax liability	–	(0.7)	(0.7)
Net assets acquired	**4.9**	**18.2**	**23.1**
Cash outflow (net of cash acquired)			19.9
Contingent consideration			3.2
Total consideration			**23.1**

The other intangible assets of £3.9m represent £2.8m for the value attributable to client relationships, £0.9m for guaranteed income and £0.2m for know-how. The other significant fair value adjustment of £0.7m relates to the deferred tax liability arising on the intangibles.

The goodwill of £15.7m arises as follows:

	£m
EMIS	0.4
Epsilon	1.8
Bioclin	2.3
Waterschapsbedrijf Limburg*	–
Minerals company in the Philippines	2.0
Applica	2.1
Transworld	2.4
Eko-Lab	2.7
RQA*	–
Porst & Partner	2.0
Total	**15.7**

*No goodwill arose on these acquisitions.

The goodwill of £15.7m represents the value to the Group of acquiring presence and increasing penetration in industry sectors and countries, value of the highly skilled workforce and the economies of scale gained by integrating these businesses.

The profit after tax for the period 1 January 2008 to the respective dates of purchase for these acquisitions was £1.3m. The profit attributable to the Group from these acquisitions from their respective dates of purchase to 31 December 2008 was £0.8m.

(vi) All the acquisitions made during the year contributed revenues of £26.0m and profits of £2.8m to the Group from their respective dates of acquisition to 31 December 2008.

The Group revenue and profit for the year ended 31 December 2008 would have been £1,019.8m and £105.9m respectively if all the acquisitions were assumed to have been made on 1 January 2008.

25 Share schemes

(a) Share option schemes

The Company established a share option scheme for senior management in March 1997. The maximum number of options that can be granted under the scheme have been allocated and that scheme has been discontinued. In May 2002, the Intertek Group plc 2002 Share Option Plan (the 2002 Plan) and the Intertek Group plc 2002 Approved Share Option Plan (the Approved Plan) were established for employees to be granted 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:

	2009	2009	2008	2008
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
At beginning of year	642p	1,392,623	654p	2,026,004
Exercised	634p	(569,428)	632p	(405,884)
Forfeited	773p	(9,738)	768p	(227,497)
Outstanding options at end of year	646p	813,457	642p	1,392,623
Exercisable at end of year	646p	813,457	642p	1,392,623

The weighted average share price of the Company at the date of exercise of share options was 1,040p (2008: 971p).

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 4.7 years.

(ii) The outstanding options at 31 December 2009 are exercisable as follows:

Option Scheme	Number of options outstanding	Exercise Price per share	Exercisable between	
2002 Plan	56,495	437p	30 May 2005	30 May 2012
	51,003	359p	7 April 2006	7 April 2013
	10,231	462p	12 September 2006	12 September 2013
	178,011	523.5p	7 April 2007	7 April 2014
	6,108	607p	14 September 2007	14 September 2014
	420,606	778p	7 April 2008	7 April 2015
	5,525	711p	13 September 2008	13 September 2015
	727,979			
Approved Plan	6,371	437p	30 May 2005	30 May 2012
	1,894	380p	17 July 2005	17 July 2012
	17,484	359p	7 April 2006	7 April 2013
	262	462p	12 September 2006	12 September 2013
	23,069	523.5p	7 April 2007	7 April 2014
	1,000	607p	14 September 2007	14 September 2014
	34,548	778p	7 April 2008	7 April 2015
	850	711p	13 September 2008	13 September 2015
	85,478			
Total	**813,457**			

Notes to the financial statements

25 Share schemes (continued)

(b) Deferred Bonus Share Plan

As explained in the Remuneration Report on page 56, 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.

	2009 Deferred shares	2009 Matching shares	2009 Total shares	2008 Deferred shares	2008 Matching shares	2008 Total shares
At beginning of year	**866,571**	**535,056**	**1,401,627**	490,126	273,028	763,154
Granted	**784,098**	**513,240**	**1,297,338**	427,876	262,028	689,904
Vested	**(220,907)**	**(115,381)**	**(336,288)**	(9,400)	–	(9,400)
Forfeited	**(72,807)**	**(62,352)**	**(135,159)**	(42,031)	–	(42,031)
Outstanding share awards at end of year	**1,356,955**	**870,563**	**2,227,518**	866,571	535,056	1,401,627

Details of the share option schemes and the Deferred Bonus Share Plan are shown in the Remuneration Report on pages 56 and 57.

