The British Standards Institution

Annual report and financial statements 2015

bsi.

...making excellence a habit.™

Making **excellence** a habit.

At BSI we help to develop 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, processes and products work. We make excellence a habit.

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'.

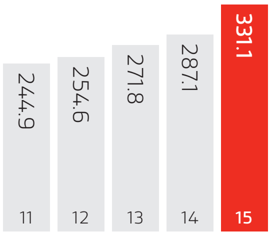
Strong financial results delivered in 2015

- Strong global performance in improving economic conditions
- Record underlying revenue for the sixteenth consecutive year
- Record underlying profit benefiting from return from prior year investments
- Growth accelerated by significant acquisitions in early 2015
- The implementation of our strategy continues as planned

Revenue (£m)

£331.1m

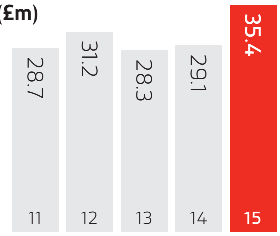
+15%



Underlying operating profit (£m)

£35.4m

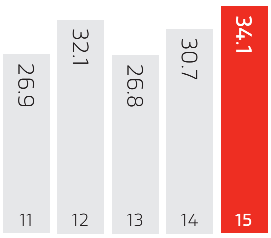
+22%



Operating profit (£m)

£34.1m

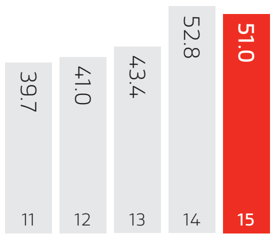
+11%



Cash (£m)

£51.0m

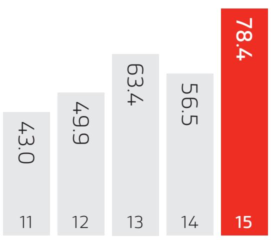
-3%



Net asset value (£m)

£78.4m

+39%



Read more in the Financial review from **page 27**

2015 at a glance

- 2,890 standards published
- 113k people trained
- 80k clients
- in 182 countries
- across 128k locations
- 3,525 employees

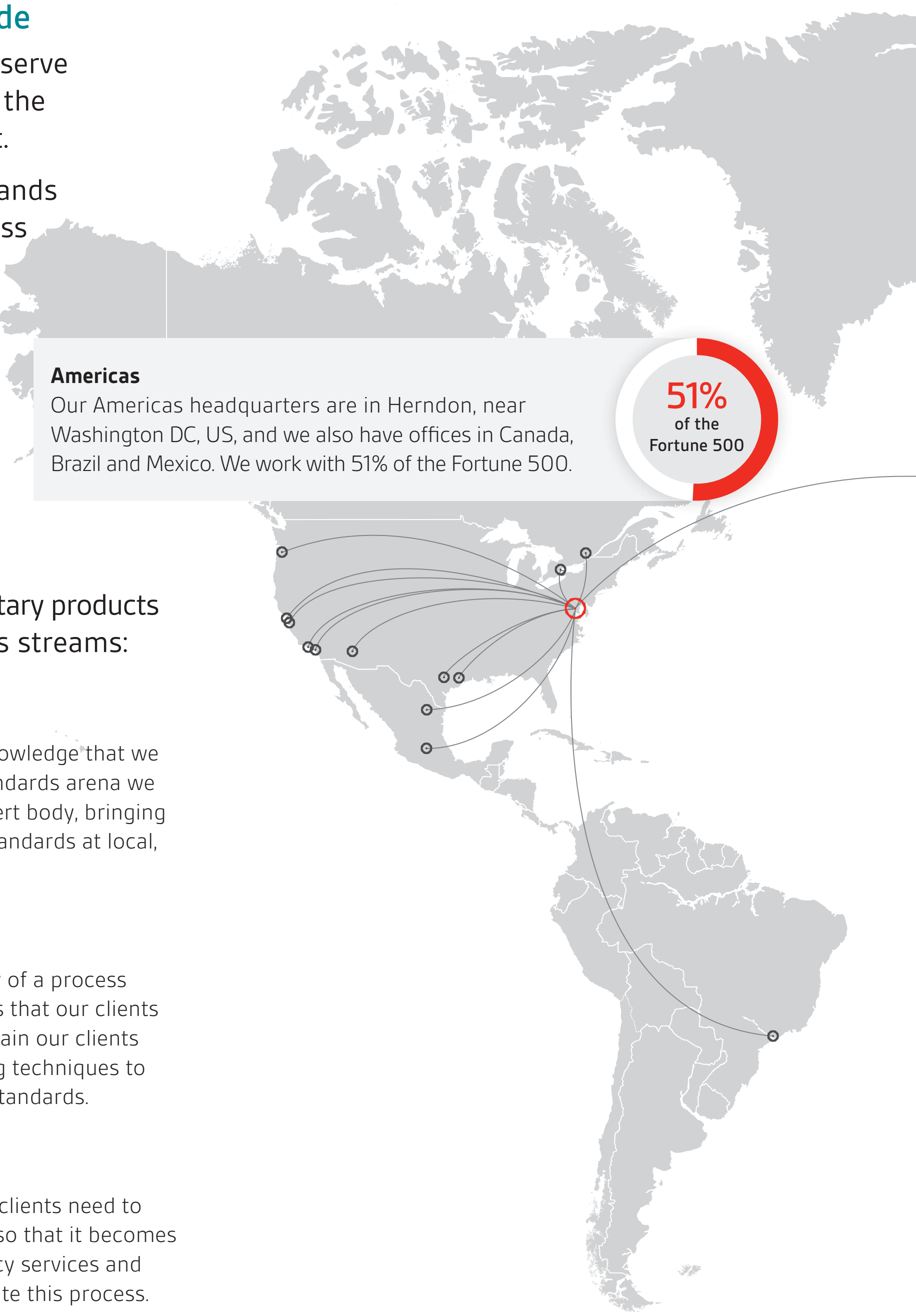
From creating standards to assessing best practice and training people to work more effectively, we help to embed excellence across organizations.

Imparting our global expertise worldwide

BSI is an integrated global enterprise, able to serve clients from 73 offices in 28 countries across the world. We have a presence on every continent.

Our clients range from globally recognized brands to small, local companies in 182 countries across a range of industries worldwide. They trust us for our expertise, for our integrity and because we are performance minded.

See our key strategic initiatives on **page 04**



Americas
Our Americas headquarters are in Herndon, near Washington DC, US, and we also have offices in Canada, Brazil and Mexico. We work with 51% of the Fortune 500.

51% of the Fortune 500

Our markets and opportunities

We provide a unique combination of complementary products and services, managed through three business streams:

Knowledge

17% of Group revenue

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

74% of Group revenue

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 train our clients in world-class implementation and auditing techniques to ensure they maximize the benefits of our standards.

Compliance

9% of Group revenue

To experience real, long-term benefits, our clients need to ensure ongoing compliance to a standard so that it becomes an embedded habit. We provide consultancy services and differentiated management tools to facilitate this process.

Our method:

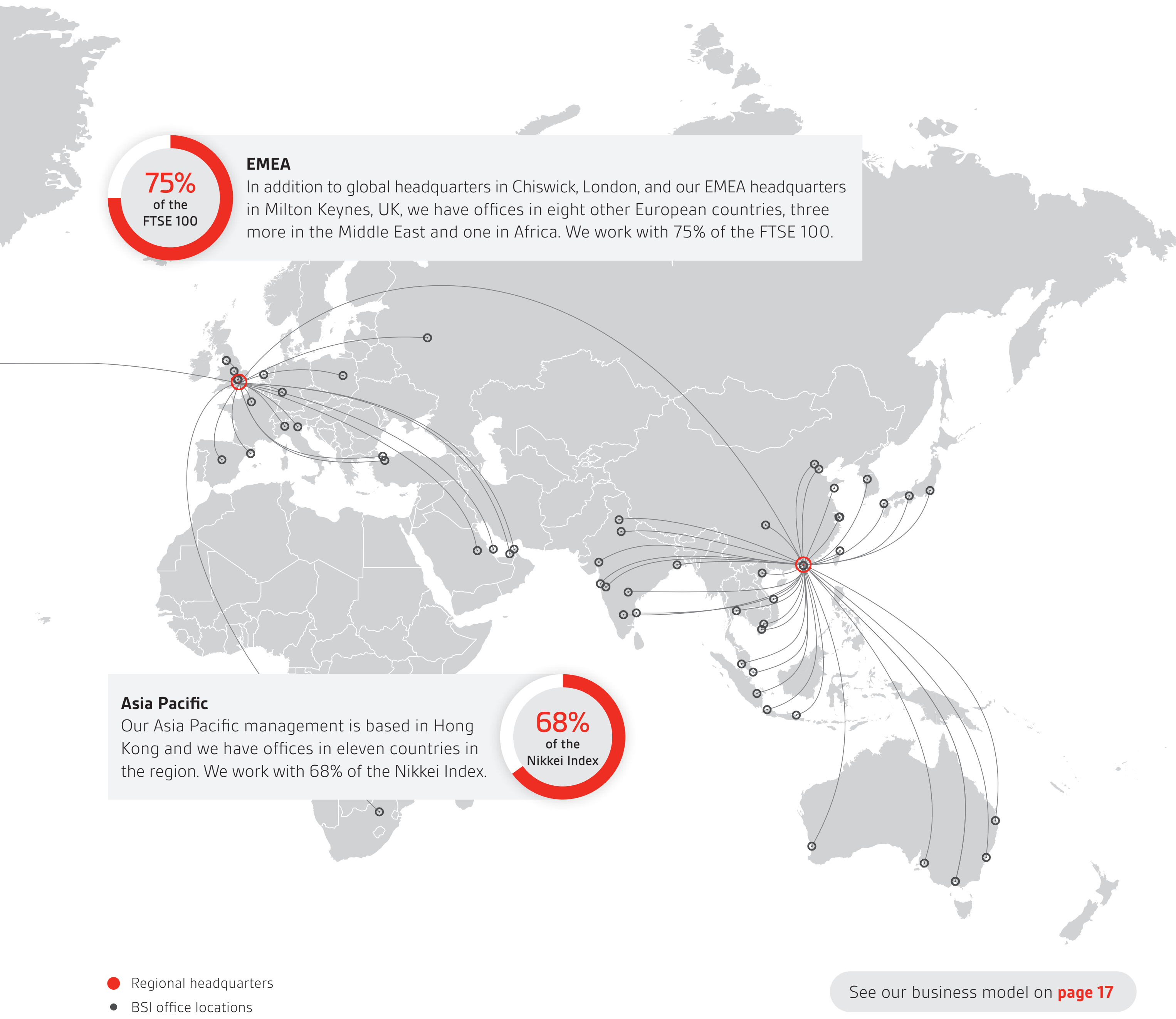
We provide a tailored offering, designed to align with the steps individual clients need to understand best practice, how to achieve this, and how to ensure that it remains an ongoing habit.

