The British Standards Institution

Annual report and financial statements 2014

bsi.

…making excellence a habit.™

Making **excellence** a habit.

At BSI we create excellence by driving the success of our clients through standards. We enable others to perform better, manage risk and achieve sustainable growth.

For over a century our experts have been challenging mediocrity and complacency to help embed excellence into the way people and products work. We make excellence a habit.

Strategic report

Corporate governance

Financial statements

Consolidated financial statements

Parent company financial statements

By Royal Charter

In this report the 'Company' refers to The British Standards Institution, a Royal Charter Company, which is the parent company for the financial statements. 'BSI', 'BSI Group' or 'Group' means the Company and its subsidiaries. The BSI logo, 'Kitemark™', the Kitemark™ device, Supply Chain Solutions™ and 'Entropy Software™' are registered trademarks of The British Standards Institution in the UK and are registered, or in the process of registration, in other jurisdictions. Throughout this report the word 'underlying' is defined as 'before exceptional items and excluding the effects of material disposals'.

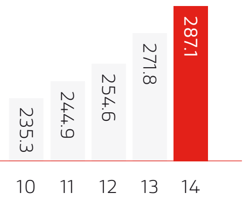
Highlights of our year

Another year of **good progress** for BSI.

- Record underlying revenue for the fifteenth consecutive year
- 2013 investments paying back as expected
- Strength of Sterling presented a new challenge
- Significant acquisitions announced in early 2015
- The implementation of our strategy continues as planned

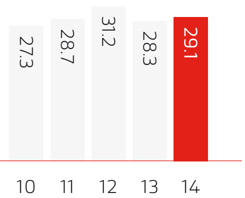
Revenue

£287.1m **+6%**



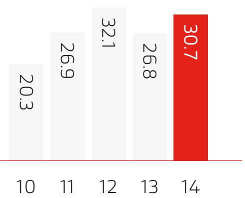
Underlying operating profit

£29.1m **+3%**



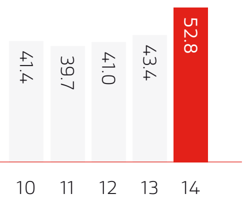
Operating profit

£30.7m **+15%**



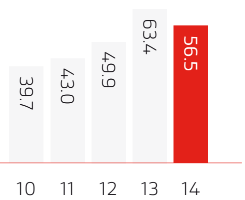
Cash

£52.8m **+22%**



Net asset value

£56.5m **-11%**



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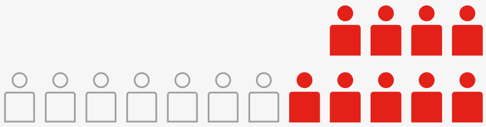
2,700
standards published in 2014

105,000
people trained



80,000
clients in

172
countries across

121,000
sites

Our business

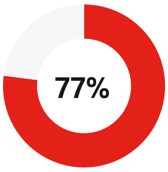
We enable others to **perform better.**

From creating standards to assessing best practice and training people to work more effectively, we help to embed excellence across organizations.

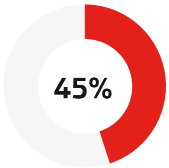
We work with businesses across the world

Our clients range from globally recognized brands to small local companies in 172 countries worldwide and across a range of domains. They trust us for our expertise, for our integrity, and because we are performance minded.

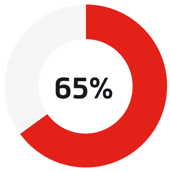
Our clients account for:



FTSE 100



Fortune 500

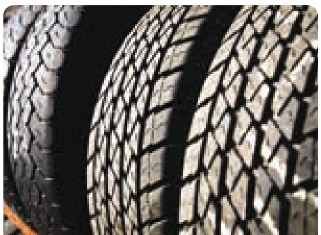


Nikkei Index

Domains

We are increasingly becoming the business improvement partner of choice, offering a unique service we know our clients can trust by developing structured solutions directly linked to the specific challenges they encounter in their industrial sector or business theme.


Aerospace


Automotive

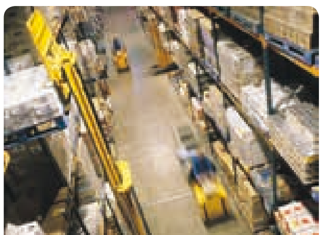

Built environment


Financial services


Food

Healthcare


Organizational resilience


Supply chain

Our method

We provide a tailored offering, designed to align with the steps individual clients need to understand best practice, how to achieve this, and how to ensure that it remains an ongoing habit.

Shape
Together with independent experts, we tackle the issues of today and tomorrow by shaping standards of excellence across products, business processes and business potential.

Share
We share our standards and guidance documents in multiple formats for organizational efficiency.

Embed
Our tutors transfer the knowledge and skills clients need to embed standards into their organization.

Assess
Our assessors measure clients or their products against a particular standard, so they can both improve their organization and promote themselves with confidence.

Support
Post assessment we continue to support our clients with the knowledge and tools they need for continual improvement.

Our business model • Page 04

Our products and services

We provide a unique combination of complementary products and services, managed through our three business streams: Knowledge, Assurance and Compliance.

Knowledge
The core of our business centres on the knowledge that we create and impart to our clients. In the standards arena we continue to build our reputation as an expert body, bringing together experts from industry to shape standards at local, regional and international levels.

Assurance
Independent assessment of the conformity of a process or product to a particular standard ensures that our clients perform to a high level of excellence. We help our clients understand how they are performing, thereby identifying areas of improvement from within.

Compliance
To experience real, long-term benefits, our clients need to ensure ongoing compliance to a standard so that it becomes an embedded habit. We train our clients to understand standards and how to implement them, as well as provide added value and differentiated management tools to facilitate the process of ongoing compliance.

Our geographies

We impart our global expertise worldwide. BSI is an integrated global enterprise, able to serve clients from 76 offices in 28 countries across the world. We have a presence on every continent.

EMEA
Outside our global headquarters in Chiswick, London, and our EMEA headquarters in Milton Keynes, UK, we have offices in eight other European countries, three more in the Middle East and one in Africa.

Americas
Our Americas headquarters are in Herndon, near Washington DC, US, and we also have offices in Canada, Brazil and Mexico.

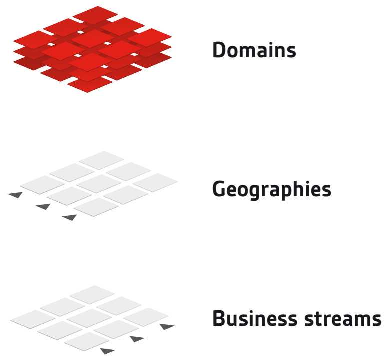
Asia Pacific
Our Asia Pacific management is based in Hong Kong and we have offices in eleven countries in the region.

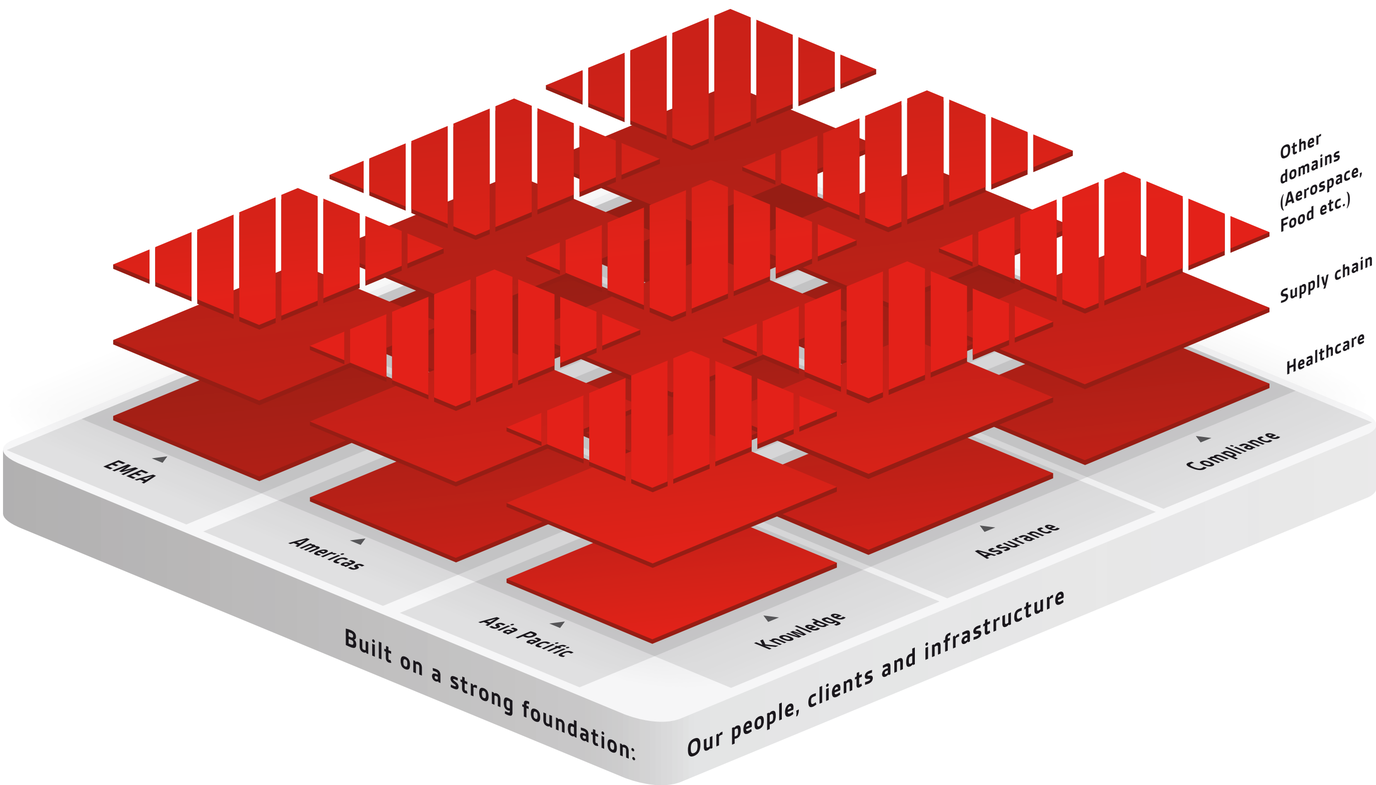
Our business model

We deliver a portfolio of products and services across three geographical regions to a spectrum of domains.

Our business model is built upon a strong foundation made up of our three key assets: our people, our clients and our infrastructure.

For more than a century we have worked tirelessly to hone the offering we provide to our clients to ensure that the unique range of products and services they receive from us helps them to embed excellence in their businesses and to reap the benefits in their performance.





Built on a strong foundation

Our people

Business excellence begins with people. We have over 3,000 employees across the world who work tirelessly to ensure that our clients trust us and continue to work with us.

Our clients

Our business exists to serve diligently over 80,000 clients who range from the smallest of local companies to the largest multinational.

Our infrastructure

We have offices in 28 countries and have invested heavily in our people and our systems to ensure that the service we offer remains efficient, effective and world class.

Our strategic vision

Our strategic vision is to become the global business improvement partner of choice.

At BSI we offer our clients a unique business proposition across our network of offices and through our comprehensive business streams of Knowledge, Assurance and Compliance. We have developed a strategy that will continue to build on our strengths and to leverage this proposition as our business grows.

How will we do this?

We aim to be the **knowledge leader** providing the most relevant smart content.

Read more • Page 06

We aim to be the **most trusted authority** for approving products and processes.

Read more • Page 07

#1

We aim to be the **leading provider** of organizational learning and development.

Read more • Page 08

We aim to be the **most innovative developer** of expertise and tools for continual improvement.

Read more • Page 09

Strategic initiatives • Page 10

As the knowledge leader…

We aim to be the **knowledge leader** providing the most relevant smart content.

For over a century BSI has been at the forefront of standards development and publication worldwide. Our portfolio extends to many thousands of current standards, a substantial source of knowledge and best practice, providing vital information to our clients. Continuing investment in a state-of-the-art information publishing platform provides our clients with a sophisticated workflow tool and business enterprise solution that permits them to work smarter.

34,000
standards in our portfolio

2,700
standards published in 2014

'Flexitanks are increasingly used for shipping non-hazardous bulk liquids in containers. Due to the large number of manufacturers globally, a detailed product specification was required. The BSI standard, published in May 2014, is an excellent first step to an international standard. For industries that require a benchmarking system to provide standardized specifications for products and services, I'd certainly recommend commissioning a BSI PAS*'.

Container Owners Association

* Publicly Available Specification. A sponsored fast-track standard driven by the needs of the client organization and developed according to guidelines set out by BSI.

As the most trusted authority…

We aim to be the **most trusted authority** for approving products and processes.

Our independent assessment of the conformity of a process or product to a particular industry standard helps our clients perform to a higher level of excellence. We carefully match our assessors' experience to their needs, while continuously training them to ensure that they remain at the leading edge of their fields. We support this with proprietary compliance software that leads clients through the process of continual improvement.

80,000
sites certified in 2014

5,000
products tested in 2014

'With our BSI certification we are now able to assure customers that we can meet their needs, reduce our impact on the environment, and manage the safety of staff, visitors and members of the public responsibly. This isn't just through the provision of our certificates – we can actually support this with real evidence through our policies and procedures.'

Grundon Waste Management Ltd

As the leading provider...

#1

We aim to be the **leading provider** of organizational learning and development.

We have a team of experienced tutors across the world who can transfer the knowledge, skills and tools our clients need to embed their standards of excellence into their business. Our trainers have decades of experience both as assessors and trainers in an array of different domains, so they completely understand the challenges being faced, and can pass on their expertise to ensure that these challenges are overcome.

105,000
people trained in 2014

400+
training courses offered globally

'Our recent experience of working closely with BSI to deliver bespoke, in-company training has been excellent. The commitment and enthusiasm shown by the BSI team to understand our business and then design the training package was commendable.'

Coca Cola Inc.

And the most innovative developer…

We aim to be the **most innovative developer** of expertise and tools for continual improvement.

We have developed Entropy Software, a proprietary management system solution for quality, environmental and health and safety management across organizations, using our knowledge and experience to ensure that this remains leading edge. We also provide supply chain intelligence and compliance-based solutions; our experts partnering with industry to provide expert supplier vetting and risk assessment.

80%
Percentage of Entropy Software clients experiencing efficiency improvements and cost reductions

50%
Average management systems implementation time saved by Entropy Software clients

'Entropy Software is a useful tool for establishing quality objectives. We put them in the system and the software creates a process of review and ongoing evaluation. When we create an action plan associated with these quality goals, Entropy ties everything together. Lenco's employees have embraced our management system more fully than expected because Entropy makes their jobs easier.'

Lenco Group

Our eight strategic initiatives.

Knowledge

1 Expand our National Standards Body services: increase UK engagement and international development capability

How will we do this?

- Improve our offering to our members so that we continue to share a mutually beneficial relationship
- Expand our NSB services by partnering with thought leaders in the UK and abroad and by redefining our standards development capabilities

Assurance

3 Build a sustainable, higher margin, Systems Certification business

How will we do this?

- Continue to invest in technology and training to ensure that we have the best and most appropriate product and service offering that meets our clients' needs
- Optimize processes, ensuring effective operations and an optimal mix between external and internal resources in each market

Compliance

5 Expand our global Training business and improve its margins

How will we do this?

- Continue to invest in our BSI Training Academy business model to drive scale and profitability in established markets and critical mass in smaller ones
- Embed commercial best practice processes and systems to deliver a best-in-class client experience with increased effectiveness and efficiency

Global

7 Achieve critical mass in all our geographical markets

How will we do this?

- Expand the product range offered in our smaller markets to give more revenue opportunities
- Continue to reorganize the structure of our smaller units into 'hub and spoke' operations where appropriate

2 Develop our Standards Publishing business into an information solutions provider

How will we do this?

- Extend our knowledge services across standards, guidance and compliance-related information to support clients at key points in their product lifecycle and supply chains
- Further invest in technology solutions to provide ever-improving 'smart' services and responsive content

4 Globalize our Product Certification offering

How will we do this?

- Concentrating on our chosen domains, invest in dedicated resources in selected BSI business units around the world
- Implement our global operating system and communications network to streamline trading between internal and external laboratories and business stream management

6 Build our new Professional Services offering

How will we do this?

- Continue to develop our Entropy Software and Supply Chain Solutions offering to ensure that these remain cutting edge
- Make selected acquisitions to augment organically developed expertise in our Consultancy business

8 Develop leadership in our chosen domains

How will we do this?

- Select domains where we already have expertise across our range of products and services
- Introduce dedicated leadership to create a comprehensive product offering for each selected domain

Our strategic KPIs by 2018

Our financial objectives are to reach a turnover of £500m by 2018 balancing our global portfolio of business streams and chosen domains.

£500m
revenue

£100m
revenue from acquisitions

>£50m
underlying operating profit

>95,000
clients

66%
client retention

>51
NPS[1] client satisfaction

>8.8
OSAT[2] client satisfaction

Top quartile
employee engagement score

1 Net promoter score.
2 Overall satisfaction score.

Financial review • Page 27

'Another **year of good progress** for BSI.'

Sir David Brown • Chairman

I am pleased to be able to report that 2014 was another year of good progress for BSI, in which we both turned in a solid financial performance and enhanced the value we deliver to our clients. After several years of challenging economic conditions in all our markets around the world, in 2014 we saw some confidence begin to return. However, the increasing strength of Sterling against our other major trading currencies worked against us, and had the effect of attenuating the rate of growth of our revenue and profit. The business responded well to this challenge and we delivered a record level of underlying revenue for the fifteenth consecutive year, growing by 6% year-on-year to £287.1m and year-on-year growth in underlying profit of 3% to £29.1m. We ended the year with 22% more cash than we began the year, at £52.8m, and subsequently have funded the two acquisitions we announced in January 2015, in the US and South Africa, without recourse to external debt.

Every year we seek to strike a careful balance between managing BSI's finances with proper near-term caution and making the planned investments required to continue to secure BSI's longer-term health. The strategic and operational investments we made during 2014 built on those we made in prior years to keep BSI at the forefront of standards-making, such that our vital role in the global standards community is as strong as ever it has been. Those investments have also deepened our domain knowledge and increased the effectiveness with which we deliver the benefits of it to our clients everywhere. In consequence, BSI's high reputation continues to be maintained and the power of its brand continues to strengthen.

The Board is conscious that such achievements were made possible by the sustained investments we have made for many successive years, and will continue to make, in BSI's richly diverse and talented global team; in the effectiveness and efficiency of our operating processes; and in the strategic initiatives necessary to ensure that we continue to meet our clients' evolving needs excellently.

> 'Every year we seek to strike a careful balance between managing BSI's finances with proper near-term caution and making the investments required to secure BSI's longer-term health.'

As a Royal Charter Company with no shareholders and therefore no stock exchange listing, BSI is not required to apply the UK Corporate Governance Code. However, consistent with our unique status as the UK National Standards Body and our commitment to our members, we nevertheless apply the principles of the Code where applicable and, in doing so, have established internal governance processes that reflect best practice in business today. The ultimate accountability for the governance of BSI lies with our widely experienced Board of Directors, which has a majority of Non-executive Directors. The Board is supported by Audit, Remuneration, Nomination and Social Responsibility Committees which are chaired by, and primarily consist of, Non-executive Directors. These formal committees are complemented by the Standards Policy and Strategy Committee, which does invaluable work in gathering and distilling the views of those interested in British standards and advising the Board. Underpinning this governance framework, our structure of internal controls and financial management and, indeed, everything that every BSI employee does, wherever they do it, is the BSI Code of Business Ethics. It sets the ethical values and high standards of integrity that apply to every aspect of the way that we do business.

There were some changes to the Board of Directors during 2014. Keith Clarke, a Non-executive Director and Chairman of the Remuneration Committee, retired on 31 March 2014. Pat Chapman-Pincher, who had been a Board advisor since May 2011, was appointed as a Non-executive Director and Chairman of the Remuneration Committee on 1 April 2014, but had to retire on 22 May 2014 for health reasons. The Board is very grateful to Keith and Pat for their distinguished service to BSI and wishes them every future happiness. Lucinda Riches, a Non-executive Director, chaired the Remuneration Committee on an interim basis until, following a formal, rigorous and transparent selection procedure, Alison Wood joined the Board on 1 September 2014 as a Non-executive Director and then, on 1 October 2014, as Chairman of the Remuneration Committee. Alison was Global Director of Strategy and Corporate Development for National Grid PLC and prior to that spent nearly twenty years at BAE Systems PLC where she was responsible for corporate strategy, mergers and acquisitions and business development. She is currently a Non-executive Director of Costain Group PLC, e2v Technologies PLC and Cobham PLC.

On 1 October 2014 Alicja Lesniak joined as Board Advisor. She is a Chartered Accountant with top-level experience in the commercial and financial management of professional service businesses such as Ogilvy and Mather, J Walter Thompson and Aegis Group PLC. She is currently a Non-executive Director at SThree PLC, Channel 4 Television Corporation and Next Fifteen Communications PLC.

We were delighted to welcome Alison Wood and Alicja Lesniak, who began immediately to apply the knowledge and insights accumulated during their distinguished careers to the challenges and opportunities ahead of us.

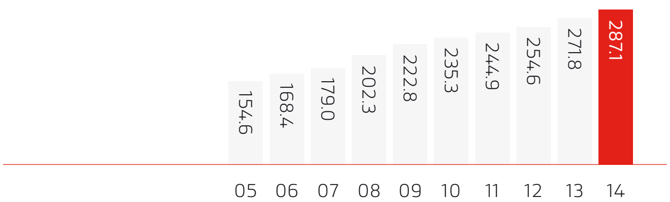
Each year my role presents me with opportunities to work with BSI people everywhere, and 2014 was no exception. Always, I am struck by their deep knowledge, energy, integrity and infectious enthusiasm for what BSI does. They, and the very many BSI Committee Members and Subscribing Members, are the heart of BSI. Without them BSI could not still be one of the most prominent and respected standards bodies in the world today.

As we begin our 114th year, the Board is confident that 2015 will be another year in which, together with all BSI's stakeholders, we can look forward to both capitalizing on our profound strength and continuing to invest in building the capacity to deliver yet more for all those who depend on BSI, all around the world, and to continue to earn the trust they place in us.

Sir David Brown
Chairman
26 March 2015

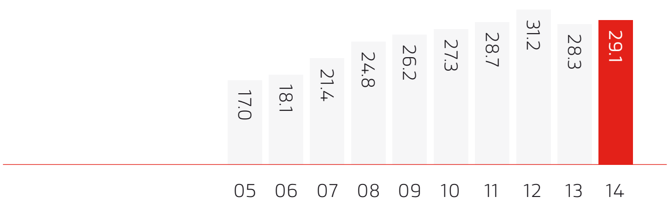
Underlying revenue (£m)

£287.1m **+6%**



Underlying operating profit (£m)

£29.1m **+3%**



Chief Executive's review

'We have worked together to transform BSI into an **integrated global enterprise**.'

Howard Kerr • Chief Executive

Summary

While the evolution and development of a business is a continuous process, this can be divided into phases. Over the past few years we have worked together to transform BSI into an integrated global enterprise able to serve clients across the world from our network of offices. We have created a business stream management structure to run across this established geographical network and have introduced the beginnings of a third 'dimension' of domain management to concentrate on specific market segments where we can become leaders and provide an unparalleled integrated service to satisfy our clients' requirements. I believe that 2014 was a watershed year in this process and reached a stage when we could accelerate the strategy we will follow to achieve our objectives. As a result much of this business review is devoted to the explanation of our current strategic vision, objectives and initiatives and the KPIs that we will use to track our progress. You can read about this on pages 5 to 11.

There is no doubt that 2014 brought with it stronger trading conditions than those experienced in the recent past, although many of our listed competitors in the Testing, Inspection and Certification sector released results below their, and the market's, expectations. Under these conditions I am pleased to report that BSI made good progress during 2014. Clearly the increased value of Sterling compared to our major trading currencies provided a new challenge for BSI management. BSI reports its results in Sterling and so foreign revenues and profits are worth less when translated back on consolidation. As a result our reported revenue and profit growth was lower than it would have been if reported at constant exchange rates. Throughout 2014 BSI has continued to develop its geographical, business stream and domain footprint to ensure that we are well hedged against external business cycles. As we develop internationally our natural hedging against currency flows improves but will never be perfect, so our KPIs will always be affected to some degree by the relative strengths of our major currencies.

> 'We are proud to employ a talented global workforce who provide the expertise that brings us competitive advantage and differentiates us from our competitors.'

Despite this, it is pleasing to be in a position to report a revenue for the year of £287.1m, a 6% increase on 2013. This is made up of 9% organic growth at constant exchange rates, 1% inorganic growth from the Australian business we acquired in May 2013 and a negative currency effect of 4%. New sales, which will translate into revenue over time, grew slightly more slowly than revenue at 6% at constant exchange rates but were still encouraging and will support our expected future growth plans.

I wrote last year that 2013 was a year of significant investment in BSI and, while this had the effect of depressing 2013 profit, the investments would begin to pay back in 2014. This proved to be the case and underlying operating profit was £29.1m, 3% higher than last year. The growth would have been 4% if calculated at constant exchange rates. Operating profit was 15% higher than 2013 at £30.7m.

Our business remains in robust financial health. We ended the year with no external debt and £52.8m in cash. This is 22% higher than at the end of 2013, despite continued investment in the business and a further contribution of £12.5m into the UK defined benefit pension fund.

Structure

Day-to-day, the business is managed through a strong matrix structure with three global business streams, Knowledge, Assurance and Compliance, being driven through three geographical regions, EMEA (Europe, Middle East and Africa), the Americas and Asia Pacific, supported by highly enabling central functions and innovative business systems. This is overseen by the Group Executive Committee that sets and manages targets and reacts quickly and flexibly to changes in the competitive environment.

Our increased focus is on developing and delivering domain solutions, combining our unique product range and expertise to become thought leaders and the business partner of choice in our chosen markets. BSI already enjoys a strong position in the Healthcare and Food sectors, and in business themes such as Supply Chain and Organizational Resilience. We have made good progress in this area during 2014 and will continue to invest in strengthening our portfolio of products and services through dedicated management in our chosen areas.

Investments

2014 saw a continuation of our significant investments in our IT systems to underpin our strategic initiatives. In particular there have been major developments in our Knowledge business stream, with new projects underway to transform the way we engage with our Subscribing Members and enhance our offering of 'smart' content to our clients. Further launches of our BSI Entropy Software and Supply Chain Solutions software have enhanced our offering. We have developed our internal systems to reflect the requirements of our globalization of the Product Certification business stream and our expansions in the Food sector and the Supply Chain business theme. In addition we continued to invest in new Training courses. These, and our other integrated systems, help to enhance the client journey and our employee satisfaction as they are able to do their jobs more efficiently.

We also continue to invest in the further development of innovative new standards that not only meet the need of the economy and society today but also anticipate the requirements of the future. Our Standards Development team has intensively engaged with current and new stakeholders in the UK and beyond to promote the benefits of standards and standardization. As a result, interest in what BSI has to offer has increased significantly.

We made no acquisitions during 2014 but completed two in January 2015. The first of these was the acquisition of Environmental and Occupational Risk Management Inc. (EORM), an environmental, health, safety and sustainability Consultancy business based in San José, California, US, with six offices on the west coast of the US and in Texas. EORM employs around 160 people and had 2014 revenue of £18.7m. This is an exciting acquisition for us as it provides immediate critical mass for our US Consultancy business and will provide an expert base for international expansion. Also, we completed the purchase of the PricewaterhouseCoopers Systems Certification business in Pretoria, South Africa. This business employs four people and had 2014 revenue of £0.3m. This acquisition increases our global footprint and establishes a base for expansion in Africa. Previously our clients here were served through our Middle East and Africa office in Dubai.

People

Outside the capital expenditure detailed earlier we also recruited heavily during 2014, particularly in the client-facing areas of sales and delivery. By the end of the year we had 3,069 people working for us, an increase of 4% on 2013. We are proud to employ a talented global workforce who provide the expertise that brings us competitive advantage and differentiates us from our competitors. I would like to take this opportunity to thank each and every one of the BSI team for their hard work and demonstration of our core values of Integrity, Inclusivity and Continual Improvement that guide us in everything we do. Our people make BSI what it is today.

During 2014 we have made some changes to the structure of our Group and Operational Executive teams. In August Pietro Foschi joined the Group Executive as Group Strategic Delivery Director. Pietro will be responsible for supporting and driving the delivery of the Strategic Plan and the development of the global Systems Certification business stream. His in-depth understanding of the certification industry and proficiency in developing strategic markets, domains and key accounts will be a great asset to our team. In December Shirley Bailey-Wood MBE, Director, Information Solutions, was promoted to the Group Executive to represent the commercial interests of our Knowledge business stream. Shirley joined BSI in 2004 and has been instrumental in the development of this business and the move towards smart content.

'There is no doubt that 2014 brought with it stronger trading conditions than those experienced in the recent past.'

People continued
As I explained last year, Maureen Sumner Smith was promoted to UK Managing Director in early 2014 and left the Operational Executive. In April, Tony Reilly joined BSI and replaced Maureen as Group Marketing Director. Tony has wide experience in business-to-business marketing in technology and service companies and has already made a significant contribution to BSI. In May Marc Barnes, who joined BSI with the NCSI acquisition in 2013, became Global Director of Food and joined the Operational Executive. Bill McMoil, who was Senior Vice President, Governance, Risk and Compliance, left the Operational Executive in June. His responsibilities have been assumed by Dan Purtell who is now Senior Vice President, Governance, Risk and Compliance Solutions. With Pietro's arrival in August Dr Gary Fenton became Global Product Certification Director, responsible for the expansion of this business stream worldwide.

At the core of our growth strategy is the recruitment, development and retention of our employees. They provide the expertise and professionalism that differentiates our products and services from our competitors and build trust and confidence with our clients. Building and maintaining this expertise, therefore, is critical to our success and we have continued to invest in their professional and career development, adding the Standards/Publishing Academy to our successful Sales Excellence Academy and our developing Operations Academy. Our global leadership programme entered its fifth year and we extended our management programme into China, Japan and India during 2014. Finding the best people remains an ongoing challenge and we have invested in global recruitment software that gives us much more efficient internal processing capability and, more importantly, external candidate accessibility. Following four years of improving retention numbers, in 2014 the trend reversed slightly as global employment markets start to improve.

