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Interim Report 2003
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Financial highlights

for the six months to 30 June 2003 and the comparison with the same period last year

Turnover	£229.4m	Same at actual exchange rates Up 6.5% at constant exchange rates
Operating profit ¹	£37.7m	Same at actual exchange rates Up 9.3% at constant exchange rates
Operating margin ¹	16.4%	Same as June 2002
Operating cash flow ²	£36.9m	Up from £35.9m
Profit before tax	£37.2m	Up from £23.3m
Earnings per share ³	13.9p	Up 12.1% from 12.4p
Basic earnings per share	17.0p	Up 3.7% from 16.4p
Interim dividend per share	2.9p	First interim dividend since flotation in May 2002

¹ before goodwill amortisation and exceptional items

² before exceptional items

³ fully diluted underlying earnings per share before goodwill amortisation and exceptional items (see note 8)

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Chairman's statement

On behalf of the Board I am pleased to announce the Intertek Group's financial results for the first six months of 2003 which show that we have continued to make good progress. There have been many positive developments in our business during this period.

Financial performance

At constant exchange rates, compared with the same period last year, turnover grew 6.5% and operating profit before goodwill amortisation and exceptional items grew 9.3%. Approximately 80% of the Group's earnings are in US dollars or related currencies. In consequence, with the US dollar 12% weaker in the first half of 2003 than the first half of 2002, at actual exchange rates both turnover and operating profit were equal to the same period last year. Following the flotation of the Group in May 2002, our interest costs have reduced significantly, our profit before tax has increased by 60% to £37.2m and our earnings per share have increased 12.1% to 13.9p.

Divestments


In May 2003, the Group sold its 50% shareholding in a company operating in China in the Labtest division to the other 50% shareholder. The disposal raised £6.6m and generated a non-operating exceptional profit of £5.6m. The disposal will allow Labtest to develop its systems certification business within a wholly owned subsidiary of the Group.

Dividends

The Board has declared an interim dividend of 2.9 pence per share which is payable on 18 November 2003 to members on the register at 7 November 2003. No interim dividend was paid last year.

Prospects for 2003

We feel confident in the continuing growth of our business and we expect a satisfactory outcome for the year. We continue to generate strong operating cash flow, which we plan to use to make acquisitions to complement the Group's existing operations.



Vanni Treves

Chairman
3 September 2003

Chief Executive Officer's review

Business performance

Turnover for the Group for the first half of 2003 was £229.4m, an increase of 6.5% over the first half of 2002 at constant exchange rates. At actual exchange rates, turnover remained constant, reflecting a 12% decline in the value of the US dollar. Sales were very strong in Asia where Labtest delivered over 20% growth at constant exchange rates and where ETL SEMKO performed well. Growth was modest in the Americas with increased turnover in Caleb Brett and Labtest reduced by a decline in ETL SEMKO caused by more difficult trading conditions. Turnover in Europe, Middle East and Africa declined slightly due to reduced turnover from the Nigerian and Saudi Arabian contracts in FTS.

Total operating profit before goodwill amortisation and exceptional items improved by £3.2m to £37.7m, an increase of 9.3% at constant exchange rates. At actual exchange rates, operating profit was the same as the first half last year.

Strong growth in Labtest and FTS was reduced by declines in Caleb Brett and ETL SEMKO, both of which suffered from weak trading conditions, mainly in the early part of the year. The Caleb Brett division was restructured at the end of the first half of 2003 to focus it more on the fast growing outsourcing market and trading conditions have also started to improve. ETL SEMKO suffered from a weak market in the United States and Europe, but there was good growth in Asia. The Group profit margin was maintained at 16.4%.

The performance of each of the divisions and the geographic regions is shown below at constant exchange rates with an adjustment to actual exchange rates.

Six months to 30 June	Turnover			Operating profit ²		
	2003 £m	2002 £m	Change %	2003 £m	2002 £m	Change %
By division:						
Labtest	66.5	55.2	20.5	22.3	18.0	23.9
Caleb Brett	83.3	80.4	3.6	6.2	7.5	(17.3)
ETL SEMKO	52.1	49.8	4.6	6.0	6.8	(11.8)
Foreign Trade Standards	27.5	30.1	(8.6)	6.1	5.0	22.0
Central overheads	–	–	–	(2.9)	(2.8)	(3.6)
Continuing operations at constant exchange rates ¹	229.4	215.5	6.5	37.7	34.5	9.3
Exchange rate adjustment	–	14.1	–	–	3.2	–
As reported at actual average exchange rates ³	229.4	229.6	–	37.7	37.7	–
By geographic region:						
Americas	78.0	75.3	3.6	5.7	7.8	(26.9)
Europe, Middle East and Africa	71.9	73.1	(1.6)	6.1	6.0	1.7
Asia	79.5	67.1	18.5	25.9	20.7	25.1
Continuing operations at constant exchange rates ¹	229.4	215.5	6.5	37.7	34.5	9.3

¹ 2002 and 2003 figures are stated at average exchange rates for the first half of 2003

² operating profit is stated before goodwill amortisation and exceptional items

³ see note 2 to the Interim Report

Divisional review

In the divisional review that follows, turnover and operating profit before goodwill amortisation and exceptional items are stated at constant exchange rates.