Shape

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

Share

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



75%
of the
FTSE 100

EMEA
In addition to 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. We work with 75% of the FTSE 100.

Asia Pacific
Our Asia Pacific management is based in Hong Kong and we have offices in eleven countries in the region. We work with 68% of the Nikkei Index.

68%
of the
Nikkei Index

See our business model on **page 17**

Embed

Our tutors and consultants transfer the knowledge and skills clients need to embed best practice in their organizations.

Assess

Our assessors measure products or processes against a particular standard, so that clients can both improve their organizations and promote themselves with confidence.

Support

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

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

We aim to be the knowledge leader providing the most relevant smart content, the most trusted authority for approving products and processes, the leading provider of organizational learning and development and the most innovative developer of expertise for continual improvement.

1 Organizational Resilience

Strategic initiatives

2 Expand our NSB* services: increase UK engagement and international development

- 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.

*NSB: National Standards Body.

3 Develop our Standards Publishing business into a knowledge solutions provider

- 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 Build a sustainable, higher margin, Systems Certification business

- Continue to invest in technology and training to ensure that we have the best and most appropriate service offering that meets our clients' needs.
- Optimize processes, ensuring effective operations and further enhanced client satisfaction.

Enablers

8 Identify and execute acquisitions

9 Address the challenges and opportunities of technology shift: the 'digitalization of BSI'

10 Develop strategic resource planning

11 Optimize business and IT processes and systems

12 Deploy effective go to market

- Develop leadership under the theme of Organizational Resilience
- Develop leadership in our chosen sectors of healthcare, food and built environment
- Develop leadership in our chosen domains of supply chain, information and operational resilience

5 Expand our global **Training** business and improve its margins

- Continue to invest in our Training Academy 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.

6 Globalize our **Product Certification** offering

- Concentrating on our chosen sectors, 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.

7 Build our **Professional Services** offering

- Make selected acquisitions to augment organically developed expertise as we grow our Consultancy business globally.
- Continue to develop our supply chain solutions and business improvement software to ensure that these remain cutting edge.

- Complement our organic growth with carefully selected, accretive acquisitions
- Take advantage of rapidly developing digitalization trends to create competitive advantage
- Plan to recruit, train, empower and engage employees to ensure a sustainable world-class workforce
- Improve the client journey and the employee journey with BSI to make both excellent experiences
- Continue to develop our global marketing and selling tools to optimize client experience and gain further synergy and efficiency

Our strategic KPIs by 2018

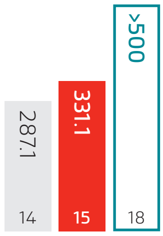
Our financial objective is to reach revenue of £500m by 2018, balancing our global portfolio of business streams and chosen domains.

Revenue (£m)

£331.1m

+15%

Our target revenue of £500m by 2018 will require organic growth, complemented by acquisitions, which will help us to build our critical mass across geographies, business streams and domains.

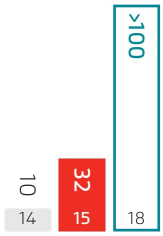


Revenue from acquisitions (£m)

£32m

+220%

We will continue to make targeted, accretive acquisitions to build critical mass in our existing business streams and experience and expertise in our newer ventures.

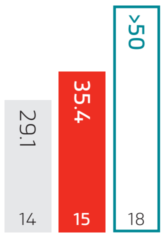


Underlying operating profit (£m)

£35.4m

+22%

Our revenue growth will be profitable so that we can generate cash to reinvest into our business.



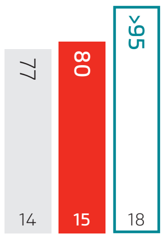
Clients ('000)

80k

+4%

*ARPA: average revenue per account.

As we grow we will expand our client base and intend to deliver more of our business streams to each of our clients, increasing our ARPA*.

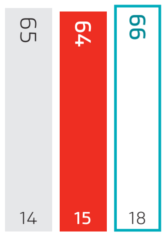


Client retention (%)

64%

-2%

It is important that our clients appreciate our services and keep coming back, year after year, so that we can build long-term relationships with them.



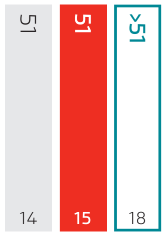
NPS* client satisfaction

51

+0%

*NPS: net promoter score.

Our NPS is extremely high and it is important that we maintain it, proving that our clients like working with us and will keep coming back.



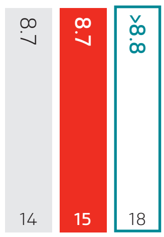
OSAT* client satisfaction

8.7

+0%

*OSAT: overall satisfaction.

Our OSAT is high and we will continue to work to improve this further so that our clients continue to do business with us.

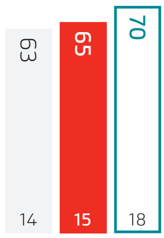


Employee engagement (%)

65%

+3%

We have improved our employee engagement score over recent years and aspire to be one of the top quartile of employers in the Hay index.



Every leadership team will agree that, to ensure lasting success, their organization must become 'resilient'. But what does this really mean in practice?

For more than a century we have continued to tailor 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.

Organizational Resilience

The ability of an organization to anticipate, prepare for, respond to and adapt to incremental change and sudden disruptions in order to survive and prosper.

There have been numerous management papers on how and why companies should embrace resilience in order to protect themselves from growing business threats. However, Organizational Resilience is based upon a much broader view of resilience as a value driver for organizations, enabling them to perform robustly over the long term.

Organizational Resilience reaches beyond survival, towards a more holistic view of business health and success. A resilient organization is Darwinian, in the sense that it adapts to a changing environment in order to remain fit for purpose.

BSI regards Organizational Resilience as a strategic imperative for all companies, large and small. This view is based on the newly published BS 65000 (Guidance on Organizational Resilience).

BSI's model is deliberately drawn as a positive feedback loop, with process excellence driving up product reliability, indivisibly linked to the people behaviour of an organization. Long-term resilience requires looking at your organizational capabilities holistically, enabling you to hold on to new ground, and to strive for continual improvement. The model further summarizes the defining qualities of resilient organizations – those that show them to be a breed apart:

Strategic adaptability – giving them the ability to handle changing circumstances successfully, even if this means moving away from their core business.

Agile leadership – allowing them to take measured risks with confidence and to respond quickly and appropriately to both opportunity and threat.

Robust governance – demonstrating accountability across organizational structures, based on a culture of trust, transparency and innovation, ensuring they remain true to their vision and values.

Strategic report
Corporate governance
Financial statements

BSI has identified three domains that are critically important in achieving Organizational Resilience.

Operational resilience

A resilient organization has a full understanding of how it is run and the environment in which it operates.

This includes identifying operational movements across its products, services and processes in order to meet the needs of its clients over time, through to how an organization values its people and governs itself. It requires demonstrable evidence that an organization is not complacent and is always challenging itself to improve performance and grow sustainably.

Supply chain resilience

As supply chain networks increasingly span continents and become more complex, the ability to quantify and mitigate supply chain risk throughout the procurement, manufacturing, transportation and sales lifecycle is paramount.

Organizations need to identify the critical risks to minimize disruption and help global operational, financial and reputational exposures.

Information resilience

In today's world, organizations must be trusted to safeguard sensitive information.