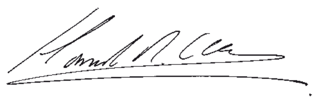
Clients
Once again we delivered our products and solutions to a record number of clients. We have worked with 80,000 clients over the last twelve months (up 11% on 2013), with an average business tenure of eight years, across 121,000 sites in 172 countries worldwide.

We work equally with multinational companies and small and medium-sized enterprises who benefit from working with BSI. We know this because they tell us. Over 65% of clients who responded to our latest client satisfaction survey scored us nine or ten out of ten for overall satisfaction and just 2% considered themselves dissatisfied with our service.

Our brand and reputation remains paramount to BSI. These are underpinned by our credo of 'Making Excellence a Habit' and our core values of Integrity, Inclusivity and Continual Improvement. Everyone at BSI works to these standards and this is why our clients come to us and keep coming back to us.

Outlook
The easing of the general economic climate towards the end of 2013, upon which I remarked in last year's Annual Report, continued during 2014, but the sense of optimism that was being felt a year ago seems to have been dulled by more recent experience. Currencies fluctuated more wildly than we have seen in recent history, growth rates have stalled and the economic problems in key markets in Europe, Latin America and Asia Pacific have not gone away.

BSI will continue to invest in the organic growth of our business and will complement this with targeted acquisitions. Our strategy of developing our business geographically, by business stream and by domain provides a strong natural hedge against most specific economic issues and so we continue to approach 2015 and beyond with some optimism, while watching carefully the macro-economic developments of our business world. We will continue to implement this strategy in 2015 as we have in previous years and look forward to driving BSI to further success.



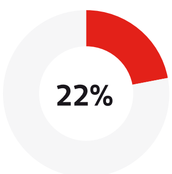
Howard Kerr
Chief Executive
26 March 2015

Our workplace gender balance

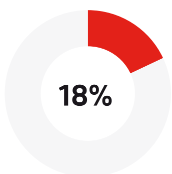
Equality and diversity

BSI uses the talent and skills available in all groups and communities in the countries in which we operate to build the strong team we require to deliver the strategy for our business. Appointments are made on merit, taking the benefits of diversity fully into account.

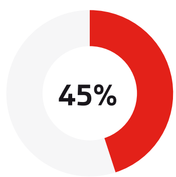
Percentage of female members



Main Board



Senior management



Total workforce

Business review

Performance by geographical region.

EMEA

Revenue (£m)

£155.7m

2013: £146.5m

+6%

(+8% at constant exchange rates)

Proportion of total Group revenue

54%

Employees (including head office)

1,551

2013: 1,457

Offices

UK, France, Germany, Italy, the Netherlands, Poland, Qatar, Russia, Saudi Arabia, South Africa, Spain, Turkey and the United Arab Emirates

Our EMEA region experienced fairly diverse trading conditions in 2014, with a more positive environment in the UK and the Middle East and Africa region tempered by more challenging conditions in Central and Southern Europe as the Eurozone continued to experience difficulties in its economy. Given this, an overall revenue growth at constant exchange rates of 8% was a good performance.

A new Managing Director, specifically for the UK, was announced at the beginning of the year and she, and the rest of her management team, provided the desired focus on this business with growth in every one of the business streams and client satisfaction and employee engagement scores both reaching all-time highs.

The Middle East and Africa region performed extremely strongly. This business has traditionally been based on Systems Certification and Training and both of these streams showed significant growth on 2013. In addition, good progress was made in the Product Certification and Healthcare streams as the portfolio continued to be expanded. In early 2015 we announced that we had acquired a small Systems Certification business in South Africa from PricewaterhouseCoopers, emphasising our commitment to this region and establishing a permanent office in BSI's 28th country.

Our Central Europe region is dominated by Germany. This business underwent a significant reorganization in 2013 and has made good progress in 2014 under its new management team. There is still work to be done before the business delivers an appropriate profit margin but signs are positive for 2015.

Southern Europe remained a challenge and we restructured our Spanish business in order to optimize our presence in this difficult market. Also Italy proved to have more difficult trading conditions than we had expected. However, both countries did actually grow their local currency revenue during the year and also closed some significant deals in our newer business streams towards the end of the year, including a large Supply Chain opportunity.

Worthy of note is the pan-European performance of our Compliance business stream. Our Consultancy business delivered some significant deals during the year and will be looking to leverage the expertise of our new US acquisition in this space in 2015. Our Supply Chain Solutions business gained traction across the region and our Entropy Software footprint grew on the back of strong Action Manager sales. The strongest relative performer was Training, which showed constant currency revenue growth of over 20% in 2014.

Our EMEA region also includes results from the EMEA part of our Knowledge business stream, which is managed separately to the EMEA Assurance and Compliance business. EMEA constitutes the vast majority of our Knowledge stream, details of whose global performance may be read on page 19 of this report. At constant exchange rates our EMEA Knowledge business reported revenue growth of 6% in 2014, while our EMEA Assurance and Compliance business grew 9%, making 8% for the region as a whole.

Performance by geographical region continued.

Americas

Revenue (£m)

£61.6m

2013: £60.3m

+2%

(+9% at constant exchange rates)

Proportion of total Group revenue

22%

Employees

543

2013: 520

Offices

US, Brazil, Canada and Mexico

Our Americas business has been one of our strongest performing regions over the past few years and this was again the case in 2014. Revenue growth was 9% at constant exchange rates. The success of the Americas region meant that the old regional headquarters office had been outgrown and so, in June 2014, we moved to new offices in Herndon, VA. These new offices have been well received by our employees and clients as they allow us to reflect the brand and culture of BSI and to underpin the future development of the region.

The Americas region continued its progress during 2014, away from being predominantly a Systems Certification and Healthcare provider to offering a more comprehensive BSI portfolio, including Training, which is now growing profitably; Governance, Risk and Compliance; and the beginnings of Knowledge and Product Certification. All will be important for its future growth. However, the traditional businesses led the way and, again, showed good progress. In Systems Certification, the emphasis on margin improvement was evident in the combination of the operations management of the US, Canada and Mexico under one management structure. Streamlined reporting and the elimination of duplicated positions have driven greater synergy and yielded improvements in performance. Our Healthcare sector team, in turn, grew revenue by over 20% and established clear market leadership in the US and Canada.

Our Scottsdale, AZ, office runs our global Governance, Risk and Compliance business and continued to invest in both staff and the Supply Chain Solutions and Entropy Software products during 2014. Good progress was made during the year and these businesses are well placed for growth in 2015 and beyond. Our GRC offering was complemented and enhanced by the announcement of the acquisition of the EORM Consultancy business in San José, CA, in January 2015.

Outside the US, Mexico reversed its 2013 slowdown and recorded double-digit growth in new sales, revenue and profit in 2014, despite the slow economy and political uncertainty in the country. Brazil had to deal with the football world cup and presidential elections during 2014 and these impacted our business more adversely than had been originally predicted. Canada developed well on the back of a strong core business and demonstrated a leadership position in the country for the core ISO standards changes due in 2015 and 2016.

Asia Pacific

Revenue (£m)

£69.8m

2013: £65.0m

+7%

(+17% at constant exchange rates)

Proportion of total Group revenue

24%

Employees

1,191

2013: 1,098

Offices

China (including Hong Kong), Australia, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand and Vietnam

At constant exchange rates, revenue in our APAC region grew by 17% during 2014. Of this around 6 percentage points were due to the annualization effect of the revenue from the acquisition of NCSI in Australia in May 2013. However, given the economic issues prevalent particularly in two of the region's largest markets, Japan and Australia, this was a very commendable result. In fact, in local currency terms, China, Taiwan, India, Singapore, Thailand, Malaysia, Vietnam and Indonesia all reported double-digit organic growth rates.

In China we have continued to expand geographically and, by the end of 2014, had trading offices in nine cities, including Hong Kong, where the regional head office is also located. Although China's economic growth has slowed, our business grew well and, as expected, returned to profitability after the period of expansion and investment.

Growth in the Japanese market has been difficult for BSI for several years, with margin pressures continuing in our core Systems Certification and Training activities. At the end of 2014 we announced a restructuring programme for our Japanese business which will see a structural reorganization coupled with an introduction of other products and services from the BSI portfolio as we create a business better able to face the future challenges in this important strategic market.

Our third large market in Asia Pacific is Australia where, following the 2013 acquisition, we have maintained a strong market position. A particular success during 2014 has been the Food sector, which is run globally out of Australia using expertise acquired with NCSI. We expanded this business to several other Asia Pacific markets during the year and developed global marketing collateral for further expansion in 2015.

Outside the three largest markets we recorded excellent trading in India, following two years of relatively low growth; Taiwan, who continued their recent strong performance, and our ASEAN sub-region, which continues to be the fastest growing part of Asia Pacific, albeit from a low base. Korea had a poor year by its usual high standards and management changes at the end of the year should lead to better performance in 2015.

During the year we launched our regional Foundations of Management programme which helps to develop middle management throughout Asia Pacific. Five courses were delivered in China, Japan and India and 48 managers graduated from the programme.

Performance by business stream.

Knowledge

Revenue (£m)

£52.8m

2013: £49.9m

+6%

(+6% at constant exchange rates)

Proportion of total revenue

18%

During 2014 the Knowledge business stream has seen a reorganization of the standards development, product development and sales and strategic market capabilities to continue the focus on knowledge services provision. At the same time our business continued to expand, with revenue growing by 6% at constant exchange rates to reach more than £50m for the first time. This growth was driven predominantly by international partner programmes, licensing, direct digital services and increased funding from new sources in the UK seeking standards development solutions. Our flagship product, British Standards Online (BSOL), again developed well and helped to improve our international profile. Revenue mix was again favourable, with increases in digital products with relatively high margins and any revenue shortfalls concentrated in the lower margin products. This allowed margins to remain at good levels.

The market specific challenges in which progress was made during the year included addressing the speed of the standards development life cycle with new development approaches and developing new standards and relationships relevant at the cutting edge of technological innovation or at the convergence of industries, for example smart cities and building information modelling. At the same time good progress was made in enhancing coverage of our core, standards-intensive, sectors such as Healthcare and Built environment. We have made major strides in our product development capabilities and identification of workflow solutions to differentiate our knowledge services in the market.

We have continued to invest heavily in our online solutions and product delivery platforms. Our digital to print ratio is now above 80%, reflecting the successful transition of our traditional print-based product to a more technologically advanced and increasingly interactive medium. Late in the year we released our new Compliance Navigator solution for the Healthcare sector. This is a technology-enabled product built upon increased discoverability of information, linkages and enhanced relevant content centred on workflow efficiencies. It is an important development in our business, as it reflects fully the direction of client requirements towards a smarter way of working. Its framework will adapt easily to other industrial sectors and will be a key focus for 2015.

Our International Projects division grew significantly in 2014, delivering projects around the world, most substantially in India, Mongolia, Lebanon and China, but also winning new assignments in Mongolia, Turkmenistan and Uganda.

As the world and its demand for our projects change and develop towards smart content, we continue to invest in new standards, new platforms and new geographies to ensure that we meet our clients' requirements. Our continued growth demonstrates the trust that our clients place in BSI and we remain a trusted partner in the uptake and use of knowledge across their organizations.

Performance by business stream continued.

Assurance

Revenue (£m)

£202.6m

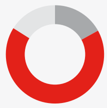
2013: £194.8m

+4%

(+10% at constant exchange rates)

Proportion of total revenue

71%



Systems Certification

Systems Certification remains our largest business. It has a truly international reach and is currently going through important changes as the major ISO Management Systems standards are in the process of being revised. In 2013 the revised ISO 27001 (Information Security) was published and we are on track to have all our clients working to the new standard ahead of the deadline in late 2015. We remain the global leader in the certification of this standard. In 2014 our constant exchange rate growth was 7% in Systems Certification, of which 4% was organic.

In 2015 the new revisions for ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) will be published while ISO 45000 (Occupational Health and Safety) will be introduced in 2016. We are ready to apply for accreditation as soon as the standards are finalized. We have produced papers to explain the positive impact of these revisions for our clients and deployed a series of seminars to prepare them for transition. This will continue in 2015.

A key focus during 2014 has been client retention with specific client care programmes introduced in the UK and US concentrating on ensuring that our clients get full value from their relationship with BSI. We continue to invest heavily in the training of our client manager and auditor teams and have introduced specific training on 'understanding client needs'. As a result attrition rates have been reduced and our new clients get the benefits of certification faster.

Product Certification

After a number of lacklustre trading years we stabilized the Product Certification business stream in 2013 and delivered significant organic growth for the first time in 2014, with revenue increasing 7% in constant exchange rate terms. This turnaround has been driven by a strategic initiative to globalize the stream and focus on specific markets in Asia Pacific, Southern Europe and the Middle East and a reinvigoration of our Hemel Hempstead testing facility following the refurbishment we reported last year, which has also invoked significant media interest and resulted in several contributions to national television consumer affairs programmes.

In 2014 we introduced three major new products. The first of these was in our traditional Built environment sector and is an extension to our Notified Body activity offering CE certification to BS EN 1090 (Fabricated Steel Structures). We also introduced two new Kitemark certification schemes that, for the first time, moved Kitemark into the Financial services sector. The first of these certified Simple Financial Products to be both transparent and easy to understand and is based on our support of the Sergeant Report commissioned by the Treasury. The second focuses on the Secure Digital Transaction, for which our first client is a major high street bank for its mobile and online banking service.

Healthcare

Our Healthcare sector once again reported strong revenue growth in 2014 in all three geographical regions. At constant exchange rates this was 24%, and was predicated on a number of key factors.

We recorded significant market share gain in Europe as an EU Notified Body where, in both Product Certification (CE conformity assessment) and Systems Certification, we are the clear market leader, being more than 20% larger than the second-placed provider.

We also performed very strongly in the all-important US Healthcare market, which drives the global industry with around half of global manufacturing. Industry estimates suggest that the top thirty manufacturers, twenty five of which are US based, generate 80% of global revenue. BSI has twenty eight of these top thirty manufacturers in our client base.

Market share gain was also very evident in our smaller continental Europe and Asia Pacific businesses, with revenue growth in both geographies in excess of 40% as the business develops and broadens.

Compliance

Revenue (£m)

£31.7m

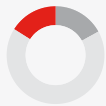
2013: £27.1m

+17%

(+23% at constant exchange rates)

Proportion of total revenue

11%



Training

Our Training stream experienced strong growth during 2014, with global revenues increasing by more than 22% at constant exchange rates. The growth was driven chiefly by Asia Pacific and EMEA on the back of investment in commercial teams, processes and systems. This investment permitted us to meet market demand, in particular, for the revised ISO 27001 (Information Security) standard and push further into the Healthcare sector. Our recognized market leadership in both of these areas, underpinned by updated content and training materials, allowed us to capitalize strongly on this demand. Delegates attending our courses increased substantially in 2014 to 105,000, up 19% from the 88,000 we trained during 2013.

Substantial progress was made in standardizing the client service processes and systems of the Training stream across our markets, with the majority of our countries now executing our uniform best practices, now monitored by a newly installed electronic global client feedback system.

Risk and Compliance Management

Supply Chain Solutions had another strong year in 2014, finishing the year with over 60% revenue growth at constant exchange rates. It was an important year in the development of this business stream, as we moved our operations outside the traditional US base and we now have offices across the Americas as well as in our EMEA and Asia Pacific regions. This coincided with our launch of BSI Verification as a global business to service the second party supplier verification requirements of our clients and offering a one-stop service including intelligence, compliance and risk software, auditing and advisory services and culminated in the development of the PAS 7000 (Supplier Prequalification) standard which offers our clients the ability to perform an in-depth supplier audit to approved parameters. We invested heavily in our SCREEN intelligence and Supply Chain Management compliance and risk management solutions, incorporating social responsibility, business continuity risk and predictive modelling into the product offering.

We have seen more clients joining the Entropy Software family during 2014 than in any previous year, with strong sales particularly in the UK, Mexico and Brazil. 2014 was a consolidation year for this stream as we stabilized the version 5 offering and added functionality to the solution including new languages, such as Chinese and Korean, new reports and an integration link between Entropy Software and other BSI Certification systems to provide our certification client with tools to manage their non-conformities and corrective actions. Revenue grew 15% at constant exchange rates. In 2015 we will grow our client-facing operations to continue our delivery of excellent client support across the BSI world, with a specific focus on Asia Pacific. We will also be exploring options to create synergy between Entropy Software and other BSI portfolio products and services to enhance further client satisfaction.

Consultancy

In 2014 our embryonic Consultancy business continued to deliver a small revenue. However, news of the acquisition of Environmental and Occupational Risk Management Inc. (EORM), the US environmental, health, safety and sustainability Consultancy business, in early 2015 demonstrates our commitment to this new stream and 2015 will be an exciting year as we leverage the knowledge and expertise of the acquired business throughout BSI.

Principal risks and uncertainties

'Effective risk management is an inherent part of the business process.'

Risk management

The Board of BSI understands that effective risk management is an inherent part of the business process. The identification, evaluation and mitigation of risk is integrated into key business processes from strategic planning to day-to-day performance management as well as into health, safety and environmental management. The Board also understands that it is responsible for the risk management system and for reviewing its effectiveness on an ongoing basis.

We have a continual and dynamic process for identifying, evaluating and managing the risks in the business, based on ISO 31000 (Risk Management). Risks identified are logged on risk registers within all business streams, countries and regions. Above these sit the Group Principal and Strategic Risk Registers.

Our management is accountable for managing the risks within their area of responsibility and for sharing information relating to these risks with their colleagues, in the spirit of collaboration. Risk management is a standing item on all key management meetings and our Group Risk and Compliance team ensures that regular reviews are undertaken at all levels within the business. The Board receives and reviews a risk management report at every Board meeting. The Board also formally reviews the risk management process and health and safety issues every year with the Group Risk and Compliance team, and conducts a robust assessment of the principal risks. The Board considers the risk management system to be effective.

What we did in 2014

A risk workshop was conducted with the BSI Group Executive to review the Strategic Risk Register and consider its applicability to the Group's strategic objectives in accordance with the Strategic Plan. As a result, the risks were reorganized and better aligned to the Group's strategic objectives to facilitate measurement against the Group's strategic KPIs.

A programme of risk workshops at regional, country, stream and functional level was initiated to communicate the restructured Strategic Risk Register and provide a framework for the identification of equivalent risks at these levels.

Throughout 2014, we have continued to coordinate the audit activities of the Group Internal Audit and Risk & Compliance Departments as part of an integrated audit programme and, in July 2014, the two departments were formally combined. The integrated audits have added value for those audited, with the combined audit teams bringing different knowledge and skill sets to the country audit and giving each team the opportunity to learn from each other and adapt their processes, where necessary, for continual improvement.

Following the initial attainment of ISO 27001 (Information Security) certification in our Chiswick offices in 2013, we have maintained our certification in 2014. During the year, we have been introducing Information Security Management Systems policies and procedures throughout BSI globally.

Business Continuity Plans are in place for all our locations across the world, and compliance with our Business Continuity Management System requirements is continuously monitored.

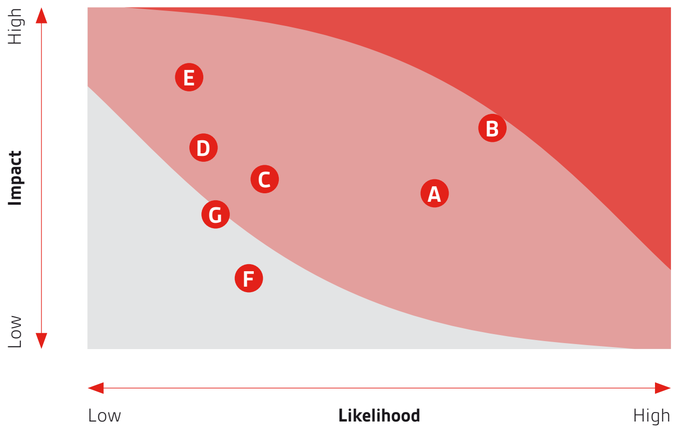
What we will do in 2015

We will continue to roll out our programme of risk workshops throughout our regions, countries, business streams and functions to embed further the updated Strategic Risk Register and facilitate the identification of relevant risks.

Insurance

BSI maintains a global insurance programme covering all major insurable risks to the Group's business assets and operations worldwide. The insurance programme is regularly reviewed and new lines of cover are introduced as required.

Risk heat map



Change to principal risks during 2014

During 2014 we undertook a detailed review of our Principal and Strategic Risk Registers. We now consider health and safety and business continuity risks to be mitigated and have moved them from our Principal Risk Register to be monitored through our operational risk management process.

Third party liability for certification activities is now considered to be part of our legal compliance risk. Government regulatory intervention has been expanded to include other external regulatory entities such as accreditation bodies.

Principal risks.

Type of risk	Risk description	Status	Mitigating activities
A Government regulatory intervention	Much of the work undertaken by BSI is in a regulated space or influenced by governments around the world and changes to government policy could affect our trading.	●	We continue our discussions with governments to ensure that our voice is heard during policy debates. A regulatory compliance framework is in place along with a compliance audit programme.
B Macro-economic environment	(a) The continuing challenging global economic environment means that the risk in the execution of strategic plans is more complex to manage with less certainty of success.	▲	(a) Our strategic plan takes into consideration the economic uncertainty and its financial targets are mindful of the external environment. Performance against budget is closely monitored. Our diverse business activities mean that there is a low concentration of risk.
	(b) As a global business, dealing in many currencies, BSI is exposed to exchange rate risk.	▼	(b) Revenues and costs are matched by currency where possible. Cash is repatriated into Sterling at the earliest opportunity.
C Brand and reputation	Failure to protect or maximize the core identity associated with BSI would result in deterioration of our reputation and potential loss of business.	●	We continue to reinforce our values, policies and processes, taking robust action where necessary to protect our brand and reputation. We continue to invigorate 'Making Excellence a Habit' and reassert the Group values globally.
D UK pension fund	Increases in the ongoing deficit associated with the UK defined benefit pension scheme would adversely affect the strength of our balance sheet.	●	The scheme is closed to new entrants and future accruals and we hold regular meetings with the trustee to review the investment policy, our funding requirements and any opportunity to insure against this risk.
E Competitor action	A major consolidation amongst competitors, a large new entrant to the market or other competitive activities may threaten our market position in our business streams or geographic regions.	●	We continue to monitor and analyse activity in our competitive landscape at local, regional and global levels, with responses put into action as appropriate. We continue to seek new opportunities in all aspects of our business.
F Financial and tax compliance	There is an ongoing risk in any organization of our size and complexity for irregularities to occur due to human error or fraud which could impact our financial results.	●	We have strong regional and functional reporting lines in place throughout our organization. In addition, we have Group Internal Audit and Risk and Compliance audit teams who regularly visit all locations. There is also an annual external audit of our financial results undertaken by PricewaterhouseCoopers LLP.
G Legal compliance	(a) Compliance with local legislation and the Group internal compliance framework and policies.	●	(a) We have Group Internal Audit and Risk and Compliance audit teams who regularly visit all locations.
	(b) Potential issues in the certification of management systems and products could give rise to third-party claims.	●	(b) Key employees have the relevant training and expertise for their roles and there is continuous monitoring of all business streams and activities.

Key

▲ Increase ▼ Decrease ● No change

‘2014 was **an important year for BSI** in its role as the UK National Standards Body.’

Dr Scott Steedman CBE • Director of Standards

2014 was an important year for BSI in its role as the UK’s National Standards Body. The concept of standards as consensus knowledge, shaping the principles, processes and specification of business activity, was realized across a range of sectors and themes, including innovation, building information, smart cities and corporate governance. Our engagement activity opened new doors, increasing public awareness and understanding of BSI and the national standards making process. Internationally, our reputation grew strongly on the back of bilateral and multilateral relationships and dedicated policy work at the international and European standardization organizations where we represent UK interests.

Innovation and growth

With the support of the UK Department for Business, Innovation and Skills (BIS) we have been undertaking a series of research projects to demonstrate the value of standards to business and society. In October, our research into small and medium-sized enterprises (SME) in the UK and their views and understanding of standards was completed, providing a detailed picture of the SME landscape across different industrial sectors. This work will be used to underpin our engagement strategy and to demonstrate the potential that standards bring for business performance improvement.

We focused heavily during the year on embedding the role of standards within the innovation infrastructure. We worked on four areas with Innovate UK (formerly the Technology Strategy Board) to pilot the new approach: assisted living, cell therapies, synthetic biology and offshore renewable energy.

> ‘BSI has been chairing the European side of the negotiations around a Standardization Agreement supporting the Transatlantic Trade and Investment Partnership negotiations between the EU and the US.’

In synthetic biology, a standards strategy was incorporated within a white paper, developed in collaboration with SynBiCITE, the main UK innovation hub in synthetic biology, entitled 'The ascent of digital bio-manufacturing – creating a new manufacturing industry through the development of synthetic biology standards'. This vision has helped to propel the UK into a pioneering position regarding the use of Digital Biological Information in modern manufacturing processes.

In collaboration with the Cell Therapy Catapult Centre, a framework for standards in cell therapies has been created, describing how the development of best practice in manufacturing process design could dramatically accelerate the speed at which innovation takes place in this area and lead to more biologics products reaching the market more quickly.

Working with the Offshore Renewable Energies Catapult Centre, BSI commissioned research by independent consultants into the use of standards in ORE and gaps in standards provision.

And to support Innovate UK's Long Term Care Revolution, which is aimed at stimulating new ways of delivering long-term care by disrupting the current models of care provision, BSI and Innovate UK have developed a framework document to identify early opportunities for setting standards in relation to long-term care. Work commenced on Publicly Available Specification (PAS) standards on health and wellness applications (PAS 277) and a framework for the provision of guidance on independent living (PAS 278).

International policy

The agreement signed in late 2013 with the Chinese Government on the adoption and recognition of business standards has led to detailed discussions over specific areas where UK industry has been looking to see our standards adopted or recognized. Working with trade associations we identified priority areas where UK industry wanted to see British Standards implemented in China. The adoption of these standards will make it easier for UK companies to enter the Chinese market.

BSI has also been chairing the European side of the negotiations around a Transatlantic Standardization Agreement independent of, but supporting, the formal Transatlantic Trade and Investment Partnership negotiations between the EU and the US.

We have been very active again this year in the international standards bodies, ISO and IEC and the European Standardization organizations, CEN, CENELEC and ETSI. 2014 marked the final year of Terry Hill CBE as ISO President, the UK's first president of ISO for 50 years. Terry's presidency was greatly appreciated by the members of ISO, and we are very grateful to him for demonstrating UK commitment to this important relationship.

International projects

BSI continues to support the quality infrastructure of other countries. In 2014 we were awarded the leadership of two EU-funded projects, one supporting the modernization of the standardization system in Mongolia and a second supporting the alignment of the system of technical regulations in Turkmenistan, as well as a third project in Uganda. Our work in ongoing projects, most notably in India, Mongolia, Lebanon and China continued.

Committee management

We continue to grow our expert base, with committee membership increasing to over 11,000 during 2014. An average of 25 new Committee Members each week receive our new welcome packs. This has led to a greater uptake up of our Committee Member training courses, 40 of which were delivered in 2014, the highest number to date.

Our work would not be possible without the dedication of our experts; in November 2014 we held the inaugural BSI Standards Awards to recognize excellence in our standards development work. Ten experts, who have served the standards community with distinction, received awards at the London Standards Forum, one of three Standards Forums held during the year.

We restructured our networks of consumer experts to improve their input to the standards development process and we are working with the UK Sustainability Network for Standardization to encourage environmental non-governmental organizations to contribute to standards development.

The BSI Standards Policy and Strategy Committee (SPSC) is intended to provide the highest level of independent advice to the BSI Group Board. The Chairman of SPSC, Carol Sergeant CBE, is leading a process of re-vitalization and renewal of this important body.

Corporate governance

Strong progress was made during the year in the field of corporate governance, where we see growing interest in the role of principle-based standards to stimulate cultural improvement in organizations. We strengthened our relationship with Tomorrow's Company, a renowned research body and think tank, and other business associations, as we look to build a new suite of standards that can build on the success of standards such as BS 13500 (Organizational Governance) and BS 65000 (Organization Resilience).

Supply chain

As supply chains become longer and demands for transparency grow, it becomes increasingly difficult for a business to assess the risk they may be exposed to from their suppliers, in terms of Corporate Social Responsibility, labour rights, quality, security, ethics or environmental performance. Working directly with international stakeholders we developed a breakthrough standard, PAS 7000, which addresses risk in the supply chain and sets out the standard information to be provided by suppliers about their profile, governance procedures and performance capabilities.

Management systems standards

BSI manages the ISO committee secretariats for the two most widely used international standards ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). Both of these internationally renowned standards continued their much-anticipated revisions during the year and are expected to be published in 2015.

During the summer of 2014 we decided to open to the public the committee meeting discussing the comments on the ISO 9001 revision. The open meeting enabled easy access to those heavily involved in the writing and development of the standard in order to answer questions and to raise concerns. The meeting was extremely well attended and the concept was followed later in 2014 for the international work in occupational health and safety management.

Sustainability

As part of our ambition to support the dissemination of standards, we launched the Sustainability Standards Navigator, which is an interactive online resource that has proven to be a great tool for engaging with stakeholders who want guidance to find the standards they need for their business to be more sustainable.

Building Information Modelling (BIM)

BSI has been at the heart of delivering BIM standards since 2007, establishing thought leadership through the globally-recognized standards BS 1192 and PAS 1192-2. These BIM standards are changing the way built environment projects are procured, assets are designed and the supply chain collaborates, ultimately saving significant costs and reducing waste.

We have continued to support the UK Government's requirement for collaborative 3 Dimensional BIM to be used on its projects from 2016. Two more important Level 2 BIM standards were published during the year completing the suite of Level 2 BIM standards: PAS 1192-3 (Information Management for the Operational Phase of Assets), and BS 1192-4 (Collaborative Production of Information).

Internationally BSI is working successfully in ISO to promote the use of the UK BIM standards as the base documents for two new ISO standards, ISO 19650-1 and ISO 19650-2 and we are leading the ISO working group responsible for these projects.

