

This has been an important year for the quality assurance market and for Intertek as highlighted by the number of news reports around the world frequently focusing on questions about quality. As a global business operating with more than 41,000 people in over 100 countries in three main sectors of the economy – Products, Trade and Resources – Intertek has continued to help our customers meet the challenges they face by providing independent, innovative and bespoke quality assurance solutions.

“Never has there been so much focus on quality assurance from consumers, regulators, media, companies and investors.”

SIR DAVID REID
Chairman



The appointment of André Lacroix in May 2015 has brought new thinking about the market drivers for Intertek and how our business should evolve to meet the changing needs of our stakeholders. To access the significant structural growth opportunities opened up by this new approach to the assurance, testing, inspection and certification market, André and the executive team have, with the support of the Board, developed a Total Quality Assurance Proposition and a new growth strategy. André explains more about the proposition and strategy in his Chief Executive Officer's statement. In implementing this strategy, we will retain our capital discipline and operate with a renewed focus on margin accretive revenue growth, strong returns and cash generation. We plan that this will deliver positive outcomes for our customers, our people and our shareholders.

2015 PERFORMANCE

Our performance benefited from good growth in our Products and Trade businesses, while trading conditions remained challenging in the Resources businesses. In 2015, the Group delivered revenue of £2,166m, an increase of 3.5% over the prior year. Organic revenue growth at constant exchange rates was 1.6%. Adjusted operating profit rose to £343m, up 5.9%, and adjusted operating margin was 15.9% compared to 15.5% in 2014.

The Industry Services business continued to face challenges in the energy infrastructure sector of oil and gas. Following a review of our business a non-cash impairment charge of £577.3m has been recorded in the year.

The underlying performance of the business was solid with adjusted diluted earnings per share of 140.7p, up 6.5%.

The Board has a progressive dividend policy. We will seek to increase the dividend each year in a sustainable way and maintain a minimum dividend cover of 2.5 times earnings. On 13 October 2015, we paid an interim dividend of 17.0p per share (2014: 16.0p). At the Annual General Meeting, the Board will propose a final dividend of 35.3p per share, which will make a full year dividend of 52.3p per share (2014: 49.1p), an increase of 6.5%.

This final dividend will be paid on 3 June 2016 for those shareholders on the register on 20 May 2016.

CASH FLOW AND INVESTMENT

In 2015, the Group continued to generate strong cash flow, with adjusted cash flow from operations of £466m, an increase of 15% on the prior year. Adjusted cash conversion was 136% compared to 125% in 2014.

The Group invested £112m in new laboratories and equipment in the year which represents 5.2% of total revenue (2014: £110m, 5.2%). The capital investment programme ensures we continually position Intertek to capture future growth.

Net debt at the year end was £775m, an increase of 22% on the prior year, largely reflecting the net spend of £231m on acquisitions.

ACQUISITIONS

In line with our priorities of strengthening our global and local businesses, Intertek announced the acquisitions of five new companies in 2015, with four completing during the year.

André provides more detail on acquisitions in his statement.

The most significant was the acquisition of Professional Service Industries, Inc., a leading US-based provider of testing and assurance services to the commercial and civil construction markets.

With our strong financial position we are well-placed to continue to evaluate strategic acquisition opportunities and to make smaller, bolt-on acquisitions that bring complementary services to our portfolio and have the potential to increase shareholder value.

THE BOARD AND MANAGEMENT

With highly engaged people, having the right person at the very top of the organisation to lead the business in a world that is changing quickly is critical. Appointed on 16 May 2015, our new Chief Executive Officer, André Lacroix, and the experienced leadership team have worked with the Board during the year to develop a differentiated strategy for growth that meets the needs and demands of our stakeholders.

At the May 2015 Annual General Meeting, after serving as Chief Executive Officer for ten years, Wolfhart Hauser retired. Christopher Knight, Chairman of the Remuneration Committee and Non-Executive Director, also retired after serving for nine years on the Board.

We welcomed Gill Rider to the Board as a Non-Executive Director and Chair of the Remuneration Committee on 1 July 2015. Gill adds valuable experience to the Board from her career in both Executive and Non-Executive roles.

In other changes to the Committees, Mark Williams was appointed to the Remuneration and Nomination Committees with effect from 15 May 2015, Alan Brown moved from the Remuneration Committee to the Audit & Risk Committee on 1 July 2015 and Dame Louise Makin joined the Nomination Committee on 1 December 2015.

SHAREHOLDER ENGAGEMENT

Our ongoing and continuing dialogue with our shareholders has been a key focus during the year. As a Board, we have been cognisant of the voting results at last year's Annual General Meeting. We took note of the shareholder pushback for the advisory vote on the Directors' Remuneration report at the 2015 Annual General Meeting and responded accordingly. As a result, there has been significant engagement with our shareholders and other stakeholders on remuneration matters and all feedback has been reviewed and taken into consideration. In accordance with regulations and good corporate governance and following further shareholder engagement, our Directors' Remuneration Policy will be presented for approval by shareholders at the 2016 Annual General Meeting. Details are set out in the Directors' Remuneration report on pages 63 to 77.

GOVERNANCE

As Chairman, I am committed to seeing Intertek operating with the highest standards of corporate governance.

An independent external evaluation was undertaken of the Board during the year. I am pleased that the results were positive and confirmed that the Board and the way it operates are effective. More information on this review is outlined on pages 60 and 61 of the Corporate Governance Report.

While all Board appointments are made on merit, we are strong believers in the importance of diversity. We have strived for gender diversity among our membership and female Board members currently comprise 30% of the Board. Our Diversity Policy can be found on our website.

SUSTAINABILITY

Sustainable business practices are integral to Intertek. We assist many of the world's leading corporations and best-known brands in improving the social, ethical and environmental impact of their products, processes and supply chains ensuring quality and safety and thereby protecting their brands.

In our own operations, we continue to improve our processes to monitor our impact on climate change and have controls in place to minimise the Group's effect on the environment through, for example, utilising renewable sources of energy, reducing energy consumption and implementing 'green' waste management practices.

The health and safety of our people is paramount and we have policies in place to ensure staff welfare remains of utmost importance. In 2015, we implemented an online reporting tool for information relating to health and safety incidents with these insights shared across the Group to help understand and reduce accident rates.

INTEGRITY AND OUR PEOPLE

The integrity and ethical conduct of our people is at the core of everything we do and critical to the success of Intertek. We continually review our performance against our robust ethical policies and control procedures. These policies and procedures help us ensure that good business ethics are embedded across the Group.

The Board recognises that delivering our new strategy for growth depends on many factors but people are our greatest asset. We are confident and know that our employees have the innovative talent and knowledge to build on our traditions to realise the full potential of our business. Our continuing success relies upon the commitment, energy, expertise and hard work of our teams around the globe and on behalf of the Board, I would like to thank all of our employees for their continued dedication and diligence.

LOOKING AHEAD

We look to the future with confidence. We have articulated a clear growth strategy to deliver quality assurance solutions in rapidly changing markets with strong structural growth drivers. Despite current market challenges in some parts of our Resources business, we believe the Group can continue to deliver revenue growth, improved margins, strong cash generation and attractive returns. Supported by the investments we are making, I am convinced Intertek will build on its successful heritage to continue to deliver long-term value for our shareholders.



SIR DAVID REID
Chairman