A resilient organization must manage its information – physical, digital and intellectual property – throughout its lifecycle, from source to destruction. This requires the adoption of information security-minded practices that allow stakeholders to gather, store, access and use information securely and accurately.

> Organizational Resilience is a positive, forward-looking 'strategic enabler', because robust, resilient organizations are flexible and proactive, seeing, anticipating, creating and taking advantage of new opportunities."

Howard Kerr
Chief Executive

Read more in the Chief Executive's review from **page 14**

Truly resilient businesses innovate, always staying one step ahead of competitors.

An organization that can pass the test of time

This is a strategic imperative for global businesses in today's dynamic, interconnected world. It reaches beyond risk management towards a holistic view of business health and success, thereby allowing leaders to take measured risks with confidence, making the most of new opportunities.

It helps organizations to prosper year on year, striving to stay ahead of competition through the creation of sustainable advantage. It delivers continual business improvement by embedding competence and capability across all aspects of an organization. Organizational Resilience is continually achieved over time through a number of elements, including ongoing relationships and interactions with stakeholders. It is not a one-off exercise.

Being a resilient organization is key to long-term viability and increasingly important in today's highly dynamic, interconnected world.

Less than 20% of the original members of the FTSE 100 from 1984 remain in the index today.

The average tenure in the S&P 500 is now just 18 years, down from 61 in 1958.

Product excellence

Organizations must ask themselves which markets they serve. Do their capabilities and products match these markets' requirements and comply with their standards and regulatory environments and, if not, how can they be adapted so that they do? Truly resilient businesses innovate, differentiating their offering to stay ahead of their competitors. These businesses are well equipped to take a lead where others follow.

Today's clients, and other company stakeholders, simply will not accept a sub-standard product or service. They will rightly complain and this has dangerous reputational implications. This represents a risk to be recognized and managed. Conversely clients can be much more powerful advocates than any advertising or marketing can ever be – and here lies the opportunity.

Resilient organizations ensure that they ‘do the basics right’ consistently.

Process reliability

Embedding best practice in developing and marketing products and services is a key component of success. Resilient organizations ensure that they ‘do the basics right’ consistently through the strength and reliability of their processes, while still leaving scope for innovation and creativity.

Business-critical processes in the management of areas such as quality, environment, health and safety, information security and business continuity must be robust and compliant, both within an organization and also throughout key parts of its supply chain.

People behaviour

Resilient organizations seek alignment between client expectations and employee engagement. Today’s chief executives are inclusive and consultative, not simply dictating rules to be followed, but encouraging employee behaviour to become an integral part of their job and their organization’s culture.

The challenge to chief executives is to understand, articulate and demonstrate their organization’s values clearly, so that everyone ‘lives’ them, not because they have been told to, but because ‘it is the way we do things around here’.

> “It’s not just the Big Bang issues you need to watch for.
>
> I believe people overestimate the impact of change in the short term and underestimate its impact in the long term.”
>
> **Teemu Kangas-Karki, Fiskars**

Responsibility comes from the top.

A proven need

In 2015, a research study by The Economist Intelligence Unit, commissioned by BSI, of over 400 business leaders across the globe, tested the principle of Organizational Resilience and found that it resonated very strongly, validating BSI's approach.

> "If you wait for the world to change before you react it will be too late.
> Being open to change and willing to question your assumptions, is what ensures sustainability and creates value in the future."
>
> **Fay Hoosain, Sasol**

88%
said that Organizational Resilience is a priority for their business

Only 29% said that resilience-orientated practices are currently embedded in their business

Organizational Resilience was seen as critically important

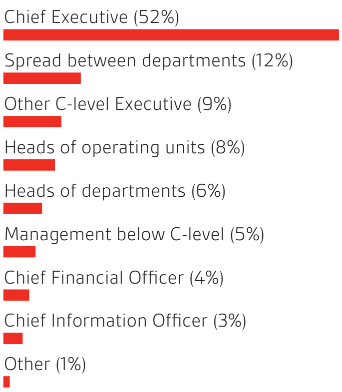
Only 44% said that they expected Organizational Resilience to be embedded fully in three years' time

61%
claimed that Organizational Resilience is a source of competitive advantage

80%
said that Organizational Resilience is a prerequisite for long-term growth

Responsibility comes from the top

Responsibility for Organizational Resilience resides with the Chief Executive, according to the EIU research.



Chairman's statement

Sir David Brown, Chairman

BSI's high reputation continues to be maintained and the power of its brand continues to strengthen.

"BSI performed strongly in 2015, recording higher levels of revenue and profit than ever before in its 114 years."

I am pleased to be able to report that BSI performed strongly in 2015, recording higher levels of revenue and profit than ever before in its 114 years. Our strategy of pursuing a judicious blend of organic and acquisitive growth is continuing to enable us to enhance the value we deliver to our clients, both in our long-established markets and in markets new to us, without compromising BSI's financial strength. In 2015 we experienced better economic conditions than in recent years, not least because BSI was not materially exposed to the globally challenging conditions in the oil, gas and mineral sectors. We continue to realize the benefits of having continued to invest in the business through the years of downturn in the global economy, delivering growth in underlying revenue for the sixteenth consecutive year, of 15% year on year to £331.1m, and growth in underlying operating profit of 22% to £35.4m.

The three acquisitions in 2015 were made without recourse to external debt and we ended the year with £51.0m of cash, only 3% lower than the level at the start of the year.

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 2015 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.

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, 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 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.

The retirement of three long-standing Non-executive Directors occasioned some changes to the Board of Directors during 2015. Dr John Regazzi, a Non-executive Director, retired on 31 May 2015 after nine years on the Board. Dr Tom Gorrie, a Non-executive Director and Chairman of the Social Responsibility Committee, retired on 31 August 2015 after six years on the Board and Anthony Lea, the Senior Non-executive Director, stepped down as Chairman of the Audit Committee on 31 May 2015 and retired from the Board on 30 September 2015 following nearly nine years of service. The Board is very grateful to them for their distinguished service to BSI and wishes them every future happiness. Alicja Lesniak, who was appointed Board Advisor in 2014, was appointed Non-executive Director on 1 June 2015 and became Chairman of the Social Responsibility Committee on 1 September 2015. Lucinda Riches, a Non-executive Director since 2012, became Chairman of the Audit Committee on 1 June 2015 and was appointed Senior Non-executive Director on 1 October 2015.

"We apply the principles of the UK Corporate Governance Code where applicable and, in doing so, have established internal governance processes that reflect best practice in business today."

Dr Stephen Page joined the Board as Non-executive Director on 1 September 2015. Stephen has a wealth of experience in IT transformation and corporate risks such as cyber security. He is currently a Non-executive Director of the National Crime Agency and of the British Library. Douglas Hurt joined the Board as Non-executive Director on 1 November 2015. A Chartered Accountant, Douglas held many senior roles in the GlaxoSmithKline Group and was latterly Group Finance Director of IMI PLC. He is currently a Non-executive Director of Tate & Lyle PLC and Vesuvius PLC.

We were delighted to welcome Stephen and Douglas to the Board, where they are applying 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 2015 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.

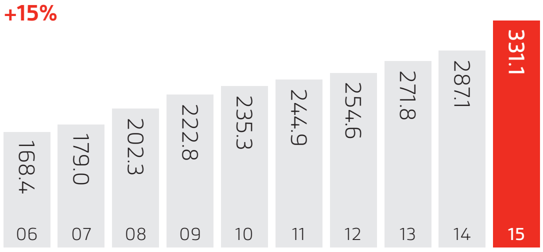
As we begin our 115th year, the Board is confident that 2016 will be another year in which, together with all BSI's stakeholders, we can look forward to both capitalizing on our profound strength and continuing to invest in building the capacity to deliver yet more for all those who depend on BSI, all around the world, and to continue to earn the trust they place in us.

Sir David Brown
Chairman
22 March 2016

Underlying revenue (£m)

£331.1m

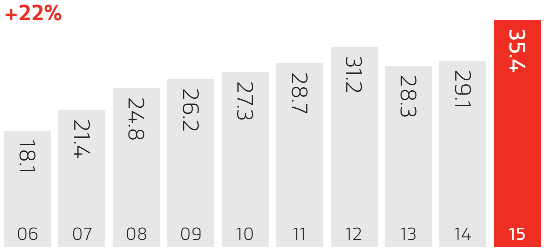
+15%



Underlying operating profit (£m)

£35.4m

+22%



The financial results provide a healthy base for further growth.

"Our focus continues to be 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."

Summary
Over the past few years BSI has become an integrated global enterprise able to serve clients across the world from our network of offices. We are able to provide clients with geographical coverage of each of our business streams and are continuing to develop our third 'dimension' of industry sectors and business domains where we are particularly strong and are emerging as thought leaders. We have a unique product and service offering, combining our business streams of Knowledge, Assurance and Compliance to work with our clients to ensure that their businesses are robust and will stand the test of time. This concept of Organizational Resilience is the natural consequence of the building blocks of the strategy that we have been putting in place over recent years and is discussed in further detail on pages 7 to 11. I wrote last year that in 2014 we were able to accelerate the implementation of our strategy. This process has continued during 2015 and the strong financial results delivered during the year demonstrate the success of the strategy and provide a healthy base for further growth in the future.