HS2

Throughout the year we continued to work with HS2 Ltd, the organization responsible for developing the UK high-speed rail network north of London, using the recommendations from our work in 2013 as a platform for streamlining existing standards and the development of new guidance. Revised standards on ground structures are in development and we have initiated new projects in the areas of temporary works and tunnel linings. An important part of the design specification for HS2; these standards will be used across UK infrastructure.

Healthcare

2014 saw great strides in our efforts to see the take up of voluntary standards in the Healthcare sector, with work on ageing population, dementia friendly communities and hospital cleanliness. We made excellent progress in the area of clinical healthcare standards, building an alliance of Royal Colleges, professional and statutory bodies to deliver a patient-centric approach to clinical service accreditation.

Smart cities

The potential for better use of information to transform urban life has led to the creation of BSI's smart cities standards programme. Building on the initial work, which included an overview of smart cities (PD 8100), a framework for city decision-making (PAS 181), smart city planning guidelines (PD 8100), a vocabulary (PAS 180) and a data concept model (PAS 182). We have now agreed with the Innovate UK-funded Future Cities Catapult centre to set up a member based collaboration called the City Standards Institute. This is an exciting development and a new model for BSI, bringing together engagement, strategy development and standards making to deliver what will potentially become a global work programme.

Overall, 2014 was a positive and successful year for the National Standards Body. Progress has been strong across all areas, from engagement to strategy and policy to standards development and publishing. The profile of standards as a tool for innovation, trade and growth has grown. We have recognized the vital role that our committees and chairmen fulfil in the national standards making process. We are well positioned to serve UK industry, government and society through 2015 and beyond.

Dr Scott Steedman CBE
Director of Standards
26 March 2015

Financial review

'It is extremely pleasing to report **such positive results for 2014.**'

Craig Smith FCCA • Group Finance Director

Overview

2014 was an unusual year in economic terms, with conditions changing even during the year and differing between geographical regions and industrial sectors of the global economy. After a challenging 2013, optimism, particularly in the UK, grew towards the end of the year and continued through the early part of 2014. However, weaknesses developed in the mining and minerals, and oil and gas sectors during 2014 and the Eurozone in the west, and Japan and Australia in particular in the east found the global recession harder to break. A new challenge developed in late 2013 and throughout the majority of 2014 for Sterling-denominated companies, of which BSI is one, with Sterling strengthening against most other major currencies. This meant that revenues and profits earned outside the UK were worth less when translated back into Sterling and consolidated into our Group accounts. Under these circumstances, and given that many of our listed competitors reported results below market expectations, it is extremely pleasing to report such positive results for 2014, which once again bear testament to the geographical, stream and domain diversity of BSI. This diversity offers a natural hedge to economic fluctuations in any given sector or region.

Exchange rates

BSI reports its results in Sterling and, as an international business, is affected by movements in exchange rates of other currencies, particularly our major trading currencies of the Australian Dollar, Chinese Renminbi, Euro, Japanese Yen and US Dollar. We mitigate the effect of this by matching revenues and costs in these currencies wherever possible and by repatriating excess currency back to the UK as soon as we are able to, so that it can be invested.

We translate our balance sheets into Sterling at year-end exchange rates. For our income statement we use a weighted average rate so the figures in the table on page 29 are an approximation. For our major trading currencies this table shows the rates used for 2013 and 2014.

If our 2014 revenue were to be translated at 2013 weighted average exchange rates it would be £12.8m, or 4% higher at £299.8m. If underlying operating profit were to be translated at 2013 exchange rates it would be £0.3m or 1 percentage point higher at £29.4m. Unless otherwise indicated all numbers in this report are at prevailing exchange rates.

'Organic revenue growth at constant exchange rates was 9%, significantly higher than the 5% organic growth rates reported in 2012 and 2013.'

Revenue

BSI Group revenue increased by 6% in 2014 to £287.1m (2013: £271.8m). This single revenue growth figure may be split into three component parts. Organic revenue growth at constant exchange rates was 9%, significantly higher than the 5% organic growth rates reported in 2012 and 2013. This was supplemented by 1% inorganic growth due to the annualization of the 2013 acquisition in Australia. The net strengthening of Sterling from 2013 to 2014 weighted average rates of exchange had a negative effect on revenue of 4%. The reported revenue growth of 6% at actual exchange rates meant that our underlying revenue continued its trend of increasing every year since 1999. All of our regions and business streams reported revenue growth in 2014. EMEA grew by 6%, the Americas by 2% and Asia Pacific by 7%. Knowledge grew by 6%, Assurance by 4% and Compliance by 17%. Details of this, and their organic growth at comparable exchange rates, was given in the Business review on pages 17 to 21.

Underlying operating profit

As explained last year, 2013 was a year of investment for BSI which adversely affected the underlying operating profit figures. These investments began to pay back as planned during 2014 and provide a strong base for future profit growth in 2015 and beyond. Gross profit margin fell slightly during 2014 to 47.7% (2013: 48.4%). Across such a geographically diverse and varied business as BSI product mix can have an effect on overall margin. Some of our embryonic Compliance businesses currently operate with low gross margins due to the straight-line nature of the depreciation charge resulting from the initial investments into these businesses. In addition, in some parts of the world, our Systems Certification business, in particular, is facing some margin pressure. Although this gross margin reduction was anticipated, two of our eight strategic initiatives, itemized elsewhere in this report, identify margin as an area for improvement. Selling, distribution and administration costs increased by 2% over 2013. Internal profit budgets were beaten in 2014 and incentive payments to management increased from their 2013 levels. In addition, the provision for the long-term incentive plan was increased by £0.8m (2013: £0.3m) due to an improvement in our expected results for 2015 and beyond, partly as a result of the 2015 acquisitions, and depreciation and amortization increased from £6.9m in 2013 to £8.8m in 2014 as a result of our recent investments. These additional costs, and the 1 percentage point negative impact from exchange mentioned above, meant that underlying operating profit increased more slowly than revenue, by 3% to £29.1m (2013: £28.3m). This implies an underlying operating profit margin for the year of 10.1%, compared to 10.4% last year.

Exceptional items and operating profit

In 2010, when our expectation was to vacate our Hemel Hempstead Product Certification testing laboratories, the decision was taken to impair the land and buildings to a lower value, based on market value. In 2013 we decided to remain in the property and invested significantly in its refurbishment. As a result we have reviewed the asset value of the land and buildings on the BSI balance sheet and increased this to an appropriate value, based on value in use. The outcome of the review was an uplift to the carrying value of £3.2m and this is shown as an exceptional credit in the income statement. As part of the acquisition of NCSI in Australia in 2013 we acquired a small subsidiary in the US. The decision was taken to dispose of this subsidiary during 2014 and a buyer was found. £0.5m of the overall acquired intangibles was apportioned to this part of the business, and these contributed to the total of £0.7m loss on disposal. A provision of £0.8m was created for a restructuring of our Japanese business, which began in December 2014, to reposition this business in its extremely competitive marketplace. Other small exceptional costs were incurred relating to past and future acquisitions and other small restructurings. The net result of this was a credit to the income statement, relating to exceptional items, of £1.6m (2013: £1.5m cost). This had the effect of improving operating profit to £30.7m (2013: £26.8m), an increase of 15% on the prior year.

Finance income and costs

The Group continued its policy of repatriating excess cash to the UK as soon as possible and investing its cash reserves proactively during 2014 but finance income was lower than in 2013 due to the reduction in the prevailing interest rates at which we were able to invest. As a result finance income was £0.3m (2013: £0.4m). BSI has no debt and so our finance costs related predominantly to the net interest cost on the liability of our UK defined benefit pension scheme and were £2.4m in 2014 (2013: £2.6m). Profit before tax increased by 16% from £24.6m in 2013 to £28.6m in 2014.

Taxation

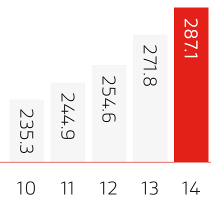
The Group effective tax rate on profit (ETR) increased from 13.4% in 2013 to 26.6% in 2014 as there was no repeat of last year's material adjustment relating to the deferred tax recognition of goodwill amortization in Canada. Eliminating prior-year adjustments arising on under-provided UK and foreign tax the current year ETR was 23.4% compared to 21.5% last year. This increase reflects corporation tax losses not recognized, the deferred tax impact of the Hemel Hempstead property revaluation and the tax treatment of the UK defined benefit pension scheme. We consider the ETR on underlying operating profit to be a better indicator of the tax management of the operating business. In 2014 this was 27.2% (2013: 28.7%). The mix of the differing tax rates between the countries in which we operate can create small fluctuations in the overall Group rates. Profit for the year was £21.0m (2013: £21.3m).

Exchange rates

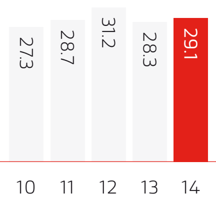
	Year end 2014	Year end 2013	Average 2014	Average 2013
Australian Dollar	1.91	1.86	1.83	1.67
Euro	1.28	1.20	1.25	1.18
Chinese Renminbi	9.57	10.09	10.10	9.69
Japanese Yen	187.41	173.43	174.86	152.95
US Dollar	1.56	1.65	1.64	1.56

Financial KPIs

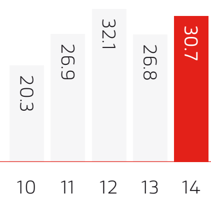
Revenue
£287.1m **+6%**



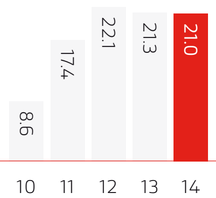
Underlying operating profit
£29.1m **+3%**



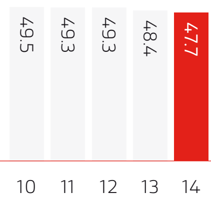
Operating profit
£30.7m **+15%**



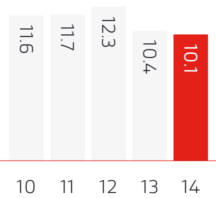
Profit for the year
£21.0m **-1%**



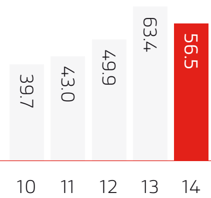
Gross profit margin
47.7% **-0.7ppt**



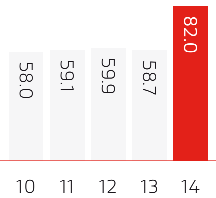
Underlying operating profit margin
10.1% **-0.3ppt**



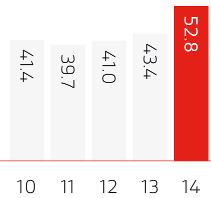
Net asset value
£56.5m **-11%**



UK defined benefit pension fund deficit
£82.0m **+40%**



Cash
£52.8m **+22%**



'The two acquisitions completed in early 2015 were funded out of our own cash balances without recourse to external debt.'

Balance sheet and cash flow

The net asset value of the Group fell by £6.9m from £63.4m to £56.5m in 2014. This was mainly due to an increase in post-employment benefit obligations, net of deferred tax, of £27.2m during the year, mitigated by a profit for the year of £21.0m (2013: £21.3m). BSI remained highly cash generative, with cash generated from operations before contributions to the UK defined benefit scheme during 2014 of £38.5m (2013: £33.4m). As a result we ended 2014 with zero debt and a cash balance of £52.8m, an increase of £9.4m or 22% during the year. The strong year-end cash position meant that we were able to fund the two acquisitions, completed in early 2015, out of our own cash balances without recourse to external debt.

Our purchases of property, plant and equipment and intangible assets, predominantly computer software, were £8.4m in 2014 (2013: £12.0m). We continued to invest in our information and communications technology infrastructure as well as on more client-facing programmes such as our Entropy Software and our online solutions and product delivery platforms. Included in this figure was an investment of £0.4m in the development of new Training courses.

Debtor days in 2014 increased slightly during 2014 to 55.3 days (2013: 53.3 days). This Group average depends on the geographical mix of our revenue and the customary terms of trade encountered in our different markets. There is also, occasionally but increasingly, a push from some clients to receive longer payment terms. These are sometimes granted for commercial reasons. However, there were no significant bad debts during 2014, with receivables written off amounting to only £0.5m (2013: £0.6m) and no material change in the relative ageing of our outstanding trade receivables.

Pensions

The deficit of the Group's UK defined benefit pension scheme increased by £23.3m, or 40%, from £58.7m to £82.0m during 2014, despite a contribution made during the year of £12.5m (2013: £5.0m), and a return on scheme assets of £12.2m (2013: £4.5m). However, these were more than offset by an increase in the scheme liabilities, due to changes in demographic and financial assumptions, of £45.0m (2013: £5.0m), combined with operating expenses of £0.6m (2013: £0.7m) and a net interest cost of £2.4m (2013: £2.6m).

The discount rate used when calculating the liability is determined by reference to market yields on high quality corporate bonds. The discount rate used was 3.6% compared to 4.45% in 2013. This accounted for the vast majority of the increase in the scheme liabilities. BSI seeks to be close to the mid-point in the range of possible assumptions in the valuation of the assets and liabilities of the pensions fund and confirms this with its external advisors each year.

The Group remains committed to reducing this deficit and works closely with the Pension Trustee Board to do so. A triennial valuation of the scheme took place with an effective date of 31 March 2013 and a schedule of contributions was agreed with the Trustee that is expected to eliminate the deficit by 31 March 2021. This schedule required contributions of £37.5m in the period 2014 to 2016 inclusive. A payment of £12.5m was made into the scheme on 30 June 2014 according to this schedule of contributions, satisfying the Group's obligations for the year.

Treasury

A Banking Committee ensures that all treasury activities are conducted in accordance with the Group treasury policies maintained and updated by the Board. Treasury operations are subject to independent reviews and audits, both internal and external.

The principal aim of these policies is to manage and monitor the Group's funding requirements, optimize net interest cost after tax and manage financial risk arising from the international nature of the business of the Group, particularly in terms of interest rates and foreign exchange. Policy prohibits holding or issuing financial instruments for trading purposes so credit risk in this area is minimal.

The Group held cash of £52.8m at the end of 2014, up 22% from the equivalent figure at the end of the previous year. During the year there was no net cash expenditure on acquisitions (2013: £10.2m), capital expenditure of £8.4m (2013: £12.0m) and a contribution to the UK defined benefit pension fund of £12.5m (2013: £5.0m). Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdrafts of £2.3m (2013: £2.5m), on an unsecured basis, at the end of 2014, although none were utilized. The Group maintains regular contact with its main banks and is confident of being able to secure debt facilities should these be required. Counterparty credit risk with banks exists but we consider this to be minimal.

The Group has significant operations outside the UK and so has exposure to currency fluctuations. Note 3 to the consolidated financial statements shows the translational exposure that the Group would suffer should any of the major currencies in which it trades move by 10% against Sterling. If all currencies moved by 10% against Sterling in the same direction, the impact to underlying operating profit would be around £0.5m.

Accounting policies

Details of the principal accounting policies used by the Group appear in Note 2 to the consolidated financial statements.

Craig Smith FCCA
Group Finance Director
26 March 2015

Social responsibility review

'An integral part of **best practice**.'

BSI aims to 'make excellence a habit' for our clients. We are proud of our role as leaders and promoters of standardization, compliance and best practice. But, of course, we strive to do the same in our own business. Excellence in social responsibility is an integral part of best practice and is extremely important to us. Through our Group Compliance Framework and Social Responsibility (SR) Code of Conduct, we demonstrate a strong commitment towards embedding sustainable business practices in all areas of our organization. Our SR Code of Conduct is inspired by, and aligned with, universally accepted standards of business conduct. It outlines our position on business ethics, the environment, human rights and our supplier engagement process in order to ensure that we act as a good corporate citizen.

Our strategy

Our strategy is shaped by our SR Committee. This Board Committee provides governance and oversight of the Group's SR strategy, to ensure that this aligns with the overall business strategy. It is based on ISO 26000 (Guidance on Social Responsibility). I chair the Committee, supported by two other Non-executive Directors, Sir David Brown and Dr John Regazzi, as well as Howard Kerr, the Chief Executive. To underpin the Committee, a Global SR Project Team has been established to work with our regional champions and locally appointed representatives. This team comprises experts from across the business, who have the common objective of ensuring that excellent SR remains a vital part of our corporate ethos.

At BSI we recognize that we are in a very fortunate position, as our business allows us to help shape the way that the world handles SR issues, so that we can impact society both through our own actions and by helping others to make excellence a habit too.

'We recognize that we are in a very fortunate position, as our business allows us to shape the way the world handles social responsibility issues.'

Dr Tom Gorrie • Chairman of the Social Responsibility Committee

'Our business is driven by our corporate values of Integrity, Inclusivity and Continual Improvement.'

Green house gas emissions

Caring for the environment

Our global carbon footprint is measured in tonnes of carbon dioxide equivalent or 'tCO_2e'. Emissions are shown in compliance with the Department for Environment, Food and Rural Affairs (Defra) Greenhouse Gas Reporting Guidance and have been calculated using the latest conversion factors published by the Department for Energy and Climate Change and Defra in May 2014. Scope 1 emissions arise directly from sources that are owned or controlled by BSI, including emissions from fossil fuels burned on site and emissions from Company-owned or leased vehicles. Scope 2 emissions arise indirectly and result from the generation of electricity, heating and cooling generated off-site but purchased by BSI. We look to ensure that our data is as accurate as possible. As some of our offices are in serviced buildings with no separate meters, we have had to extrapolate and use consumption data from a similar type office to create an estimate for offices where no accurate data is available. For our sustainability reporting we have set boundaries based on operational control, as defined by the Greenhouse Gas Protocol. Our intensity ratios are based on square meters and employee headcount. We continue to implement measures to improve and extend the accuracy and scope of our reporting, for example by including fugitive emissions arising incidentally from our testing operations. Although we ceased offsetting carbon in 2014, our Scope 1 emissions declined, particularly due to a systems initiative that allows us to minimize travel time by ensuring that the closest appropriate assessor undertakes each client audit.

Greenhouse gas emissions (tCO_2e)	2014	2013
Scope 1 emissions	2,700	3,500
Scope 2 emissions	1,600	1,400
Gross emissions	4,300	4,900
Carbon offset	–	(1,800)
Net emissions	4,300	3,100

The intensity ratio per employee, calculated as the net emissions divided by the average number of full-time equivalent individuals employed by the Group during the year, was 1.4 tCO_2e (2013: 1.1 tCO_2e). The intensity ratio per square metre, calculated as the net emissions divided by the number of square metres of office space used by the Group during the year, was 0.10 tCO_2e (2013: 0.08 tCO_2e).

Our business

We believe that we can make a real difference to the world by helping to create a sustainable future for ourselves and our local communities through responsible business practices, positive stakeholder engagement and by limiting our impact on the environment. Our business is driven by our corporate values of Integrity, Inclusivity and Continual Improvement, which sit alongside our SR Code of Conduct to ensure that we operate both ethically and sustainably.

We trust we can make a positive contribution to society by striving for excellence in our day-to-day business. Our global network of sustainability and SR experts allows us to leverage our knowledge, services and relationships in areas where we can make a real difference. We work with businesses, governments and academia worldwide to develop innovative standards that help our clients to implement a sound SR framework.

We are proud to have published the world's first environmental standard in 1992. This became the template for ISO 14001 (Environmental Management). This standard helps organizations to minimize the negative effect their operations may have on the environment. BSI has played a pivotal role in ensuring that this standard is updated in accordance with the latest environmental challenges. We continue to increase the number and range of standards, publications and training courses that help the global community embed sustainability, as this remains the most proactive way that we can influence SR in society.

We also help organizations to implement their management systems to ensure they achieve continual improvement in the area of SR and offer training courses to help them to embed sustainability and ethical practices into their business.

Our people

Our people are the most important assets in our business. We have been recognized as an Investors in People (IiP) company in the UK, which reflects best practice in the way we manage, lead, develop and involve our employees in decision making. We are committed to excellence in the development and success of our people, so we continually improve our internal learning programmes and performance management systems. We also have wellbeing programmes operating globally, which include running and cycling clubs, healthy eating and nutrition programmes, smoking cessation support, social clubs and the provision of wellbeing advice.

We pride ourselves on our ethical approach to all our undertakings. Our Code of Business Ethics underpins this and is a key part of our employee induction programme. We also have a robust anti-bribery and corruption training programme in place to ensure ethical business practices. Our confidential whistle-blowing process allows our employees to report anonymously any behaviour that they feel falls short of our high standards.

Our environment

We recognize the importance of good environmental stewardship and aim to minimize our impact on the environment. We have a Group objective to comply with ISO 14001 (Environmental Management) in all of our major operations worldwide and, while accreditation rules prevent us from being certified in all but one of our global locations, we operate an internal compliance and audit programme to ensure that we do. The rules do allow us to be certified at our Chiswick location, which is home to our Corporate Centre and our Standards and Publishing business, and here we are independently certified to ISO 14001 by a third party. Across the Group, we have many local initiatives, including energy saving, waste minimization and recycling.

In order to work towards mitigating our impact on the environment and understanding our global footprint as accurately as possible, we utilize Entropy Software as our global SR tool. This is an integrated risk and compliance management solution that meets the certification requirements of ISO 14001 and is integrated with our SR, health and safety and environmental frameworks. It allows us to track and monitor all our environmental and SR activities worldwide, ensuring continual improvement and helping us to manage our initiatives effectively.

Our community

At BSI we understand the importance of giving back to our local communities and we encourage our employees to play a positive role in this.

We continue to work with our global charity, WaterAid, the leading non-government organization operating in water and sanitation. WaterAid transforms lives in the world's poorest communities by providing clean water and safe sanitation. They were instrumental in securing UN recognition that access to water and sanitation is a human right, and continue to be actively involved in influencing the progression of the Millennium Development Goals beyond 2015.

WaterAid, like BSI, understands the importance of embedding excellence, and focuses on the practical installation of sanitation projects, while also seeking to influence policy at national and international levels to help tackle this problem in a holistic way. This they achieve by integrating service delivery, capacity building, advocacy and learning.

In support of WaterAid

BSI's donations to WaterAid are helping to fund a project supporting 80,000 people in the rural communities of Dembia, Ethiopia, where the water supply is at its lowest and sanitation is available to only 25% of the population.

Each of our local offices contributes towards our SR initiatives in their own way. In addition to supporting our global charity we encourage and support our employees to work with local charities through our matched giving programme, which supplements their achievements. Our people contribute to charities by giving their time and expertise through a range of fundraising, volunteering and pro bono activities. We take pride in the fact that the majority of our charitable donations in 2014 came from matching funds our employees raised for their many charities around the world.

As part of their commitment to the environment and sustainability, our Asia Pacific colleagues are now supporting the Orangutan Land Trust as their own regional charity, in addition to their support for our global charity. Ensuring the protection of the orangutan has a huge positive impact on the biodiversity and sustainability of the ecosystem and rainforest. Their support for this charity is helping to make the world a better place and contributes not only to 'make excellence a habit' but also to 'make excellent habitats'.

Orangutan Land Trust

At BSI we take our social responsibilities very seriously. Our business allows us to help shape the way the world handles the issues facing it in this area and we make every effort to reach these high standards in the decisions we take and the way we live our own lives.

Thomas M. Gorrie

Dr Tom Gorrie
Chairman of the Social Responsibility Committee
26 March 2015

Board of Directors

Sir David Brown A N SR
Chairman
Sir David Brown joined the Board as Non-executive Director in May 2010 and became Chairman in March 2012. He was Chairman of Motorola Ltd from 1997 to 2008 and was also Motorola's Global Governance Advisor. A Fellow of the Royal Academy of Engineering, he was President of the Federation of the Electronics Industry and President of the Institution of Electrical Engineers. He was the first President of the Chartered Quality Institute, during which time it secured its Royal Charter status. He is Chairman of DRS Data & Research Services PLC and non-executive director of two other companies.

Howard Kerr N SR
Chief Executive
Howard Kerr was appointed to the Board in November 2008 and assumed the position of Chief Executive in January 2009. After a period at Associated British Ports, his early career was spent in business development roles in the fields of shipping, logistics, and B2B marketing with Inchcape PLC in the UK, Japan, China and the Middle East. Subsequently he joined SHV Holdings NV where he held general management positions in the energy division, including Chief Executive of Calor Group Ltd, UK and Senior Vice President on the International Management Board of SHV Gas in the Netherlands.

Craig Smith FCCA
Group Finance Director
Craig Smith joined the Board as Group Finance Director in August 2011. A Chartered Certified Accountant, he began his career in 1985 with Coats Viyella PLC, undertaking finance roles in Australia, Spain, the UK, Morocco, Hungary and Finland. On his return to the UK in 1997 he was European Finance Director for two large American corporations in the product identification and printing ink industries. Immediately prior to joining BSI he was Group Finance Director of two UK-listed companies, Huntleigh Technology PLC from 2003 to 2007 and Management Consulting Group PLC from 2007 onwards.

Dr Scott Steedman CBE SP
Director of Standards
Scott Steedman joined the Group in January 2012 from BRE Global and was appointed to the Board in October 2012. An engineer by background, he spent 20 years working in industry for consulting and contracting companies on major infrastructure and building projects around the world. Elected Vice-president Policy for the European Committee for Standardization (CEN) in November 2012, he is a former Vice-president of the Royal Academy of Engineering and of the Institution of Civil Engineers. He is Editor-in-Chief of Ingenia, the flagship magazine of the Royal Academy of Engineering and Non-executive Director of the Port of London Authority.

Anthony Lea A N R
Senior Non-executive Director
Anthony Lea joined the Board as Non-executive Director in July 2007 and became Senior Non-executive Director in May 2008. Previously he served as a board member of the Anglo American Group and as Finance Director of Anglo American PLC until his retirement in 2005. He has extensive international operational experience in the UK, South Africa and North America. He was Non-executive Director of the Office of Fair Trading from 2008 until March 2014. He is Chairman of Blackrock World Mining Trust PLC and is also a Trustee of the Royal Air Force Benevolent Fund.

Dr Tom Gorrie N SR
Non-executive Director
Tom Gorrie joined the Board as Non-executive Director in September 2009. He is a US citizen and resident and held numerous senior international positions at Johnson & Johnson during his 35 years with the corporation. Most recently he served as Corporate Vice-president, Government Affairs and Policy and as a Corporate Officer until his retirement in 2008. He is currently a Board Trustee of the Robert Wood Johnson Foundation, New Jersey, a Trustee of Duke University, North Carolina, and Chair of its Health System, and an adjunct professor of the Rutgers University Business School, New Jersey.

Dr John Regazzi N R SR

Non-executive Director

John Regazzi joined the Board in July 2006. He is a US citizen and resident and former holder of several senior roles at Elsevier, a world leading provider of information solutions. He was also President and Chief Executive of Engineering Information Inc. He is Professor and Dean Emeritus of the College of Information and Computer Science of Long Island University. He is also Chairman of LawLogix Group Inc., Managing Director of Akoya Capital Partners, Chairman of Inflexxion, Vice President of the Engineering Information Foundation and Chairman of the US Department of Commerce National Technology Information Service Advisory Board.

Lucinda Riches A N R SP

Non-executive Director

Lucinda Riches was appointed advisor to the Board in May 2011 and Non-executive Director in May 2012. She was an investment banker for over 20 years at SG Warburg and its successor firms, ultimately as Global Head of Equity Capital Markets and a Board Member at UBS Investment Bank. She is Non-executive Director of UK Financial Investments Limited, which manages the UK Government's investments in financial institutions. She is also Non-executive Director of the Diverse Income Trust PLC, the Graphite Enterprise Trust PLC, CRH PLC, on the Partnership Board of King and Wood Mallesons LLP, and a Trustee of Sue Ryder.

Alison Wood N R

Non-executive Director

Alison Wood joined the Board in September 2014 as Non-executive Director. She spent nearly twenty years at BAE Systems PLC in a number of strategy and leadership roles, including that of Group Strategic Director, and was the Global Director of Strategy and Corporate Development at National Grid PLC from 2008 to 2013. She has held Non-executive Director positions with BTG PLC and Thus Group PLC and is currently Non-executive Director and Chair of the Remuneration Committee at Cobham PLC and Costain PLC and Senior Independent Director of e2v PLC.

Alicja Lesniak A

Board Advisor

Alicja Lesniak was appointed Board Advisor in October 2014. She has broad experience on a global level of the financial and commercial management of fast growing professional service businesses, having held senior positions at Arthur Andersen & Co., J Walter Thompson and Ogilvy & Mather at WPP Group PLC and then Omnicom before latterly being Chief Financial Officer of Aegis Group PLC from 2007 to 2009. She is also a Non-executive director and Chair of the Audit Committee at SThree PLC, Channel 4 Television Corporation and Next Fifteen Communications Group PLC.

Tony Wales

Company Secretary

Tony Wales joined BSI as Director of Legal Affairs and Company Secretary in January 2010. A qualified solicitor with significant international experience, he was a partner in a City law firm from 1986 to 1994 and practised commercial law in London, Hong Kong and Prague. Moving in-house in 1994 he was general counsel at The Economist Group where he became involved in online publishing and digital media. In 2002 he became general counsel at AOL Europe and, from 2007, at AOL International where he led worldwide legal affairs outside the USA. He is a past president of The Association of Corporate Counsel in Europe.

Committee membership

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- SP Standards Policy and Strategy Committee
- SR Social Responsibility Committee
- ● Committee Chair

Group executive

The Group executive comprises:

Howard Kerr
Chief Executive

Craig Smith
Group Finance Director

Dr Scott Steedman CBE
Director of Standards

Jim Newell
Group Human Resources Director

Pietro Foschi
Group Strategic Delivery Director

David Brown
Director of Corporate Development

Mark Basham
Managing Director, BSI EMEA

Todd VanderVen
President, BSI Americas

David Horlock
Managing Director, BSI Asia Pacific

Tony Wales
Director of Legal Affairs

Shirley Bailey-Wood MBE
Director, Information Solutions

Operational executive

The Operational executive comprises the Group executive and:

Steve Cargill
Chief Information Officer

Tony Reilly
Group Marketing Director

Dr Gary Fenton
Global Product Certification Director

Richard Keown
Global Director, Training

Dan Purtell
Senior Vice-President, Governance, Risk and Compliance Solutions

Gary Slack
Senior Vice-President Global Healthcare Solutions

Marc Barnes
Global Director of Food

Introduction by the Chairman, Sir David Brown.