Labtest

Six months to 30 June	2003 £m	2002 £m	Change %
Turnover	66.5	55.2	20.5
Operating profit	22.3	18.0	23.9
Operating margin	33.5%	32.6%	

Labtest is a leading global provider of testing and inspection services for a range of consumer goods including textiles, footwear, toys, hardlines (such as ceramics, bicycles, cosmetic products, sporting goods, juvenile products and furniture) and systems certification. Its clients include some of the world's largest retail organisations, manufacturers and international traders.

Labtest's turnover and operating profit grew 20.5% and 23.9% respectively, with most of the growth coming from Asia where textile testing, toy testing and inspection activities continued to perform well. The growth is driven by increasingly stringent quality and safety standards, more product variants, shorter product life cycles and the continuing migration of manufacturing from developed countries to Asia. Turnover in China grew strongly in the established operations in Shanghai and Shenzhen, in the new hardlines laboratory in Shanghai and the new textile testing facilities in Guangzhou and Tianjin. The division's profit margin increased from 32.6% to 33.5% principally due to continued improvement in operating procedures in Hong Kong and growth in China where operating costs are lower than in Hong Kong.

In May 2003, the Group sold its 50% shareholding in a systems certification business operating in China, to the other 50% shareholder. This business contributed £1.8m to turnover and £0.3m to operating profit in the first half of 2003 up to the date of disposal. This disposal will allow Labtest to develop its systems certification business within a wholly owned subsidiary of the Group.

Caleb Brett

Six months to 30 June	2003 £m	2002 £m	Change %
Turnover	83.3	80.4	3.6
Operating profit	6.2	7.5	(17.3)
Operating margin	7.4%	9.3%	

Caleb Brett was founded in 1885 and is a leading international service provider that tests and inspects petroleum and chemicals. Caleb Brett has an international reputation for reliability and confidentiality. The traditional business of Caleb Brett is to provide independent and internationally recognised certification of the quality and quantity of cargoes of crude oil, petroleum products, chemicals and agricultural produce. The main growth in the division is the wide range of testing work it carries out for oil and chemical companies on an outsourced basis.

Caleb Brett's turnover increased by 3.6% but operating profit decreased by £1.3m or 17.3%. In the traditional and slow growth Caleb Brett business, trading conditions were difficult and prices were under pressure in the early part of 2003. There was reduced activity in the markets because oil stocks were at very low levels and there was a reduced level of trading activity due to uncertainty over the price of oil caused by the situation in Iraq. Activity started to increase in May and June, particularly in the United States.

The main growth opportunity in this division is outsourcing, which is the testing required by oil and chemical companies that has traditionally been done in their own laboratories. Turnover and operating profit from outsourcing increased in the period and now accounts for about 25% of the total divisional sales, up from 23% in the same period last year.

A new global management team for Caleb Brett was put in place at the start of the year to facilitate co-ordination between the geographic regions and to develop the outsourcing capabilities of the Group worldwide. At the end of the first half of 2003, the division was reorganised to reduce costs in the traditional business and accelerate the development of outsourcing. Several small laboratories were consolidated to provide the size of facility required for outsourcing and some employees were relocated or made redundant. The restructuring cost was £2.8m and comprised severance payments, lease terminations and fixed asset write offs. This was charged as an operating exceptional expense in the period. The reduced cost base in the traditional business will benefit results in the second half of 2003 and outsourcing will grow faster.

Some new outsourcing contracts have been won in the first half of 2003 and the number of prospective contracts continues to increase.

Chief Executive Officer's review

ETL SEMKO

Six months to 30 June	2003 £m	2002 £m	Change %
Turnover	52.1	49.8	4.6
Operating profit	6.0	6.8	(11.8)
Operating margin	11.5%	13.7%	

ETL SEMKO tests and certifies electrical and electronic products, telecommunications equipment, heating, ventilation and air conditioning (HVAC) equipment, building products and other products against safety and performance standards and then issues safety labels and certificates in respect of those products.