(c) Equity-settled transactions

In accordance with IFRS 2, the fair value of services received in return for shares and share options granted to employees, is measured by reference to the fair value of shares and share options granted. 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 2009, the Group recognised an expense of £4.9m (2008: £3.3m) in respect of outstanding share and share option awards granted from 7 November 2002 onwards.

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

	Share awards							
	Deferred shares	Matching shares	Deferred shares	Matching shares	Deferred shares	Matching shares	Deferred shares	Matching shares
Date of shares awarded	7 April 2006	7 April 2006	10 April 2007	10 April 2007	11 Mar 2008	11 Mar 2008	10 Mar 2009 & 2 April 2009	10 Mar 2009 & 2 April 2009
Fair value at measurement date (pence)	795.9	435.0	887.6	498.8	906.9	619.8	839.3	697.8
Share price (pence)	827.6	827.6	931.0	931.0	959.5	959.5	899.5	899.5
Expected volatility	n/a	21.6%	n/a	21.4%	n/a	22.8%	n/a	29.1%
Dividend yield	1.4%	1.4%	1.6%	1.6%	1.9%	1.9%	2.3%	2.3%
Risk free interest rate	n/a	4.4%	n/a	5.4%	n/a	3.9%	n/a	1.8%
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, under the Deferred Bonus Share Plan, are granted also under a performance related market condition and as a result this condition is taken into account in the fair value measurement at grant date.

26 Financial instruments

Details of the Group's treasury controls, exposures 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 page 38 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 balance sheet date was as follows:

	2009 £m	2008 £m
Available-for-sale financial assets	**–**	4.4
Trade receivables, net of allowance	**203.7**	219.4
Cash and cash equivalents	**134.2**	113.3
Total	**337.9**	337.1

26 Financial instruments (continued)

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

	2009 £m	2008 £m
Americas	73.9	77.8
Europe, Middle East and Africa	71.8	75.3
Asia Pacific	58.0	66.3
Total	203.7	219.4

(ii) Impairment losses

The ageing of trade receivables at the balance sheet date was as follows:

	2009 £m	2008 £m
Under 3 months	173.5	188.3
Between 3 and 6 months	22.7	24.6
Between 6 and 12 months	10.8	10.5
Over 12 months	6.6	6.0
Gross trade receivables	213.6	229.4
Allowance for impairment	(9.9)	(10.0)
Trade receivables, net of allowance	203.7	219.4

Included in trade receivables under three months of £173.5m (2008: £188.3m) are trade receivables of £101.1m (2008: £104.0m) 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

	2009 £m	2008 £m
At 1 January	10.0	6.4
Exchange differences	(0.6)	1.6
Cash recovered	(0.4)	(0.1)
Impairment loss recognised	6.2	4.4
Receivables written off	(5.3)	(2.3)
At 31 December	9.9	10.0

There were no significant individual impairments of trade receivables.

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

Allowance for impairment is based on the risk profile of the 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.

Notes to the financial statements

26 Financial instruments (continued)

(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 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**

Of the other borrowings of £3.7m (2008 £3.9m), £3.4m (2008: £3.6m) relates to a variable rate loan denominated in Australian dollars with a contractual maturity of November 2013 and £0.3m (2008: £0.3m) relates to a fixed rate loan of 7.49% denominated in Australian dollars with a contractual maturity of November 2027. The current variable rate on the loan is 4.6% (2008: 6.2%).

The table below provides information about the contractual maturities and interest rate profile of the Group's senior term loans at 31 December 2008.

