# Intertek Testing Management Limited

## Directors' Report and Financial Statements

Year ended 31 December 2003

Registered number 948153



# *Intertek Testing Management Limited*

## Directors' Report and Financial Statements

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# *Intertek Testing Management Limited*

## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2003.

**Principal activities**

During the year the company wholly disposed of its interests in its investments in group undertakings. However, the principal activity of the company is, and will continue to be, the provision of management services to the Intertek Group.

**Business review**

The results for the year and the state of affairs of the Company are shown in the financial statements and notes on pages 6 to 15.

**Results and dividends**

The profit after tax for the year was £89.1m (2002: £12.4 m). A dividend of £89.0 m was paid (2002: £11.0 m), leaving £0.1m 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 2003 are disclosed in the Annual Report and Accounts of Intertek Group plc (which changed its name from Intertek Testing Services 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
31 March 2004

## 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.

## Independent auditor's report to the members of Intertek Testing Management Limited

We have audited the financial statements on pages 6 to 15.

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 2003 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*

31 March 2004

8 Salisbury Square
London EC4Y 8BB

# *Intertek Testing Management Limited*

## Profit and Loss Account

***for the year ended 31 December 2003***

| | Notes | 2003 £000 | 2002 £000 |
|---|---|---|---|
| Administrative expenses | | (5,182) | (4,223) |
| Other operating income | | 3,939 | 3,881 |
| **Operating loss** | *4* | (1,243) | (342) |
| Income from interests in group undertakings | | 7 | 12,504 |
| *Profit on sale of a subsidiary undertaking* | *5* | *89,332* | — |
| **Profit on ordinary activities before interest and taxation** | | **88,096** | **12,162** |
| Interest receivable | *6* | 994 | — |
| **Profit on ordinary activities before taxation** | | **89,090** | **12,162** |
| Taxation | *7* | 2 | 191 |
| **Profit on ordinary activities after taxation** | | **89,092** | **12,353** |
| Dividends | *8* | (89,000) | (11,000) |
| **Retained profit for the financial year** | *16* | **92** | **1,353** |

The results stated above are all derived from continuing operations.

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

*There is no difference between the historical cost profit and the profit reported above.*

# *Intertek Testing Management Limited*

## Balance Sheet
***at 31 December 2003***

| | Notes | 2003 £000 | 2002 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | 206 | 217 |
| Investments | 10 | — | 21,683 |
| | | 206 | 21,900 |
| **Current assets** | | | |
| Debtors: amounts falling due within one year | 11 | 5,969 | 4,823 |
| Cash at bank and in hand | | — | 876 |
| | | 5,969 | 5,699 |
| **Creditors: amounts falling due within one year** | 12 | (5,216) | (4,511) |
| **Net current assets** | | 753 | 1,188 |
| **Debtors:** amounts falling due after more than one year | 13 | 33,978 | 11,765 |
| **Total assets less current liabilities** | | 34,937 | 34,853 |
| **Creditors: amounts falling due after more than one year** | 14 | — | (8) |
| **Net assets** | | **34,937** | **34,845** |
| **Capital and reserves** | | | |
| Called up share capital | 15 | 34,372 | 34,372 |
| Profit and loss | 16 | 565 | 473 |
| **Shareholders' funds - equity** | 17 | **34,937** | **34,845** |

These financial statements were approved by the Board of Directors and were signed on its behalf by:

**William Spencer**
*Director*

31 March 2004

# *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:-

| | |
|---|---|
| Computer equipment: | 3 years |
| Fixtures and fittings: | 5 years |
| Leasehold improvements: | 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.

## Notes to the Financial Statements *(continued)*

### 2 Remuneration of directors

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Directors' emoluments, excluding pension contributions | 876 | 784 |
| Directors' emoluments include benefits in kind of £102,000 (2002: £44,000) | | |
| Company contribution to money purchase pension schemes | 162 | 269 |
| Company contributions to a defined benefit scheme | 11 | 9 |
| | 1,049 | 1,062 |

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 £772,000 (2002: £832,000), including company pension contributions of £162,000 (2002: £269,000) made on his behalf to a money purchase scheme.

| | 2003 Number | 2002 Number |
|---|---|---|
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase scheme | 1 | 1 |
| Defined benefit scheme | 1 | 1 |

### 3 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:

| | 2003 | 2002 |
|---|---|---|
| **By activity : Administration** | **35** | **28** |

| **Staff costs:** | 2003 £000 | 2002 £000 |
|---|---|---|
| Wages and salaries | 2,390 | 2,027 |
| Social security costs | 236 | 216 |
| Pension costs | 269 | 358 |
| | 2,895 | 2,601 |

## Notes to the Financial Statements *(continued)*

### 4 Profit before taxation

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Property rental | 392 | 382 |
| Lease and hire charges - vehicles and equipment | 61 | 52 |
| Depreciation | 79 | 72 |
| Auditor's remuneration | 4 | 5 |
| Exchange losses | 4 | 2 |
| Management fees | (3,939) | (3,881) |

### 5 Profit on sale of a subsidiary undertaking

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Profit on sale of a subsidiary | 89,332 | – |

On 19 June 2003 the company sold its 100% shareholding in Intertek International Limited to Intertek Holdings Limited for consideration of £111,015,000. The carrying value of this investment was £21,683,000 and therefore a profit on disposal of £89,332,000 was realised.