ETL SEMKO's turnover increased by 4.6% but operating profit decreased by £0.8m or 11.8%. Asia continued to perform strongly, particularly in the testing of household appliances, but Europe and America suffered from the movement of manufacturing to Asia and some depressed markets especially relating to telecommunications. The Intertek owned safety label in the USA, "ETL" (which originally stood for the Edison electrical testing laboratory) is not as well recognised by retailers of consumer electrical products in the United States as the "UL" mark issued by our main competitor. The sales team in the United States has been strengthened to promote the ETL label to retailers and although sales from this source are increasing, this is a long term initiative and the extra profits are not expected to cover the additional marketing costs for at least a year. Operating profit for the six months to 30 June 2003 was reduced by costs of £0.5m associated with some rationalisation of testing facilities in the United States.

Foreign Trade Standards

Six months to 30 June	2003 £m	2002 £m	Change %
Turnover	27.5	30.1	(8.6)
Operating profit	6.1	5.0	22.0
Operating margin	22.2%	16.6%	

The Foreign Trade Standards division works for the standards bodies of different countries helping to ensure that imports comply with national safety and other requirements. It also works for finance ministries and customs departments providing services that ensure import duties are properly declared and paid. Furthermore, FTS provides services to major industrial and commercial clients to ensure that equipment and goods they buy meet all their specifications.

FTS inspects shipments destined for the client country, in the country of export. The service helps ensure that import duties are properly calculated and paid, and that goods being imported meet other legal requirements of the client country.

FTS's turnover decreased by 8.6% mainly due to reduced volumes of shipments to Nigeria and Saudi Arabia due to the political situations in those countries in the period. We expect the Nigerian programme to continue until at least the end of the year but it is difficult to predict what will happen after that. The customs department of Nigeria is lobbying hard to take the programme back to destination inspection. The loss of the Nigerian programme would have a material effect on the trading of the FTS division but not the other parts of Intertek. The Saudi Arabian programme is meeting the requirements of the government and under the contract is expected to continue at least until August 2004. Operating profit increased by 22%, mainly due to the release of bad debt provisions previously charged against operating profits which are no longer required because cash collection on contracts has improved.

In the first half of 2003, FTS gained a small contract for pre-shipment inspection for customs duty verification purposes in Rwanda. A new contract in Kuwait has started to check that imports meet their safety and other legal standards and although this has made a loss due to start up costs, it is growing quickly. A contract with the government of Venezuela for a shared customs duty checking programme starting in September 2003, has also been signed.

Central overheads

Central overheads increased by 3.6% compared to the same period last year, mainly due to additional compliance costs incurred in the period.

Outlook

Intertek's businesses operate across a broad spectrum of consumer and industrial markets, and across a wide geographic spread. The global demand for safety performance and quality standards continues to increase. The migration of manufacturing from developed countries to Asia and other developing areas, shorter product life cycles and wider product ranges create additional demand for testing, inspection and certification. The increasing trend of companies to outsource their laboratory testing also provides us with opportunities for growth.

In light of these trends, with our worldwide network of laboratories and offices and our well-established client base, we remain confident in our prospects for the year and for the future.



Richard Nelson
Chief Executive Officer
3 September 2003

Chief Financial Officer's review

In the financial review that follows, all figures are stated at actual exchange rates.

Profitability

Total operating profit before goodwill amortisation and exceptional items for the first six months of 2003 was £37.7m compared to £37.7m for the same period last year. Strong underlying growth of 9.3% in the first half of 2003 compared with the same period in 2002, is masked by the impact of currency movements, in particular a weaker US Dollar, in which the Group's earnings are mainly denominated.

As shown in note 3 to the Interim Report, we reported net operating exceptional income of £0.1m. This comprised recoveries of £2.9m in respect of provisions made in earlier periods against certain debtors in the FTS division and in respect of fines payable by our discontinued Environmental Testing division and a charge of £2.8m in respect of the global restructuring of the Caleb Brett division. As shown in note 4 to the Interim Report, the non-operating exceptional income of £4.6m comprised a profit of £5.6m made on the sale of our 50% interest in a business in Labtest and a loss of £1.0m on the disposal of a trade investment.

As shown in note 5 to the Interim Report, the net interest cost before exceptional charges for the six months to 30 June 2003 was £4.7m compared to £17.1m in the same period last year. The reduction in interest cost reflected the changed capital structure of the Group following its flotation in May 2002 and lower interest rates, especially on the US dollar borrowings which constitute some 80% of our debt financing.

Tax on ordinary activities before exceptional items was £9.6m based on an estimated effective tax rate, before exceptional items, of 29.5% for the full year. There was tax relief of £0.4m in respect of the exceptional items.