Liabilities 2008	2009 £m	2010 £m	2011 £m	2012 £m	2013+ £m	Carrying amount £m
Floating rate (USD)	–	30.2	99.2	–	–	129.4
Average interest rate	–	*3.2%*	*3.4%*	–	–	–
Fixed rate (USD)	–	–	–	–	137.4	137.4
Average interest rate	–	–	–	–	*6.7%*	–
Floating rate (HKD)	–	14.1	22.2	–	–	36.3
Average interest rate	–	*3.2%*	*2.2%*	–	–	–
Floating rate (SEK)	–	–	16.0	–	–	16.0
Average interest rate	–	–	*2.7%*	–	–	–
Floating rate (GBP)	14.0	–	38.0	–	–	52.0
Average interest rate	*2.9%*	–	*3.3%*	–	–	–
Floating rate (EUR)	–	–	35.2	–	–	35.2
Average interest rate	–	–	*3.5%*	–	–	–
Floating rate (JPY)	–	–	11.4	–	–	11.4
Average interest rate	–	–	*1.3%*	–	–	–
Total	**14.0**	**44.3**	**222.0**	**–**	**137.4**	**417.7**

26 Financial instruments (continued)

The following are the contractual maturities of financial liabilities including interest:

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	54.4	54.4	54.4	–	–	–	–
	390.0	444.4	60.1	13.8	209.7	43.3	117.5
Derivative financial liabilities							
Interest rate swaps used 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	**393.0**	**447.4**	**61.3**	**15.0**	**210.3**	**43.3**	**117.5**

2008	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	417.7	507.6	16.0	16.0	61.9	256.6	157.1
Other loans	3.9	5.2	0.1	0.1	0.2	0.7	4.1
Trade payables	54.0	54.0	54.0	–	–	–	–
	475.6	566.8	70.1	16.1	62.1	257.3	161.2
Derivative financial liabilities							
Interest rate swaps used for hedging	4.5	5.3	1.2	1.5	1.9	0.7	–
Forward exchange contracts:							
Outflow	–	17.5	17.5	–	–	–	–
Inflow	–	(17.5)	(17.5)	–	–	–	–
	4.5	5.3	1.2	1.5	1.9	0.7	–
Total	**480.1**	**572.1**	**71.3**	**17.6**	**64.0**	**258.0**	**161.2**

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 used for hedging – 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
2009	**3.0**	**3.0**	**1.2**	**1.2**	**0.6**	**–**	**–**
2008	4.5	5.3	1.2	1.5	1.9	0.7	–

Notes to the financial statements

26 Financial instruments (continued)

(c) Interest rate risk

(i) Hedging

The Group adopts a policy of ensuring that between 33% and 67% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps denominated in various currencies and an interest rate cap have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next two years and have fixed swap rates ranging from 1.1% to 4.8%. At 31 December 2009, the Group had interest rate swaps with a notional contract amount of £88.5m (2008: £136.6m) and an interest rate cap with a notional value of £nil (2008: £19.6m).

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

The net fair value of swaps at 31 December 2009, was £3.0m (2008: swaps and caps £4.5m) comprising liabilities of £3.0m (2008: £4.5m). These amounts were recognised as fair value derivatives.

Under the interest rate swap agreements, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount.

(ii) Profile

The information about the contractual maturities and interest rate profile of the Group's borrowings is shown in section (b) liquidity risk.

The interest rate profile of the Group's short-term deposits and cash at 31 December 2009 is set out below:

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	0.4%	5.2	0.7	5.9
US dollar	0.2%	31.7	3.6	35.3
Chinese renminbi	0.5%	41.5	–	41.5
Hong Kong dollar	0.1%	6.7	0.4	7.1
Euro	0.3%	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.

The interest rate profile of the Group's short-term deposits and cash at 31 December 2008 was as follows:

Assets 2008	Effective interest rates	At floating interest rates £m	Interest free £m	Total carrying amount and fair value £m
Short-term deposits and cash*:				
Sterling	1.0%	5.7	0.5	6.2
US dollar	0.3%	22.0	1.9	23.9
Chinese renminbi	1.5%	33.5	0.7	34.2
Hong Kong dollar	0.3%	4.3	0.1	4.4
Euro	1.5%	8.5	1.2	9.7
Other currencies	Various	29.4	5.5	34.9
Total cash and cash equivalents		**103.4**	**9.9**	**113.3**

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

(iii) Sensitivity

At 31 December 2009, it is estimated that a general increase of 3% in interest rates would decrease the Group's profit before tax by approximately £0.5m (2008: £2.6m). Interest rate swaps have been included in this calculation. This analysis assumes all other variables remain constant.