### 6 Interest receivable

| | 2003 £000 | 2002 £000 |
|---|---|---|
| On group loans | 994 | – |

### 7 Taxation

### 7(a) Tax on profit/(loss) on ordinary activities

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax credit at 30% (2002: 30%) on profit for the year | (38) | (191) |
| Adjustments in respect of previous periods | 31 | – |
| | (7) | (191) |
| Foreign tax suffered | 5 | – |
| Current tax credit | (2) | (191) |
| Deferred tax | – | – |
| | (2) | (191) |

## Notes to the Financial Statements *(continued)*

### 7(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 per cent). The difference is explained below:

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Profit/(loss) on ordinary activities before taxation | 89,090 | 12,162 |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%) | 26,727 | 3,649 |
| Effects of: | | |
| Non taxable – profit on sale of investment | (26,799) | – |
| Non taxable UK dividend income | – | (3,750) |
| Overseas taxes | 5 | – |
| Accelerated capital allowances | (10) | 22 |
| Other timing differences | 30 | 2 |
| Non taxable income | – | (128) |
| Adjustment in respect of previous periods | 31 | – |
| Expenses not deductible for tax purposes | 14 | 14 |
| Current tax credit for the year (note 8(a)) | (2) | (191) |

### 7(c) Deferred tax

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | Provided £000 | Unprovided £000 | Provided £000 | Unprovided £000 |
| Accelerated capital allowances | – | 59 | – | 69 |
| Other short term timing differences | – | 93 | – | 34 |
| Deferred tax asset | – | 152 | – | 103 |

A deferred tax asset of £152,000 (2002: £103,000) 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.

### 8 Dividends

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Paid £2.5893 per Ordinary share (2002: 32 pence) | 89,000 | 11,000 |

## Notes to the Financial Statements *(continued)*

### 9 Fixed assets – Tangible assets

| | Refurbishment, furniture, fixtures and equipment £000 |
|---|---|
| **Cost** | |
| At 1 January 2003 | 573 |
| Additions | 68 |
| At 31 December 2003 | **641** |
| **Depreciation** | |
| At 1 January 2003 | 356 |
| Charge for the year | 79 |
| At 31 December 2003 | **435** |
| **Net book value** | |
| At 31 December 2003 | **206** |
| At 31 December 2002 | 217 |

### 10 Fixed assets – Investments

**Interest in subsidiary undertakings**

| | £000 |
|---|---|
| Cost as at 1 January 2003 | 21,683 |
| Disposals | (21,683) |
| Cost as at 31 December 2003 | – |

The 100% investment in Intertek International Limited (previously Intertek Testing Standards International Limited) was sold during the year (see note 5).

### 11 Debtors – amounts falling due within one year

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Amounts owed by parent and fellow subsidiary undertakings | 5,201 | 4,249 |
| Other debtors | 412 | 393 |
| Prepayments and accrued income | 346 | 181 |
| Group relief | 10 | – |
| | **5,969** | **4,823** |

## Notes to the Financial Statements *(continued)*

### 12 Creditors – amounts falling due within one year

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Bank overdraft | 2,505 | – |
| Amounts owed to parent and fellow subsidiary undertakings | 1,032 | 2,278 |
| Taxation and social security | 260 | 91 |
| Other creditors | 25 | 689 |
| Accruals and deferred income | 1,394 | 1,453 |
| | **5,216** | **4,511** |

### 13 Debtors – amounts falling due after more than one year

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Amounts owed by parent undertaking | **33,978** | **11,765** |

### 14 Creditors – amounts falling due after more than one year

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Amounts owed to parent undertaking | – | **8** |

### 15 Share capital

| | 2003 £000 | 2002 £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** |

### 16 Profit and loss

| | £000 |
|---|---|
| At 1 January 2003 | 473 |
| Retained profit for the year | 92 |
| **At 31 December 2003** | **565** |

### 17 Reconciliation of movement in equity shareholders' funds

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Opening shareholders' funds | 34,845 | 33,492 |
| Profit on ordinary activities after tax | 89,092 | 12,353 |
| Dividends | (89,000) | (11,000) |
| **Closing shareholders' funds** | **34,937** | **34,845** |

### 18 Pensions

The company is a member of a group pension scheme, the Intertek Pension Scheme (previously 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 Intertek Pension Scheme at 31 December 2003 was £7.1 million (2002- deficit of £7.2 million). 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).

### 19 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.

### 20 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.

### 21 Commitments

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

| | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Land and buildings £000 | Other £000 | Total £000 | Land and buildings £000 | Other £000 | Total £000 |
| Within one year | — | 47 | 47 | — | 25 | 25 |
| In the second to fifth years inclusive | 395 | 62 | 457 | 387 | 93 | 480 |
| | 395 | 109 | 504 | 387 | 118 | 505 |

## Notes to the Financial Statements *(continued)*

### 22 Ultimate and immediate parent undertaking

The immediate parent undertaking is Intertek Holdings Ltd (which acquired 100% of the share capital from Intertek Testing Services UK Limited on 19 June 2003).

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 can be obtained from The Secretary, 25 Savile Row, London, W1S 2ES.