Retained profit for the six months to 30 June 2003 was £21.6m, after a proposed dividend of £4.5m. The Company floated in May 2002 and no dividend was paid in respect of the six months to 30 June 2002. As shown in note 8 to the Interim Report, the diluted underlying earnings per share, before amortisation and exceptional items, was 13.9p compared to 12.4p for the same period last year.

Cash generation

As shown in note 14 to the Interim Report, operating cash flow before exceptional items was £36.9m for the first six months of 2003, up £1.0m over the same period last year. Exceptional cash outflow was £3.7m compared to £1.8m in the same period last year. Interest payments were much lower, down £10.0m to £4.3m because of the change in capital structure mentioned above. Dividends paid to minority shareholders were £1.3m compared to £2.5m, mainly due to the disposal referred to below. The amount of tax paid remained the same as the same period last year at £6.1m. Capital expenditure was £9.1m (30 June 2002: £8.6m) and the disposal of our 50% interest in a Labtest company generated cash proceeds of £6.6m. The final dividend of £8.0m in respect of 2002 was paid in the period. After capital expenditure, disposals, interest, taxation and dividends to shareholders, net cash inflow was £11.0m in the six months to 30 June 2003 compared to an outflow of £1.3m in the same period last year.

Balance sheet

The cash balance at 30 June 2003 was £72.5m compared to £261.6m at 30 June 2002 and £70.6m at 31 December 2002. In July 2002, the majority of the cash at 30 June 2002 was used to repay debt, debentures and preference shares. As shown in note 9 to the Interim Report, borrowings at 30 June 2003 were £224.5m compared to £341.2m at 30 June 2002 and £237.5m at 31 December 2002. We repaid £8.2m of borrowings in June 2003.

There has been no significant change in the net liabilities of the Group's defined benefit pension schemes since 31 December 2002. As permitted by FRS 17, actuarial valuations of the assets and liabilities of the defined benefit pension schemes were not performed at 30 June 2003.

Shareholders' funds improved by £26.0m in the period from 31 December 2002 and showed a deficit of £64.5m at 30 June 2003. As stated in my previous reviews, we continue to carry a large negative profit and loss reserve in the consolidated group accounts. This is mainly due to goodwill of £256.3m that was written off to reserves before 1998 in accordance with the accounting standard applicable at that time. This goodwill arose primarily from the acquisition of Intertek Testing Services Limited from Inchcape plc in 1996. The negative consolidated reserves do not impact the ability of the Company to pay dividends in the future.



Bill Spencer

Chief Financial Officer
3 September 2003

Group profit and loss account

	Notes	Six months to 30 June 2003 (Unaudited)		Total £m
		Pre exceptional items £m	Exceptional items £m	
Turnover – continuing operations	2	229.4	–	229.4
Cost of sales		(176.7)	–	(176.7)
Gross profit		52.7	–	52.7
Administrative expenses		(15.6)	0.1	(15.5)
Goodwill amortisation	2	(0.5)	–	(0.5)
Total administrative expenses		(16.1)	0.1	(16.0)
Group operating profit		36.6	0.1	36.7
Share of operating profits of associates		0.6	–	0.6
Total operating profit	2	37.2	0.1	37.3
Continuing operations		37.2	(1.1)	36.1
Discontinued operations		–	1.2	1.2
Total operating profit		37.2	0.1	37.3
Non operating exceptional items				
Net profit on disposal of businesses	4	–	4.6	4.6
Profit on ordinary activities before interest		37.2	4.7	41.9
Net interest and similar charges	5	(4.7)	–	(4.7)
Profit on ordinary activities before taxation		32.5	4.7	37.2
Taxation on profit on ordinary activities	6	(9.6)	0.4	(9.2)
Profit on ordinary activities after taxation		22.9	5.1	28.0
Attributable to minorities		(1.9)	–	(1.9)
Profit for the period		21.0	5.1	26.1
Dividends	7	(4.5)	–	(4.5)
Retained profit for the period		16.5	5.1	21.6
Earnings per share	8			
Basic		13.7p	3.3p	17.0p
Diluted		13.6p	3.3p	16.9p