26 Financial instruments (continued)

(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 balance sheet date were as follows:

2009	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Euro £m	Other currencies £m
Trade receivables	**203.7**	**25.4**	**60.9**	**19.4**	**8.9**	**28.0**	**61.1**
Trade payables	**54.4**	**7.2**	**13.1**	**11.5**	**3.5**	**6.4**	**12.7**
2008							
Trade receivables	219.4	26.4	64.8	23.8	11.7	30.5	62.2
Trade payables	54.0	7.7	12.8	11.0	4.1	7.7	10.7

(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 2009, the fair value of forward exchange contracts was £nil (2008: £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 2009 was £237.9m (2008: £365.7m). A foreign exchange gain of £27.2m (2008: loss of £110.9m) 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 2009 by approximately £15.8m (2008: £10.8m). A 10% increase has been used to reflect the degree of volatility in the exchange rate in recent months. 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 2009 £m	Fair value 2009 £m	Book value 2008 £m	Fair value 2008 £m
Financial assets				
Cash and cash equivalents	**134.2**	**134.2**	113.3	113.3
Trade receivables	**203.7**	**203.7**	219.4	219.4
Available-for-sale asset	**–**	**–**	4.4	4.4
	337.9	**337.9**	337.1	337.1
Financial liabilities				
Interest bearing loans and borrowings	**335.6**	**349.8**	421.6	414.3
Interest rate swaps used for hedging	**3.0**	**3.0**	4.5	4.5
Trade payables	**54.4**	**54.4**	54.0	54.0
	393.0	**407.2**	480.1	472.8

Notes to the financial statements

26 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 2009	Level 1 £m	Level 2 £m	Level 3 £m	Total liabilities £m
Interest rate swaps used for hedging	–	(3.0)	–	(3.0)
Total	**–**	**(3.0)**	**–**	**(3.0)**

31 December 2008	Level 1 £m	Level 2 £m	Level 3 £m	Total assets/ (liabilities) £m
Available-for-sale financial asset	4.4	–	–	4.4
Interest rate swaps and caps used for hedging	–	(4.5)	–	(4.5)
Total	4.4	(4.5)	–	(0.1)

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

(i) Interest rate swaps and caps used for hedging

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

27 Analysis of net debt

	1 January 2009 £m	Cash flow £m	Exchange adjustments £m	31 December 2009 £m
Cash	113.3	27.0	(6.1)	134.2
Borrowings	(421.6)	58.7	27.3	(335.6)
Total net debt	**(308.3)**	**85.7**	**21.2**	**(201.4)**

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

28 Contingent liabilities

	2009 £m	2008 £m
Guarantees, letters of credit and performance bonds	5.8	8.9

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.

29 Related parties

Identity of related parties

The Group has a related party relationship with its associates (see note 31) and with its key management.

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

Transactions with associates

As stated in note 12, the Group holds a 49% interest in the associate Euro Mechanical Instrument Services LLC (Abu Dhabi), a company registered in the United Arab Emirates. The Group disposed of its 40% interest in the associate, Allium LLC, a company registered in the US on 28 October 2009.

Allium LLC and its subsidiaries manufacture testing equipment which it sells to certain Intertek Group companies. In 2009 up to the date of sale on 28 October, sales by Allium Group companies to Intertek Group companies amounted to £0.3m (2008: £0.6m). Intertek Group companies had lent dollar equivalent £nil to Allium LLC as at 31 December 2009 (2008: £1.9m). Interest on these loans was charged during 2009 up to the date of disposal at an average rate of 5.2% (2008: 5.6%). Intertek Group companies owed £nil at 31 December 2009 (2008: £0.1m) to Allium LLC in respect of purchases of testing equipment.

Euro Mechanical Instrument Services LLC (Abu Dhabi) provides calibration services to the oil industry. This company had no material transactions with Intertek Group companies in the year.