Sir David Brown • Chairman

As a Royal Charter Company with no shareholders and therefore no stock exchange listing, BSI is not required to apply the Financial Reporting Council's UK Corporate Governance Code. However, consistent with our unique status as the UK National Standards Body and our commitment to our members, we nevertheless apply the principles of the Code where applicable and, in doing so, have established internal governance processes which reflect best practice in business today.

The ultimate accountability for the governance of BSI lies with our widely experienced Board of Directors, which has a majority of Non-executive Directors. The Board is supported by Audit, Remuneration, Nominations and Social Responsibility Committees which are chaired by, and primarily consist of, Non-executive Directors. These formal committees are complemented by the Standards Policy and Strategy Committee, which does invaluable work in gathering and distilling the views of those interested in British Standards and advising the Board.

Underpinning this governance framework, our structure of internal controls and financial management and, indeed, everything that every BSI employee does, wherever they do it, is the BSI Code of Business Ethics. It sets the ethical values and high standards of integrity that apply to every aspect of the way that we do business.

Sir David Brown
Chairman
26 March 2015

Governance framework

The Board of The British Standards Institution is committed to the highest standards of corporate governance which it considers fundamental to the success of the business. The British Standards Institution is governed by its Royal Charter and Bye-laws. As a Royal Charter Company BSI is not subject to the oversight by investors as is found in joint-stock companies but nevertheless has complied throughout the accounting period with the FRC UK Corporate Governance Code 2012 (the 'Code') wherever relevant and practical. In particular, the provisions of the Code relating to shareholders are not applicable to the Company (E.1 of the Code). In addition, when Pat Chapman-Pincher unexpectedly left BSI on 22 May 2014, Sir David Brown, Chairman, was appointed as a member of the Audit Committee (not in compliance with C.3.1 of the Code) to ensure the Committee remained quorate. Although a further Committee member has since been appointed, Sir David Brown remains on the Committee where his knowledge and experience are beneficial.

The Board

The Board is the governing body of the Company and is collectively responsible for the success of the business. It provides leadership of the organization within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board operates within the terms of a schedule of matters that are reserved for its decision; other decisions are delegated to management. The Board has ultimate responsibility for ensuring compliance with the Company's Royal Charter and Bye-laws, its strategy and management, organization and structure, financial reporting and controls, internal controls, risk management, approval of significant contracts, determination of corporate policies, consideration of significant matters relating to the raising of finance, acquisitions and disposals and corporate governance matters.

In 2014 the Board comprised the Chairman, Sir David Brown; the Chief Executive, Howard Kerr; two further Executive Directors, responsible for finance and standards; and, subject to the changes that occurred during the year, five independent Non-executive Directors.

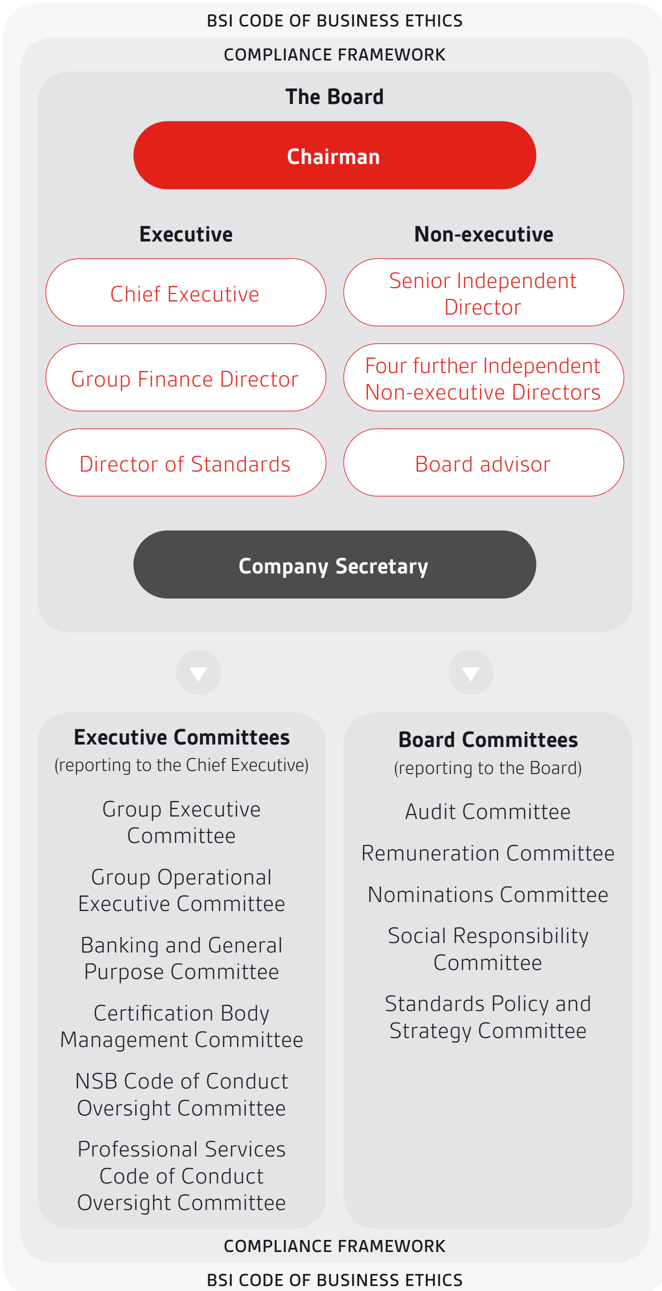
As announced in last year's Annual Report Keith Clarke stepped down from the Board on 31 March 2014. Pat Chapman-Pincher, who had been an advisor to the Board since 2011, was appointed as a Non-executive Director on 1 April 2014 but resigned from the Board on 22 May 2014 due to ill health. On 1 September 2014 Alison Wood was appointed as a Non-executive Director.

On 1 October 2014 Alicja Lesniak was appointed as an advisor to the Board to contribute additional expertise to the proceedings of the Board and its Committees.

The current Directors of the Company and their roles are given in their biographical details on pages 34 and 35.

There is a clear division of responsibilities at the head of the organization which have been set out in writing and approved by the Board. The Chairman is responsible for the leadership of the Board, ensuring that the Directors receive the information they require for their roles. He also facilitates the contribution of the

Board management and corporate structure



Non-executive Directors as a key part of the Board including their role in constructively challenging and helping to develop proposals on strategy. The Chief Executive is responsible for the day-to-day management of the business and the leadership of an effective executive team to deliver the business objectives of the organization.

The Board has established formal procedures to ensure that the disclosure and authorization of any actual or potential conflicts of interest are carried out correctly.

Balance of Executive and Non-executive Directors

Board balance and independence

The Board continues to maintain an appropriate balance of skills, knowledge and experience.

The Board has determined that the Chairman was independent on his appointment and that all of the Non-executive Directors are considered independent for the purposes of the Code. The British Standards Institution's Bye-laws require that the total number of Executive Directors may not exceed the total number of Non-executive Directors. Accordingly, at least half the Board comprises Non-executive Directors in accordance with the Code.

During the year the Chairman met with the Non-executive Directors without the Executive Directors being present. Anthony Lea is the Senior Independent Director and met with the Non-executive Directors without the Chairman being present.

Rotation of Directors

In accordance with the Company's Bye-laws, Directors are required to submit themselves for re-election at the next Annual General Meeting following their first appointment by the Board. Additionally one-third, rounded down, of the other Directors are required to retire by rotation and stand for re-election at each Annual General Meeting. The Bye-laws also require the Chairman to be elected annually by the Board.

Board meetings

There were eight meetings of the Board during the year ended 31 December 2014. The Board is regularly briefed on financial performance as well as risks, uncertainties and future prospects. In addition to regular updates and formal items, matters considered and agreed upon during 2014 included:

January
- Feedback from the Group Leadership conference
- Business update on the sales engine
- Report on the Group's Health, Safety and Environmental performance

March
- Evaluation of the effectiveness of the Chairman and Chief Executive
- Review of Non-executive Directors' fees and recommendation for no change
- Consideration of the Standards Policy and Strategy Committee's terms of reference
- Information Security Management System and Business Continuity Management updates
- Discussion on the Group's foreign exchange exposure and possible mitigating actions
- Business update on the publishing content model
- Training business update
- Review of 2013 results and approval in principle of the Annual Report

May
- Review of the BSI's Code of Business Ethics
- Review of compliance with the NSB Code of Conduct
- Update report from the chairman of the Standards Policy and Strategy Committee
- Consideration of stakeholder engagement initiatives
- Business update on the Group's consultancy services launch
- Update on new initiatives in the ICT sector
- Determination of membership fees

June (two meetings)
- Group strategy meeting with the Group's executive management
- Review of employee engagement plans
- Consideration and agreement of the Group Strategic Plan 2015–17
- Remuneration plan 2015–17
- Business update on the Americas region

July
- Consideration of the proposed appointment of a further Non-executive Director

September
- Agreement of strategic KPIs based on the strategic plan
- Review of the organization's structure and its alignment with the strategic plan
- Business update on the EMEA region
- Update on accreditation compliance
- Review of the Group's succession plan for key leaders
- Consideration of the sale of BSI Food Verification Services Inc., USA
- Consideration of the proposed appointment of a Board advisor

December
- Review of the annual evaluation of the Board and its Committees
- Consideration of the Non-executive Directors' mentoring and public initiatives
- Agreement of the Group budget 2015
- Consideration of the proposed acquisitions of EORM, USA and the business of PwC Consulting in South Africa.

Board meeting attendance

The attendance of Directors and Board advisors at Board meetings is indicated in the table below.

Attendance	Jan	Mar	May	Jun	Jun	Jul	Sep	Dec
Chairman								
Sir David Brown	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman
Executive Directors								
Howard Kerr	Member	Member	Member	Member	Member	Member	Member	Member
Craig Smith	Member	Member	Member	Member	Member	Member	Member	Member
Scott Steedman	Member	Member	Member	Member	Member	Member	Member	Member
Non-Executive Directors								
Keith Clarke (to 31 March 2014)	Member	Member	—	—	—	—	—	—
Pat Chapman-Pincher (from 1 April to 22 May 2014)	Attended as Board Advisor	Attended as Board Advisor	Did not attend	—	—	—	—	—
Tom Gorrie	Member	Member	Member	Member	Member	Member	Member	Member
Anthony Lea	Member	Member	Member	Member	Member	Member	Member	Member
John Regazzi	Member	Member	Member	Member	Member	Member	Member	Member
Lucinda Riches	Member	Member	Member	Member	Member	Member	Member	Member
Alison Wood (from 1 September 2014)	—	—	—	—	—	—	Member	Member
Board Advisor								
Alicja Lesniak (from 1 October 2014)	—	—	—	—	—	—	—	Attended as Board Advisor

● Chairman ● Member ○ Did not attend ● Attended as Board Advisor

Evaluation, training and support

An evaluation process is carried out annually to support continuing improvement in Board, Board Committee and individual Director effectiveness. The intention is to have this process led by an external facilitator at regular intervals and in 2014 the process was facilitated by Independent Board Review, a division of Independent Audit Limited, who have no other connection with BSI. As independent advisors, they discussed with BSI the focus and coverage of the evaluation questionnaires, administered them on a confidential basis, using their online assessment service, Thinking Board, and held one-to-one discussions with Directors. They independently analysed the responses of the Directors and presented the findings and their suggestions in a paper which was considered and discussed with the Board and its Committees. The exercise was rigorous and constructive and where changes or improvements were suggested, they are being implemented. These included enhancements to the Board agenda setting process, determining where the skills and experience of the Non-executive Directors can be utilised for the future strategic needs of the Group's business and reviewing the information needs of the Board relating to clients and forward-looking indicators.

Training in matters relevant to their role on the Board is available to all Directors. When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Group. The Directors are supplied with the best available information in a form and of a quality to support them in the decision-making process. The Board is supported by the Company Secretary who is available to give ongoing advice to all Directors on Board procedures and corporate governance. There is a procedure for Directors to have access, if required, to independent professional advice, paid for by the Company.

Board committees

The Board delegates certain of its responsibilities to standing committees. These committees have written terms of reference that deal with their authorities and duties which are periodically reviewed. The Non-executive Directors play an important governance role on these committees. The Board considers that the membership of the Audit Committee, Remuneration Committee and Nominations Committee and their terms of reference are in line with the Code's recommendations and best practice. The committees are:

Audit Committee

The Audit Committee is responsible for, among other things, recommending the appointment of auditors, reviewing the annual financial results, considering matters raised by the auditors and overseeing the internal control system operated by the Group.

- A report by the Audit Committee, including details of its membership, is set out on pages 44 to 46.

Board committees continued

Remuneration Committee

The Remuneration Committee is responsible for reviewing the terms and conditions of employment of Executive Directors and the senior management team including the provision of incentives and performance related benefits.

- The Directors' Remuneration Report, which includes details of the Remuneration Committee's membership, is set out on pages 49 to 57.

Nominations Committee

The Nominations Committee is responsible for selecting and recommending the appointment of all Directors to the Board.

- A report by the Nominations Committee, including details of its membership, is set out on pages 47 to 48.

Standards Policy and Strategy Committee

The principal objective of the Standards Policy and Strategy Committee is to bring together the views of those interested in British Standards and standardization activities in order to develop the strategic policy of the organization in the national, European and international standards arenas. The Committee is chaired by Carol Sergeant CBE. The committee's members include Scott Steedman, Director of Standards, and Lucinda Riches, Non-executive Director, with Sir David Brown, Group Chairman, and Howard Kerr, Chief Executive, in attendance.

- Details of standards activities are given by Scott Steedman, Director of Standards, on pages 24 to 26.

Social Responsibility Committee

The Social Responsibility Committee is responsible for enhancing the attention of the Group to social responsibility and for driving an implementation programme following the guidelines of ISO 26000.

- The Social Responsibility Review, which includes details of the Committee's membership, is set out on pages 31 to 33.

Internal control

The BSI Group has a robust and effective system of internal control supported by review and assurance processes.

The Board recognizes that it is responsible for the system of internal controls in the BSI Group and takes direct responsibility for reviewing and maintaining the effectiveness of those controls which are considered at each Board meeting as an integral part of the meeting's agenda. No significant failings or weaknesses have been identified.

The BSI Group's internal control system is set out in a comprehensive Group Compliance Framework, to which all BSI employees have access on the organization's intranet. The Group Compliance Framework is designed to provide a level of assurance that adequate controls are applied and is considered by the Board and updated when appropriate.

The BSI Group has established a Risk and Compliance function which monitors compliance with the Group Compliance Framework on behalf of the Board. The Risk and Compliance function provides a risk report to each scheduled meeting of the Board. This assists the Board in its review of significant business risks throughout the year as well as its consideration of the scope and effectiveness of the organization's system of internal control. This review involves the identification of actual or potential risks to the BSI Group which may have an impact on its objectives, together with controls and reporting procedures designed to address and mitigate those risks. These controls are reviewed, applied and updated whenever appropriate throughout the year.

- The report on principal risks and uncertainties is set out on pages 22 to 23.

The process of requiring senior levels of management to provide an annual Letter of Assurance provides formal confirmation that governance and compliance matters have been properly addressed.

As part of the internal control environment there is a comprehensive financial management, financial control and governance framework. Quarterly financial and operational reviews are undertaken throughout the BSI Group by the Chief Executive and Group Finance Director and the Board reviews a full financial report and commentary every month. The BSI Group's internal audit function is responsible for auditing and monitoring the application of financial procedures and practices throughout the BSI Group. The Head of Internal Audit reports functionally to the Group Finance Director but has full and open access to the Audit Committee.

The BSI Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. There is an ongoing process, established in accordance with the Turnbull Guidance 2005, for identifying, evaluating and managing the significant risks faced by the organization, which has been in place during the year under review and up to the date of approval of this Annual Report and financial statements.

Underpinning the formal internal control system is the BSI Code of Business Ethics, which sets out the ethical values and high standards of integrity that BSI aims to put at the forefront of all its activities.

By Order of the Board

Sir David Brown
Chairman
26 March 2015

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations including the Royal Charter and Bye-laws of The British Standards Institution.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the BSI Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 BSI Group and the Company and of the profit or loss of the BSI Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the BSI Group and parent company financial statements respectively; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Royal Charter and Bye-laws of The British Standards Institution. They are also responsible for safeguarding the assets of the Company and the BSI Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the Directors' report is approved, it is confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

Tony Wales
Company Secretary
26 March 2015

Anthony Lea
Chairman

Sir David Brown

Alicja Lesniak

Lucinda Riches

The Audit Committee as at 31 December 2014

The Audit Committee (the 'Committee') is established by the Board under terms of reference that were most recently updated in December 2014 to take account of updates to the UK Corporate Governance Code and the FRC Guidance on Audit Committees. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership

During the year ended 31 December 2014 the Committee comprised:

- Sir David Brown (from 22 May 2014)
- Pat Chapman-Pincher (to 22 May 2014)
- Keith Clarke (to 31 March 2014)
- Anthony Lea (Chairman)
- Alicja Lesniak (from 1 October 2014)
- Lucinda Riches

Anthony Lea is a Trustee of the RAF Benevolent Fund, and Chairman of its finance committee. He was previously Finance Director at Anglo American PLC and Chairman of the Audit Committee at the Office of Fair Trading. Lucinda Riches was an investment banker for over 20 years at SG Warburg and successor firms and is a Non-executive Director of UK Financial Investments Limited. Both are considered to have recent and relevant financial experience.

Audit Committee attendance

The Committee met three times in the year ended 31 December 2014.

Attendance	Mar	Jun	Nov
Sir David Brown	Invitee	Member	Member
Pat Chapman-Pincher	Member	—	—
Keith Clarke	Member	—	—
Anthony Lea	Chairman	Chairman	Chairman
Alicja Lesniak	—	—	Member
Lucinda Riches	Member	Member	Did not attend

Chairman Member Did not attend Invitee

When appropriate, the Chief Executive, Group Finance Director, Group Financial Controller, Head of Tax and Treasury and Head of Internal Audit, along with the external auditors, are invited by the Committee to attend its meetings. The Committee is able to consider items of business without other parties being present.

Key responsibilities of the Committee

These include:

- monitoring the integrity of the financial statements of the Company and the BSI Group including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- reviewing the content of the Annual Report to advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to access the Company's performance, business model and strategy;
- meeting with the auditors, in advance of the annual audit, to consider and discuss the nature and scope of the audit;
- monitoring the effectiveness of the internal audit function;

- reviewing the 'whistle-blowing' procedure;
- overseeing the relationship with the external auditors and addressing the effectiveness of the external audit process, including making recommendations for the appointment, re-appointment and removal of the external auditors;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
- meeting with the auditors without Executive Directors present.

The Committee focuses its agenda on financial reporting risk, reviewing the continuing validity of critical accounting judgements and estimates and considers risk in its broader sense to ensure that appropriate financial controls are in place. The Committee reviews the annual internal audit plan to ensure appropriate focus and resource. The Committee provides support to the Group Finance Director and Group Finance team.

Activities of the Committee
During the year the Committee, among other things:

- as part of the 2013 year-end process, received and considered an audit report from PricewaterhouseCoopers LLP on matters including audit progress and findings, quality of earnings, reporting matters, judgement areas, taxation, systems and controls, risk management, corporate governance and auditor independence;
- considered and recommended to the Board the external auditors' fees, letters of engagement and letters of representation;
- reviewed the draft financial statements and the Annual Report and after due consideration recommended them to the Board;
- at each of its meetings, considered the Internal Audit department's reports, looked at its findings from each location/business area and reviewed and discussed with the Head of Internal Audit how and when issues were addressed and closed. The Committee also agreed future activity planning and received reports on the department's staffing;
- agreed the scope and content of the annual Letter of Assurance. Following the Letter of Assurance exercise, the Chief Executive reported to the Committee on the returns received;
- received reports on issues raised through the Company's 'whistle-blowing' hotline and similar channels and ensured that proper processes were in place to investigate and address the matters reported;
- agreed areas of audit focus with the external auditors, which for 2014 were primarily the detection of fraud in revenue recognition and management override of controls, as well as UK defined benefit pension scheme liabilities, the impairment of assets and other matters of potential risk;
- received a comprehensive treasury and tax update from the Group Finance Director and Head of Tax and Treasury;
- considered and confirmed the procedures of the Company, as the National Standards Body, for compliance with its financial obligations under the Memorandum of Understanding with HM Government;
- received an update on the new UK GAAP and the impact of the revised regulations on the Group;
- received regular reports from the finance team on the progress of the Group's transfer pricing exercise;
- reviewed a report on the UK fixed asset verification exercise;
- reviewed the minutes of the Banking and General Purpose Committee and discussed matters of interest with the treasury and finance teams; and
- received a regular update from the Group Finance Director regarding key finance function staffing around the Group.

There is an annual work plan in place that specifies the key agenda items for each scheduled meeting of the Committee. Those items typically follow the annual reporting cycle with other regular items included as appropriate. In addition, items are added to the agenda to follow up matters arising from previous meetings or on an ad hoc basis where matters require the consideration of the Committee.

Significant areas
Significant and elevated areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2014 were:

- fraud in revenue recognition;
- management override of controls;
- accounting for the UK defined benefit pension scheme; and
- impairment of assets.

The Committee addressed these by applying, with the auditors, a rigorous review of each. No unusual issues were identified in any of these areas and the Committee confirmed that appropriate accounting treatment had been applied in each case.

The Committee is delegated by the Board, under its terms of reference, to maintain oversight over critical accounting judgements and estimates and discusses with the external auditors where appropriate the proper application of accounting rules and compliance with disclosure requirements.

External audit
The Committee addresses the effectiveness of the external audit process by measures including:

- the consideration of the external auditors' proposed audit strategy and agreement with them of the scope of the audit programme based on their risk assessment and the detailed review of specific businesses suggested by the Committee;
- agreeing areas of audit focus with the auditors;
- a regular re-tender process for the external auditors to take place at least every ten years;
- keeping the auditors' team under review to ensure it has the necessary expertise, experience and understanding of the business, as well as having the time and resources to carry out its audits effectively;
- detailed discussion with the auditors on areas of elevated risk, including pensions and impairment of assets; and
- regularly reviewing and feeding back to the auditors an assessment of their performance on matters including meeting the audit programme, the thoroughness and perceptiveness of their reviews and the quality of their technical expertise.

The Committee reviews the level of fees and type of non-audit work carried out by the auditors (see Note 7 to the financial statements). It was considered in the best interests of the Company to retain PricewaterhouseCoopers LLP for certain non-audit work due to their relevant expertise and knowledge of the Company. The Committee safeguards the auditors' objectivity by reviewing the measures they take to maintain their independence and manage any conflicts of interest. PricewaterhouseCoopers LLP have been the BSI Group's auditors for more than ten years.

There are no contractual obligations restricting the Company's choice of auditors. In 2013, in accordance with best practice, the Company undertook a re-tendering exercise for the selection of the auditors. A thorough review process was carried out and PricewaterhouseCoopers LLP were retained as the Company's auditors but with a new team. The Audit Committee considers that the relationship with the auditors continues to work well and remains satisfied with their effectiveness. Accordingly the Committee has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed as the Company's auditors at the 2015 Annual General Meeting.

By Order of the Board

Anthony Lea
Chairman of the Audit Committee
26 March 2015

Report of the Nominations Committee

Sir David Brown
Chairman

Tom Gorrie

Howard Kerr

Anthony Lea

John Regazzi

Lucinda Riches

Alison Wood

The Nominations Committee as at 31 December 2014

The Nominations Committee (the 'Committee') is established by the Board under terms of reference that were most recently updated in July 2011. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership
During the year ended 31 December 2014 the Committee comprised:

- Sir David Brown (Chairman)
- Pat Chapman-Pincher (from 1 April to 22 May 2014)
- Keith Clarke (to 31 March 2014)
- Howard Kerr
- Tom Gorrie
- Anthony Lea
- John Regazzi
- Lucinda Riches
- Alison Wood (from 1 September 2014)

Nominations Committee attendance
The Committee met four times in the year ended 31 December 2014.

Attendance	Mar	May	July	Sept
Sir David Brown	Chairman	Chairman	Chairman	Chairman
Pat Chapman-Pincher	Invitee	Did not attend	—	—
Keith Clarke	Member	—	—	—
Tom Gorrie	Member	Member	Member	Member
Howard Kerr	Member	Member	Member	Member
Anthony Lea	Member	Member	Member	Member
John Regazzi	Member	Member	Member	Member
Lucinda Riches	Member	Member	Member	Member
Alison Wood	—	—	—	Did not attend

Chairman Member Did not attend Invitee

Craig Smith and Scott Steedman were invited to attend the July 2014 meeting of the Committee.

Board Advisors are normally invited by the Committee, if appropriate, to attend its meetings.

Key responsibilities of the Committee
These include:

- reviewing the size, structure and composition of the Board and making recommendations to the Board on these matters; and
- drawing up succession plans for Directors, including the Chairman and Chief Executive.

There is a continuing assessment of the balance of skills, knowledge, experience and diversity on the Board and a formal, rigorous and transparent procedure for the appointment of new Directors.

Activities of the Committee

During the year the Committee, among other things:

- made a recommendation to the Board regarding the annual re-appointment of the Chairman;
- recommended the Directors standing for re-election at the Annual General Meeting;
- considered Board succession with regard to Board and Board committee weight and balance, considering both Executive and Non-executive Directors;
- updated the Board and committee succession strategy as a result of the unplanned retirement of Pat Chapman-Pincher from the Board;
- oversaw the recruitment process for Board appointments; and
- following a review of candidates, recommended the appointments to the Board and its committees of Alison Wood as a Non-executive Director and Alicja Lesniak as a Board Advisor.

There is an annual work plan in place that specifies the key agenda items for each scheduled meeting of the Committee to ensure that all formal matters have been addressed. Ad hoc meetings are held when necessary to consider particular matters, for example a Board recruitment.

Recruitment process

During 2014, the Committee was responsible for the recruitment process for the appointment of a further Non-executive Director and a Board Advisor. The Committee agreed a description of the roles and of the capabilities required for these roles, following an evaluation of the balance of skills, experience, independence and knowledge required. It then authorised the Chairman and Chief Executive to contract with a recruitment consultant to seek appropriate candidates based on merit, against the objective criteria set out in the description, and having regard to the benefits of diversity on the Board, in accordance with the Board Equality and Diversity Policy.

Odgers Berndtson was selected, by reason of its expertise and its broad pool of potential candidates, to handle the agreed recruitments. This firm has no connection with BSI other than having acted from time to time, when selected, to assist with Board and senior level recruitment. Shortlists were drawn up by the recruitment consultants for each role, suitable candidates were considered in detail and, where appropriate, individuals were interviewed by Sir David Brown, Howard Kerr, other members of the Committee and the Executive Directors so that the final selections could be recommended by the Committee to the Board for appointment.

Board equality and diversity policy

The Board takes the issues of equality and diversity seriously and follows an established Group-wide policy of using the talent and skills available in all groups and communities in the countries in which the Group operates to build the strong team it requires to deliver the strategy for its business.

The BSI Group uses job related objective criteria in the selection of candidates and when considering development opportunities. The Board applies the same policy to its own composition. When nominating new Directors, the Nominations Committee carefully considers the balance of skills, experience and knowledge required for the Board to discharge its duties and responsibilities effectively in order to determine the desired attributes for particular appointments. Such considerations pay particular attention to the merits of diversity.

Since all Board appointments are made on merit, taking the benefits of diversity fully into account, the Board considers that it would be inappropriate to set targets for the percentage of female Directors. However, it will report annually on the diversity of the Board. Details of the gender distribution of the Board, as well as of senior management and employees in the BSI Group as a whole, may be found in the Chief Executive's Review on page 16.

By Order of the Board

Sir David Brown
Chairman of the Nominations Committee
26 March 2015

Directors' remuneration report

Introduction by Alison Wood, Chairman of the Remuneration Committee.

Alison Wood • Chairman of the Remuneration Committee

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2014. The Company supports greater transparency in remuneration reporting and this report reflects best practice to the extent practical for a company of BSI's type and size.

The Remuneration Committee (the 'Committee') fully recognizes that the quality of the Board is a key element in the achievement of the Group's strategy. BSI's remuneration policy is therefore based upon the need to attract, retain and motivate Executive Directors with the necessary drive, leadership and management skills, in a competitive international market for such individuals, while incentivizing them to deliver to challenging targets.

During 2014, the Remuneration Committee ensured the essence of best practice was applied, namely timely and appropriate salary reviews, communicated in context to recipients; the clear setting of all variable pay targets both long and short term, with them being communicated clearly at the beginning of the financial year to all recipients; and keeping the variable pay programmes as stable as possible to encourage Directors and other senior staff to modify behaviour to achieve goals, rather than having the expectation that schemes would change each year.

I am pleased to say we met all of these best practice criteria whilst ensuring that the financial and strategic targets set for both the short and long-term incentive plans were accurately aligned with the objectives of BSI.

In 2015, the Committee will continue to monitor and review the overall remuneration strategy to ensure it underpins the delivery of BSI's strategy. Specifically we will address the framework and metrics of our incentive plans to promote continuous improvement in operational performance, the development of new products and markets and the successful integration of our recent acquisitions.

The Committee retains discretionary power regarding certain areas of Directors' remuneration. The Committee did not exercise any of its discretionary power during 2014.

Alison Wood

Alison Wood
Chairman of the Remuneration Committee
26 March 2015

Alison Wood
Chairman

Anthony Lea

John Regazzi

Lucinda Riches

The Remuneration Committee as at 31 December 2014

REMUNERATION COMMITTEE

The Committee is established by the Board under terms of reference that were most recently updated in December 2014. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership

During the year ended 31 December 2014 the Committee comprised:

- Pat Chapman-Pincher (member to 31 March 2014; Chairman from 1 April to 22 May 2014 when she left the Committee)
- Keith Clarke (Chairman to 31 March 2014 when he left the Committee)
- Anthony Lea
- John Regazzi
- Lucinda Riches (member to 21 May 2014; Chairman from 23 May to 30 September 2014; member from 1 October 2014)
- Alison Wood (member from 1 September 2014; Chairman from 1 October 2014)

Sir David Brown, Howard Kerr, Tom Gorrie and Jim Newell, the Group HR director, attend meetings of the Committee by invitation. Directors do not attend meetings where their own remuneration is under consideration.