2015 was an unusual year in a macro-economic sense. On the one hand we experienced overall global trading conditions that continued to improve from the recession of the recent past, but on the other hand there were regional areas of concern relating to the relative slowdown in the Chinese economy, low oil and mineral prices and security issues in the Middle East. As a result, many of our listed competitors in the Testing, Inspection and Certification (TIC) sector released results which continued to be below their own, and market, expectations. BSI is only really present in the Certification part of the TIC sector, and complements its strong offering in this area with those from its Knowledge and Compliance business streams, so the comparison is only partial, but these market forces do impact us significantly. In 2015 Sterling was more stable than it had been in 2014, and so our results were affected less by currency movements than they were last year. However, BSI works in many different countries and our results are impacted by the relative strengths of the currencies on the world stage, so our results are always liable to fluctuation for this reason. Throughout 2015 BSI has continued to develop and enhance its geographical, business stream and domain footprint to ensure that we remain well hedged against external business cycles, whether global or local, sector or currency related. As we develop internationally, our natural hedging against all of these cycles improves but it will never be perfect and we will continue to manage this process.

Given the issues in the world economy during 2015 it is pleasing to report that BSI once again demonstrated its resilience to record higher levels of revenue and profit than ever before in the 114-year history of the Company. Revenue for the year was £331.1m, an increase of 15% on the £287.1m reported in 2014. This increase can be subdivided into 9% organic growth and 6% from our acquisitions in the US and South Africa. New sales orders, which will translate into revenue over time, grew by 27%, which can be split 11% organic, 15% inorganic and 1% from exchange, which was encouraging and will support our future growth plans.

"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, which guide us in everything we do. Our people make BSI what it is today."

The investments of 2013 paid back as expected in 2014 and again had the effect of leveraging the 2015 profit generated by the strong revenue performance. Underlying operating profit was £35.4m, 22% higher than in 2014 and another new record for BSI. Operating profit was 11% higher than in 2014 at £34.1m.

Our business remains in robust financial health. We ended the year with no external debt and with £51.0m in cash. This is 3% lower than at the end of 2014 but includes the effect of £19.7m spent on acquisitions during the year, a further contribution of £12.5m into the UK defined benefit pension fund and continued investment into the infrastructure, systems and people of our business.

Structure

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

During 2015 we made one change to the matrix structure of our organization with our Training sub-stream moving out of Compliance and into Assurance, where it links more closely with our Systems Certification, Product Certification and Healthcare businesses to provide a more co-ordinated product offering to our clients. Our 2015 acquisitions of Environmental and Occupational Risk Management Inc. (EORM) and Hill Country Environmental Inc. (HCE) are consultancy businesses whose results are included in our Compliance stream. The results of the acquisition of the PricewaterhouseCoopers South African systems certification business are included in our Assurance stream.

Our focus continues to be 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. This third dimension is manifesting itself under the umbrella of Organizational Resilience, in the domains of operational resilience, information resilience and supply chain resilience. We have made good progress in defining this space in 2015 and will continue to invest in strengthening our portfolio of products and services through dedicated management in these chosen areas.

Likewise we enjoy strong market positions in our industrial sectors of focus, healthcare, food and the built environment, and work hard to ensure that we leverage these positions for the benefit of our clients.

Investments

In recent years we have invested continually in our IT systems and the rest of our infrastructure as many aspects of our business undergo a process of digitalization and we rely more heavily on online contact with our clients. This trend continued during 2015 with further developments in our Knowledge stream, particularly in the way we work with our Subscribing Members and deliver 'smart' content, and in our Compliance stream, where we have also invested to enhance our Entropy Software and Supply Chain Solutions offerings.

Over the past year we have invested heavily in the area of IT infrastructure, increasing the capacity and resilience of our data centres. This lays a strong foundation for the continuing alignment of the systems landscape with the overall business strategy and for the improvement of the journey enjoyed by our clients and employees alike. With this as a strong foundation we have defined a roadmap for the future integration, co-ordination and development of our internal IT systems and business processes which will be implemented over the next three years to ensure that we remain in a strong position to expand our client and employee digital interface in line with our business requirements.

We also continue to invest in the further development of innovative new standards that not only meet the needs 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 benefit of standards and standardization. As a result, interest in what BSI has to offer has increased significantly.

We continue with our strategy of combining organic growth with accretive inorganic growth, and completed three acquisitions in 2015. The first of these was in January with 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. In June EORM itself announced the acquisition of Hill Country Environmental Inc. (HCE), an environmental consultancy business based in Austin, Texas, US. The combined business now has 176 employees and contributed revenue of £21.9m to BSI in 2015. These were exciting acquisitions for BSI as they provided immediate critical mass for our US Consultancy business and an expert base for international expansion. Also in January we completed the purchase of the PricewaterhouseCoopers systems certification business based in Pretoria, South Africa. On acquisition this business employed four people and had an annual revenue of £0.2m. 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

In addition to our capital expenditure programme we also continued to recruit further employees during 2015, particularly in the key client-facing areas of sales and delivery. On average, during the year, we had 3,525 people working for us, including the 180 who joined us as a result of our US and South African acquisitions. This is a total increase of 7%, of which 2% was organic. We are proud to employ a talented global workforce which provides 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, which guide us in everything we do. Our people make BSI what it is today.

It is a measure of the stability of the senior management of BSI that there have been no changes to either the Group Executive or Operational Executive teams during 2015. These teams work hard to create and implement the strategy of BSI and to provide the solid base upon which the rest of the Company delivers its results.

At the core of this strategy is the recruitment, development and retention of our employees. They provide the expertise and professionalism that differentiate our products and services from those of our competitors and build the trust and confidence that convince our clients to work with us and to continue to work with us. Building and maintaining this expertise is, therefore, critical to our success and we have continued to invest in their professional and career development. During 2015 we completed our eighth 'Leadership Challenge' programme. More than 100 of our senior managers are now alumni of this nine-month programme, with retention rates high amongst those who have graduated. At the next level we held another four 'Foundations of Management' courses, with Australia, India and the US participating in this scheme for the first time. These two development programmes are supported by the more operational level 'Standards and Publishing Academy', 'Sales Excellence Academy' and 'Operations Academy', meaning that our people continue to lead the way in their technical excellence.

In the third quarter of 2015 we undertook our fourth global employee engagement survey. Participation rates for this were an excellent 83%, a solid improvement on the last time we completed the survey in 2013. Progress was positive, although not as fast as we would have liked. We are already at the Hay Group Global Industry (GI) Norm for Employee Enablement, but made only small progress towards our immediate goal of the GI Norm for Employee Engagement. This will be an area of focus for senior management before the next survey in two years' time. Finding and retaining the best people remains an ongoing challenge for us. The results of this survey help point us in the direction of areas where we may fall short of the mark but progress has been made and it remains our objective to move past the GI Norm towards the High Performer (HP) score for both measures in the near future.

Clients

Once again we delivered our products and solutions to an increasingly diverse client set and have supplied products and services to a record number of clients. Using a new, more accurate, measure this year we have worked with around 80,000 clients over the past twelve months. This is an increase of about 3,000 on 2014, helped by our acquisitions. We have maintained our high net promoter score, which means that the vast majority of our clients score us nine or ten out of ten for our service. These clients have an average business tenure with BSI of eight years, and work from over 128,000 sites in 182 countries worldwide.

We work with clients of all sizes, from large, multinational companies to small and medium-sized enterprises alike. They benefit from working with BSI. We know this because they tell us so. Over 87% of clients who responded to our latest client satisfaction survey scored us eight or more out of ten for client satisfaction and just 4% considered themselves dissatisfied with our service.

Our brand and reputation remain 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 high standards and that is why our clients work with us and keep coming back to us.