Transactions with key management personnel

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

	2009 £m	2008 £m
Short-term benefits	5.6	5.1
Post-employment benefits	0.3	0.3
Equity-settled transactions	1.5	1.5
Total	7.4	6.9

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.

Notes to the financial statements

30 Post balance sheet events

(a) In January 2010, the Group successfully negotiated a US$60.0m bilateral, multi-currency revolving credit facility with the Bank of China, London Branch, available up to 25 January 2013.

(b) At a Board meeting on 8 March 2010, the Directors proposed a dividend of 17.3p per ordinary share, which if approved, is payable to shareholders on 18 June 2010.

31 Principal operating subsidiaries and associated companies

The Group comprises 219 subsidiary companies and one associated company. 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 2009 and 2008 have been shown below. A full list of subsidiaries will be attached to the Company's Annual Return filed with the Registrar of Companies. All the subsidiaries were consolidated at 31 December 2009.

			Percentage of ordinary shares held in 2009 and 2008	
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 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	–
ITS Testing Holdings Canada Limited	Canada	Holding company	100	–
Intertek Testing Services Limited Shanghai	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	–
Testing Holdings Germany GmbH	Germany	Holding company	100	–
ITS Hong Kong Limited	Hong Kong	CG, C&E, OCA, IS	100	–
Yickson Enterprises Limited	Hong Kong	Holding company	100	–
Intertek Testing Services Taiwan Limited	Taiwan	CG, C&E, OCA	100	–
Intertek Holdings Nederland BV	Netherlands	Holding company	100	–
Testing Holdings Sweden AB	Sweden	Holding company	100	–
Semko AB	Sweden	C&E	100	–
ITS NA Inc	USA	C&E, IS	100	–
Intertek USA Inc	USA	OCA, AS, IS	100	–
Testing Holdings USA Inc	USA	Holding company	100	–
Genalysis Laboratory Services Pty Ltd	Australia	M	100	–

			Percentage of shares held in 2009 and 2008	
Associates	Country of incorporation	Principal activity by division*	Group	Company
Allium LLC	USA	CG	–**	–
EMIS, Abu Dhabi (acquired 2008)	United Arab Emirates	OCA	49	–

*Consumer Goods (CG), Commercial & Electrical (C&E), Oil, Chemical & Agri (OCA), Analytical Services (AS), Industrial Services (IS) and Minerals (M).
**In 2009, the Group disposed of the 40% ownership of Allium LLC.

Intertek Group plc – Company Balance Sheet

As at 31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments in subsidiary undertakings	(d)	**289.6**	284.7
Current assets			
Debtors due after more than one year	(e)	**20.6**	8.8
Debtors due within one year	(f)	**0.8**	1.5
		21.4	10.3
Cash at bank and in hand		**0.8**	0.3
		22.2	10.6
Creditors due within one year			
Other creditors	(g)	**(0.3)**	(3.2)
Net current assets		**21.9**	7.4
Total assets less current liabilities		**311.5**	292.1
Creditors due after more than one year			
Other creditors	(h)	**(0.1)**	(4.2)
Net assets		**311.4**	287.9
Capital and reserves			
Called up share capital	(i)	**1.6**	1.6
Share premium	(i)	**253.5**	249.9
Profit and loss account	(i)	**56.3**	36.4
Shareholders' funds		**311.4**	287.9

The financial statements on pages 119 to 122 were approved by the Board on 8 March 2010 and were signed on its behalf by:

Wolfhart Hauser
Director

Bill Spencer
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.

(a) Accounting policies – Company (continued)

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.

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 its subsidiary's financial statements, with the corresponding credit being recognised directly in equity.

The fair value is measured at grant date and is spread over the period during which the employee becomes unconditionally entitled to the options. The fair value granted is measured using the 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 25 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:

	2009 £m	2008 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	21.7	19.2
Interim dividends paid in respect of the current year	13.0	11.2
Aggregate amount of dividends paid in the financial year	**34.7**	30.4

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2009 is £nil (2008: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2009 is £27.5m (2008: £21.7m).