Six months to 30 June 2002 (Unaudited)			Year to 31 December 2002 (Audited)		
Pre exceptional items £m	Exceptional items £m	Total £m	Pre exceptional items £m	Exceptional items £m	Total £m
229.6 (178.3)	– –	229.6 (178.3)	461.1 (356.3)	– –	461.1 (356.3)
51.3	–	51.3	104.8	–	104.8
(14.1) (0.5)	6.7 –	(7.4) (0.5)	(28.8) (0.9)	15.6 –	(13.2) (0.9)
(14.6)	6.7	(7.9)	(29.7)	15.6	(14.1)
36.7 0.5	6.7 –	43.4 0.5	75.1 0.9	15.6 –	90.7 0.9
37.2	6.7	43.9	76.0	15.6	91.6
37.2 –	3.3 3.4	40.5 3.4	76.0 –	5.9 9.7	81.9 9.7
37.2	6.7	43.9	76.0	15.6	91.6
–	–	–	–	–	–
37.2 (17.1)	6.7 (3.5)	43.9 (20.6)	76.0 (22.2)	15.6 (15.5)	91.6 (37.7)
20.1 (6.3)	3.2 –	23.3 (6.3)	53.8 (16.0)	0.1 –	53.9 (16.0)
13.8 (1.7)	3.2 –	17.0 (1.7)	37.8 (4.3)	0.1 –	37.9 (4.3)
12.1 –	3.2 –	15.3 –	33.5 (8.0)	0.1 –	33.6 (8.0)
12.1	3.2	15.3	25.5	0.1	25.6
12.9p	3.5p	16.4p	27.1p	0.1p	27.2p
11.9p	3.2p	15.1p	26.0p	0.2p	26.2p

Group balance sheet

	Notes	At 30 June 2003 (Unaudited) £m	At 30 June 2002 (Unaudited) £m	At 31 December 2002 (Audited) £m
Fixed assets				
Intangible assets - goodwill		11.6	12.3	12.1
Tangible fixed assets		75.5	74.6	76.7
Investments		1.5	2.4	2.0
		88.6	89.3	90.8
Current assets				
Stocks		1.4	1.7	1.5
Debtors		104.7	109.9	101.0
Cash		72.5	261.6	70.6
		178.6	373.2	173.1
Creditors due within one year				
Borrowings	9	(15.7)	(240.5)	(15.0)
Other creditors		(82.9)	(96.2)	(89.6)
		(98.6)	(336.7)	(104.6)
Net current assets		80.0	36.5	68.5
Total assets less current liabilities		168.6	125.8	159.3
Creditors due after more than one year				
Borrowings	9	(208.8)	(100.7)	(222.5)
Other creditors		(1.4)	(3.5)	(4.1)
		(210.2)	(104.2)	(226.6)
Provisions for liabilities and charges	10	(8.6)	(5.9)	(8.7)
Net (liabilities)/assets before pension (liabilities)/assets		(50.2)	15.7	(76.0)
Pension assets/(liabilities)				
Schemes with net assets	11	–	0.8	–
Schemes with net liabilities	11	(7.4)	(1.2)	(7.4)
Net (liabilities)/assets		(57.6)	15.3	(83.4)
Capital and reserves				
Called up share capital	12	1.5	107.0	1.5
Share premium	13	231.7	231.4	231.6
Merger reserve	13	3.6	3.6	3.6
Other reserve	13	2.8	2.8	2.8
Profit and loss account	13	(304.1)	(335.8)	(330.0)
Shareholders' (deficit)/funds – equity		(64.5)	9.0	(90.5)
Equity minority interests		6.9	6.3	7.1
Capital employed		(57.6)	15.3	(83.4)

Group cash flow

	Notes	Six months to 30 June 2003 (Unaudited) £m	Six months to 30 June 2002 (Unaudited) £m	Year to 31 December 2002 (Audited) £m
Net cash inflow from operating activities	14	33.2	34.1	97.4
Dividends from associates		–	–	0.5
Returns on investments and servicing of finance		(5.6)	(16.8)*	(34.4)
Taxation		(6.1)	(6.1)	(12.7)
Capital expenditure and financial investment		(9.1)	(8.6)	(23.3)
Acquisitions and disposals		6.6	(3.9)	(4.3)
Equity dividends paid to shareholders		(8.0)	–	–
Cash inflow/(outflow) before financing		11.0	(1.3)	23.2
Financing:				
Net issue of shares		0.1	241.0	127.2
(Decrease)/increase in debt		(8.2)	1.9	(97.1)
Increase in cash in the period	15	2.9	241.6	53.3

* Includes £4.2m fees paid for the arrangement of the new Senior Term Loan.

