Intertek Testing Management Limited

Directors' Report and Financial Statements

Year ended 31 December 2002

Registered number 948153

AK4ALLYC
A17 0589
COMPANIES HOUSE 20/06/03

Intertek Testing Management Limited

Directors' Report and Financial Statements

Contents

Directors' Report	3
Statement of Directors' Responsibilities	4
Independent auditor's report to the members of Intertek Testing Management Limited	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8

Intertek Testing Management Limited

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company is and will continue to be, the provision of management services to the Intertek Group. The company is a parent undertaking with interests in subsidiary undertakings which provide testing, inspection and certification services.

Business review

The results for the period and the state of affairs of the Company are shown in the financial statements and notes on pages 6 to 14.

Results and dividends

The profit after tax for the year was £12.35m (2001: loss of £0.24m). A dividend of £11.0m was paid (2001: £Nil), leaving £1.35m to be transferred to reserves.

Directors and Directors' interests

The directors who served throughout the year were:
Richard Nelson
William Spencer

The share interests of Richard Nelson and William Spencer in the ultimate parent company at 31 December 2002 are disclosed in the Annual Report and Accounts of Intertek Testing Services plc (which changed its name to Intertek Group plc on 15 May 2003).

Auditors

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By Order of the Board

William Spencer
Director

London
17 June 2003

Intertek Testing Management Limited

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Report of the independent auditors KPMG Audit Plc to the members of Intertek Testing Management Limited

We have audited the financial statements on pages 6 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB

17 June 2003

Intertek Testing Management Limited

Profit and Loss Account

for the year ended 31 December 2002

	Notes	**2002 £000**	**2001 £000**
Net operating expenditure	*2*	(342)	(242)
Operating loss	*2-5*	(342)	(242)
Income from interests in group undertakings		12,504	—
Profit/(loss) on ordinary activities before tax		12,162	(242)
Taxation	*6*	191	6
Profit/(loss) on ordinary activities after tax		**12,353**	**(236)**
Dividends	*7*	(11,000)	—
Retained profit/(loss) for the financial year	*15*	**1,353**	**(236)**

The results stated above are all derived from continuing operations.

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the historical cost profit/(loss) and the profit/(loss) reported within these financial statements.

Intertek Testing Management Limited

Balance Sheet

at 31 December 2002

	Notes	**2002 £000**	**2001 £000**
Fixed assets			
Tangible assets	*8*	217	209
Investments	*9*	21,683	21,683
		21,900	21,892
Current assets			
Debtors: amounts falling due within one year	*10*	4,823	2,547
Cash at bank and in hand		876	2
		5,699	2,549
Creditors: amounts falling due within one year	*11*	(4,511)	(3,789)
Net current assets/(liabilities)		1,188	(1,240)
Debtors: amounts falling due after more than one year	*12*	11,765	12,840
Total assets less current liabilities		34,853	33,492
Creditors: amounts falling due after more than one year	*13*	(8)	—
Net assets		**34,845**	**33,492**
Capital and reserves			
Called up share capital	*14*	34,372	34,372
Profit and loss account	*15*	473	(880)
Equity shareholders' funds	*15*	**34,845**	**33,492**

These Financial Statements were approved by the Board of Directors and were signed on its behalf by:

William Spencer
Director

17 June 2003

Intertek Testing Management Limited

Notes to the Financial Statements

1 Accounting policies

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. The Company is not required to submit group financial statements under Section 229(2) Companies Act, 1985.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date or at the contracted rate if the transaction is covered by a forward exchange contract. All foreign exchange differences are taken to profit and loss account in the year in which they are incurred.

Fixed assets and depreciation

Fixed assets are depreciated on a straight-line basis at rates calculated to write off the cost of assets, less estimated residual value, over their anticipated useful lives which are as follows:-

Fixtures, fittings and equipment	3 — 10 years

Taxation

Deferred taxation 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 that there will be suitable taxable profits to offset the future reversal of these timing differences.

Dividends

Dividends from subsidiary undertakings are accounted for when declared payable.

Investments

Investments are stated at cost less any provision for permanent diminution in value.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Pensions

The company is a member of a group pension scheme, the ITS Pension Scheme. The scheme has two sections. In the first section, the assets of the plan are held separately from those of the company. Actuarial gains and losses are recognised immediately in the financial statements together with a related asset or liability, other than where the company cannot identify its share of underlying assets or liabilities of the scheme. Since it is not possible to identify its share of underlying assets and liabilities, the company accounts for the scheme as if it was a defined contribution scheme, with amounts charged against profits representing contributions payable in respect of the accounting period. This section was closed to new entrants from 1 April 2002.