Outlook

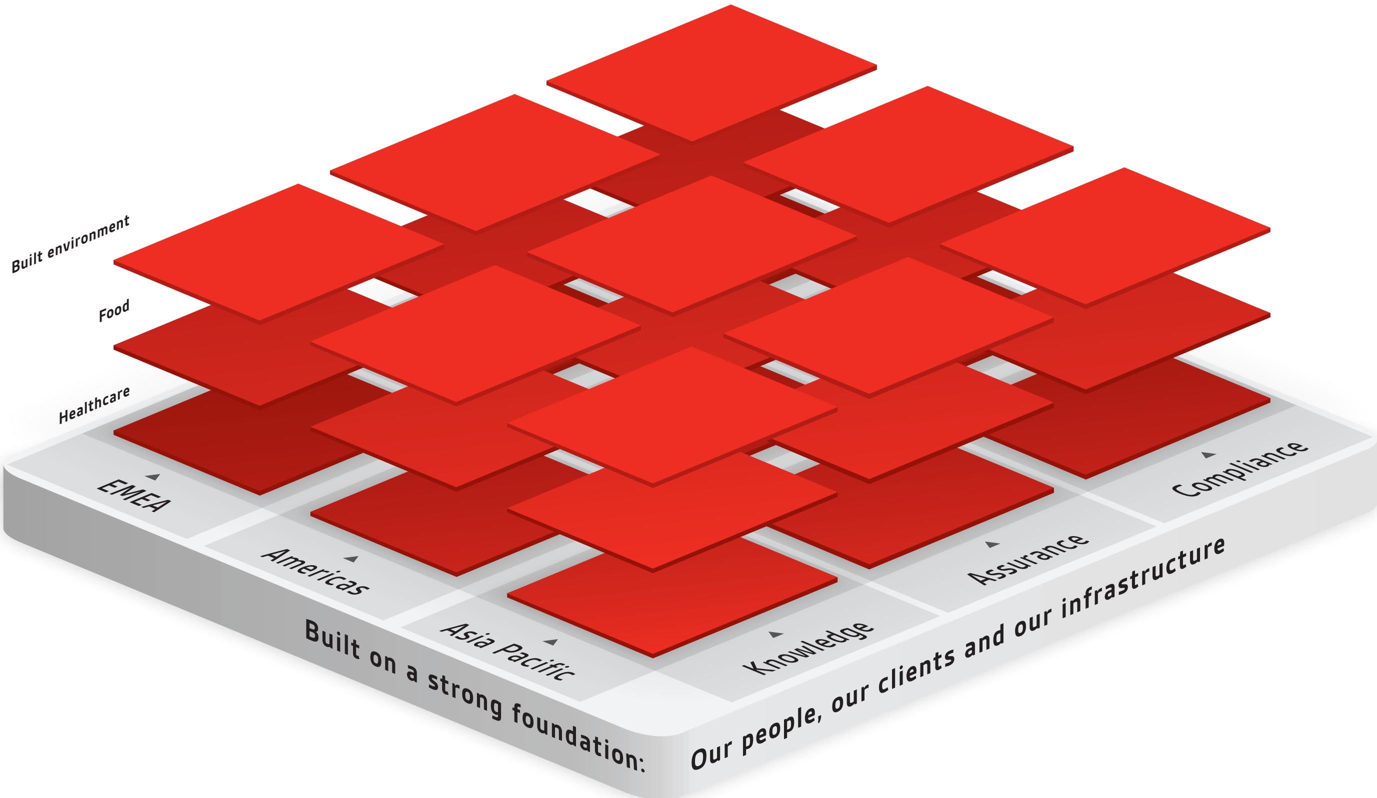
Despite pockets of uncertainty in the world economy, we found that the overall business climate was more stable than it was in 2014. Certainly we did not have to contend with the significant currency fluctuations experienced in the recent past. However, we do enter 2016 with some reasons for caution. Growth in China has slowed. Oil prices are still very low, and this is affecting markets globally, but particularly in the Middle East. The political repercussions of the various conflicts across the world and the mass migration into Europe are affecting markets just exiting a severe recession. Fears of a British exit from the European Union may affect growth in the UK and there is a presidential election during the year in the US – our second largest market. However, our diversified portfolio puts us in a strong position to face these challenges with optimism.

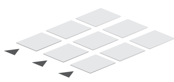
Indeed, BSI delivered record results in 2015 despite a similar backdrop of issues. Our strategy of developing our business geographically, by business stream and by domain, provides a strong natural hedge against most specific issues and so we approach 2016 with an overall optimism, albeit while watching carefully the economic developments of our business world. We continue to complement this organic growth with carefully selected accretive acquisitions, leveraging the strong cash-generative nature of our business to optimal effect. We will continue to implement our strategy as we have done in prior years and look forward to driving BSI to further success in 2016 and beyond.

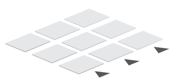
Howard Kerr
Chief Executive
22 March 2016

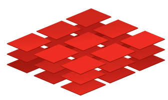
We deliver a portfolio of products and services across three geographical regions to a whole spectrum of domains.

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









A strong foundation

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

We continue to invest in all three of these, improving the engagement of our employees, the satisfaction levels of our clients and the efficiency of our processes and systems.

Our regions

We impart our global expertise worldwide. BSI is an integrated global enterprise, able to serve clients from 73 offices in 28 countries across the world. We have a presence on every continent.

Due to this network we are able to offer a personal service to each of our clients, from the small and medium-sized enterprises to the largest multinational company.

Our business streams

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

It is a tailored offering, designed to align with the steps individual clients need to achieve best practice and to ensure that it remains an ongoing habit.

Our domains

Although we work with 80,000 clients in a range of industries we have our areas of specialization, the industrial sectors or business themes where we are really thought leaders.

We continue to develop this approach and our clients show their appreciation by giving us great feedback and by working with us in more and more of our business streams.

Performance by geographical region

EMEA

Revenue (£m)
£167.0m
2014: £155.7m

7% growth
(+9% at constant exchange rates)

Employees (incl. head office)
1,685
2014: 1,551

Proportion of total revenue
50%

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

Our EMEA region is fairly diverse, with two large businesses in the UK and smaller businesses managed, as sub-regions, in Central Europe, Southern Europe and the Middle East and Africa. Particularly in 2015 the trading conditions were very different between these sub-regions and, as such, the combined result of a revenue growth of 9% at constant exchange rates was a strong performance.

In the UK Assurance and Compliance business, the strong momentum from 2014 continued throughout the year and we performed well across all business streams to deliver 9% revenue growth. The more focused leadership approach discussed last year continued to have the desired positive impact on client experience and value creation. Indeed the employee engagement survey undertaken at the end of the year demonstrated the benefits experienced by our employees with ratings far higher than reported in the last survey in 2013.

The Middle East and Africa sub-region performed extremely strongly in 2014 but we were adversely impacted in 2015 by the effect of the relatively low oil price on many of our clients. As a result the business underwent some restructuring in the latter part of the year and, under the circumstances, did well to perform to expectations for the year as a whole, recording overall revenue growth of 11% at constant exchange rates in the process. Pleasingly, the systems certification business acquired from PricewaterhouseCoopers in South Africa in January performed ahead of its plan and added some major new clients during the year.

The economic climate in Southern Europe proved slightly more accommodating than it did in 2014 and previous years, although security issues in Turkey had a negative impact on business confidence in that country. However, each component country in this sub-region, Italy, Spain, France and Turkey, managed to grow its revenue during the year, leading to an overall growth of 15% at constant exchange rates.

In Central Europe the largest part of the region is our German business, which has experienced some difficulties in the recent past. Here the leadership team has concentrated on the successful turnaround of the Systems Certification and Training businesses, which are now driving value. The decision was taken during the year to close the German Medical Device Notified Body (NB) and integrate the business activity into our main UK NB. We expect this transition process to be completed in the first quarter of 2016. Outside Germany there were strong performances in the Netherlands and in Russia, despite the well-publicized political tensions, economic sanctions and devaluation of the Rouble.

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 2015, while our Assurance and Compliance business grew 10%, making 9% for the region as a whole.

Americas

Revenue (£m)
£91.1m
2014: £61.6m

48% growth
(+43% at constant exchange rates)

Employees (incl. head office)
678
2014: 543

Proportion of total revenue
28%

Offices
The US, Brazil, Canada and Mexico.

Our Americas region delivered an overall revenue growth of 43% in 2015 at constant exchange rates. Of this, 12% was organic and the rest was inorganic, taking into consideration the acquisitions of EORM and HCE in 2015 and the disposal of the NCSI American business in 2014. The organic growth performance was outstanding and made the Americas our fastest growing region in 2015.

The economy in the US and Canada was positive during the year and the business prospered in these conditions. Trading in both Assurance and Compliance was strong, with the Systems Certification business developing well and placing itself in a very strong position to take advantage of the market as it develops in 2016 and beyond. This business also benefited from the new regional approach to managing its operations and delivery. However, Training growth slowed as companies waited for the introduction of the major new standards before committing to courses. Our Healthcare business grew by around 15% and continued to establish itself as the clear market leader in this industrial sector in the US and Canada. Another success during the year was Supply Chain solutions, which continued to expand significantly.

Of course the main events during 2015 were the acquisitions of two consultancy businesses, EORM in January and HCE in June. These acquisitions gave us immediate critical mass in a new business area for us and access to strong management and delivery capabilities from which to expand the business across the continent from their bases in California, Oregon and Texas. Both businesses have assimilated well into BSI and are benefiting from the large client base, complementary product offering and strong brand position that we can contribute to them. Their performance in 2015 was in line with our expectations and we look forward to further profitable expansion in this area, both organic and inorganic, in the future.

In the Americas region outside the US we have businesses in Mexico and Brazil. Both countries have faced structural issues during 2015, Brazil in a macro-economic sense and Mexico economically, politically and from a security point of view. In light of this the Brazilian business was restructured and delivered a strong turnaround in profits. Following a slowdown in 2013, Mexico gained momentum during 2014 and continued that improvement in 2015, delivering over 20% revenue growth at constant exchange rates and driving further value to the bottom line.