Reconciliation of net cash flow to movement in net debt

	Notes	Six months to 30 June 2003 (Unaudited) £m	Six months to 30 June 2002 (Unaudited) £m	Year to 31 December 2002 (Audited) £m
Increase in cash in the period		2.9	241.6	53.3
Cash outflow/(inflow) from decrease/(increase) in debt		8.2	2.3*	97.1
Reduction in net debt resulting from cash flows		11.1	243.9	150.4
Debt issued in lieu of interest payments		–	(6.3)	(6.1)
Acquisitions and disposals		(0.2)	–	–
Other movements		(0.5)	(4.4)	(5.4)
Exchange adjustments		4.5	4.6	11.6
Reduction in net debt	15	14.9	237.8	150.5
Opening net debt		(166.9)	(317.4)	(317.4)
Closing net debt		(152.0)	(79.6)	(166.9)

* Includes £4.2m fees paid for the arrangement of the new Senior Term Loan.

Statement of total group recognised gains and losses

	Six months to 30 June 2003 (Unaudited) £m	Six months to 30 June 2002 (Unaudited) £m	Year to 31 December 2002 (Audited) £m
Net profit from Group companies	25.7	14.9	33.0
Net profit from associates	0.4	0.4	0.6
Profit for the financial period	26.1	15.3	33.6
Actuarial pension gains/(losses)*	–	1.1	(6.5)
Exchange adjustments	3.6	3.4	6.5
Total recognised gains and losses relating to the period	29.7	19.8	33.6

*Actuarial pension gains/(losses) are stated net of deferred tax.

Reconciliation of movements in shareholders' (deficit)/funds

	Six months to 30 June 2003 (Unaudited) £m	Six months to 30 June 2002 (Unaudited) £m	Year to 31 December 2002 (Audited) £m
Opening shareholders' deficit	(90.5)	(242.9)	(242.9)
Issue of ordinary shares	0.1	232.1	232.3
Redemption of preference shares	–	–	(105.5)
Profit for the period	26.1	15.3	33.6
Dividends	(4.5)	–	(8.0)
Goodwill on disposed business	0.7	–	–
Actuarial pension gains/(losses)*	–	1.1	(6.5)
Exchange adjustments	3.6	3.4	6.5
Closing shareholders' (deficit)/funds	(64.5)	9.0	(90.5)

*Actuarial pension gains/(losses) are stated net of deferred tax.

Included in shareholders' (deficit)/funds is £256.3m (30 June 2002: £279.2m, 31 December 2002: £264.7m) relating to goodwill written off to reserves in relation to the acquisition of subsidiaries prior to 1 January 1998.

Historical cost profits and losses

A note of consolidated historical cost profits and losses is not presented as there is no material difference between the profits of the Group as shown in this interim financial information and those on a historical cost basis.

Notes to the interim report

for the six months to 30 June 2003

1 Basis of preparation of interim financial information

This interim financial information has been prepared on the basis of the accounting policies set out in the statutory accounts of Intertek Group plc (formerly Intertek Testing Services plc) for the year ended 31 December 2002 and do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The results for the six months to 30 June 2003 and 30 June 2002 have not been audited but have been reviewed by KPMG Audit Plc, the Company's auditors.

The results for the year ended 31 December 2002 have been abridged from the Group's financial statements, which have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

2 Segmental analysis

Business analysis

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Turnover			
Labtest	66.5	60.1	123.8
Caleb Brett	83.3	85.6	172.8
ETL SEMKO	52.1	53.2	104.7
Foreign Trade Standards	27.5	30.7	59.8
	229.4	229.6	461.1
Total operating profit			
Labtest	22.3	19.9	41.5
Caleb Brett	6.2	8.3	16.3
ETL SEMKO	6.0	7.3	14.0
Foreign Trade Standards	6.1	5.1	11.3
Central overheads	(2.9)	(2.9)	(6.2)
	37.7	37.7	76.9
Goodwill amortisation	(0.5)	(0.5)	(0.9)
Exceptional items	0.1	6.7	15.6
	37.3	43.9	91.6
The Company and its subsidiaries	36.7	43.4	90.7
Associates	0.6	0.5	0.9
	37.3	43.9	91.6
Goodwill amortisation			
Caleb Brett	0.3	0.3	0.6
ETL SEMKO	0.1	0.1	0.2
Foreign Trade Standards	0.1	0.1	0.1
	0.5	0.5	0.9

Notes to the interim report

for the six months to 30 June 2003

2 Segmental analysis (continued)

Geographic analysis by location of entity

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Turnover			
Americas	78.0	84.8	166.0
Europe, Middle East and Africa	71.9	71.4	144.3
Asia	79.5	73.4	150.8
	229.4	229.6	461.1
Total operating profit			
Americas	5.7	8.7	16.4
Europe, Middle East and Africa	6.1	6.0	12.1
Asia	25.9	23.0	48.4
	37.7	37.7	76.9
Goodwill amortisation	(0.5)	(0.5)	(0.9)
Exceptional items	0.1	6.7	15.6
	37.3	43.9	91.6
Goodwill amortisation			
Americas	0.1	0.1	0.1
Europe, Middle East and Africa	0.3	0.3	0.7
Asia	0.1	0.1	0.1
	0.5	0.5	0.9