Remuneration Committee attendance

The Committee met five times in the year ended 31 December 2014.

Attendance	Jan	Mar	Mar	Sept	Dec
Pat Chapman-Pincher	● Member	● Member	● Member	—	—
Keith Clarke	● Chairman	● Chairman	● Chairman	—	—
Anthony Lea	● Member	● Member	● Member	● Member	● Member
John Regazzi	● Member	● Member	● Member	● Member	● Member
Lucinda Riches	● Member	● Member	● Member	● Chairman	● Member
Alison Wood	—	—	—	● Member	● Chairman

● Chairman ● Member

The Committee has access to specialist advice from executive reward consultants when required. Advisors are appointed for specific work following a review of comparable firms so that the Committee can be satisfied that their advice is objective and independent. During 2014, Towers Watson Limited undertook a comparative review of executive remuneration and Deloitte LLP Global Employer Services provided advice on clawback and malus in long-term incentive schemes. No external advice had been required in 2013.

Key responsibilities of the Committee

These include:

- determining policy for the remuneration of the Company's executive management and other key staff taking into account all factors the Committee deems necessary including relevant legal and regulatory requirements;
- reviewing the continuing appropriateness and relevance of the remuneration policy; and
- approving the design of, and determining targets for, any senior management performance related pay schemes operated by the Company and approving the total annual payments made under such schemes.

The Committee is delegated by the Board to determine and oversee the operation of the Company's remuneration policy relating to senior management, excluding the Non-executive Directors.

Activities of the Committee

During the year the Committee, among other things:

- discussed and agreed the format of the Directors' remuneration report in the Company in the light of the new remuneration reporting regulations;
- considered and agreed payments under the 2013 bonus arrangement;
- discussed and recommended personal objectives and made awards under the 2014 bonus and LTIP in accordance with the Company's remuneration policy;
- agreed salary increases for the Executive Directors;
- agreed a proposed remuneration package for the recruitment of a new member of the senior management team;
- reviewed the policy for Directors' expenses;
- reviewed and updated the Company's remuneration strategy and policy;
- undertook a strategic review of executive remuneration, considering executive management remuneration against a comparator group, remuneration trends across BSI and the executive team's pension arrangements;
- considered but did not change the Chairman's fee; and
- discussed the future incorporation of clawback and malus into the Company's long-term incentive arrangements.

An annual work plan is in place that specifies the key agenda items for each scheduled meeting of the Committee. This largely revolves around the annual financial results and the payments and awards which are related to them. Other matters are included to ensure that the Committee acts in compliance with its terms of reference.

2014 REMUNERATION

Single figure total (audited information)

							Variable pay receivable for 2014					
	Salaries and fees		Taxable benefits[1]		Pension benefits[2]		Bonus		LTIPs		Total	
Director	**Year ended 31 Dec 2014 £'000**	Year ended 31 Dec 2013 £'000	**Year ended 31 Dec 2014 £'000**	Year ended 31 Dec 2013 £'000	**Year ended 31 Dec 2014 £'000**	Year ended 31 Dec 2013 £'000	**Year ended 31 Dec 2014 £'000**	Year ended 31 Dec 2013 £'000	**Year ended 31 Dec 2014 £'000**	Year ended 31 Dec 2013 £'000	**Year ended 31 Dec 2014 £'000**	Year ended 31 Dec 2013 £'000
Executives												
Howard Kerr[3]	**388**	370	**23**	24	**22**	30	**332**	172	**—**	—	**765**	596
Craig Smith	**267**	260	**19**	18	**40**	39	**202**	105	**—**	—	**528**	422
Scott Steedman	**209**	204	**15**	16	**31**	30	**158**	79	**—**	—	**413**	329
	864	834	**57**	58	**93**	99	**692**	356	**—**	—	**1,706**	1,347
Chairman												
Sir David Brown	**148**	147	**6**	5	**—**	—	**—**	—	**—**	—	**154**	152
Non-executives												
Keith Clarke[4]	**10**	41	**—**	—	**—**	—	**—**	—	**—**	—	**10**	41
Pat Chapman-Pincher[5]	**6**	—	**1**	2	**—**	—	**—**	—	**—**	—	**7**	2
Tom Gorrie	**41**	41	**40**	23	**—**	—	**—**	—	**—**	—	**81**	64
Anthony Lea	**41**	41	**—**	—	**—**	—	**—**	—	**—**	—	**41**	41
John Regazzi	**36**	35	**27**	24	**—**	—	**—**	—	**—**	—	**63**	59
Lucinda Riches	**37**	35	**—**	—	**—**	—	**—**	—	**—**	—	**37**	35
Alison Wood[6]	**13**	—	**—**	—	**—**	—	**—**	—	**—**	—	**13**	—
Board Advisors												
Pat Chapman-Pincher[7]	**9**	35	**—**	—	**—**	—	**—**	—	**—**	—	**9**	35
Alicja Lesniak[8]	**9**	—	**—**	—	**—**	—	**—**	—	**—**	—	**9**	—
	350	375	**74**	54	**—**	—	**—**	—	**—**	—	**424**	429
Total	**1,214**	1,209	**131**	112	**93**	99	**692**	356	**—**	—	**2,130**	1,776

1 The taxable benefits for the Chairman and Non-executive Directors relate to the reimbursement of travelling expenses to meetings held at the Company's principal office and applicable grossed-up tax thereon.
2 Contributions made by the Company outside of salary sacrifice arrangements.
3 Salary includes £40,631 (2013: £31,193) supplement in lieu of pension contribution.
4 Resigned as a Director on 31 March 2014.
5 Appointed as Director on 1 April 2014. Resigned as a Director on 22 May 2014.
6 Appointed as a Non-executive Director on 1 September 2014.
7 Board Advisor until appointed as a Director on 1 April 2014.
8 Appointed as a Board Advisor on 1 October 2014.

Salaries and fees shown above are before any reduction in respect of salary sacrificed pension contributions made by the Company. None of the Directors waived emoluments in respect of the year ended 31 December 2014 (2013: £nil).

2014 REMUNERATION continued

Variable pay

Annual bonus for 2014

Annual bonuses for the year ended 31 December 2014 were provided to the Executive Directors by the Committee, in accordance with the policy set out in the Annual Report 2013 Directors' remuneration report, with actual award payments dependent upon the achievement of targets. The table below sets out the percentage of basic salary upon which potential 2014 annual bonuses were based:

Basic salary basis of annual bonuses	Management operating profit*	Revenue	Cash	Personal objectives	**Further bonus payable on achievement of stretch management operating profit* Up to**
Howard Kerr	15%	15%	10%	10%	**50%**
Craig Smith	12%	12%	8%	8%	**40%**
Scott Steedman	16%	16%	—	8%	**40%**

* 'Management operating profit' is defined as 'underlying operating profit adjusted for items considered by the Remuneration Committee to be beyond the control of management' and is set in advance of the performance period.

The payment threshold was the achievement of 90% of both 'management operating profit' and revenue targets. The actual 'management operating profit' for 2014 was 112.0% of target, revenue was 97.5% of target and cash at bank was greater than 100% of target. The table below sets out the annual bonuses paid out in respect of 2014. The Committee did not exercise any of its discretionary power with regard to bonus payments for 2014.

2014 annual bonus payments (audited information)	On-target award based on basic salary	Maximum award possible	Actual award based on basic salary	Actual award
Howard Kerr	50%	100%	95.2%	£331,946
Craig Smith	40%	80%	75.5%	£202,501
Scott Steedman	40%	80%	75.1%	£157,811

Long Term Incentive Plan vesting in 2014 (audited information)

In 2012 Howard Kerr, Craig Smith and Scott Steedman, as participants in the LTIP, were awarded Participation Units (PUs) with the proportion of those vesting dependent on the achievement of a 'management operating profit' target for the third financial year after award, i.e. for the year ended 31 December 2014. Each vesting PU would provide £1.00. Vesting would be on a predetermined scale rising from 10% to a maximum of 150% of PUs originally awarded depending on target achievement. As actual Group 'management operating profit' for 2014 was below the threshold level of £41m, no PUs vested with respect to the 2014 financial year and therefore no payments were made.

Long Term Incentive Plan awarded in 2014 (audited information)

In 2014 the Executive Directors were awarded PUs under the LTIP. A proportion of those would vest, depending upon the achievement of 'management operating profit' and revenue targets, for the third financial year after award, i.e. 2016. The PUs awarded under the LTIP in 2014 were:

2014 LTIP awards	Basis – salary multiple	PUs awarded 2014	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
Howard Kerr	67%	233,495	10%	50%	150%	31 December 2016
Craig Smith	50%	134,000	10%	50%	150%	31 December 2016
Scott Steedman	50%	105,000	10%	50%	150%	31 December 2016

Total LTIP awards held

LTIP awards held	Howard Kerr	Craig Smith	Scott Steedman	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
PUs awarded 2014	233,495	134,000	105,000	10%	50%	150%	31 December 2016
PUs awarded 2013	220,859	127,500	100,000	10%	50%	150%	31 December 2015
Total PUs held	**454,354**	**261,500**	**205,000**				

Pension entitlements

Howard Kerr has a personal pension arrangement into which the Company made contributions of 18% of his basic salary, including a salary supplement in lieu of pension contribution. Craig Smith and Scott Steedman participate in the BSI UK Pension Plan, into which the Company makes contributions of 15% of their salary.

Loss of office payments (audited information)

No payments for loss of office were made in 2014 (2013: £nil).

Remuneration of the Chief Executive

Table of historic data (audited information)

	Chief Executive single figure remuneration total £'000	Annual bonus payout against target	LTIP vesting rates against target
2014	765	190.5%	—
2013	596	100.9%	—
2012	576	102.0%	—
2011	792	118.1%	100.5%
2010	706	200.0%	—
2009	798*	129.5%	—

* Includes £215,000 relocation contribution.

Howard Kerr was Chief Executive for each year shown.

2014 remuneration change from 2013

	% change in salary	% change in taxable benefits	% change in bonus
Chief Executive	+4.97%	-5.16%	+93.66%
UK employees	+2.55%	+13.83%	+47.48%

UK employees (comprising full-time and part-time employees and contract staff) has been chosen as the comparator group because the Chief Executive is employed in the UK and is mainly affected by the UK's economic and employment market conditions.

Executive Directors' Non-executive Directorships

In order to encourage professional development Executive Directors may, with the agreement of the Board, take on external Non-executive Directorships. Scott Steedman served as a Non-executive Director of the Port of London Authority and, in accordance with policy, retained his remuneration of £25,300 for the role for the period covered by this report. No other Executive Director had a Non-executive Directorship.

Distribution of profit above budget

In accordance with the arrangements set out above, and other incentive arrangements in place, 42.9% of profits made above budget were used for variable pay awards across the Group.

Statement of implementation of Directors' remuneration policy

During 2014, all Directors' remuneration was awarded within the policy set out in the Remuneration report in the Annual Report and financial statements 2013.

REMUNERATION POLICY

The Directors' remuneration policy is set out in the table opposite. It applies to remuneration awards made from 1 January 2015 and is set for a period of one year. Areas of change from the policy operated in 2014 are shown in the table. The Committee aims to maintain a Directors' remuneration policy that is stable and clearly defined but which evolves, over the longer term, to remain relevant to the needs of BSI's business and to reflect the wider employment market. The Committee therefore reviews the policy in advance of the remuneration policy year to ensure it is appropriate and effective.

Policy discretion

The Committee retains discretionary power with regard to certain areas of Directors' remuneration. 'Management operating profit' is used in setting targets for variable pay elements and is adjusted at the Committee's discretion to take account of items considered to be beyond the control of management. This is done to ensure that awards are a fair measure of effort and performance and is done in advance of the awards being made. For variable pay, the Committee retains the discretion to adjust payments up or down in exceptional circumstances. If employment ceases during a vesting period LTIP awards will normally lapse in full; however, the Committee reserves the discretion to allow some or all PUs to subsist in appropriate circumstances. In addition, the Committee reserves the right to apply discretion in exceptional circumstances, as it sees fit, regarding payments on appointment and for termination payments.

Notes:

- Performance conditions have been selected by the Committee to incentivize performance and are kept under review.
- Remuneration is provided on the same basis to all employees in order to attract, retain and motivate individuals and is provided at a level appropriate to their role.

Element and how it supports long and short-term strategy	Operation and recovery
Salary and fees (Fixed) By attracting, retaining and motivating individuals of the quality required to further the interests of the Company.	The base salaries of Executive Directors are determined on an individual's responsibility and performance and are reviewed annually. Consideration is given to remuneration in comparable organizations when appropriate and external benchmarking is carried out biennially. Executive Directors may, by agreement with the Board, serve as Non-executive Directors of other companies and retain any fees paid for their services. Non-executive Directors receive a fee for their services to the Company which is reviewed annually.
Benefits (Fixed) By providing a benefits package appropriate to the role of the individual and competitive with similar organizations.	Benefits in kind for Executive Directors principally include, where appropriate, the provision of a company car and fuel, annual leave as well as medical and life insurance. The Non-executive Directors do not receive benefits in kind except reimbursement of the costs of travel to meetings at the Company's principal office.
Pension benefits (Fixed) By providing a cost-effective retirement benefit as part of an overall remuneration package.	The Company makes contributions into defined contribution pension arrangements or provides a cash alternative for Executive Directors.
Bonuses (Variable) By incentivizing Directors to align their performance to the delivery of the shorter-term goals of the business.	Awarded to Executive Directors subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives. Clawback has been introduced for awards from 2015 onwards. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate.
LTIPs (Variable) By incentivizing Directors to align their performance to the delivery of longer-term strategic aims and goals of the business.	These are only awarded to Executive Directors subject to the fulfilment of longer-term criteria, determined with reference to BSI's objectives. These targets are established annually and amended if necessary. Malus and clawback have been introduced for awards from 2015 onwards. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate. If employment ceases during the vesting period awards will normally lapse in full.

Maximum value	Performance metrics	Changes from 2014 policy
	Not applicable	Policy clarified with respect to Executive Directors' service and fees from external Non-Executive Directorships.
	Not applicable	Policy clarified to include Non-executive Directors travel costs.
	Not applicable	
Maximum bonuses for Howard Kerr, Craig Smith and Scott Steedman are 100%, 80% and 80% of basic salary, respectively.	Award payments are dependent upon the achievement of targets. As a percentage of basic salary, awards are based for Howard Kerr: i) 15% on 'management operating profit', ii) 15% on revenue, iii) 10% on cash, iv) 10% on personal objectives, plus up to an additional 50% on stretch 'management operating profit'; for Craig Smith: i) 12% on 'management operating profit', ii) 12% on revenue, iii) 8% on cash, iv) 8% on personal objectives, plus up to an additional 40% on stretch 'management operating profit'; for Scott Steedman: i) 16% on 'management operating profit', ii) 16% on revenue, iii) 8% on personal objectives, plus up to an additional 40% on stretch 'management operating profit'.	Inclusion of clawback.
A maximum of 150% of Participation Units (PUs) may vest depending on target achievement.	PUs are awarded to Executive Directors by the Remuneration Committee. A proportion of these vest, depending on the achievement of 'management operating profit' and revenue growth targets for the third financial year after award. Awards made are on a discretionary basis.	Inclusion of malus and clawback.

REMUNERATION POLICY continued

Statement of principles for new Executive Director recruitment

The Committee Chairman oversees the setting, within the Directors' remuneration policy, of the total remuneration package of new Executive Directors. This comprises the fixed pay elements of base salary, benefits and pension plan contributions and the variable pay elements of annual bonus and long-term incentive plan awards, all of which are internally and externally benchmarked. The maximum level of variable pay is set within the Directors' remuneration policy. BSI does not normally offer either 'sign-on' awards or compensate recruits for forfeited amounts; however, the Committee reserves the right to apply discretion in this area as it sees fit.

Policy on notice periods

No Director has contractual rights for compensation on early termination beyond payment of the contractual notice period. Executive Directors have rolling contracts setting out notice periods as shown in the following table:

	Service contract dated	Appointment commenced	Notice period provided for
Howard Kerr	21 October 2008	1 November 2008	12 months by either party
Craig Smith	20 July 2011	15 August 2011	6 months by either party
Scott Steedman	7 November 2012	1 October 2012	6 months by either party

Except where indicated, the appointment of Non-executive Directors is for periods of three years. The Non-executive Directors do not have service contracts. Details of their letters of appointment are as follows:

	Letter of appointment dated	Date of appointment	Role
Sir David Brown	27 May 2010	27 May 2010	as Non-executive Director
	19 December 2011	1 December 2011	as Deputy Chairman
		31 March 2012	as Chairman
Tom Gorrie	22 July 2009	1 September 2009	as Non-executive Director
	12 July 2012	1 September 2012	re-appointed
Anthony Lea	13 June 2007	1 July 2007	as Non-executive Director
	8 June 2010	1 July 2010	re-appointed
	27 June 2013	1 July 2013	re-appointed
John Regazzi	24 May 2006	1 June 2006	as Non-executive Director
	29 May 2009	1 June 2009	re-appointed
	17 May 2012	1 June 2012	re-appointed
Lucinda Riches	23 May 2011	19 May 2011	as Board Advisor
	17 May 2012	17 May 2012	as Non-executive Director
	22 May 2014	22 May 2014 (to AGM 2017)	re-appointed
Alison Wood	22 July 2014	1 September 2014	as Non-executive Director

Approach of the Company in setting Non-executive Director fees

BSI is justifiably proud of the calibre of the Non-executive Directors on its Board. In order to retain, and when the need arises recruit, Non-executive Directors of high quality, the Company must ensure their remuneration recognizes the knowledge and experience they bring to the Board as well as being comparable with the fees paid in similar organizations. Their fees are determined by the Board (with the Non-executive Directors not present) on the recommendation of the Chairman and Chief Executive. The Chairman's fee is determined by the Committee.

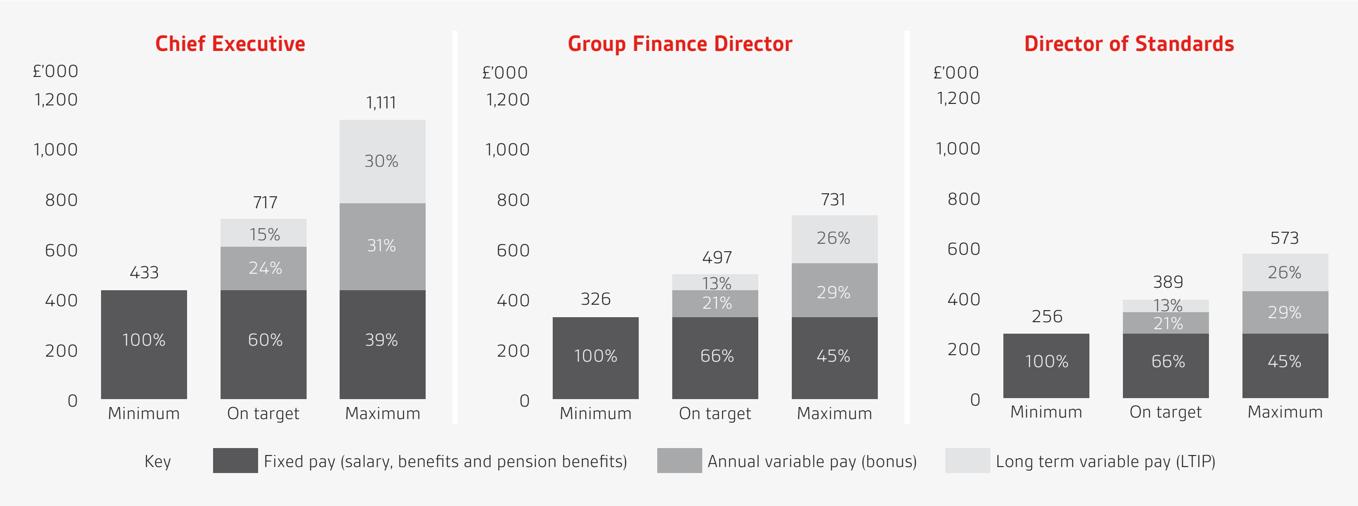
Policy on termination payments

The Company may, at its absolute discretion, terminate the employment of Executive Directors by paying a sum equal to the salary and benefits to which they would have been entitled during their notice period. Alternatively, an individual may be asked to work some or all of the required contractual notice period. Ancillary payments such as those to cover out-placement consultancy may also be made.

Nothing would be payable in the event of termination for gross misconduct. Redundancy payments are made based on the local employment legislation and prevailing terms in force within the Company at that point in time. Compensation for any outstanding bonus payments is determined by reference to the terms of the individual's current bonus letter. Non-executive Directors have no right to any termination payments other than in the case of one month's fee paid in lieu of notice. The Committee Chairman oversees the setting of termination payments by the Committee which reserves the right to apply discretion as it sees fit in relation to the above or for other termination agreements.

Illustration of the application of the Directors' remuneration policy for 2015

The charts below provide an illustration of what could be received by each Executive Director in 2015, which is the year of application of the stated remuneration policy:



Notes:

- Minimum means fixed pay only (i.e. basic pay, benefits and pension benefits), i.e. below the payment threshold for variable pay awards.
- On target means fixed pay, an award equivalent to 50%, 40% and 40% of basic pay to Howard Kerr, Craig Smith and Scott Steedman, respectively, under the annual bonus arrangement and vesting of 50% of the PUs awarded to each Director under the LTIP.
- Maximum means fixed pay, an award equivalent to 100%, 80% and 80% of basic pay to Howard Kerr, Craig Smith and Scott Steedman, respectively, under the annual bonus arrangement and vesting of 150% of the PUs awarded to each Director under the LTIP.
- For the purpose of this illustration: fixed pay is based on basic pay at 31 December 2014 and actual 2014 benefit and pension benefit amounts; annual bonus awards for potential payment with respect to the 2015 financial year are based on basic pay at 31 December 2014; and LTIPs are based on the 2013 awards potentially vesting for the performance period ending 31 December 2015.

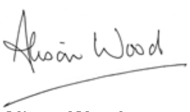
Consideration of employment conditions elsewhere in the Group

Salaries and benefits are regularly reviewed and compared to the general market (including FTSE 350 companies), economic indicators and competitor businesses. The survey data is compiled from both generic third-party surveys and specific, targeted research. In considering the salary levels for the Executive Directors, the Committee also considers the employment market conditions and the pay levels across the UK Group. Performance related annual increases for Executive Directors are consistent with those offered at all levels across the UK Group.

AUDITED INFORMATION

The Directors' remuneration report is unaudited with the exception of the sections marked to show they contain audited information.

By Order of the Board



Alison Wood
Chairman of the Remuneration Committee
26 March 2015

The Directors submit their report and audited financial statements for The British Standards Institution and its subsidiaries for the year ended 31 December 2014.

It is the Directors' responsibility to prepare the annual report and accounts and they consider that The British Standards Institution Annual Report and financial statements 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

Directors' report disclosures

The Chairman's statement and the Strategic report, including the Chief Executive's review, Operational review and Financial review, form part of this report and include:

- disclosure of the key performance indicators used to manage the business;
- likely future developments;
- research and development activities; and
- gender and human rights disclosure.

Corporate governance

The Corporate governance report is set out on pages 38 to 42.

The Board

The members of the Board are listed on pages 34 to 35 and except where noted below all held office throughout the year. The Directors were as follows:

Sir David Brown
Howard Kerr
Craig Smith
Scott Steedman
Pat Chapman-Pincher (appointed 1 April 2014, resigned 22 May 2014)
Keith Clarke (resigned 31 March 2014)
Tom Gorrie
Anthony Lea
John Regazzi
Lucinda Riches
Alison Wood (appointed 1 September 2014)

The Company Secretary is Tony Wales.

The bye-laws give the Directors the power to appoint additional or replacement Directors within the limits set out. The Directors may exercise all powers of the Company subject to statute, relevant regulation and the restrictions set out in the Royal Charter and Bye-laws.

The Company's Bye-law 8 requires Directors to submit themselves for re-election at the next Annual General Meeting following their appointment by the Board as a new Director and accordingly Alison Wood will be offering herself for re-election at the forthcoming Annual General Meeting. In addition, under Bye-law 9, one-third (rounded down) of the Directors not standing under Bye-law 8 are required to retire by rotation and stand for re-election and therefore Tom Gorrie and Lucinda Riches will also be standing for re-election at the Annual General Meeting.

Annual General Meeting

The 2015 Annual General Meeting will be held at 4 pm on Thursday, 21 May 2015 at 389 Chiswick High Road, London W4 4AL. The business to be considered at the meeting is set out in a separate Notice of Meeting despatched to the members.

Independent auditors

The BSI Group's auditors for the year ended 31 December 2014 were PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

Directors and officers' liability

The BSI Group has maintained, throughout the year and to the date of this report, directors and officers' liability insurance cover in respect of the acts or omissions of its Directors and Executives, and continues to do so. Details of the policy are provided to new Directors on appointment. In common with other companies, BSI has made qualifying third-party indemnity provisions for the benefit of its Directors against liabilities incurred in the execution of their duties.

Employees

The BSI Group communicates and consults with its employees on a wide range of subjects, including those that directly affect them, using email, websites, intranet, in-house publications and meetings at business locations. The employees of the BSI Group are instrumental in its success and the organization works hard to maintain good relationships with its employees around the world through continual communications and employee forums. Periodically the BSI Group conducts a regular employee engagement survey with the results used to identify and then action opportunities to improve engagement.

Further details of the BSI Group's engagement with its employees are set out in the 'Our people' section of the Social responsibility report on page 32.

Equality and diversity

The BSI Group takes the issues of equality and diversity seriously. By using the talent and skills available in all groups and communities in the countries in which it operates, the organization is able to build the strong team it requires to deliver the strategy for its business. The BSI Group uses job related objective criteria in the selection of candidates and when considering development opportunities.

The BSI Group is committed to providing a work environment free from harassment and discrimination. The organization accepts its obligations to people with disabilities and endeavours to treat them fairly in relation to job applications, training, promotion and career development. If employees become disabled while employed, every effort is made to enable them to continue working either in their original job or some suitable alternative.

Health and safety

The BSI Group is committed to safeguarding the health, safety and welfare of its employees and providing and maintaining safe working conditions, as far as is reasonably practicable. The BSI Group also recognizes that, in addition to its employees, it has responsibilities to all persons on its premises, such as contractors, clients, visitors and members.

There were no fatalities or serious injuries in 2014. There were no UK RIDDOR reportable accidents during 2014. There was one 'under seven lost days accident' reported in this period, which related to a road traffic accident in Germany.

Social and environmental issues

A review of the Group's social responsibility activities during the year is set out in the Social Responsibility Review on pages 31 to 33. This Review also contains disclosures of the Group's greenhouse gas emissions. The Company made no political donations during the year (2013: £nil).

Principal risks and uncertainties

The principal risks and uncertainties facing the business are detailed on pages 22 and 23.

Financial instruments

Details of the use and materiality of financial instruments are provided in Note 17 to the consolidated financial statements.

Contracts of significance with Directors

Apart from service contracts or Non-executive Directors' letters of appointment, no contract subsisted during or at the end of the financial year in which a Director is or was materially interested and which is or was significant in relation to the BSI Group's business during the period under review.

Post balance sheet events

On 9 January 2015 the BSI Group acquired the entire share capital of Environmental and Occupational Risk Management Inc., USA and on 30 January 2015 the BSI Group acquired the business, trade and assets of PwC Consulting, South Africa. Details of these post balance sheet events are set out in Note 28.

Going concern

The BSI Group has increasing revenue and profits and has a broad portfolio of customers. It also has a significant cash reserve and no borrowings. The Board maintains in place an effective risk management system and has taken reasonable steps to manage the risks faced by the business. The Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and accordingly have adopted the going concern basis in preparing the Company's and the BSI Group's financial statements.

There have been no material uncertainties identified which would cast significant doubt upon the Company's and BSI Group's ability to continue using the going concern basis of accounting for the twelve months following the approval of this Annual Report.

The Directors have considered the ongoing viability of the BSI Group. The Directors have drawn up a strategic plan for the business until the end of 2017 and, based upon that, have a reasonable expectation that the Company and the BSI Group will be able to continue to adopt the going concern basis in preparing their financial statements for at least that period of time.

By Order of the Board

Tony Wales
Company Secretary
26 March 2015

Financial statements.

In this section

Independent auditors' report
to the Board of Directors of The British Standards Institution

Report on the Group financial statements

Our opinion

In our opinion, The British Standards Institution's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with The British Standards Institution's Royal Charter and Bye-laws and the requirements of the Companies Act 2006.