The other section, which commenced on 1 April 2002, provides benefits based on the level of contributions into the scheme, the assets of which are held separately from the assets of the Company. The contributions made by the Company represent the charge for the year.

The Company provides no other post-retirement benefits to its employees.

Notes to the Financial Statements

2 Net operating expenditure

	2002 £000	2001 £000
Administrative expenses	(4,223)	(3,893)
Operating income – management fees	3,881	3,651
Net operating expenditure	**(342)**	**(242)**

3 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments, excluding pension contributions Directors' emoluments include benefits in kind of £44k (2001: £27k)	784	714
Company contribution to money purchase pension schemes	269	114
Company contributions to a defined benefit scheme	9	7
	1,062	835

The above remuneration is paid by the company to the directors, who are also directors of Intertek Group plc (which changed its name from Intertek Testing Services plc on 15 May 2003).

The aggregate remuneration of the highest paid director was £832,000 (2001: £624,000), including company pension contributions of £269,000 (2001: £114,000) made on his behalf to a money purchase scheme.

	2002 Number	2001 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase scheme	1	1
Defined benefit scheme	1	1

4 Employees

The average number of persons employed by the Company (including directors who discharged their duties wholly or mainly in the United Kingdom) during the year was as follows:

	2002	2001
By activity : Administration	**28**	**27**

Staff costs:	2002 £000	2001 £000
Wages and salaries	2,027	1,683
Social security costs	216	193
Other pension costs	358	157
	2,601	**2,033**

Notes to the Financial Statements

5 Profit/(loss) on ordinary activities before interest and taxation

	2002 £000	2001 £000
Profit/(loss) on ordinary activities before interest and taxation is stated after charging/(crediting):		
Property rental	382	212
Lease and hire charges - vehicles and equipment	52	14
Depreciation	72	84
Auditor's remuneration - audit	5	5
- other services	—	33
Exchange losses	2	51
Management fees	(3,881)	(3,651)

6 Taxation

6(a) Tax on profit/(loss) on ordinary activities

	2002 £000	2001 £000
Current tax:		
UK corporation tax charge/(credit) at 30% (2000: 30%) on profit of the period	(191)	(31)
	(191)	(31)
Deferred tax:		
Adjustments in respect of previous periods	—	25
Total tax credit	(191)	(6)

6(b) Factors affecting tax credit for the year

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £000	2001 £000
Profit/(loss) on ordinary activities before tax	12,162	(242)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	3,649	(73)
Effects of:		
Non taxable UK dividend income	(3,750)	-
Accelerated capital allowances	22	26
Other timing differences	2	2
Non taxable income	(128)	—
Expenses not deductible for tax purposes	14	14
Tax credit for the year (note 6(a))	(191)	(31)

Notes to the Financial Statements

6(c) Deferred tax

	2002		2001	
	Provided	Unprovided	Provided	Unprovided
	£000	£000	£000	£000
Accelerated capital allowances	–	69	–	47
Other short term timing differences	–	34	–	32
Deferred tax asset	–	103	–	79

A deferred tax asset of £103k has not been recognised on accelerated capital allowances and other short term timing differences since these assets can only be deducted against future suitable taxable profits. There is currently insufficient evidence that suitable taxable profits will be generated to offset the future reversal of these timing differences.

7 Dividends

	2002	2001
	£000	£000
Paid 32 pence per Ordinary share	11,000	–

8 Fixed assets – Tangible assets

	Furniture, fittings and equipment
	£000
Cost	
At 1 January 2002	493
Additions	80
At 31 December 2002	**573**
Depreciation	
At 1 January 2002	284
Charge for the year	72
At 31 December 2002	**356**
Net book value	
At 31 December 2002	**217**
At 31 December 2001	209

9 Fixed assets – Investments

Interest in subsidiary undertakings

	£000
Cost as at 1 January 2002 and 31 December 2002	**21,683**

The principal subsidiary undertakings at 31 December 2002 and their countries of incorporation are set out below. Intertek Testing Standards International Limited is the only undertaking owned directly by Intertek Testing Management Limited. All subsidiaries incorporated in the United Kingdom are registered in England and Wales.