3 Operating exceptional items

		Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Caleb Brett – restructuring	(a)	(2.8)	–	–
Caleb Brett – EPA cost recovery		–	–	2.0
Foreign Trade Standards – government contracts	(b)	1.7	3.3	3.9
Total continuing operations		(1.1)	3.3	5.9
Discontinued operations – recoveries	(c)	1.2	3.4	9.7
Total operating exceptional items		0.1	6.7	15.6
By geographic region:				
Americas		–	3.9	12.7
Europe, Middle East and Africa		0.4	2.8	2.9
Asia		(0.3)	–	–
Total operating exceptional items		0.1	6.7	15.6

3 Operating exceptional items (continued)

(a) The charge of £2.8m relates to the global restructuring of the Caleb Brett division and comprises severance payments, lease terminations and fixed asset write offs. There is tax relief of £0.4m attributable to these items.

(b) The £1.7m represents the release of a bad debt provision relating to Nigeria. The tax effect of this exceptional item was nil.

(c) In April 2003, an insurance refund of £0.9m was received in reimbursement of the second instalment of the civil fine levied by the Environmental Protection Agency in the USA in respect of its investigation into the discontinued Environmental Testing division. On 7 July 2003, an insurance refund of £0.3m was received in reimbursement of legal costs incurred with this investigation. This amount was recognised as a debtor at 30 June 2003. The tax effect of these refunds was nil.

4 Non operating exceptional items

The net profit of £4.6m on disposal of businesses is made up as follows:

In May 2003, the Group disposed of its 50% share of a company operating in China in the Labtest division for net cash consideration of £6.6m. After deducting the Group's share of net assets of £0.3m and goodwill of £0.7m, which was previously written off to reserves, the profit on disposal was £5.6m. There is no tax payable on this profit.

A loss of £1.0m was recognised during the six months ended 30 June 2003 in respect of the disposal of a trade investment for a nominal sum in August 2003. There is no tax relief for this loss.

5 Net interest and similar charges

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Senior Term Loans	4.7	2.6	8.0
Senior Subordinated Notes	–	7.2	7.3
Parent Subordinated PIK Debentures	–	6.5	6.5
Senior Revolver	–	0.5	0.5
Other	–	0.3	(0.1)
Net interest before exceptional charges	4.7	17.1	22.2
Unamortised costs in connection with:			
Warrants converted into shares	–	2.2	2.2
Repaid Senior Term Loans	–	1.3	6.1
Premium on the redemption of Senior Notes	–	–	7.2
Exceptional charges	–	3.5	15.5
Total net interest and similar charges	4.7	20.6	37.7

6 Taxation

The tax charge on profits before exceptional items for the six months to 30 June 2003 of £9.6m (30 June 2002: £6.3m) is based on the estimated effective rate for the full year of 29.5% (30 June 2002: 31.3%, 31 December 2002: 29.7%). There is tax relief of £0.4m attributable to exceptional items.

7 Dividends

The interim dividend of 2.9 pence per ordinary share (30 June 2002: nil) is payable on 18 November 2003 to members on the register at 7 November 2003.

Notes to the interim report

for the six months to 30 June 2003

8 Earnings per ordinary share

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Based on the profit for the period:			
Underlying profit before tax	33.0	20.6	54.7
Taxation on underlying profit	(9.6)	(6.3)	(16.0)
Minority interest in underlying profit	(1.9)	(1.7)	(4.3)
Underlying earnings	21.5	12.6	34.4
Goodwill amortisation	(0.5)	(0.5)	(0.9)
Exceptional items	5.1	6.7	15.6
Exceptional finance charges	–	(3.5)	(15.5)
Basic earnings	26.1	15.3	33.6
Number of shares (millions):			
Basic weighted average number of shares	153.6	93.6	123.7
Potentially dilutive share options	0.8	1.9	1.5
Potentially dilutive share warrants	–	5.8	2.9
Diluted weighted average number of shares	154.4	101.3	128.1
Basic underlying earnings per share			
Options	14.0p	13.5p	27.8p
Warrants	(0.1)p	(0.3)p	(0.3)p
	–	(0.8)p	(0.6)p
Diluted underlying earnings per share	13.9p	12.4p	26.9p
Basic earnings per share			
Options	17.0p	16.4p	27.2p
Warrants	(0.1)p	(0.4)p	(0.4)p
	–	(0.9)p	(0.6)p
Diluted earnings per share	16.9p	15.1p	26.2p

The weighted average number of shares used in the calculation of the diluted loss per share for the six months to 30 June 2003 excludes 2,906,610 potential shares (31 December 2002: 1,378,500, 30 June 2002: nil) as these were not dilutive in accordance with FRS 14: Earnings per share.