What we have audited

The British Standards Institution's financial statements comprise:

- the Group consolidated balance sheet as at 31 December 2014;
- the Group consolidated income statement and the Group consolidated statement of comprehensive income for the year then ended;
- the Group consolidated statement of cash flows for the year then ended;
- the Group consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report and financial statements 2014 (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

- Overall Group materiality: £2.7m which represents approximately 10% of profit before tax.
- We performed an audit of the complete financial information of the UK Standards and UK Assurance operations due to their financial significance to the group – together with the global head office Group functions.
- We instructed component auditors to perform specific procedures at four further reporting locations – USA, Japan, China and Australia.
- The UK group engagement team also audited the UK operating locations and undertook site visits to the USA, Brazil and Italy.
- These reporting locations subject to audit procedures account for 87% of the Group's operating profit and 87% of the Group's profit before tax.
- Revenue recognition.
- Valuation of defined benefit pension scheme assets and liabilities.
- Reversal of impairment of Hemel Hempstead fixed assets and consideration of intangible assets for impairment.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Report on the Group financial statements continued

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Revenue recognition The Group has a variety of material revenue streams, with distinct characteristics and revenue recognition methods (as disclosed in note 2), including: • standards and other publications; • assessment, certification and training services; • royalty and copyright income; and • international consultancy projects. Revenue recognition for standards and other publications, assessment, certification and training services, and royalty and copyright income involves limited judgement, given that these streams comprise revenue from the sale of goods and short-term services where terms are straightforward and non-complex. However, given the quantum of these streams and the high volume of transactions therein, a significant amount of testing was required to obtain the evidence we needed for our audit. This was therefore an area of focus for us owing to the audit effort required to address the risk of material misstatement in these streams. Furthermore, international consultancy projects are long term, large scale contracts, recognised according to the percentage of completion. A degree of judgement is therefore required in estimating the amount of revenue earned in the accounting period, and we therefore focused our testing on significant contracts.	We assessed whether the Group's revenue recognition policies complied with IFRSs as adopted by the European Union, and tested the application of those policies. We found no material exceptions in this regard. We evaluated the relevant IT systems and internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We agreed a sample of sales of standards and other publications, and assessment, certification and training services to proof of delivery documents, and agreed royalty and copyright income to underlying agreements to test that genuine transactions had been accurately recorded in the correct period. This testing identified no material misstatements. We also used computer-assisted auditing techniques to analyse revenues recognised at the UK operating locations, USA, Japan, China and Australia. Through this process, we matched revenue transactions to accounts receivable, accrued revenue and cash balances in order to test that revenue transactions were genuine and had been accurately recorded. We identified no material exceptions in this regard. For consultancy project revenues, we considered the appropriateness of the Directors' estimate of percentage of completion and the respective revenue amounts recognised, by recalculating the percentage using actual days worked from timesheets and budgeted time to completion. Furthermore, we tested the outturn of the Directors' historical estimates of percentage of completion by scanning revenue to identify unusual adjustments for contracts that ended during the year. We noted that management's percentage of completion estimates appear reasonable.
Valuation of defined benefit pension scheme assets and liabilities The Group has defined benefit pension plans with net retirement benefit obligation liabilities of £82.9m, which are significant in context of the overall balance sheet of the Group. The valuation of the pension liabilities and pension assets, in particular qualifying insurance policies relating to pension insurance buy-in require significant levels of judgement and technical expertise in choosing appropriate assumptions. The assumptions used to value the qualifying insurance policies and pension liabilities can be found on page 101 within note 24. Assets held under qualifying insurance policies exactly match the amount and timing of some of the benefits payable under the plan and are therefore valued at the present value of the related obligations. The Directors employ actuarial experts to assist them in identifying appropriate assumptions and valuing the assets and liabilities in the scheme. We have focused on this area because unfavourable changes in a number of key assumptions (particularly discount rates, mortality and inflation) can have a material impact on the calculation of the liability and the pension insurance buy-in assets.	We received and inspected the report issued to the Directors by the actuary. Using our own actuarial expertise, we evaluated the Directors' assessment, based on guidance from their actuaries, of the assumptions made in relation to the valuation of the pension liabilities and assets. In particular, we challenged the assumptions around discount rates, mortality and inflation – including in respect of qualifying insurance policies for pension insurance buy-in – by comparing them to our independently developed benchmarks. We noted that mortality, discount rate and inflation assumptions were towards the middle of the range of these benchmarks. We determined that this stance was consistent both with the expert actuarial advice received by the Directors and with the range position at which assumptions were established in prior years. Overall, we consider the judgements taken and assumptions made by the Directors to be reasonable.
Reversal of impairment of Hemel Hempstead fixed assets and consideration of intangible assets for impairment The Group has property, plant and equipment of £18.8m and intangible assets (including goodwill) of £49.6m, which are significant in context of the overall balance sheet of the Group. The Directors' assessment of the 'value in use' of the Group's cash generating units (CGUs) involves judgements about the future results of the business, particularly assumptions around growth rates and the discount rates applied to future cash flow forecasts, where there is a higher degree of sensitivity. In particular, we focused our audit effort on the value in use calculation supporting the £3.2m reversal of the impairment provision relating to the freehold land and buildings at the Hemel Hempstead site which has the Group's Product Testing laboratories. In 2010 the Group decided to partially vacate the site and valued the assets based on the then open market value. A review of alternative options for relocation was completed and the site has now been brought back into use resulting in changing the basis of valuation back to value in use. Based on historical performance, the Directors believe there is significant headroom between the value in use of the CGUs and their carrying value. This remained an area of focus for us as a result of the size of the related balances.	We evaluated the Directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets and no exceptions were noted in our testing. We also tested the mathematical accuracy of the underlying calculations and we found no material misstatements from our testing. We challenged the Directors' key assumptions over the value in use of the Hemel Hempstead CGU by: • comparing long-term growth rates to historical results and external economic forecasts; and • assessing the cost of capital for the Group and comparing this to the discount rate. We concluded that the Directors' assumptions were reasonable. We challenged the Directors on the adequacy of their sensitivity calculations over all their identified CGUs in respect of the key assumptions above. For all CGUs we calculated the degree to which these assumptions would need to move before impairment would be trigged. We discussed the likelihood of such movements arising with the directors and based on our understanding of the business and other available evidence agreed that they were unlikely. As a result, we agreed with the directors' assessment that the impairment provision against the land and buildings at Hemel Hempstead should be reversed and no other material impairment provisions were required for property, plant and equipment and intangible assets.

Report on the Group financial statements continued

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured across four reportable segments (EMEA, UK Standards, Americas and Asia Pacific) in addition to the global head office Group function. The consolidated financial statements are a consolidation of 72 reporting locations within these reportable segments, comprising the Group's operating business and centralized functions.

We conducted an audit of the complete financial information of the UK Standards and UK Assurance operations due to their individual financial significance to the Group financial statements. This work was undertaken by the UK based group engagement team and UK component auditor teams. We also instructed specific audit procedures to be performed by component auditors at four further reporting locations (USA, Japan, China and Australia) based on their size and their risk characteristics. As part of our year-end audit procedures, the group team visited the UK and USA component teams. These visits involved discussing the audit approach and any issues arising from the component team's work, as well as meeting local management. The group team attended all clearance meetings relating to the reporting locations and operations described in this paragraph either in person or by call.

Together with the global head office Group function, which were also subject to an audit of their complete financial information, these locations represent the principal reporting locations of the Group and account for 87% of the Group's operating profit and 87% of the Group's profit before tax.

In addition, as part of our unpredictability procedures, we perform a rotational cycle of visits to reporting locations not subject to reporting procedures as outlined above. In the current year we visited Italy and Brazil and performed tests on the operating effectiveness of financial reporting controls at those locations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£2.7m (2013: £2.4m).
How we determined it	10% of profit before tax.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £200,000 (2013: £120,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 43, 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 and express an opinion on the financial statements in accordance with paragraph 21 of The British Standards Institution's Royal Charter and Bye-laws and applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board of Directors of The British Standards Institution as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of The British Standards Institution for the year ended 31 December 2014.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 March 2015

BSI Group consolidated income statement
for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Revenue	5, 6	**287.1**	271.8
Cost of sales		**(150.1)**	(140.2)
Gross profit		**137.0**	131.6
Selling and distribution expenses		**(39.0)**	(38.0)
Administrative expenses		**(68.9)**	(65.3)
Operating profit before exceptional income/(costs)		**29.1**	28.3
Exceptional operating income/(costs)	7	**1.6**	(1.5)
Operating profit	7	**30.7**	26.8
Finance income	11	**0.3**	0.4
Finance costs	11	**(2.4)**	(2.6)
Profit before income tax		**28.6**	24.6
Income tax expense	12	**(7.6)**	(3.3)
Profit for the year		**21.0**	21.3

All amounts in the consolidated income statement relate to continuing operations.

The accompanying notes on pages 70 to 104 form an integral part of the consolidated financial statements.

BSI Group consolidated statement of comprehensive income
for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Profit for the year		**21.0**	21.3
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations, net of deferred tax	24b	**(27.2)**	(0.8)
Items that may be subsequently reclassified to profit or loss			
Impact of change in the UK tax rate on deferred tax	16	**–**	(3.5)
Recycling of translation reserves on business disposals	15	**–**	–
Net investment hedges		**(0.2)**	(1.9)
Currency translation differences		**(0.5)**	(1.6)
		(0.7)	(7.0)
Other comprehensive loss for the year, net of tax		**(27.9)**	(7.8)
Total comprehensive income for the year		**(6.9)**	13.5

The accompanying notes on pages 70 to 104 form an integral part of the consolidated financial statements.

BSI Group consolidated statement of changes in equity
for the year ended 31 December 2014

	Retained earnings £m	Translation reserve £m	Total £m
At 1 January 2013	46.8	3.1	49.9
Profit for the year	21.3	—	21.3
Re-measurements of post-employment benefit obligations, net of deferred tax	(0.8)	—	(0.8)
Impact of change in the UK tax rate on deferred tax	(3.5)	—	(3.5)
Net investment hedges	—	(1.9)	(1.9)
Currency translation differences	—	(1.6)	(1.6)
At 31 December 2013	63.8	(0.4)	63.4
Profit for the year	21.0	—	21.0
Re-measurements of post-employment benefit obligations, net of deferred tax	(27.2)	—	(27.2)
Recycling of translation reserves on business disposals	—	—	—
Net investment hedges	—	(0.2)	(0.2)
Currency translation differences	—	(0.5)	(0.5)
At 31 December 2014	**57.6**	**(1.1)**	**56.5**

Retained earnings
Retained earnings are used to record the changes in retained profit/(loss), actuarial gains/(losses) relating to retirement benefit obligations and cash flow hedges.

Translation reserve
The translation reserve is used to record the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

BSI Group consolidated balance sheet
as at 31 December 2014

	Note	2014 £m	2013 £m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**18.9**	15.8
Goodwill	14	**29.7**	29.7
Intangible assets	14	**19.9**	20.5
Deferred tax assets	16	**24.9**	17.3
Trade and other receivables	19	**2.5**	1.8
Total non-current assets		**95.9**	85.1
Current assets			
Inventories	18	**—**	0.1
Trade and other receivables	19	**64.6**	56.0
Current tax assets		**1.7**	2.0
Cash and cash equivalents	21	**52.8**	43.4
Total current assets		**119.1**	101.5
Total assets		**215.0**	186.6
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	16	**(3.6)**	(2.3)
Retirement benefit obligations	24	**(82.9)**	(59.5)
Provisions for liabilities and charges	23	**(1.1)**	(1.2)
Trade and other payables	22	**(4.3)**	(2.6)
Total non-current liabilities		**(91.9)**	(65.6)
Current liabilities			
Trade and other payables	22	**(61.7)**	(52.8)
Current tax payables		**(4.8)**	(4.5)
Derivative financial instruments	20	**—**	—
Provisions for liabilities and charges	23	**(0.1)**	(0.3)
Total current liabilities		**(66.6)**	(57.6)
Total liabilities		**(158.5)**	(123.2)
Net assets		**56.5**	63.4
RESERVES			
Retained earnings		**57.6**	63.8
Translation reserve		**(1.1)**	(0.4)
Total reserves		**56.5**	63.4

The accompanying notes on pages 70 to 104 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 65 to 104 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf by:

Craig Smith
Group Finance Director
26 March 2015

BSI Group consolidated statement of cash flows
for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Cash flows from operating activities			
Profit before income tax		**28.6**	24.6
Adjustments for:			
– Retirement benefit charges	24b	**0.6**	0.8
– Depreciation of property, plant and equipment	7	**3.4**	2.7
– Amortization of intangible assets	7	**5.4**	4.2
– Net loss on disposal of businesses	7	**0.5**	—
– Loss on disposal of intangible assets	7	**0.1**	—
– Reversal of impairment of property, plant and equipment	7	**(3.2)**	—
– Provision for impairment of trade receivables	7	**0.6**	0.1
– Bad debts written off	7	**0.2**	0.4
– Finance income	11	**(0.3)**	(0.4)
– Finance costs	11	**2.4**	2.6
Changes in working capital (excluding the exchange differences on consolidation):			
– Decrease/(increase) in inventories		**0.1**	(0.1)
– Increase in trade and other receivables		**(10.0)**	(3.2)
– Increase in trade and other payables		**10.4**	1.9
– Decrease in provisions and other liabilities		**(0.3)**	(0.2)
– Retirement benefit payments	24b	**(12.5)**	(5.0)
Cash generated from operations		**26.0**	28.4
Interest received		**0.3**	0.6
Income tax paid		**(8.5)**	(4.5)
Net cash generated from operating activities		**17.8**	24.5
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**0.1**	0.2
Purchases of property, plant and equipment	13	**(3.6)**	(8.1)
Purchases of intangible assets	14	**(4.8)**	(3.9)
Acquisition of subsidiary and businesses, net of cash acquired	15a	**–**	(10.2)
Proceeds from disposal of businesses	15b	**–**	0.5
Net cash used in investing activities		**(8.3)**	(21.5)
Net increase in cash and cash equivalents		**9.5**	3.0
Opening cash and cash equivalents		**43.4**	41.0
Exchange losses on cash and cash equivalents		**(0.1)**	(0.6)
Closing cash and cash equivalents	21	**52.8**	43.4

The accompanying notes on pages 70 to 104 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2014

1. Corporate information
The British Standards Institution is the ultimate parent company of the BSI Group and is a company incorporated by Royal Charter in the United Kingdom and domiciled in the United Kingdom. The address of its registered office is 389 Chiswick High Road, London W4 4AL.

The principal activities of The British Standards Institution (the 'Company') and its subsidiaries (together the 'Group') are the development and sale of private, national and international standards; second and third-party certification of management systems; testing and certification services both for products and services; provision of performance management software solutions; a range of training services in support of standards implementation and business best practice; and business consultancy.

The consolidated financial statements were authorized for issue by the Board of Directors on 26 March 2015.

2. Principal accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. As permitted under the Companies Act 2006 the results of the Company are prepared and presented separately under UK GAAP.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements are presented in British Pounds Sterling (£) and all values are rounded to the nearest £100,000 except when otherwise indicated.

b. Changes in accounting policy and disclosures
(i) New standards, amendments and interpretations adopted by the Group
The following new standards, amendments or interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendments to IAS 36, "Impairment of Assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units which had been included in IAS 36 by the issue of IFRS 13.

(ii) New standards, amendments and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through Other Comprehensive Income (OCI) and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Group is yet to assess IFRS 9's full impact.

2. Principal accounting policies continued

b. Changes in accounting policy and disclosures continued

(ii) New standards, amendments and interpretations not yet adopted continued

IFRS 15, "Revenue from Contracts with Customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15. Once the review is complete the full impact on each of the business streams will be determined.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

c. Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Principal accounting policies continued

c. Basis of consolidation continued

iii. Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

d. Segment reporting

Included in these financial statements are the results of the business segmented in line with the principal geographic regions in which it trades together with the principal business streams consistent with the management information provided internally to the Board. The Board constitutes the chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments.

e. Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in British Pounds Sterling, which is the Group's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

iii. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences are recognized in other comprehensive income.

f. Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	5–50 years
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3–10 years

2. Principal accounting policies continued

f. Property, plant and equipment continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal factors that the Group takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2h).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within administrative expenses in the income statement.

g. Intangible assets

i. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

ii. Computer software

Acquired computer software and licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over three to five years, or the length of licence as appropriate.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs include the software development employee costs. The application and infrastructure development costs of product delivery websites are also capitalized where the same criteria can be met. These assets are amortized on a straight-line basis over three years.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

iii. Acquired intangible assets

On the acquisition of a subsidiary undertaking, fair values are attributed to the acquired identifiable tangible and intangible assets, liabilities and contingent liabilities.

Acquired intangibles include customer relationships and intellectual property. These are capitalized based on valuations using discounted cash-flow analysis and amortized on a straight-line basis over their estimated useful economic lives. The estimated useful life of these intangible assets is three to 15 years.

2. Principal accounting policies continued

h. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

i. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 19 and 21).

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 19.

j. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

k. Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Principal accounting policies continued

k. Impairment of financial assets continued

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  i. adverse changes in the payment status of borrowers in the portfolio; and
  ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Impairment testing of trade receivables is described in Note 19.

l. Derivative financial instruments and hedging activities

Derivatives are used to manage the Group's economic exposure to financial risks. The Group principally makes use of net investment hedges and forward currency contracts (cash flow hedge) to manage currency exposure risk on overseas operations and committed payments and does not hold or issue any other derivative financial instruments. The Group does not use derivatives for speculative purposes.

Derivatives are recognized initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognized immediately to the income statement unless the derivative qualifies for hedge accounting treatment in which case any gain or loss is taken to reserves.

The Group designates its derivatives as either:

i. hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or

ii. hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or

iii. hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

2. Principal accounting policies continued

l. Derivative financial instruments and hedging activities continued

Cash flow hedge

The fair value of forward currency contracts is based on forward foreign exchange market rates at the balance sheet date.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

m. Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

n. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are shown within borrowings in current liabilities on the consolidated balance sheet but are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

o. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. Principal accounting policies continued

p. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

q. Provision for liabilities and charges

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

r. Employee benefits

i. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to their present value.

ii. Bonus plans

The Group recognizes a liability and an expense for bonuses where it is anticipated that there is a reasonable probability that a payment will be made.

2. Principal accounting policies continued

s. Retirement benefit obligations

i. Defined benefit pension schemes

The Group operates a funded defined benefit scheme in the UK, administered by independent trustees. The scheme is closed to new entrants and closed to future accrual of pension.

The Group's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the scheme up to 30 April 2010 (the date the scheme closed to the accrual of benefits). That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The valuation of the Group's net obligation is performed by an independent qualified actuary as determined by the trustees. Pension scheme assets are measured using market values for quoted assets. The MetLife Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 24b. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The income statement charge is split between an operating charge and a net finance charge. The operating charge relates to administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

ii. Defined contribution pension schemes

The Group pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts. The contributions are recognized as employee benefit expense when they are due.

t. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Significant categories of revenue and the recognition criteria for each are detailed below.

i. Sale of goods

The Group sells standards and other publications in hard copy and in electronic formats. Sales of goods are recognized when the Group delivers a product to the customer.

ii. Rendering of services

The Group provides a variety of assessment and certification services, consultancy services and training services. Sales value is recognized as the services are performed.

Membership, subscriptions and annual management fees provide varying levels of service within the different divisions of BSI Group, which can include access to BSI Group information services, access to published standards information, newsletters, advisory services, discounts on products and invitations to events and seminars. Revenue is spread over the life of the arrangement, which is normally one year but can vary depending on the level of service and specific agreements with customers.

iii. Copyright and royalty income

The Group recognizes copyright and royalty income on an accrual basis or when it is advised by the customer, generally on a monthly basis. Where there are licence arrangements, fees are spread over the life of the licence.

2. Principal accounting policies continued

u. Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

v. Borrowing costs

Borrowing costs are recognized as an expense when incurred.

w. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

x. Long Term Incentive Plan

The Group has a Long Term Incentive Plan as referred to in the report of the Remuneration Committee. The costs of the plan have been accrued and charged to the income statement over the period of the plan so as to accrue, on a pro-rata basis, the anticipated incentive payments that may vest.

y. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

z. Other income

i. Interest income

Interest income is recognized on a time-proportion basis using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

ii. Rental income

The Group sub-lets a number of leased properties in the UK. Rental income is recognized on an accruals basis in accordance with the relevant agreements and is netted off against lease rental payments.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. As part of an overall risk management programme, the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, credit risk and investment of excess liquidity. Operating within these guidelines, Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

a. Market risk – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro, the Australian Dollar, the Chinese Renminbi and the Japanese Yen. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge foreign exchange risk exposure with the Group Treasury. To manage their foreign exchange risk arising from known future commercial transactions and material recognized assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group buys or sells currencies forward so as to hedge exchange risk on relevant transactional activities.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group does not seek to hedge these net assets and recognizes that an element of balance sheet volatility is inherent in managing foreign operations.

The following table details the sensitivity of the Group's operating profit to movements in the major currencies in which it operates. This analysis considers the impact of the British Pound Sterling strengthening by 10% against the most significant foreign currencies used by operating units in the Group. The example movement of 10% has been selected in order to demonstrate that operating profit is not particularly sensitive to exchange rate fluctuations. The average movement in each currency during the previous three annual reporting periods is shown for comparison.

Currency	Year-end exchange rate	Average three-year exchange rate movement	Exchange movement modelled	Adverse impact on operating profit
Australian Dollar	**1.91**	**+6%**	**+10%**	**—**
Chinese Renminbi	**9.57**	**-1%**	**+10%**	**£0.1m**
Euro	**1.28**	**+3%**	**+10%**	**—**
Japanese Yen	**187.41**	**+12%**	**+10%**	**—**
US Dollar	**1.56**	**+1%**	**+10%**	**£0.2m**

A similar movement of 10% in the British Pound Sterling against all of the currencies in which the Group has exposure would result in an adverse operating profit impact of £0.5m.

3. Financial risk management continued

Financial risk factors continued

b. Credit risk

The Group considers its exposure to credit risk at 31 December to be as follows:

	2014 £m	2013 £m
Bank deposits	**52.8**	43.4
Trade receivables	**42.3**	38.8
Other receivables	**24.8**	19.0
Total credit risk	**119.9**	101.2

The Group's credit risk from banking institutions is considered to be low. The majority of funds are held in the UK with four relationship banks (HSBC, RBS, Barclays and Lloyds), with counterparty limits operated in accordance with Board policies. Furthermore we have a global banking arrangement with HSBC resulting in most overseas funds being held with them. All counterparties are reviewed on an ongoing basis for financial strength.

Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. New customers are reviewed for creditworthiness with credit terms amended as appropriate. No work is undertaken for customers with overdue debts outstanding. The majority of the Group's trade receivables are due for payment within 30 days. The ageing profile of the Group's trade receivables is shown in Note 19. Concentrations of credit risk with respect to trade receivables are limited as the Group's customer base is large and unrelated, and, where appropriate, individual accounts receivable are provided against. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

c. Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance and Group Treasury monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.

Surplus cash held by the operating entities over and above the balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest-bearing current accounts, term deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held no money market funds but held other held liquid assets of £52.8m that are expected to readily generate cash inflows for managing liquidity risk.

Prudent liquidity risk management implies the maintenance of sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by maintaining availability under committed credit lines. These credit lines were unused at the year end.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

3. Financial risk management continued

Financial risk factors continued

c. Liquidity risk continued

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As the majority of the payables are short term in nature, their fair values approximate to their carrying values as the impact of discounting is not significant. The Group did not hold any net-settled derivative financial liabilities at 31 December 2014 and 2013.

At 31 December 2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income	**40.4**	**0.1**	**0.1**	**3.8**

At 31 December 2013	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income	33.1	—	—	2.1

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2g. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require management to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of key assumptions are disclosed in Note 14.

b. Income taxes

The Group is subject to income taxes in numerous jurisdictions. A level of judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

c. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits shown in the latest approved financial projections, together with future tax planning strategies.

4. Critical accounting estimates and judgements continued

d. Retirement benefit obligations

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The principal assumptions are detailed in Note 24b on pages 99 to 101.

The liabilities have been calculated by and the assumptions set on the recommendations of an independent qualified actuary.

The liabilities allow for indexation of benefits in line with the Consumer Prices Index (CPI).

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in present value of deficit at 31 December 2014		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	**0.25% p.a.**	**(13.5)**	**14.2**
Inflation rate	**0.25% p.a.**	**4.1**[1]	**(4.3)**[2]
Salary escalation	**0.25%**	**1.3**	
Life expectancy	**Approximately 1 year**	**10.8**	
RPI/CPI wedge increase	**1.2% p.a.**	**(3.0)**	

1 Applies to the RPI and CPI inflation assumptions. Assumes that the salary increase assumption will also increase by 0.25% p.a. and the pension increase assumption will increase by 0.05% p.a. allowing for the relevant minima and maxima.

2 Applies to the RPI and CPI inflation assumptions. Assumes that the salary increase assumption will also decrease by 0.25% p.a. and the pension increase assumption will decrease by 0.05% p.a. allowing for the relevant minima and maxima.

e. Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by BSI. Provisions are shown under 'Other provisions' in Note 23.

5. Segment information

Included in these financial statements are the results of the business segmented in line with the principal geographic regions in which it trades together with the principal business streams consistent with the management information provided internally to the Board as the chief operating decision-maker.

The geographic regions considered by management and reported here are EMEA, Asia Pacific and the Americas. The business streams reported are:

- Knowledge – Standards global business.
- Assurance – Assessment and certification of management systems and the provision of testing and certification of healthcare and other products.
- Compliance – Training services on standards, regulatory approval and business improvement and Governance Risk and Compliance management solutions.

The BSI Standards business is reviewed separately by management and is included within the regional analysis as a discrete entity.

Corporate comprises those functions responsible for directional oversight and policy framework creation and compliance for the Group as well as other centrally held costs.

The performance of these operating segments is measured at operating profit before exceptional costs and that treatment is reported here. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs. The measure also excludes the financing costs and actuarial adjustments of the UK defined benefit pension scheme, interest income and tax expenses.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

5. Segment information continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2014 is as follows:

	EMEA £m	UK Standards £m	Americas £m	Asia Pacific £m	Corporate £m	Group £m
Total segment revenue	**106.5**	**52.9**	**62.7**	**71.9**	**—**	**294.0**
Inter and intra-segment revenue	**(3.3)**	**(0.4)**	**(1.1)**	**(2.1)**	**—**	**(6.9)**
Revenue from external customers	**103.2**	**52.5**	**61.6**	**69.8**	**—**	**287.1**
Operating profit before exceptional costs	**7.8**	**17.2**	**6.9**	**2.5**	**(5.3)**	**29.1**
Depreciation and amortization	**(1.9)**	**(1.2)**	**(0.4)**	**(1.3)**	**(4.0)**	**(8.8)**
Finance income	**—**	**—**	**0.1**	**—**	**0.2**	**0.3**
Finance costs	**—**	**—**	**—**	**—**	**(2.4)**	**(2.4)**
Income tax expense	**(2.8)**	**(3.5)**	**(1.4)**	**(1.0)**	**1.1**	**(7.6)**
Total assets[3]	**45.7**	**19.9**	**29.3**	**42.5**	**77.5**	**214.9**
Total assets include:						
Reversal of fixed asset impairment (Note 13)	**0.9**	**—**	**—**	**—**	**2.3**	**3.2**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**1.1**	**1.3**	**3.1**	**1.4**	**2.4**	**9.3**
Total liabilities[1,3]	**(23.3)**	**(17.0)**	**(10.4)**	**(15.3)**	**(92.4)[2]**	**(158.4)**

1 The measure of liabilities has been disclosed for each reportable segment and is provided to the Board.
2 Included here is an amount of £82.0m relating to pension liabilities for the Group which have not been allocated to the segments disclosed above.
3 The reconciliation of total assets and liabilities to those shown on the balance sheet is shown on page 85.

The segment information provided to the Board for the reportable segments for the year ended 31 December 2013 is as follows:

	EMEA £m	UK Standards £m	Americas £m	Asia Pacific £m	Corporate £m	Group £m
Total segment revenue	100.2	49.8	60.8	66.7	—	277.5
Inter and intra-segment revenue	(3.2)	(0.3)	(0.5)	(1.7)	—	(5.7)
Revenue from external customers	97.0	49.5	60.3	65.0	—	271.8
Operating profit before exceptional costs	9.4	17.1	6.0	0.9	(5.1)	28.3
Depreciation and amortization	(1.9)	(0.9)	(0.3)	(1.2)	(2.6)	(6.9)
Finance income	—	—	—	—	0.4	0.4
Finance costs	—	—	—	—	(2.6)	(2.6)
Income tax expense	(1.8)	(2.8)	0.2	(0.1)	1.2	(3.3)
Total assets[3]	46.6	17.9	24.4	38.8	62.5	190.2
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets)	5.7	1.1	0.6	10.3	3.2	20.9
Total liabilities[1,3]	(23.3)	(15.7)	(7.3)	(13.0)	(67.5)[2]	(126.8)

1 The measure of liabilities has been disclosed for each reportable segment and is provided to the Board.
2 Included here is an amount of £58.7m relating to pension liabilities for the Group which have not been allocated to the segments disclosed above.
3 The reconciliation of total assets and liabilities to those shown on the balance sheet is shown on page 85.

5. Segment information continued

A reconciliation of adjusted operating profit to profit before income tax is provided as follows:

	2014 £m	2013 £m
Operating profit before exceptional costs for reportable segments	**34.4**	33.4
Corporate	**(5.3)**	(5.1)
Operating profit before exceptional costs	**29.1**	28.3
Acquisition costs	**(0.3)**	(1.1)
Reversal of fixed asset impairment – Hemel Hempstead site (Note 13)	**3.2**	—
Restructuring and reorganization costs	**(0.8)**	(0.4)
Disposal of businesses	**(0.5)**	—
Finance costs	**(2.4)**	(2.6)
Finance income	**0.3**	0.4
Profit before income tax	**28.6**	24.6

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segment assets are reconciled to total assets as follows:

	2014 £m	2013 £m
Segment assets for reportable segments	**137.4**	127.7
Corporate assets	**77.5**	62.5
Reclassifications:		
Trade and other receivables and taxation	**0.1**	(3.6)
Total assets as per the balance sheet	**215.0**	186.6

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segment liabilities are reconciled to total liabilities as follows:

	2014 £m	2013 £m
Segment liabilities for reportable segments	**66.0**	59.3
Corporate liabilities	**92.4**	67.5
Reclassifications:		
Trade and other payables and taxation	**0.1**	(3.6)
Total liabilities as per the balance sheet	**158.5**	123.2

Revenues from external customers are derived from our primary business streams. The breakdown of this revenue is as follows:

	2014 £m	2013 £m
Knowledge	**52.8**	49.9
Assurance	**202.6**	194.8
Compliance	**31.7**	27.1
Revenue from external customers	**287.1**	271.8

5. Segment information continued

Based on where the customer is located revenue from external customers in the UK was £101.2m (2013: £95.0m), and the total of revenue from external customers in other countries was £185.9m (2013: £176.8m). The major components of the total of revenue from external customers from other countries were £53.1m (2013: £52.5m) in the US, £18.1m (2013: £19.8m) in Japan, £19.6m (2013: £16.9m) in Australia and £18.5m (2013: £17.3m) in China.

The total of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts located in the UK was £38.5m (2013: £37.7m), and the total of these non-current assets located in other countries was £30.0m (2013: £28.3m).