Notes to the Financial Statements

Fixed assets (continued)

Subsidiaries	Activity	Country of Incorporation
Intertek Testing Services Pty Limited	Inspection & Testing	Australia
ITS Chile SA	Inspection & Testing	Chile
Intertek Testing Services Italia spa	Inspection & Testing	Italy
Caleb Brett Peru SA	Inspection & Testing	Peru
Intertek Testing Services (Singapore) Pte Limited	Inspection & Testing	Singapore
Caleb Brett and Son Limited	Holding Company	United Kingdom
Caleb Brett Holdings Limited	Holding Company	United Kingdom
Intertek Testing Standards International Limited	Inspection	United Kingdom
ITS Testing Services (UK) Limited	Inspection & Testing	United Kingdom

In the opinion of the directors, the aggregate value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

10 Debtors – amounts falling due within one year

	2002 £000	2001 £000
Amounts owed by parent and fellow subsidiary undertakings	4,249	1,917
Other debtors	393	398
Prepayments and accrued income	181	232
	4,823	**2,547**

11 Creditors – amounts falling due within one year

	2002 £000	2001 £000
Bank overdraft	—	1,926
Amounts owed to parent and fellow subsidiary undertakings	2,278	531
Amounts owed to subsidiary undertakings	—	16
Taxation and social security	91	59
Other creditors	1,519	523
Accruals and deferred income	623	734
	4,511	**3,789**

12 Debtors – amounts falling due after more than one year

	2002 £000	2001 £000
Amounts owed by parent undertaking	**11,765**	**12,840**

Notes to the Financial Statements

13 Creditors – amounts falling due after more than one year

	2002 £000	2001 £000
Amounts owed to parent undertaking	8	–

14 Share capital

	2002 £000	2001 £000
Authorised		
200,000,000 Ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid		
34,372,000 Ordinary shares of £1 each	34,372	34,372

15 Profit and loss account

	£000
At 1 January 2002	(880)
Retained profit for the year	1,353
At 31 December 2002	473

16 Reconciliation of movement in equity shareholders' funds

	2002 £000	2001 £000
Opening shareholders' funds	33,492	33,728
Profit/(loss) for the financial year	1,353	(236)
Closing shareholders' funds	34,845	33,492

17 Pensions

The company is a member of a group pension scheme, the ITS Pension Scheme. The scheme has two sections. One section provides benefits based on final pensionable pay. This section was closed to new entrants from 1 April 2002. The other section, which commenced on 1 April 2002, provides benefits based on the level of contributions made into the scheme.

In respect of the final salary section of the scheme, since the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17: Retirement benefits, the scheme has been accounted for by the company as if it was a defined contribution scheme.

The FRS 17 pension deficit of the group scheme at 31 December 2002 was £7.2m (2001- surplus of £0.1m). Further details about the final salary section of the scheme and full information about the FRS 17 aspects are disclosed in the financial statements of the ultimate parent company, Intertek Group plc (which changed its name from Intertek Testing Services plc on 15 May 2003).

Notes to the Financial Statements

18 Cash flows

The Company's ultimate parent undertaking prepares consolidated financial statements which include a consolidated cash flow statement for the group. Therefore, under the requirements of Financial Reporting Standard No. 1, (Revised) Cash Flow Statements, the company is exempt from reporting a cash flow statement.

19 Related party transactions

Under Financial Reporting Standard 8, "Related Party Disclosures", the Company has taken advantage of the exemption from disclosing transactions with other group companies. There were no other related party transactions.

20 Commitments

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

	2002			2001		
	Land and buildings £000	**Other £000**	**Total £000**	Land and buildings £000	Other £000	Total £000
Within one year	**—**	**25**	**25**	—	75	75
In the second to fifth years inclusive	**387**	**93**	**480**	382	—	382
	387	**118**	**505**	382	75	457

21 Ultimate and immediate parent undertaking

Until 10 April 2002, the ultimate parent undertaking was Intertek Testing Services Limited. Since then the ultimate parent undertaking is Intertek Group plc (which changed its name from Intertek Testing Services plc on 15 May 2003).

Copies of Intertek Group plc's consolidated financial statements as at 31 December 2002 can be obtained from The Secretary, 25 Savile Row, London, W1S 2ES.