9 Borrowings

	As at 30 June 2003 £m	As at 30 June 2002 £m	As at 31 December 2002 £m
Due within one year:			
Senior Subordinated Notes	–	135.3	–
Parent Subordinated PIK Debentures	–	105.6	–
Senior Term Loans	16.4	4.3	15.5
Other borrowings	0.2	0.9	0.4
	16.6	246.1	15.9
Debt issuance costs	(0.9)	(5.6)	(0.9)
	15.7	240.5	15.0
Due in more than one year:			
Senior Term Loans	211.2	104.1	225.4
Debt issuance costs	(2.4)	(3.4)	(2.9)
	208.8	100.7	222.5
Total borrowings	224.5	341.2	237.5

10 Provisions for liabilities and charges

	Deferred tax £m	Restructuring £m	Claims £m	Total £m
At 1 January 2003	1.1	–	7.6	8.7
Charged during the period	–	2.8	1.2	4.0
Released during the period	(0.3)	–	(0.2)	(0.5)
Utilised during the period	–	(1.4)	(2.2)	(3.6)
At 30 June 2003	0.8	1.4	6.4	8.6

11 Pension schemes

There has been no significant change in the net liabilities of the Group's defined benefit pension schemes since 31 December 2002. As permitted by FRS 17, actuarial valuations of the assets and liabilities of the defined benefit pension schemes were not performed at 30 June 2003.

12 Called up share capital

	As at 30 June 2003 £m	As at 30 June 2002 £m	As at 31 December 2002 £m
Equity: Ordinary shares of 1p each	1.5	1.5	1.5
Non equity: Redeemable preference shares of £1 each	–	105.5	–
	1.5	107.0	1.5

The Redeemable preference shares were repaid at par on 4 July 2002.

Notes to the interim report

for the six months to 30 June 2003

13 Shareholders' deficits

	Share capital £m	Share premium account £m	Merger reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 January 2003	1.5	231.6	3.6	2.8	(330.0)	(90.5)
Retained profit for the period	–	–	–	–	21.6	21.6
Goodwill on disposed business	–	–	–	–	0.7	0.7
Issue of shares	–	0.1	–	–	–	0.1
Exchange adjustments	–	–	–	–	3.6	3.6
At 30 June 2003	1.5	231.7	3.6	2.8	(304.1)*	(64.5)

* After charging £256.3m (31 December 2002: £264.7m) for goodwill written off to reserves in relation to subsidiaries acquired prior to 31 December 1997.

14 Operating cash flow

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Group operating profit after exceptional items	36.7	43.4	90.7
Depreciation charge	9.1	8.7	17.6
Goodwill amortisation	0.5	0.5	0.9
Loss on sale of fixed assets	–	0.1	0.1
Decrease in stocks	0.1	0.1	0.3
Increase in debtors	(6.8)	(8.3)	(2.6)
Decrease in creditors	(6.8)	(7.2)	(8.9)
Increase/(decrease) in provisions	0.4	(3.2)	(0.7)
Total operating cash inflow	33.2	34.1	97.4
Operating cash inflow before exceptional items	36.9	35.9	83.8
Exceptional cash (outflow)/inflow	(3.7)	(1.8)	13.6
Total operating cash inflow	33.2	34.1	97.4

15 Movement in net debt

	At 1 January 2003 £m	Cash flow £m	Non cash changes £m	Business disposal £m	Exchange adjustments £m	At 30 June 2003 £m
Cash at bank and in hand	70.6	2.9	–	(0.2)	(0.8)	72.5
Borrowings	(237.5)	8.2	(0.5)	–	5.3	(224.5)
Total net debt	(166.9)	11.1	(0.5)	(0.2)	4.5	(152.0)

16 Contingent liabilities: claims and litigation

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

17 Approval

The interim financial statements were approved by the Board on 3 September 2003.

Independent review report by KPMG Audit Plc to Intertek Group plc

Introduction

We have been engaged by the Company to review the financial information set out on pages 6 to 16 and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

The report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months to 30 June 2003.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
3 September 2003

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Richard Nelson Chief Executive Officer
William Spencer Chief Financial Officer
David Allvey*
Wolfhart Hauser*
Ross Sayers*

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