As the Group transacts with a large number of diversified customers, there are no cumulative revenue transactions amounting to 10% or more of total external revenue derived from any single external customer (2013: £nil).

6. Revenue

Revenue recognized in the income statement is analysed as follows:

	2014 £m	2013 £m
Sale of goods	**8.9**	9.5
Rendering of services	**262.0**	247.8
Copyright and royalty income	**16.2**	14.5
Total revenue	**287.1**	271.8

7. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Note	**2014 £m**	2013 £m
Employee benefit expense	8	**135.3**	125.7
Depreciation of property, plant and equipment	13	**3.4**	2.7
Reversal of impairment of property, plant and equipment	13	**(3.2)**	—
Amortization	14	**5.4**	4.2
Provision for impairment of trade receivables	19	**0.6**	0.1
Operating lease payments for plant and machinery	10	**2.0**	1.8
Operating lease payments for land and buildings	10	**8.5**	7.1
Loss on disposal of intangible assets	14	**0.1**	—
Net loss on disposal of businesses	15	**0.5**	—
Rental income from sub-lease of properties	10	**(0.5)**	(0.5)
Bad debts written off		**0.2**	0.4
Other exchange losses		**0.2**	0.8
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		**0.4**	0.4
Fees payable to the Group's auditors and their associates for other services:			
– The audit of the Company's subsidiaries pursuant to legislation		**0.1**	0.1
– Tax advisory services		**0.1**	0.1

Exceptional operating income/(costs)	Note	**2014 £m**	2013 £m
Acquisition costs		**(0.3)**	(1.1)
Restructuring and reorganization costs		**(0.8)**	(0.4)
Disposal of businesses	15b	**(0.5)**	—
Reversal of impairment	13	**3.2**	—
Total operating exceptional income/(costs)		**1.6**	(1.5)

7. Operating profit continued

Exceptional operating costs amounted to a credit of £1.6m (2013: costs of £1.5m) and comprised:

- £0.3m of costs associated with the acquisition of NCS International Pty Ltd and the acquisition of Environmental and Occupational Risk Management, Inc. (Note 28);
- £0.8m of costs related to the restructuring of the business in Japan;
- £0.5m net loss related to the disposal of BSI America Food Verification Services, Inc. and BSI Brasil; and
- £3.2m credit for the reversal of impairment to assets in relation to the Hemel Hempstead site.

In 2013, operating exceptional costs comprised:

- £1.1m of costs associated with the acquisition during the year of NCS International Pty Ltd and its subsidiaries NSCI Americas Inc. and The Agile Group Pty Ltd (see Note 15a); and
- £0.4m related to the write-off of assets and other costs on consolidation of the UK Product Testing sites in Hemel Hempstead.

The corporation tax impact of exceptional items was a £0.3m (2013: £nil) charge arising on the net impact of the recognition of the Hemel Hempstead revaluation and tax deductible expenses.

8. Employee benefit expense

	Note	2014 £m	2013 £m
Wages and salaries (including termination benefits of £0.9m (2013: £0.8m)		**113.7**	105.2
Social security costs		**13.0**	12.4
Long Term Incentive Plan (LTIP) expense		**0.8**	0.3
Other pension costs – defined contribution plans	24a	**7.8**	7.8
Employee benefit expense charged in arriving at operating profit	7	**135.3**	125.7
Net pension finance costs	11, 24b	**2.4**	2.6
Total employee benefit expense charged in arriving at profit before income tax		**137.7**	128.3

The monthly average number of full-time equivalent individuals (including Board members) employed by the Group during the year was:

	2014 Number	2013 Number
Production, assessment, training and laboratory	**1,641**	1,520
Sales and distribution	**642**	605
Administration	**1,003**	950
Total headcount	**3,286**	3,075

The headcount above includes external resource of 272 (2013: 246).

9. Directors' emoluments

The emoluments of the Executive and Non-executive Board members during the year are disclosed in the Remuneration report on pages 49 to 57.

10. Operating leases

Rental payments made in the period under operating leases are disclosed in Note 7.

The Group leases office properties around the world with two of these leases considered significant. The Group headquarters office in London is leased under a non-cancellable lease for a term of 15 years from November 2010, with regular rent reviews based on the Retail Prices Index (RPI) with an appropriate cap and collar. The other significant lease relates to a UK regional office in Milton Keynes that has a non-cancellable lease for a term of 15 years from July 2011, which includes a rent-free period from July 2011 to December 2015 and rental increments in line with the market.

Other UK leases are up to 25 years and have less than ten years to expiry while overseas leases are typically for ten years or less. The income statement lease rental charge will not equate to lease payments for those leases having the benefit of lease incentives. In these cases the incentives are released to the income statement over the period of the lease in accordance with IAS 17.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014			2013		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
No later than 1 year	**6.3**	**1.7**	**8.0**	5.9	1.6	7.5
Later than 1 year and no later than 5 years	**19.7**	**3.1**	**22.8**	20.5	2.7	23.2
Later than 5 years	**21.1**	**—**	**21.1**	19.1	—	19.1
Minimum lease payments	**47.1**	**4.8**	**51.9**	45.5	4.3	49.8

A number of leased properties in the UK have been sub-let by the Group. Annual income from sub-leases in the year was £0.5m (2013: £0.5m). The future aggregate minimum sub-lease payments expected to be received under non-cancellable operating sub-leases at the balance sheet date are as follows:

Land and buildings	2014 £m	2013 £m
No later than 1 year	**0.5**	0.5
Later than 1 year and no later than 5 years	**0.1**	0.5
Later than 5 years	**—**	—
Minimum sub-lease receipts	**0.6**	1.0

11. Finance income and costs

	2014 £m	2013 £m
Bank interest receivable on cash and short-term deposits	**0.2**	0.4
Other external interest	**0.1**	—
Finance income	**0.3**	0.4
Pension scheme interest cost less expected return on pension scheme plan assets (Note 8 and Note 24b)	**(2.4)**	(2.6)
Finance costs	**(2.4)**	(2.6)

12. Income tax expense

	2014 £m	2013 £m
Current tax		
– UK tax current year	**3.8**	4.5
– UK tax prior years	**0.2**	—
– Foreign tax current year	**4.5**	2.2
– Foreign tax prior years	**0.5**	0.4
Total current tax	**9.0**	7.1
Deferred tax (Note 16)		
– Origination and reversal of temporary differences	**(1.6)**	0.8
– Prior year deferred tax adjustments	**0.2**	(2.4)
– Impact of change in UK tax rate	**—**	(2.2)
Total deferred tax	**(1.4)**	(3.8)
Total income tax expense	**7.6**	3.3

The tax on the Group's profit before tax is higher (2013: lower) than the theoretical amount that would arise using the weighted average UK statutory tax rate of 21.5% (2013: 23.25%) applicable to profits of the consolidated entities as follows:

	2014 £m	2013 £m
Profit before income tax	**28.6**	24.6
Tax calculated at the weighted average UK statutory tax rate of 21.5% (2013: 23.25%)	**6.1**	5.7
Effects of:		
– Expenses not deductible for tax purposes	**0.1**	1.4
– Tax losses for which no deferred income tax asset was recognized	**0.3**	0.1
– Income not subject to tax	**(0.2)**	(0.1)
– Higher tax rates on overseas earnings	**0.4**	0.4
– Tax adjustments arising from change in UK tax rates	**—**	(2.2)
Adjustments to tax charge in respect of previous periods:		
– UK	**0.1**	(0.7)
– Foreign	**0.8**	(1.3)
Total income tax expense	**7.6**	3.3

The Group effective tax rate (ETR) on profits before tax and goodwill impairment for the year is 26.6% (2013: 13.4%). The ETR at 26.6% comprises a current year tax charge of 23.4% and a prior year tax charge of 3.2% arising from net under-provided UK and foreign tax.

The ETR for the Group's underlying business operations for the current year is 27.2% (2013: 28.7%), after removing the tax impact of non-operational exceptional, finance costs and prior years' items.

The ETR at 26.6% is further reconciled from the UK statutory tax rate of 21.5% (a blended tax rate of 23% applicable in the period to 31 March 2014, reduced to 21% through the remaining period to 31 December 2014) by additional higher overseas Group taxes of 1.4% (e.g. USA 39%, Japan 38% statutory tax rates), the prior years' tax charge of 3.2%, and the net ETR increase of 0.5% for Group tax permanent and temporary differences and tax losses not recognized.

The Group's underlying current period ETR is targeted to continue to reduce with long-term management to the UK statutory rate of 20%.

The budget announced by the chancellor in March 2013 (the 'March 2013 Budget') included changes to the main rates of tax for UK companies. The main rate of corporation tax decreased from 23% to 21% from 1 April 2014 and will decrease from 21% to 20% from 1 April 2015.

These amendments are included in the Finance Bill 2013 that received Royal Assent on 17 July 2013. Therefore, the decreases in tax rates to 21% and 20% were substantively enacted for the purposes of IAS 12 (or FRS 19) on 17 July 2013. As such, the impact of these step changes in the UK tax rate from 23%, to 21% in April 2014 and then to 20% in April 2015 are included in these financial statement.

13. Property, plant and equipment

	Land and buildings				
	Freehold £m	Short leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2013	7.9	6.3	1.0	15.7	30.9
Additions	2.3	0.4	3.2	2.2	8.1
Additions: acquisition of subsidiary (Note 15)	—	0.1	—	0.2	0.3
Disposals	(0.6)	(0.4)	—	(1.4)	(2.4)
Reclassifications	2.2	0.2	(3.0)	0.6	—
Reclassifications to computer software (Note 14)	—	—	(0.3)	—	(0.3)
Exchange differences	—	(0.1)	—	(0.5)	(0.6)
At 31 December 2013	**11.8**	**6.5**	**0.9**	**16.8**	**36.0**
Additions	**—**	**0.2**	**0.5**	**2.9**	**3.6**
Disposals	**—**	**(0.2)**	**—**	**(2.9)**	**(3.1)**
Reclassifications	**(0.2)**	**—**	**(0.1)**	**0.3**	**—**
Reclassifications to computer software (Note 14)	**—**	**—**	**(0.4)**	**—**	**(0.4)**
Exchange differences	**—**	**—**	**—**	**0.1**	**0.1**
At 31 December 2014	**11.6**	**6.5**	**0.9**	**17.2**	**36.2**
Accumulated depreciation and impairment					
At 1 January 2013	(6.5)	(2.6)	—	(10.9)	(20.0)
Charge for the year (Note 7)	—	(0.6)	—	(2.1)	(2.7)
Disposals	0.6	0.2	—	1.4	2.2
Exchange differences	—	—	—	0.3	0.3
At 31 December 2013	**(5.9)**	**(3.0)**	**—**	**(11.3)**	**(20.2)**
Charge for the year (Note 7)	**(0.2)**	**(0.6)**	**—**	**(2.6)**	**(3.4)**
Reversal of impairment*	**3.2**	**—**	**—**	**—**	**3.2**
Disposals	**—**	**0.1**	**—**	**2.9**	**3.0**
Exchange differences	**—**	**—**	**—**	**0.1**	**0.1**
At 31 December 2014	**(2.9)**	**(3.5)**	**—**	**(10.9)**	**(17.3)**
Net book value at 31 December 2014	**8.7**	**3.0**	**0.9**	**6.3**	**18.9**
Net book value at 31 December 2013	5.9	3.5	0.9	5.5	15.8

Depreciation charges are included within administrative expenses in the income statement. Depreciation is not charged on assets under construction.

* In 2010, due to the changing of basis of valuation of the Hemel Hempstead site from a value-in-use basis to open market value reflecting the Group's decision to partially vacate the site, impairment costs were recognized in the Group income statement reducing the net asset value by £4.0m. Following a review of alternative options for relocating the Group's Product Testing laboratories, the site has now been brought back into use and the net book value of the previously impaired assets has been reinstated to recoverable value, being the lower of their amortized cost or value in use as at 31 December 2014. This has resulted in a reversal of impairment of £3.2m this year which has been recognized through the Group income statement. The net present value of future cash flows has been calculated using a pre-tax discount rate of 8.7% and a long-term growth rate of 1.1%.

Capital commitments in respect of property, plant and equipment

Capital expenditure of £0.1m (2013: £0.1m) has been contracted for but not provided in the financial statements.

14. Intangible assets

	Goodwill £m	Computer software: Externally acquired £m	Computer software: Internally generated £m	Customer relationships and intellectual property £m	Internally generated product development costs £m	Total £m
Cost						
At 1 January 2013	32.6	12.4	14.9	5.8	1.8	67.5
Additions	—	1.5	2.0	—	0.4	3.9
Additions: acquisition of subsidiary	4.7	0.2	—	3.7	—	8.6
Disposal	(0.2)	(0.1)	—	(0.2)	—	(0.5)
Reclassifications	—	0.8	(0.8)	—	—	—
Reclassifications from property, plant and equipment (Note 13)	—	—	0.3	—	—	0.3
Exchange differences	(1.0)	(0.1)	—	(0.8)	—	(1.9)
At 31 December 2013	**36.1**	**14.7**	**16.4**	**8.5**	**2.2**	**77.9**
Additions	**—**	**1.7**	**2.7**	**—**	**0.4**	**4.8**
Additions: revision to net assets of acquired subsidiary (Note 15)	**0.9**	**—**	**—**	**—**	**—**	**0.9**
Disposal	**(0.3)**	**(2.4)**	**(3.0)**	**(0.2)**	**(0.7)**	**(6.6)**
Reclassifications	**—**	**1.4**	**(1.4)**	**—**	**—**	**—**
Reclassifications from property, plant and equipment (Note 13)	**—**	**—**	**0.4**	**—**	**—**	**0.4**
Exchange differences	**(0.6)**	**—**	**—**	**(0.3)**	**—**	**(0.9)**
At 31 December 2014	**36.1**	**15.4**	**15.1**	**8.0**	**1.9**	**76.5**
Accumulated amortization and impairment						
At 1 January 2013	(6.4)	(7.9)	(4.2)	(4.3)	(1.0)	(23.8)
Charge for the year (Note 7)	—	(1.9)	(1.3)	(0.6)	(0.4)	(4.2)
Disposals	—	0.1	—	0.1	—	0.2
Exchange differences	—	0.1	—	—	—	0.1
At 31 December 2013	**(6.4)**	**(9.6)**	**(5.5)**	**(4.8)**	**(1.4)**	**(27.7)**
Charge for the year (Note 7)	**—**	**(2.6)**	**(1.8)**	**(0.6)**	**(0.4)**	**(5.4)**
Disposals	**—**	**2.3**	**3.0**	**—**	**0.7**	**6.0**
Exchange differences	**—**	**—**	**—**	**0.2**	**—**	**0.2**
At 31 December 2014	**(6.4)**	**(9.9)**	**(4.3)**	**(5.2)**	**(1.1)**	**(26.9)**
Net book value at 31 December 2014	**29.7**	**5.5**	**10.8**	**2.8**	**0.8**	**49.6**
Net book value at 31 December 2013	29.7	5.1	10.9	3.7	0.8	50.2

Customer relationships and intellectual property consist of intangible assets externally acquired. Capitalized training course development costs are captured under internally generated software development costs.

Amortization charges are included within cost of sales or administrative expenses in the income statement, as appropriate. Impairment losses of intangible assets are included in the exceptional operating costs in the income statement.

Capital commitments in respect of computer software

Capital expenditure of £0.1m (2013: £0.5m) has been contracted for but not provided in the financial statements.

14. Intangible assets continued

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented below:

	EMEA £m	Americas £m	Asia Pacific £m	Standards £m	Total £m
2014	**7.2**	**4.6**	**12.6**	**5.3**	**29.7**
2013	7.5	4.8	12.1	5.3	29.7

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering three years, based on financial budgets approved by the Board and strategic plans unless more specific and recent projections exist. Cash flows beyond the three-year period are extrapolated using average growth rates of the past ten years for the countries in which the CGUs operate. These growth rates are obtained from the International Monetary Fund's World Economic Outlook Database and the average growth rates range between -0.2% and 10.2% (2013: 0.0% and 10.5%). Applying a zero growth rate on the cash flows beyond the three-year period would not result in any impairment on the Group's CGUs (2013: £nil).

Discount rates applied to the cash flow forecasts are pre-tax and derived using the capital asset pricing model and vary from 7.8% to 13.2% (2013: 9.0% to 15.2%) across the CGUs. The pre-tax discount rates would need to increase by 6.5% (2013: 5.1%) before any of the Group's CGUs suffer any impairment. If the pre-tax discount rates were 6.8% higher (2013: 7.0% higher), the Group would have an impairment against intangible assets of £0.1m (2013: £0.1m).

15. Business combinations

a. Acquisition

During 2014, the acquired net assets and liabilities of NCS International Pty Ltd, acquired on 9 May 2013, have been revised in respect of adjustments to deferred tax arising on acquired intangibles and a correction to deferred tax provided in the acquisition balance sheet. The net impact of these adjustments resulted in an increase in goodwill arising on acquisition of £0.9m.

b. Disposals

i) BSI America Food Verification Services, Inc.

On 30 September 2014 the Group disposed of 100% of the common stock issued of BSI America Food Verification Services, Inc., a company incorporated in the USA for consideration of £61 (US$100). The Group incurred a loss on disposal of £0.7m mainly arising from the write-off of goodwill and other intangibles on acquisition and the recycling of translation exchange from reserves to the income statement.

ii) BSI Brasil

During 2014 the Group liquidated its wholly owned subsidiary BSI Brasil, a company incorporated in Brazil. A gain on liquidation of £0.2m arose principally from the recycling of translation exchange from reserves to the income statement.

16. Deferred tax

	2014 £m	2013 £m
Deferred tax assets:		
– To be recovered after more than twelve months	**20.2**	15.3
– To be recovered within twelve months	**4.7**	2.0
Total deferred tax assets	**24.9**	17.3
Deferred tax liabilities:		
– To be incurred after more than twelve months	**(3.1)**	(1.9)
– To be incurred within twelve months	**(0.5)**	(0.4)
Total deferred tax liabilities	**(3.6)**	(2.3)
Net deferred tax assets	**21.3**	15.0

Gross movement on the deferred tax account

	2014 £m	2013 £m
At 1 January	**15.0**	15.0
Acquisition of subsidiary	**(1.1)**	0.1
Income statement tax charged (Note 12)	**1.4**	3.8
Tax credited/(charged) to equity relating to retirement benefit obligations	**5.7**	(3.4)
Disposal of NSCI America	**0.1**	—
Exchange differences	**0.2**	(0.5)
At 31 December	**21.3**	15.0

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

	Temporary differences £m	Total £m
Deferred tax liabilities:		
At 1 January 2013	(1.9)	(1.9)
Acquisition of subsidiary	(0.2)	(0.2)
Charged to the income statement	(0.4)	(0.4)
Exchange differences	0.2	0.2
At 31 December 2013	**(2.3)**	**(2.3)**
Acquisition of subsidiary	**(1.1)**	**(1.1)**
Disposal of NSCI America	**0.1**	**0.1**
Charged to the income statement	**(0.3)**	**(0.3)**
Exchange differences	**—**	**—**
At 31 December 2014	**(3.6)**	**(3.6)**

16. Deferred tax continued

Gross movement on the deferred tax account continued

Deferred tax assets	Accelerated capital allowances £m	Pension £m	Losses £m	Other temporary differences £m	Total £m
At 1 January 2013	0.3	13.9	0.9	1.8	16.9
Acquisition of subsidiary (Note 15)	—	—	—	0.3	0.3
Credited to the income statement	0.2	1.2	1.3	1.5	4.2
Charged directly to equity	—	(3.4)	—	—	(3.4)
Exchange differences	—	—	—	(0.7)	(0.7)
At 31 December 2013	**0.5**	**11.7**	**2.2**	**2.9**	**17.3**
Acquisition of subsidiary (Note 15)	**—**	**—**	**—**	**—**	**—**
Credited to the income statement	**0.2**	**—**	**0.9**	**0.7**	**1.8**
Credited directly to equity	**—**	**5.7**	**—**	**—**	**5.7**
Exchange differences	**—**	**—**	**—**	**0.1**	**0.1**
At 31 December 2014	**0.7**	**17.4**	**3.1**	**3.7**	**24.9**

The deferred tax credited directly to equity during the year was £5.7m (2013: charge of £3.4m), which related to the retirement benefit obligation.

The Group did not recognize deferred tax assets of £0.5m (2013: £0.1m) in respect of losses amounting to £2.1m (2013: £0.3m) that can be carried forward against future taxable income.

17. Financial instruments

a. Financial instruments by category

At 31 December 2014	Loans and receivables £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments	**61.9**
Cash and cash equivalents	**52.8**
Total	**114.7**

At 31 December 2014	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	**44.4**
Total	**44.4**

At 31 December 2013	Loans and receivables £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments	52.9
Cash and cash equivalents	43.4
Total	96.3

At 31 December 2013	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	35.2
Total	35.2

b. Credit quality of financial assets

The Directors consider the credit risk associated with fully performing financial assets to be immaterial to the Group.

18. Inventories

	2014 £m	2013 £m
Finished goods and goods for resale	–	0.1
Total inventories	–	0.1

19. Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**43.5**	39.7
Less: provision for impairment of trade receivables	**(1.2)**	(0.9)
Trade receivables – net	**42.3**	38.8
Other receivables	**7.1**	5.5
Prepayments	**5.2**	4.9
Accrued income	**12.5**	8.6
Total trade and other receivables	**67.1**	57.8
Less non-current portion:		
– Other receivables	**(2.5)**	(1.8)
Current portion of trade and other receivables	**64.6**	56.0

Trade receivables are non-interest bearing and are generally on 30–60 day (2013: 30–60 day) terms. Other receivables are non-interest bearing and are generally on 30–60 day (2013: 30–60 day) terms.

As the majority of the receivables are short term in nature, the fair values of trade and other receivables approximate their carrying value as the impact of discounting is not significant.

The provision for impairment is made on a case-by-case basis after due consideration to the likelihood of recovery. As of 31 December 2014, trade receivables of £14.8m (2013: £15.9m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of net trade receivables is as follows:

	2014 £m	2013 £m
Current (not due)	**27.5**	22.9
<1 month	**8.6**	9.6
1–3 months	**4.5**	4.2
3–5 months	**1.0**	1.2
>5 months	**0.7**	0.9
Trade receivables – net	**42.3**	38.8

As of 31 December 2014, trade receivables of £1.2m (2013: £0.9m) were impaired and fully provided for. The individually impaired receivables mainly relate to customers in unexpected difficult economic situations. The ageing analysis of these receivables is as follows:

	2014 £m	2013 £m
<1 month	**0.1**	0.1
1–3 months	**0.1**	–
3–5 months	**0.2**	0.1
>5 months	**0.8**	0.7
Provision for impairment of trade receivables	**1.2**	0.9

19. Trade and other receivables continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 £m	2013 £m
British Pounds Sterling	**23.0**	21.2
US Dollars	**15.5**	12.5
Euros	**7.4**	6.1
Australian Dollars	**4.2**	3.7
Japanese Yen	**2.3**	2.2
Chinese Renminbi	**2.9**	1.8
Other currencies	**11.8**	10.3
Total trade and other receivables	**67.1**	57.8

Movements on the Group provision for impairment of trade receivables are as follows:

	2014 £m	2013 £m
At 1 January	**0.9**	1.0
Provision for impaired receivables	**0.7**	0.3
Receivables written off during the year as uncollectable	**(0.3)**	(0.2)
Unused amounts reversed	**(0.1)**	(0.2)
At 31 December	**1.2**	0.9

The creation and release of the provision for impaired receivables have been included within administrative expenses in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold collateral as security.

20. Derivative financial instruments

	2014 £m	2013 £m
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	**–**	–

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 were £1.6m (2013: £1.6m).

The fair value of forward foreign currency contracts is determined using forward foreign exchange market rates at the balance sheet date. The fair value measurement adopted is categorized as Level 2 (2013: Level 2) within the fair value measurement hierarchy set out in IFRS 7.

All contracts are current as all will mature within one year.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets or liability in the balance sheet.

21. Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	**33.6**	20.3
Short-term deposits	**19.2**	23.1
Total cash and cash equivalents	**52.8**	43.4

No bank overdraft facilities were in use at 31 December 2014 (2013: £nil). The balance above corresponds to cash and cash equivalents for the purposes of the cash flow statement.

The fair value of cash and short-term deposits was £52.8m (2013: £43.4m). The maximum exposure to credit risk at the reporting date is the fair value of cash and short-term deposits mentioned above.

The interest rate risk profile and currency profile of cash and short-term deposits were:

	2014				2013			
	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Currency								
British Pounds Sterling	**19.2**	**0.8**	**11.0**	**31.0**	23.1	1.1	7.7	31.9
US Dollars	**—**	**2.0**	**11.2**	**13.2**	—	2.1	0.6	2.7
Euros	**—**	**—**	**0.6**	**0.6**	—	—	1.0	1.0
Australian Dollars	**—**	**0.6**	**—**	**0.6**	—	0.6	—	0.6
Japanese Yen	**0.3**	**—**	**0.6**	**0.9**	0.3	—	0.4	0.7
Chinese Renminbi	**—**	**2.5**	**—**	**2.5**	—	1.8	—	1.8
Other currencies	**0.3**	**0.7**	**3.0**	**4.0**	0.8	1.0	2.9	4.7
Total	**19.8**	**6.6**	**26.4**	**52.8**	24.2	6.6	12.6	43.4

22. Trade and other payables

	2014 £m	2013 £m
Trade payables	**4.9**	4.6
VAT and sales taxes	**3.6**	2.3
Other taxes and social security	**3.2**	3.3
Other payables	**4.5**	3.6
Accruals	**28.2**	21.4
Deferred income	**21.6**	20.2
Total trade and other payables	**66.0**	55.4
Less non-current portion:		
– Other payables	**(2.4)**	(1.9)
– Deferred income	**(0.3)**	(0.5)
– Accruals	**(1.6)**	(0.2)
Current portion of trade and other payables	**61.7**	52.8

22. Trade and other payables continued

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2014 £m	2013 £m
British Pounds Sterling	**38.2**	32.5
US Dollars	**9.1**	6.3
Euros	**4.5**	4.0
Australian Dollars	**2.4**	2.5
Japanese Yen	**2.9**	2.3
Chinese Renminbi	**2.4**	2.2
Other currencies	**6.5**	5.6
Total trade and other payables	**66.0**	55.4

Trade payables are non-interest bearing and are generally on 30–60 day (2013: 30–60 day) terms. Other payables are non-interest bearing and are generally on 30–90 day (2013: 30–90 day) terms.

As majority of the payables are short term in nature, the fair values of trade and other payables approximate their carrying value as the impact of discounting is not significant.

23. Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2013	1.3	0.4	1.7
Charged to the income statement	0.5	—	0.5
Utilization	(0.5)	(0.1)	(0.6)
Released	(0.1)	—	(0.1)
At 31 December 2013	**1.2**	**0.3**	**1.5**
Charged to the income statement	**0.2**	**0.1**	**0.3**
Utilization	**(0.4)**	**—**	**(0.4)**
Released	**(0.1)**	**(0.1)**	**(0.2)**
At 31 December 2014	**0.9**	**0.3**	**1.2**

The property provisions are held against dilapidations and anticipated costs relating to the Group's liability for restructuring the UK Product Testing laboratories. Property provisions relating to Hemel Hempstead were released during the year. The Group has used either the known position or a best estimate of the Group's potential exposure to calculate the potential cost to BSI Group over the remaining lease periods.

Other provisions relate to amounts required to cover end-of-service indemnity pursuant to the United Arab Emirates Federal Labour Law.

Provisions are recognized at the best estimate of the expenditure required to settle the Group's liability.

Analysis of total provisions:

	2014 £m	2013 £m
Non-current	**1.1**	1.2
Current	**0.1**	0.3
Total provisions for liabilities and charges	**1.2**	1.5

Cash outflows associated with these provisions are uncertain but the majority are expected to materialize within three years. Given the uncertainty over timing of the eventual outflows they have not been discounted.

24. Retirement benefit obligations

The Group operates the following retirement benefit schemes:

a. Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Group offers a Group Personal Pension plan to all new UK employees. The costs for the year were £6.1m (2013: £5.5m).

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the year totalling £1.7m (2013: £2.3m).

b. Defined benefit schemes

i. UK defined benefit plan

The Group operates a defined benefits plan in the UK (the 'Plan') which provides benefits linked to salary on retirement or earlier date of leaving service. The plan closed to new entrants and future accrual as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The Plan operates under the regulatory framework of the Pensions Act 2004. The Trustee has the primary responsibility for governance of the Plan. The Trustee comprises representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and Plan assets are held in a Trust which is governed by UK regulation.

The risks to which the plan exposes the Group are as follows:

Asset volatility – The Plan's Statement of Investment Principles targets 65% return-enhancing assets and 35% risk-reducing assets. The Trustee monitors the appropriateness of the Plan's investment strategy, in consultation with the Company, on an ongoing basis.

Inflation risk – The majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

Longevity – Increases in life expectancy will increase the period over which the benefits are expected to be payable, which increases the value placed on the Plan's liabilities.

A valuation of the UK defined benefit plan was carried out under the Statutory Funding Objective as at 31 March 2013. This revealed an ongoing funding level of 74%. The Group subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2014. It requires contributions from the Group to improve the funding level of the plan and to cover the expenses of running the Plan. The Group agreed to pay additional contributions of £86.0m over the period 1 April 2014 to March 2021. Contributions in respect of future service benefits ceased on 30 April 2010.

The Group paid a total of £12.5m in additional contributions to the Plan during 2014 (2013: £5.0m).