Asia Pacific

Revenue (£m)
£73.0m
2014: £69.8m

4% growth
(+7% at constant exchange rates)

Employees (incl. head office)
1,162
2014: 1,191

Proportion of total revenue
22%

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

The eleven countries of our Asia Pacific region combined to produce a much improved performance in 2015. Revenue growth, at constant exchange rates, was 7%, but the transformation project, which began in 2014 and continued throughout the year, improved efficiency to drive far more significant value from the business. One of the issues facing Asia Pacific is the slow start to the calendar year, caused by the slowdown in business across the majority of the region due to Chinese New Year celebrations. In the past this has resulted in a 'back-ended' profit delivery. The effect cannot be mitigated entirely, but careful planning and marketing and strong client focus across the region in 2015 meant that we achieved profitability a full five months earlier than we did in 2014. This is an exceptional performance and has led to a far better balanced business as a base for future growth.

The three largest countries in Asia Pacific from a BSI perspective are China, Japan and Australia. The economic slowdown in China is well documented, but our business continued to grow and significantly improved its profit margins. In Japan we completed the restructuring programme described last year and invested in new Training facilities. Despite this disruption the business delivered strong, profitable growth and we are now the market leader in the medical devices sector.

Our new management team in Australia consolidated the integration of the business acquired in 2013 and delivered strong revenue growth despite the weak minerals and mining sector and weakening local currency.

Outside these larger countries India had an outstanding year, with record levels of revenue and profit, and Taiwan continued its steady, profitable development. All of our smaller ASEAN countries delivered a profit during the year for the first time. Korea experienced a difficult year, with a change in management early in 2015 and then the loss of some of its delivery resource later in the year. A restructuring plan is in place and we expect better results in 2016.

From its base in Australia, our Food Centre of Excellence expanded throughout the region, with critical mass achieved in Indonesia, Thailand, Vietnam and India. The model is well established now for further expansion into other regions of BSI. An infrastructure was developed for supplier verification and several global projects were implemented during the year.

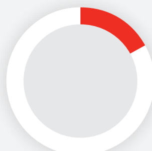
Performance by business stream

Knowledge

Revenue (£m)
£56.3m
2014: £52.8m

7% growth
(+7% at constant exchange rates)

Proportion of total revenue
17%



Building on the reorganization during 2014, the Knowledge Solutions business (previously called Standards and Publishing) had a strong year with revenue growing by 7% at constant exchange rates. This growth was driven predominantly by the ongoing success of our flagship product, British Standards Online (BSOL), direct digital services, international partner programmes, licensing and standards development solutions. Revenue mix was again favourable, with larger increases in digital products with relatively higher margins. This allowed our profitability to remain high.

It is rare that, in a single year, there were four major standards published: ISO 9001 (Quality Management), ISO 14001 (Environmental Management), BS 5500 (Pressure Vessels Specification) and BS 7671 (Wiring Regulations). All presented good sales opportunities for us. Through focus on our target markets we have seen year-on-year growth in each of Americas, Asia Pacific and EMEA as well as our core UK market. Our membership revenue showed modest growth despite a slight decline in membership numbers. Our International Projects division grew substantially in 2015, delivering projects around the world, including in India, Mongolia, Jordan, Turkmenistan and China and winning new assignments in Egypt, Rwanda and Malawi.

Performance by business stream continued

We have made further investment in our digital solutions, product delivery platforms and content creation assets as we continue our digital information services transformation. Our online shop revenues have continued to grow with our clients wanting digital rather than physical editions of standards, particularly the new revisions of the ISO 9001 and ISO 14001 standards. Our prime digital solutions, including BSOL, Compliance Navigator and Eurocodes PLUS+, have all seen strong year-on-year sales growth. We have used our Standards Solutions services to address market needs and grow revenue by creating Publicly Available Specifications (PAS) in prominent areas such as the High Speed 2 (HS2) rail link, carbon management, smart cities, smart working and building information modelling (BIM).

In our evolving market, we maintain our focus on our clients' needs and meet these through our digital capabilities, both as a standards developer and as a knowledge solutions provider. We continue with our investment in smart content, new products and platforms and expansion into new geographies. Our existing scale and market leadership provide a robust level of resilience to changing market pressures. 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 solutions across their organizations.

Assurance

Revenue (£m)

£246.6m

2014: £229.5m

7% growth

(+8% at constant exchange rates)

Proportion of total revenue

74%

Systems Certification

Our largest business stream, Systems Certification, reported 7% growth at constant exchange rates and improving margins, in line with our strategic initiatives, as our focused growth strategy project was implemented to develop high quality revenue. We made significant investments in training and marketing ahead of the transition to the new versions of our two largest standards, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management), and became the first Certification Body to be accredited to these new versions at a global level. We have already helped many clients to embrace these changes and will continue to do so in 2016 and beyond.

Although the transition was our major focus in 2015, we also launched, along with the Independent International Organization for Certification (IIOC), the 'assuringsuccess.com' campaign aimed at promoting the value of Assurance services delivered by the leading Certification Bodies.

Although the successes of Systems Certification came from all regions of BSI, our growth was impacted by slowdowns in the Middle East, due to the falling price of oil, and Korea, due to a transition to new leadership. However, it is good to report that the turnaround of our previously problematic German business continued and our Japanese operation, despite trading in a particularly competitive local market, returned to significant growth while restructuring its delivery function. In addition the small acquisition in South Africa boosted our regional presence.

Product Certification

It is good to report that the success of the structural changes reported in 2014 have continued into 2015. Revenues again grew by 7% at constant exchange rates. The Product Certification stream has delivered growth above inflation in our traditional markets of the UK and China, and more significant growth in our newer markets, Australia, Southern Europe and the Middle East. Our strategic initiative to globalize the stream is proving successful, with roughly half of the total revenues in 2015 resulting from clients outside the UK.

In the final quarter of 2015 we launched three major new products. We introduced a Verification Licence for building information modelling (BIM); this product was built collaboratively with key stakeholders in industry and the UK Government and will be extended to a Kitemark™ scheme in the first quarter of 2016. We already have a number of significant construction clients for this scheme. In December, we were accredited to certify to 'Cyber Essentials' and 'Cyber Essentials plus' to support clients who will need to demonstrate this level of cyber security to be able to trade with the UK Government. At the same time we also created a Digital Security Kitemark which demonstrates excellence in organizational cyber security for businesses that are looking to demonstrate that they are taking all reasonable steps to protect their clients' personal and financial data. Finally we have introduced a Kitemark for Client Service, again launched to support businesses in showing that they are focused on delivering excellence while working with their clients.

Training

Following an internal restructuring, Training now forms part of our Assurance business stream. Prior year results have been restated for comparability.

2016 was a challenging year for Training. Revenue growth was limited by the impending transitions of two of our major products, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). Many of our clients have chosen to delay their training requirements until after the new versions were launched. This was late in the year and, as a result, our sales only picked up towards the end of the year. Despite this, revenue still grew by 4% at constant exchange rates and margins continued their improvement, in line with our strategic initiatives. This was predominantly due to an increasing number of our Training businesses around the world reaching maturity, coupled with the introduction of a complete portfolio of training courses based on the new versions of ISO 9001 and ISO 14001.

A significant change to the business during 2015 was the harmonization of the commercial and internal training functions to standardize and enhance the quality of training for both internal and external clients. In addition we introduced live remote classroom training techniques in the US, and are looking to apply these in other regions going forward.

Healthcare

The Healthcare sector reported strong growth in 2015 in all geographical regions; at constant exchange rates this was 18%, driven by strong performance across the world. Our Medical Device Notified Body (NB) Product Certification activities performed very well, particularly in the large US market where we are the clear market leader. However, the decision was taken to combine our UK and German NB activities and so it was announced that the German NB will close in 2016. Medical Device certification also recorded growth rates in excess of 20% in both Asia and in the European medical device assessment market.

BSI's Medical Device Certification schemes continued to grow geographically with strong performances in Saudi Arabia and Malaysia, and in our well established Japan Pharmaceutical and Medical Device schemes. This year also enabled BSI to develop a leading presence within the Medical Device Single Audit Programme (the US, Canada, Australia and Brazil), which positions BSI well to capitalize on this significant long-term opportunity.

For BSI, 2015 was the year in which we established an increasing Pharmaceutical presence with significant global partnerships in Pharmaceutical Good Manufacturing Practice (GMP), with a focus on GMP audit of suppliers of active pharmaceutical ingredients and excipients to the leading global manufacturers. The Pharmaceutical GMP activity fits hand in hand with our increasing portfolio of healthcare activities, delivering patient protection and driving excellence.

Compliance

Revenue (£m)

£28.2m

2014: £4.8m

32%
organic growth

(+29% at constant exchange rates)

Proportion of total revenue

9%

Consultancy

The acquisitions of EORM, in January, and HCE, in June, built a robust environmental health and safety (EHS) Consultancy portfolio for BSI in the US, with offices in California, Oregon and Texas. The combined business performed to plan in 2015 and has strong expectations of growth, both organically and inorganically, for 2016. The business was rebranded BSI EHS Services and Solutions in the first quarter of 2016.

This business helps companies comply with a complex array of EHS regulations, standards and best practices, and advises them how to improve their overall performance in this area. We provide both technical and management consulting, with a deep bench of industrial hygiene, safety and environmental experts into industrial sectors including technology, healthcare, manufacturing, construction and energy. Clients across BSI are now benefiting from the broader product range with delivery regulated by a code of conduct to avoid conflicts of interest in the accredited space.