(d) Investment in subsidiary undertakings

	2009 £m	2008 £m
Cost and net book value		
At 1 January	284.7	280.9
Additions	–	0.5
Additions due to share-based payments	4.9	3.3
At 31 December	**289.6**	284.7

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 £4.9m (2008: £3.3m). Details of the principal operating subsidiaries are set out in note 31 to the Group financial statements.

The Company had three direct subsidiary undertakings at 31 December 2009. 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. The company also owns a segregated account in the insurance captive of the Group, Leeward Insurance Company Limited which is registered in Bermuda. 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.

Notes to the Company financial statements

(e) Debtors due after more than one year

	2009 £m	2008 £m
Amounts owed by Group undertakings	**20.6**	8.8

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

	2009 £m	2008 £m
Corporation tax	**0.4**	0.4
Amounts owed by Group undertakings	**0.4**	1.1
	0.8	1.5

(g) Creditors due within one year

	2009 £m	2008 £m
Amounts owed to Group undertakings	**0.1**	3.0
Accruals and deferred income	**0.2**	0.2
	0.3	3.2

(h) Creditors due after more than one year

	2009 £m	2008 £m
Amounts owed to Group undertakings	**0.1**	4.2

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 2008	1.6	247.3	31.4	280.3
Profit for the financial year	–	–	32.1	32.1
Dividends paid	–	–	(30.4)	(30.4)
Credit in relation to share-based payments	–	–	3.3	3.3
Shares issued	–	2.6	–	2.6
At 31 December 2008	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**

Details of share capital are set out in note 20 and details of share options are set out in note 25 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the financial year, before dividends paid to shareholders of £34.7m (2008: £30.4m) was £49.7m (2008: £32.1m) which was mainly in respect of dividends received from subsidiaries.

(j) Related party transactions
Details of related party transactions are set out in note 29 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 £11.4m at 31 December 2009 (2008: £17.7m).

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

Independent Auditors' Report to the members of Intertek Group plc

We have audited the financial statements of Intertek Group plc for the year ended 31 December 2009 on pages 70 to 122. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 68, 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 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 web-site 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 2009 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 52, in relation to going concern; and
- 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.

P Korolkiewicz (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
8 March 2010

Shareholder Information

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

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

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

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

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

J.P. Morgan Cazenove (postal service)
20 Moorgate
London
EC2R 6DA
t: +44 20 7155 5328

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

ShareGift at www.sharegift.org
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 2009
Results announced	8 March 2010
Annual General Meeting	14 May 2010
Ex-dividend date for final dividend	2 June 2010
Record date for final dividend	4 June 2010
Final dividend payable	18 June 2010
Interim results announced	2 August 2010
Interim dividend payable	November 2010

Corporate Information

Board of Directors
Vanni Treves, *Chairman**
David Allvey*
Edward Astle* (appointed 1 September 2009)
Gavin Darby* (appointed 1 September 2009)
Christopher Knight*
Debra Rade*
Wolfhart Hauser, *Chief Executive Officer*
Mark Loughead, *Chief Operating Officer*
William Spencer, *Chief Financial Officer*

* Non-Executive Directors

Company Secretary
Fiona Evans

Investor Relations
E: investor@intertek.com
T: +44 20 7396 3400

Registrars
Equiniti
The Causeway
Worthing
West Sussex BN99 6DA
T: 0871 384 2653
T: +44 121 415 7047 (outside UK)

Auditors
KPMG Audit Plc
PO Box 486
8 Salisbury Square
London EC4Y 8BB
T: +44 20 7311 1000

Registered Office
Intertek Group plc
25 Savile Row
London W1S 2ES
T: +44 20 7396 3400
F: +44 20 7396 3480
www.intertek.com

Registered number: 4267576

ISIN: GB0031638363

London Stock Exchange
Support Services
FTSE 100
Symbol: ITRK

Brokers
J.P. Morgan Cazenove
20 Moorgate
London EC2R 6DA
T: +44 20 7588 2828

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
T: +44 20 7774 1000

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Intertek Group plc
25 Savile Row
London
W1S 2ES
United Kingdom
t: +44 20 7396 3400
f: +44 20 7396 3480
e: info@intertek.com
www.intertek.com