Balance sheet

The amounts recognized in the balance sheet are determined as follows:

	2014 £m	2013 £m
Present value of defined benefit obligations	**385.0**	337.7
Fair value of plan assets	**(303.0)**	(279.0)
Total deficit – UK defined benefit pension plan	**82.0**	58.7
Impact of minimum funding requirement/asset ceiling	**—**	—
Net liability in the balance sheet	**82.0**	58.7

24. Retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Balance sheet continued

The movement in the defined benefit obligation over the year was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2013	329.9	(270.0)	59.9
Administration expenses	—	0.7	0.7
Interest expense/(income) (Note 8, Note 11)	14.5	(11.9)	2.6
	344.4	(281.2)	63.2
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense/(income)	—	(4.5)	(4.5)
– Loss from change in demographic assumptions	0.9	—	0.9
– Loss from change in financial assumptions	6.8	—	6.8
– Experience gains	(2.7)	—	(2.7)
	5.0	(4.5)	0.5
Contributions:			
– Employers	—	(5.0)	(5.0)
Payments from plans:			
– Disbursements	(11.7)	11.7	—
	(11.7)	6.7	(5.0)
At 31 December 2013	337.7	(279.0)	58.7
At 1 January 2014	**337.7**	**(279.0)**	**58.7**
Administration expenses	**—**	**0.6**	**0.6**
Interest expense/(income) (Note 8, Note 11)	**14.8**	**(12.4)**	**2.4**
	352.5	**(290.8)**	**61.7**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense/(income)	**—**	**(12.2)**	**(12.2)**
– Loss from change in demographic assumptions	**0.3**	**—**	**0.3**
– Loss from change in financial assumptions	**44.7**	**—**	**44.7**
– Experience gains	**—**	**—**	**—**
	45.0	**(12.2)**	**32.8**
Contributions:			
– Employers	**—**	**(12.5)**	**(12.5)**
Payments from plans:			
– Disbursements	**(12.5)**	**12.5**	**—**
	(12.5)	**—**	**(12.5)**
At 31 December 2014	**385.0**	**(303.0)**	**82.0**

24. Retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Assumptions

The principal actuarial assumptions used are as follows:

	2014 % p.a.	2013 % p.a.
Rate of increase in salaries	**4.00**	4.40
Rate of revaluation in deferment (p.a.)	**2.00**	2.40
Pension increase rate (p.a.):		
– RPI (min. 3%, max. 5%)	**3.55**	3.75
– CPI (min. 3%, max. 5%)	**3.15**	3.25
Discount rate	**3.60**	4.45
Inflation assumption – RPI (p.a.)	**3.00**	3.40
Inflation assumption – CPI (p.a.)	**2.00**	2.40

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics. Life expectancy at age 65 for a member currently aged 45 is 25.3 (2013: 24.7) years (men) or 26.5 (2013: 26.7) years (women). Life expectancy for a member currently aged 65 is 23.5 (2013: 23.3) years (men) or 25.0 (2013: 25.2) years (women).

Plan assets are comprised as follows:

	Value at 31 December 2014		Value at 31 December 2013	
	£m		£m	
Schroder Diversified Growth Fund	**73.1**	**24%**	69.0	25%
Standard Life Global Absolute Return Strategies Fund	**56.8**	**19%**	n/a	n/a
Baring Dynamic Asset Allocation Fund	**n/a**	**n/a**	54.8	20%
Bonds	**76.1**	**25%**	59.3	21%
Cash	**1.9**	**1%**	6.1	2%
Metlife Annuity policy	**95.1**	**31%**	89.8	32%
Total fair value of plan assets	**303.0**	**100%**	279.0	100%

Expected contributions to retirement benefit plans for the year ending 31 December 2015 are £12.5m (2014: £12.5m).

The weighted average duration of the defined benefit obligation is 18 years.

ii. Other defined benefit schemes

The Group operates defined benefit pension schemes in Taiwan and Germany which provide benefits based on final pensionable salary and service. The net liability recognized in the balance sheet at 31 December 2014 is £0.9m (2013: £0.8m).

25. Contingent liabilities

In the normal course of its business the Group faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Group.

In relation to the acquisition or establishment of new businesses in overseas jurisdictions, the Group follows the requirements of local laws, regulations and conventions in the relevant jurisdictions. These may require the creation of structures or arrangements with vendors or local partners or other third parties whereby the Group assumes contingent liabilities to such parties which may or may not materialize. Taking into account experience to date, the Board has made provisions where appropriate.

In relation to the disposal of businesses the Group has given warranties and indemnities to the purchasers. In the light of local legal and taxation advice, experience to date, availability of insurance and provisions, the Board does not expect these warranties and indemnities to have a significant impact on the Group.

In the normal course of its business, the Group from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Group.

The Group has historically occupied leasehold properties which it has subsequently assigned or sub-leased and there is a contingent risk that if in certain circumstances the assignees or sub-lessees default, certain liabilities under the lease may revert to the Group. The number of incidents when such leases survive is small and in the light of experience to date and the availability of provisions, the Board does not expect these leases to have a significant impact on the Group.

26. Related party transactions

Transactions with related parties have been determined in accordance with IAS 24 and are disclosed below:

a. Pension scheme trustee

Transactions with the pension scheme trustee are disclosed in Note 24.

b. Key management

Key management of the Group includes Directors (Executive and Non-executive) and other members of the Executive Committee. Emoluments of the Directors are disclosed in the Remuneration report on pages 49 to 57. Emoluments paid to other members of the Executive Committee for employee services are shown in the table below:

	2014 £m	2013 £m
Salaries and short-term benefits	**2.5**	1.9
Total emoluments	**2.5**	1.9

27. Interests in Group undertakings

Name	Country of incorporation or registration	Proportion held*	Activity
British Standards Institution Group Iberia S.A.U.	Spain	100%	Business services
British Standards Institution Group Middle East LLC	Qatar	49%	Business services
BSI America Professional Services Inc.	USA	100%	Business services
BSI Assurance UK Limited	England	100%	Business services
BSI Brasil Sistemas de Gestao Ltda	Brazil	100%	Business services
BSI Group (Thailand) Co., Ltd	Thailand	100%	Business services
BSI Group America Inc.	USA	100%	Business services
BSI Group ANZ Holdings Pty Ltd	Australia	100%	Holding company
BSI Group ANZ Pty Ltd	Australia	100%	Business services
BSI Group Assurance Limited	England	100%	Holding company
BSI Group Australia Holdings Pty Ltd	Australia	100%	Holding company
BSI Group Canada Inc.	Canada	100%	Business services
BSI Group Deutschland GmbH	Germany	100%	Business services
BSI Group Eurasia Certification Services Co. Ltd	Turkey	100%	Business services
BSI Group France Sarl	France	98%	Business services
BSI Group Holdings The Netherlands BV	Netherlands	100%	Business services
BSI Group India Private Ltd	India	100%	Business services
BSI Group Italia S.R.L.	Italy	100%	Business services
BSI Group Japan K.K	Japan	100%	Business services
BSI Group Korea Ltd	Korea	100%	Business services
BSI Group Learning Beijing Ltd	China	100%	Business services
BSI Group Mexico S dr RL de CV	Mexico	100%	Business services
BSI Group Polska Spolka z o.o.	Poland	100%	Business services
BSI Group Singapore Pte Ltd	Singapore	100%	Business services
BSI Group The Netherlands BV	Netherlands	100%	Business services
BSI Healthcare Saudi Arabia LLC	Saudi Arabia	100%	Business services
BSI Limited	England	100%	Holding company
BSI Management Systems Certification (Beijing) Co. Ltd	China	100%	Business services
BSI Management Systems CIS LLC	Russia	100%	Business services
BSI Management Systems Limited	England	100%	Business services
BSI Pacific Ltd	Hong Kong	100%	Business services
BSI Professional Services Asia Pacific Ltd	Hong Kong	100%	Business services
BSI Professional Services EMEA Limited	England	100%	Business services
BSI Professional Services Holdings Limited	England	100%	Holding company
BSI Services Malaysia Sdn Bhd	Malaysia	100%	Business services
BSI Standards Holdings Limited	England	100%	Holding company
BSI Standards Limited	England	100%	Business services
BSI Vietnam Co., Ltd	Vietnam	100%	Business services
BSI America Food Verification Services, Inc (sold 30 September 2014)	USA	100%	Business services
PT BSI Group Indonesia	Indonesia	100%	Business services

All the above significant subsidiaries are controlled by the Group and are accounted for through acquisition accounting.

* Percentage of ordinary share capital.

28. Post-balance sheet event

(i) Acquisition of Environmental and Occupational Risk Management Inc.

On 13 January 2015, the Group acquired 100% of the issued share capital of Environmental and Occupational Risk Management, Inc. (EORM) which is based in San Jose, California in the US, for a cash consideration of USD 27.5m (£18.1m), adjusted for working capital, taxation and closing cash commitments. The net identifiable assets have been recognized at their provisional fair values. The allocation of the consideration is subject to a full purchase price allocation exercise, which, due to the timing of the acquisition, has not yet been completed. The excess of consideration over the net assets acquired has been provisionally recognized as goodwill.

EORM has a proven track record in delivering environmental, health and safety (EHS) and sustainability consultancy services to over 450 internationally recognized clients. It is strongly positioned in key sectors such as technology, healthcare, construction and energy. Joining with BSI will enable EORM to expand its offering in both the US and worldwide and provides its clients with access to BSI's Training, Entropy Software and Supply Chain Solutions.

This acquisition supports the Group's strategic initiatives to build scale and breadth in our US operations and to enable us to grow our consulting and advisory services. EORM and BSI have shared values and are a good cultural fit.

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration	
Cash	18.8
Deferred consideration	1.3
Total purchase consideration	20.1
Fair value of net identifiable assets acquired	(4.1)
Goodwill	16.0

Provisional fair value of net assets

	£m
Property, plant and equipment	0.3
Other non-current assets	0.5
Trade and other receivables	3.6
Cash and cash equivalents	1.6
Trade and other payables	(1.8)
Current borrowings	(0.1)
Total net identifiable assets acquired	4.1
Goodwill	16.0
Consideration satisfied by:	
Cash	18.8
Deferred consideration	1.3
Total purchase consideration	20.1
Cash consideration	18.8
Cash and cash equivalents acquired	(1.6)
Borrowings acquired	0.1
Net cash outflow in respect of acquisitions	17.3

(ii) Acquisition of the PwC certification business in South Africa

On 1 February, 2015, the Group acquired the management systems certification operations of PwC in South Africa. Cash consideration was ZAR 6.0m (£0.3m). As no tangible or monetary assets have been acquired, all of the fair value of the net assets acquired comprise intangible assets. Due to the timing of the acquisition, the determination of the fair values of the net assets acquired has not been completed and will be subject to review during the twelve months from the acquisition date.

This acquisition supports the Group's strategic initiatives of growing scale in our systems certification business and expanding into fast-developing markets. This is BSI's first office in Africa and enables the Group to expand our business more quickly across the African continent, where we already work with more than 200 companies.

Independent auditors' report
to the Board of Directors of The British Standards Institution

Report on the parent company financial statements

Our opinion

In our opinion, The British Standards Institution's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the British Standards Institution's Royal Charter and Bye-laws and the requirements of the Companies Act 2006.

What we have audited

The British Standards Institution's financial statements comprise:

- the parent company balance sheet as at 31 December 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Financial Statements 2014 (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report continued
to the members of The British Standards Institution

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 43, 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 and express an opinion on the financial statements in accordance with paragraph 21 of The British Standards Institution's Royal Charter and Bye-laws and applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for The British Standards Institution as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of The British Standards Institution for the year ended 31 December 2014.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 March 2015

Parent company balance sheet
as at 31 December 2014

	Note	2014 £m	2013 £m
Fixed assets			
Tangible assets	2	**11.0**	12.9
Investments	3	**39.9**	39.9
		50.9	52.8
Current assets			
Debtors	4	**89.6**	56.2
Cash at bank and in hand		**42.6**	31.9
		132.2	88.1
Creditors – amounts falling due within one year	5	**(91.8)**	(54.9)
Net current assets		**40.4**	33.2
Total assets less current liabilities		**91.3**	86.0
Provisions for liabilities	6	**(0.2)**	(0.2)
Net assets excluding defined benefit pension scheme liability		**91.1**	85.8
Deferred benefit scheme pension liability, net of deferred tax	7	**(64.5)**	(47.0)
Net assets including defined benefit pension scheme liability		**26.6**	38.8
Profit and loss account, representing reserves	10	**26.6**	38.8

The accompanying notes on pages 108 to 116 form an integral part of the parent company financial statements.

The financial statements on pages 107 to 116 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf by:

Craig Smith
Group Finance Director
26 March 2015

Notes to the parent company financial statements
for the year ended 31 December 2014

1. Principal accounting policies
The principal accounting policies applied in the preparation of the Company's financial statements are set out below. These policies have been consistently applied to both the years presented, unless otherwise stated.

As used in the financial statements and related notes, the term 'Company' refers to The British Standards Institution. The Directors have confirmed that they believe that the Company's accounting policies are the most appropriate for the purposes of providing a true and fair view of the Company's results and state of affairs and have been consistently applied except where indicated below.

a. Basis of preparation
These financial statements have been prepared on a going concern basis and in accordance with applicable Accounting Standards in the United Kingdom (UK GAAP). They have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006.

The Company's financial statements are presented in British Pounds Sterling (£) and all values are rounded to the nearest £100,000 except when otherwise indicated.

i. Profit and loss account
In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account of The British Standards Institution has not been separately presented in these financial statements. The retained profit for the year is shown in Note 10.

ii. Cash flow statement
In accordance with the exemption under FRS 1 (Revised 1996), "Cash Flow Statements", the Company's cash flow statement has not been separately presented in these financial statements.

b. Turnover and cost of sales
Turnover, which excludes value added tax, represents the value of goods and services supplied and subscription income. Where turnover relates to defined service periods, it is recognized in the profit and loss account over the period to which it relates.

Where the Company makes payments to suppliers for services to be provided over future periods, the value of the future services is deferred over the period to which the service relates.

Significant categories of turnover and the recognition criteria for each are detailed below.

i. Rendering of services
Membership, subscriptions and annual management fees provide varying levels of service, which can include access to information services, access to published standards information, newsletters, advisory services, discounts on products and invitations to events and seminars. Revenue is spread over the life of the arrangement, which is normally one year but can vary depending on the level of service and specific agreements with customers.

ii. Copyright and royalty income
The Company recognizes copyright and royalty income on an accrual basis or when it is advised by the customer, generally on a monthly basis. Where there are licence arrangements, fees are spread over the life of the licence.

c. Interest income
Interest income is recognized in the profit and loss account on an accrual basis.

d. Dividend income
Dividend income is recognized in the profit and loss account when it is receivable.

e. Rental income
The Company sub-lets a number of leased properties in the UK. Rental income is recognized on an accrual basis in accordance with the relevant agreements.

f. Foreign currencies
Transactions denominated in foreign currencies are translated into Sterling at contracted rates or, where no contract exists at average monthly rates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are taken to the profit and loss account.

1. Principal accounting policies continued

g. Financial instruments

The Company does not hold or issue derivative financial instruments for trading purposes. Derivatives used include currency swaps, interest rate swaps and forward currency contracts.

h. Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements that transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

i. Investment in Group undertakings

Investments are stated at cost less any provision for impairment in value. Impairment testing is conducted whenever indicators of impairment are present.

j. Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Freehold land is not depreciated. Depreciation on other assets is calculated on a straight-line basis so as to write off the cost of tangible fixed assets less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%–5%
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	10%–33%

The Company selects these depreciation rates carefully and reviews them regularly, to take account of any changes in circumstances. The principal factors that the Company takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

k. Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation is probable and can be reliably estimated. Provision for legal claims, onerous lease and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability. Where liabilities are expected to be discharged over a number of years, the provisions have been discounted using an appropriate risk-free rate.

l. Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Company's control or are present obligations arising from past events that are not recognized as it is not probable a transfer of economic benefits will occur or the amount cannot be measured with sufficient certainty. The Company reviews its obligations regularly.

m. Retirement benefits

i. Defined benefit pension schemes

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the year is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognized in reserves. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognized on the balance sheet net of related deferred tax.

ii. Defined contribution pension schemes

Amounts charged to operating profit represent the contributions payable to the schemes in the year.

1. Principal accounting policies continued

n. Deferred taxation

Deferred tax is fully provided in respect of timing differences that have originated but not reversed by the balance sheet date. These are based on average tax rates that are expected to apply at the time of the reversal, which will be the rates that have either been enacted, or substantially enacted, by the balance sheet date. No deferred tax is provided on permanent timing differences. Deferred tax assets are recognized to the extent that they are regarded as more likely than not to be recoverable. Deferred tax on unremitted earnings of foreign subsidiaries is only provided if dividends have been accrued as receivable or there is a binding agreement to distribute past earnings in the future. Deferred tax balances are not discounted.

2. Tangible assets

	Land and buildings			
	Freehold £m	Short leasehold improvements £m	Plant, machinery and office equipment £m	Total £m
Cost				
At 1 January 2014	**0.3**	**2.6**	**23.0**	**25.9**
Additions	**—**	**0.1**	**2.2**	**2.3**
Disposals	**—**	**(0.1)**	**(5.2)**	**(5.3)**
Reclassification	**—**	**—**	**—**	**—**
At 31 December 2014	**0.3**	**2.6**	**20.0**	**22.9**
Accumulated depreciation and impairment				
At 1 January 2014	**—**	**(2.0)**	**(11.0)**	**(13.0)**
Charge in the year	**—**	**(0.5)**	**(3.5)**	**(4.0)**
Disposals	**—**	**0.1**	**5.0**	**5.1**
At 31 December 2014	**—**	**(2.4)**	**(9.5)**	**(11.9)**
Net book value at 31 December 2014	**0.3**	**0.2**	**10.5**	**11.0**
Net book value at 31 December 2013	0.3	0.6	12.0	12.9

The net book value of freehold land not depreciated is £0.3m (2013: £0.3m).

3. Investments

	2014 £m	2013 £m
Cost at 1 January	**39.9**	39.9
Disposals	**—**	—
Cost at 31 December	**39.9**	39.9

The Directors consider that the fair value of investments is not less than their carrying value.

A list of subsidiaries is provided in Note 28 to the consolidated financial statements.

4. Debtors

	2014 £m	2013 £m
Trade debtors	**0.5**	0.4
Amounts owed by subsidiaries	**82.5**	50.2
Corporation tax receivable	**1.6**	1.4
Other debtors	**0.3**	0.5
VAT receivable	**0.3**	0.4
Deferred taxation* (Note 8)	**0.4**	0.3
Prepayments and accrued income	**4.0**	3.0
Total debtors	**89.6**	56.2

* Excludes deferred tax asset on the pension liability.

Amounts owed by subsidiaries include trade and finance amounts. The unsecured finance amounts of £26.7m (2013: £24.3m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with the rates ranging between 2.3% and 8.8% (2013: 2.0% and 8.8%).

5. Creditors: Amounts falling due within one year

	2014 £m	2013 £m
Trade creditors	**0.4**	0.7
Amounts owed to subsidiaries	**77.2**	42.9
Social security and PAYE	**0.4**	0.7
Other creditors	**0.2**	0.2
Accruals	**8.2**	5.1
Deferred income	**5.4**	5.3
Creditors falling due within one year	**91.8**	54.9

Trade creditors are non-interest bearing and are generally on 30–60 day terms. Amounts owed to subsidiaries include trade and finance amount. The unsecured finance amounts of £2.7m (2013: £5.5m) have no fixed terms of repayment and are interest bearing with the rates ranging between 2.3% and 5.4% (2013: 2.6% and 5.4%).

6. Provisions for liabilities

	Property provisions £m	Total £m
At 1 January 2014	0.2	0.2
Credited to profit and loss account	—	—
Utilized during the year	—	—
At 31 December 2014	**0.2**	**0.2**

The property provisions are held against dilapidations. The Company has used either the known position or a best estimate of the Company's potential exposure to calculate the potential cost to BSI Group over the remaining lease periods.

Details of the pension provisions are set out in Notes 7, 8 and 9 below.

7. Defined benefit scheme pension liability (net of deferred tax)

	Pension provision £m	Deferred taxation £m	Total £m
At 1 January 2014	58.7	(11.7)	47.0
Charged/(credited) to profit and loss account	0.3	(0.1)	0.2
Charged/(credited) to current year reserves	35.5	(5.7)	29.8
Contributions	(12.5)	—	(12.5)
At 31 December 2014	**82.0**	**(17.5)**	**64.5**

8. Deferred taxation

The amounts of net deferred taxation assets recognized are set out below:

	Accelerated capital allowances £m	Short-term timing differences £m	Pension provision £m	Total £m
At 1 January 2014	0.2	0.1	11.7	12.0
Credited to profit and loss account	—	0.1	0.1	0.2
Credited to current year reserves	—	—	5.7	5.7
At 31 December 2014	**0.2**	**0.2**	**17.5**	**17.9**

9. Pension obligations

The Company operates the following retirement benefit schemes:

a. Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Company offers a Group Personal Pension plan to all new UK employees. The costs for the year were £1.3m (2013: £1.3m). This includes salary sacrificed contributions.

b. Defined benefit scheme

The Company operates a defined benefits scheme in the UK which provides benefits linked to salary on retirement or earlier date of leaving service. The scheme closed to new entrants and future accrual, as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The scheme operates under the regulatory framework of the Pensions Act 2004. The Trustee has the primary responsibility for governance of the scheme. The Trustee comprises representatives of the Company, an independent Trustee and members of the scheme. Benefit payments are from Trustee-administered funds and scheme assets are held in a Trust which is governed by UK regulation.

A valuation of the UK defined benefit scheme was carried out under the Statutory Funding Objective as at 31 March 2013. This revealed an ongoing funding level of 74%. The Company subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2014. It requires contributions from the Company to improve the funding level of the scheme and to cover the expenses of running the scheme. The Company agreed to pay additional contributions of £86.0m over the period 1 April 2014 to 31 March 2021. Contributions in respect of future service benefits ceased on 30 April 2010.

The liabilities have been calculated by, and the assumptions set on the recommendations of, an independent qualified actuary. As required by FRS 17, the projected unit method has been used to determine the liabilities.

The liabilities at the disclosure date allow for indexation in line with the Consumer Prices Index.

The Company paid a total of £12.5m in contributions to the fund during the year (2013: £5.0m).

Each of the wholly owned subsidiaries, BSI Assurance UK Limited, BSI Standards Limited and BSI Professional Services EMEA Limited, has provided a guarantee and indemnity to the Trustee of the UK pension fund with respect to all obligations and liabilities of the Company to make contributions to the scheme.

FRS 17, "Retirement Benefits"

The major assumptions used for the updated actuarial valuation were:

	2014 % p.a.	2013 % p.a.
Rate of general increase in salaries	**4.00**	4.40
Rate of revaluation in deferment (p.a.)	**2.00**	2.40
Pension increase rate (p.a.)		
– RPI (min. 3%, max. 5%)	**3.55**	3.75
– CPI (min. 3%, max. 5%)	**3.15**	3.25
Discount rate	**3.60**	4.45
Inflation assumption – RPI (p.a.)	**3.00**	3.40
Inflation assumption – CPI (p.a.)	**2.00**	2.40

Life expectancy at age 65 for a member currently aged 45 is 25.3 (2013: 24.7) years (men) or 26.5 (2013: 26.7) years (women). Life expectancy for a member currently aged 65 is 23.5 (2013: 23.3) years (men) or 25.0 (2013: 25.2) years (women).

9. Pension obligations continued

b. Defined benefit scheme continued

FRS 17, "Retirement Benefits" continued

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected long-term rate of return at the balance sheet date were:

	Long-term rate of return expected at 31 December 2014 %	**Value at 31 December 2014 £m**	Long-term rate of return expected at 31 December 2013 %	Value at 31 December 2013 £m
Schroder Diversified Growth Fund	**5.90**	**73.1**	7.10	69.0
Standard Life Global Absolute Return Strategies Fund	**5.90**	**56.8**	n/a	n/a
Barings Dynamic Asset Allocation Fund	**n/a**	**n/a**	6.60	54.8
Bonds	**3.35**	**76.1**	4.35	59.3
Cash	**0.65**	**1.9**	0.65	6.1
Metlife Annuity Policy	**3.60**	**95.1**	4.45	89.8
Total fair value of assets		**303.0**		279.0
Present value of scheme liabilities		**(385.0)**		(337.7)
Deficit in the scheme		**(82.0)**		(58.7)
Related deferred tax asset		**17.5**		11.7
Net pension liability		**(64.5)**		(47.0)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Analysis of the charge to operating profit

	2014 £m	2013 £m
Current service cost	**0.6**	0.7

Analysis of the amount (credited)/charged to other finance costs

	2014 £m	2013 £m
Interest cost on pension scheme liabilities	**14.8**	14.6
Expected return on pension scheme assets	**(15.1)**	(14.3)
Net (credit)/charge	**(0.3)**	0.3

Analysis of amount recognized in reserves

	2014 £m	2013 £m
Actual return less expected return on pension scheme assets	**9.5**	2.1
Experience gains arising on the scheme liabilities	**—**	2.8
Losses due to changes in assumptions underlying the present value of the scheme liabilities	**(45.0)**	(7.7)
Actuarial losses recognized in reserves	**(35.5)**	(2.8)

g. Pension obligations continued

b. Defined benefit scheme continued

Analysis of amount recognized in reserves continued

Changes in the present value of the defined benefit obligation are as follows:

	2014 £m	2013 £m
Opening defined benefit obligation	**337.7**	329.9
Current service cost	**0.6**	0.7
Interest cost	**14.8**	14.6
Actuarial losses	**45.0**	4.9
Disbursements	**(13.1)**	(12.4)
Closing defined benefit obligation	**385.0**	337.7

Changes in the fair value of scheme assets are as follows:

	2014 £m	2013 £m
Opening fair value of scheme assets	**279.0**	270.0
Expected return on scheme assets	**15.1**	14.3
Actuarial gains	**9.5**	2.1
Contributions by employer	**12.5**	5.0
Disbursements	**(13.1)**	(12.4)
Closing fair value of scheme assets	**303.0**	279.0

The actual return on scheme assets was £24.6m (2013: £16.4m). Scheme assets do not include any property owned by the Company.

History of experience gains and losses

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of scheme liabilities	**(385.0)**	(337.7)	(329.9)	(306.8)	(289.4)
Fair value of scheme assets	**303.0**	279.0	270.0	247.7	231.4
Deficit in the scheme	**(82.0)**	(58.7)	(59.9)	(59.1)	(58.0)
Experience gains/(losses) arising on scheme assets:					
Amount	**9.5**	2.1	5.6	(3.4)	11.7
Percentage of scheme assets at year end	**3.1%**	0.8%	2.1%	(1.4%)	5.0%
Experience gains/(losses) on scheme liabilities:					
Amount	**—**	2.8	0.2	(0.1)	31.4
Percentage of scheme liabilities at year end	**0.0%**	0.8%	0.1%	0.0%	10.9%
Total (loss)/gain recognized in reserves:					
Amount	**(35.5)**	(2.8)	(16.4)	(15.6)	35.5
Percentage of scheme liabilities at year end	**(9.2%)**	(0.8%)	(5.0%)	(5.1%)	12.2%

Expected contribution to retirement benefit plans for the year ending 31 December 2015 are £12.5m (2014: £12.5m).

10. Reconciliation of movements in profit and loss account

	2014 £m	2013 £m
At 1 January	**38.8**	25.9
Profit for the financial year	**17.6**	18.7
Movement in actuarial valuation of defined benefit pension scheme (net of deferred tax)	**(29.8)**	(5.8)
At 31 December	**26.6**	38.8

11. Employees

	2014 £m	2013 £m
Wages and salaries	**11.9**	12.0
Social security costs	**1.5**	1.4
Other pension costs	**1.9**	2.0
Total employee benefit expense	**15.3**	15.4

The average number of full-time equivalent individuals (including Board members) employed by the Company during the year was:

	2014 Number	2013 Number
Production, inspection and laboratory	**15**	13
Sales and distribution	**42**	55
Administration	**136**	138
Total headcount	**193**	206

Disclosures in respect of Directors' emoluments can be found in the Remuneration report on pages 49 to 57.

12. Auditors' remuneration

The amount of remuneration receivable by the Company's auditors in respect of the audit of the parent company financial statements is £0.1m (2013: £0.1m).

13. Capital commitments

	2014 £m	2013 £m
Capital expenditure that has been contracted for but not provided for in the financial statements	**—**	0.4

14. Financial commitments

At 31 December 2014, annual commitments under non-cancellable operating leases were as follows:

	2014			2013		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Expiring within one year	**—**	**0.4**	**0.4**	—	0.4	0.4
Expiring within two and five years	**0.3**	**1.2**	**1.5**	0.3	1.0	1.3
Expiring in over five years	**2.1**	**—**	**2.1**	2.1	—	2.1
Minimum lease payments	**2.4**	**1.6**	**4.0**	2.4	1.4	3.8

Other leases relate to the lease of motor vehicles.

The profit and loss account lease rental charge will not equate to lease payments for those leases having the benefit of lease incentives. In these cases the incentives are released to the profit and loss account over the period of the lease.

As at 31 December 2014, the Company held foreign exchange contracts to the value of £1.6m (2013: £1.6m), all expiring within one year. The mark-to-market value of these contracts was an asset of £nil (2013: £nil).

15. Related party transactions

The Directors of The British Standards Institution had no material transactions with the Company during the year. Details of the Directors' remuneration are disclosed in the Remuneration report on pages 49 to 57. The Company has taken advantage of the exemption available under FRS 8, "Related Party Transactions" not to provide details of transactions with other wholly owned Group companies.

There were no material transactions with non-wholly owned subsidiaries during the year. Details of transactions in the prior year with non-wholly owned subsidiary are set out in the table below. All transactions between the Company and non-wholly owned Group companies arise in the ordinary course of business and are on an arm's length basis.

	2014 £m	2013 £m
Management and other charges to related parties	**—**	—

16. Contingent liabilities

In the normal course of its business the Company faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Company.

In the normal course of its business, the Company from time to time provides advance payment guarantees, performance bonds and other bonds in connection with their activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Company.

The Company has historically occupied leasehold properties which it has subsequently assigned or sub-leased and there is a contingent risk that if in certain circumstances the assignees or sub-lessees default, certain liabilities under the lease may revert to the Company. The number of incidents when such leases are believed to survive is small and in the light of experience to date and the availability of provisions, the Board does not expect these leases to have a significant impact on the Company.

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389 Chiswick High Road
London W4 4AL
United Kingdom

Telephone: +44 (0)20 8996 9000
Fax: +44 (0)20 8996 7400
Web: www.bsigroup.com
Email: cservices@bsigroup.com