Outside the US our confidence in the EMEA Consultancy business continues to grow. During the course of 2015 we have added delivery resource to the team and significantly extended the client base. We have undertaken and continue to work on projects across the region with clients in the Middle East, France, Germany, Italy and the UK. Projects range considerably in size and scope and we enter 2016 with a meaningful order book and a high level of optimism.

Supply Chain Solutions

Our Supply Chain Solutions (SCS) business had a very strong year in 2015 with, at constant exchange rates, new sales increasing year on year by 43% and revenue almost doubling. Three of the four parts of our business, Software Sales, BSI Verification and Supply Chain Consultancy, contributed materially to this performance, with all reaching record levels of revenue. Our Supply Chain Risk Exposure Evaluation Network (SCREEN) product had a slower year, although we have continued to invest in the product, which has received good client feedback.

Our business intelligence software extension into social and business continuity risk has been well accepted by existing and prospective clients, with most new sales in this area now being either multi-module or multi-scheme based.

During the year our SCS business also validated itself as a one-stop association provider, offering audit management, software, intelligence and auditing services. This remains an important business development area for BSI, particularly as we establish ourselves in the supply chain verification arena. We expanded our client base in 2015 and are well positioned, with a growing team of dedicated resource, to expand still further in 2016 and beyond.

Entropy

Entropy had a difficult year, with revenue down 9% on 2014 at constant exchange rates. The business was reorganized during the year and two of the modules were frozen, resulting in an asset impairment. However, there is now a clear roadmap for the future, based on the core values of Entropy as a tool to support the Assurance and Compliance streams. Solutions experts have been brought into the business to support the new focused approach.

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 are 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, functions, 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 2015
During 2015 the Board reviewed the reporting of risk throughout the Group. A risk workshop was held with the Group Executive with a view to streamlining the process of risk identification and reporting, resulting in the identification of the twelve most significant risks to BSI, which are now reported in the Principal Risk Register shown in this report. These twelve risks were agreed with the Board, who assigned a 'Risk Appetite' to each, using a scale from 'Minimal', through 'Averse', 'Cautious' and 'Flexible', to 'Open'. KPIs were assigned to each principal risk, and these will be the subject of regular Board review in the future.

The Group's Strategic Risk Register was also redefined, with each strategic initiative reviewed alongside the risks that may prevent it from being successfully implemented, with appropriate KPIs to be reviewed regularly by the Group Executive so that plans may be put in place to mitigate any underperformance or risk to the Group Strategic Plan. The programme of risk workshops and regular risk review meetings at Group, regional, country, stream and functional level provides a pyramid of risks faced by BSI, with the most important at each level of the organization being fed to the next level and, eventually, into the Principal and Strategic Risk Registers.

We reported that the Group internal audit and risk and compliance departments were formally combined in July 2014. We have continued to integrate the work of these departments during 2015 to permit united audits for our business, which have added value by bringing different knowledge and skill sets to the audit, giving each team the opportunity to learn from each other and adapt their processes, where necessary, for continual improvement. In 2015 this approach was audited independently by the Chartered Institute of Internal Auditors, with useful feedback leading us to a more risk-based internal audit programme being devised for 2016.

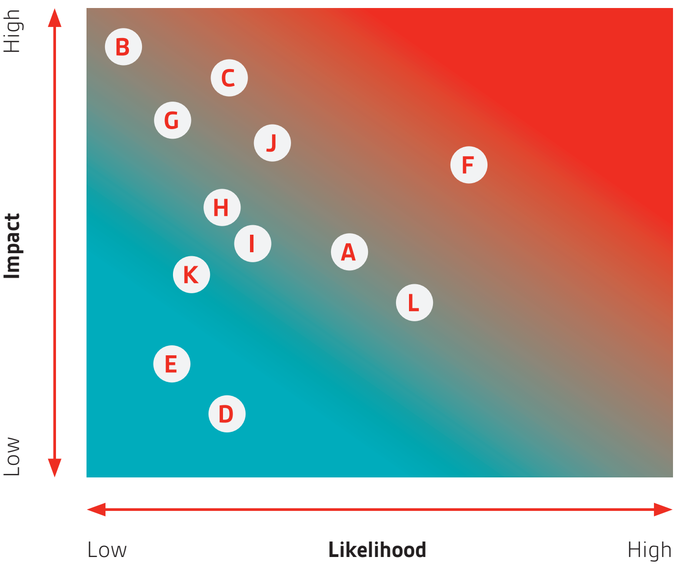
We have maintained our ISO 27001 (Information Security) certification for our head office in 2015 and have continued to introduce information security management systems policies and procedures throughout BSI globally. Business continuity plans are in place for each of our locations, which are subject to testing on an annual basis.

What we will do in 2016
2016 will be the first year of our risk-based approach to internal auditing and with the new structure of Principal and Strategic Risk Registers. We will continue to roll out our programme of risk workshops, meetings and audits to support these and to ensure that our risk management system remains effective.

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.

Changes to principal risks during 2015
The reshaped Principal Risk Register is shown in this report. The changes from that shown in 2014 reflect the more holistic approach taken by the business to its risk management programme. The register now contains both internal and external risks insofar as they are, in the opinion of the Board, the most important facing the business today.

Risk heat map



Principal risks

▲ Increase in risk ▼ Decrease in risk ● No change in risk

Type of risk	Risk description	Status	Mitigating activities
1 Intervention			
A Governmental intervention	We represent the UK Government as the UK National Standards Body (NSB). Much of the work we undertake is influenced by governments around the world. Changes to government policy could affect our trading or NSB status.	●	We continue to engage with the UK and other governments to ensure that our voice is heard during policy debates. A regulatory compliance framework, including the NSB code of conduct, is in place along with a compliance audit programme.
B Royal Charter status	Our Royal Charter status is important as it allows us to do business independently and without external pressure. It is central to our strategy that we preserve this status.	●	We engage with stakeholders to ensure that we fulfil our obligations under the Royal Charter. We have adopted a governance regime which applies the principles of the UK Corporate Governance Code where applicable. We actively review our performance through Board and Executive Committees to ensure continued compliance.
2 Compliance			
C Accreditation compliance	A large percentage of the work we perform is regulated by national and international accreditation bodies and government agencies. Loss of any of our accreditations would have a serious impact on our business.	●	We continue to engage with our accreditation bodies and government agencies to ensure that any issues are dealt with before they risk the loss of accreditation or Notified Body status. A regulatory compliance framework is in place along with a compliance audit programme.
D Financial and fiscal 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 central, regional and functional reporting lines and Group policies and procedures in place throughout our organization. We have internal audit teams which regularly visit all locations and review specific risks. There is also an annual external audit of our financial results undertaken by PricewaterhouseCoopers.
E Legal compliance	Any breach of legislation or issues concerning the way we carry out our business could result in legal action against us.	●	Key employees have relevant training on legal compliance, and compliance policies and procedures are in place across our organization. Internal audit teams regularly visit all locations. There is continual monitoring of all business streams and activities.
3 Economic environment			
F Global economic environment	The continually changing global economic environment means that the risk in the execution of our strategic plan is complex to manage.	●	Our strategic plan takes into consideration the economic uncertainty and our 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.
G Competitor action	Technological or business model shift or other competitor action could threaten our competitive position in our chosen markets.	●	We continue to seek new opportunities in all areas of our business. We monitor and analyse activity in our competitive landscape at local, regional and global level, with responses put into action as appropriate.
H UK pension scheme	Increases in the ongoing deficit associated with our 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.
4 Reputation			
I Brand	Our brand identity is extremely important to us and failure to protect this would result in deterioration of our reputation and potential loss of business.	●	We continue to reinforce our values, policies and processes with our employees, business partners and other stakeholders. We take robust action, where necessary, to protect our trademarks, brand and reputation.
J Information security	Failure to protect against inadvertent loss of data or cyber attack would adversely affect our trading, brand identity and reputation.	▲	We are certified to ISO 27001 (Information Security) where allowed, and conform to its requirements globally. We monitor developments in this area and perform compliance audits as appropriate.
5 Trading			
K Acquisitions	Achievement of our strategic objectives depends on the identification and integration of appropriate acquisitions and failure to do so effectively would jeopardize this.	●	Global processes are followed for the identification of targets. Comprehensive due diligence is undertaken and integration plans are agreed before acquisitions are implemented.
L Resourcing	An inability to develop the right skills and deploy these in the right place at the right time could mean that business performance may suffer or opportunities are not exploited.	▲	Recruitment policies and processes are reviewed regularly. Succession planning is in place at all levels of the organization for the strategic plan horizon and regular gap analysis takes place to deal with any issues.

Supporting stakeholders, growing engagement, delivering value.

> "Independent research confirmed that industry standards support the economy to a higher degree than previously recognized."

Two major achievements dominated the headlines for BSI in our role as the UK's National Standards Body (NSB) in 2015. First, after a gap of ten years, independent research by consultants CEBR, published in June, confirmed that industry standards support the economy to an even higher degree than previously recognized. Those sectors most active in their use of standards are the most productive, linking standards to increased productivity, innovation and exports. Second, 2015 saw the completion of a five-year exercise to revise the two most famous business standards of all, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). The secretariat of both these world-renowned standards is held by the UK and BSI provided the infrastructure for the committees to work on the thousands of comments received and to update these well-known process standards in line with best business practice.

Developing skills and capacity

With the support of the BSI Board, we have been investing in the skills and capacity within the Standards teams, both in policy and in market development. New recruits from a range of industry, corporate and academic backgrounds have given us new capacity to shape and extend our engagement with small and medium-sized enterprises (SMEs), consumers, businesses, industry and government, both in the UK and internationally.

Alongside the successful 'Standards Makers Academy', we have developed a new development programme called the 'Standards Policy Academy', which will combine personal coaching with formal training modules. Each course will be tailored to the individual's requirements.

Externally, it is clear that we need to do more to attract the next generation of standards makers if we are to ensure a strong succession in our technical committees. Although some new areas of work, particularly those with a societal or environmental dimension, are attracting a more diverse community of experts, in traditional areas we recognize that this is a long-term challenge. The Young Engineering Professionals initiative, which BSI runs along with trade associations and industry partners, was restructured in 2015 to focus on the outcomes that standards enable across a range of hot topics, including the internet of things, smart cities and robotics. This approach proved highly successful as a model for engagement and we will build on the same format in 2016.

Policy support for UK industry

As the UK NSB, we provide the infrastructure to support UK experts' participation in international and European standards development. As the breadth of standards work continues to expand into new areas, driven by innovation, services and a growing interest in business

"The UK played a leading role in the latest, far reaching, revision to the world's most famous business process standard, ISO 9001."

performance, we have increased our capacity to provide UK-led secretariats for international and European technical committees in priority sectors and industries.

We signed a Standardization Co-operation Commission agreement with China in November 2015, which builds on our 2013 Mutual Recognition agreement by formalizing the UK–China dialogue on standards as part of the UK–China Joint Economic and Trade Commission (JETC), a ministerial-level activity. Based on industry requests, 62 standards have now been recognized under our agreement as identical in the UK and China.

At European level I have continued in the role of Vice-president Policy for CEN to lead the European side in discussions around a standards agreement to support a possible Europe–US free trade agreement (TTIP) and to encourage a stronger relationship between CEN and CENELEC, industry and the European institutions, particularly the European Commission and associations. BSI joined the European Telecommunications Standards Institute (ETSI) in 2015, so that we are both the UK national member and an industry member, and we will be working with UK SMEs to improve their voice in European telecommunications standards.

2015 saw the European Commission launch discussions with the standardization community on the public–private nature of the European Standardization System, in which BSI is participating as a leading NSB alongside UK Government representatives. In parallel, after years of informal discussion, the members of CEN and CENELEC launched a joint project to find ways to improve the efficiency and effectiveness of the system, known as STEER. I have been co-chairing the steering group for the project with the Vice-president Policy for CENELEC; the boards of the two organizations agreed in November to continue the work into 2016, when final recommendations will be presented.

Technical assistance projects

Working alongside UK partners UKAS, NMRO and NPL we launched the UK Quality Infrastructure (UKQI) co-operation to raise the profile of the four organizations in relation to our international technical assistance work. This group, working with other partners, will support UK exporters by increasing our influence internationally, especially in China and developing countries.

We had a successful year in our International Projects activity, where we are leading or participating in a range of donor-funded projects around the world to help support the development of national quality infrastructures. In 2015 we started our first project with the Asian Development Bank, facilitating trade in the Mekong delta region, and won new EU-funded projects in Egypt on industrial competitiveness, and in Belarus on the accreditation of testing laboratories for medical products. These projects will run alongside our current projects in India, Africa and Central Asia.

Maximizing performance

The UK played a leading role in the latest, far reaching, revision to the world's most famous business process standard, ISO 9001 (Quality Management), which was published in September 2015 after a five-year revision process. This standard is aimed at bringing the subject of quality 'back into the boardroom' and promotes the integration of quality management into an organization's overall business strategy. I was delighted that Alexander (Sandy) Sutherland, who played a key role in the revision of ISO 9001, was awarded the 2015 Wolfe Barry Medal at our 2015 awards ceremony in recognition of his leadership in this area for over 30 years.

In parallel, the world's most widely used environmental management standard, ISO 14001, also completed its latest revision cycle. The new version was also published in September with the UK again playing a key role. The standard helps businesses to place environmental management at the heart of their activity to ensure more sustainable growth.

Another important new management standard, BS 76000 (Human Resource – Valuing People), was also published in 2015, aimed at helping organizations to create an environment that ensures the interests of employees and other stakeholders are aligned with their business interests.

Work to revise the world's most-recognized medical device standard, ISO 13485, continued in 2015, with a final draft completed in October and the revised version scheduled for release in 2016. The standard will help organizations to mitigate legal compliance risk by specifying how to create a quality management system so they can demonstrate that their medical devices and related services meet regulatory requirements.

After we took the lead in 2013 to promote the development of a new international management standard for occupational health and safety based on OHSAS 18001, I am pleased to report that, after many months of expert work, consensus was reached on the publication of a draft of ISO 45001 for public comment. Again, the UK has taken a leading role in this important initiative, which will create a globally harmonized, risk-based approach to the management of health and safety in the workplace, following industry best practice.

Innovation
We have continued to recruit new talent to support our work in innovation and emerging technologies, providing domain knowledge and expertise in the innovation process to support our work with government agencies, Innovate UK, the catapult centres, industry and international partners, particularly Germany. Throughout 2015 we saw growing interest in the role of standards to support topics such as connected and autonomous vehicles and advanced digital manufacturing techniques, and in the financial services area.

As part of the efficiency programme for the High Speed 2 (HS2) railway infrastructure project, we completed several new standards and revisions to existing standards identified by the project engineering teams. New PAS standards on temporary works and tunnel linings will help the project cut costs through a harmonized approach across the multiple contracts that will be required for the project delivery.

We completed our pilot programme with Innovate UK to accelerate standards development in four key technology areas: synthetic biology, cell therapies, offshore renewable energy and independent living. In each area, BSI published a standards strategy document, drawing on input from more than 300 stakeholders from industry and academia. This has resulted in publication of four strategy pieces, four new PAS standards and one further consensus document. BSI and Innovate UK signed a strategic partnership agreement with the intent to develop standards in other emerging technology areas, including synthetic biology and also energy harvesting, graphene, quantum technologies and non-animal testing.

Smart cities and the internet of things
In a major new development in terms of our approach to future standards-making, we launched the Cities Standards Institute (CSI), a virtual 'hub' for the planning of future standards needs for civic authorities. The CSI was co-founded by BSI with the Future Cities Catapult and is laying the foundations for a robust and coherent standards programme for urban innovation. Our work on smart cities has led to the development of pioneering standards to support cities, local government and industry in adopting digital infrastructure and digital services to improve the monitoring and management of physical, economic and social resources. The holistic approach taken by UK experts in this area led to an invitation to chair the joint international working group on smart cities standards set up by ISO and IEC.

Our standards community
Finally, as every year, it is important that I pay tribute to the many thousands of experts who give their time and knowledge to support the work of the National Standards Body through the standards development process, internationally, in Europe and in the UK. In 2015 we recruited a new member of the policy team who is dedicated to our engagement with our Committee Members, to recognize their efforts and to act on their feedback. The 2015 survey of Committee Members showed an increase in Committee Members' overall satisfaction with their experience and with the levels of support from BSI. Our forums and awards events have been well received and we will continue to build on these in 2016. Through the commitment of our members and committees, we look forward to continued success for the NSB in 2016, shaping and delivering UK expertise in best business practices around the world.

Dr Scott Steedman CBE
Director of Standards
22 March 2016

BSI remains in robust financial health.

"BSI is fortunate in having a very broad spread of business across geographies, business streams, industrial sectors and domains."

Overview

2015 was a more stable year for the world economy than that experienced in 2014. However, weaknesses continued in the mining and minerals and oil and gas sectors and these had an adverse effect on the economies of several geographical regions of the world which rely heavily on trading in these industrial sectors. In addition security issues in some regions led to political instability and this too had a negative impact in some countries. Against this backdrop many of our listed competitors have reported results below market expectations.

BSI is fortunate in having a very broad spread of business across geographies, business streams, industrial sectors and domains. Indeed our strategic initiatives seek to continue to develop this. As such our overall results were not materially affected by these macro-economic trends and we were able to report record levels of underlying revenue and underlying operating profit in 2015. In addition the Group's net asset value increased and the deficit of our UK defined benefit pension scheme fell during the year. BSI remains in robust financial health.

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. The exchange rates we used for our major trading currencies can be seen in the table on page 30.

Revenue

BSI Group revenue increased by 15% in 2015 to £331.1m (2014: £287.1m). Organic revenue growth at constant exchange rates was 9%, in line with the organic growth rate reported in 2014 and significantly higher than the 5% organic growth rates reported in 2012 and 2013. This was supplemented by 6% inorganic growth due to our acquisitions of EORM and HCE in the US and the PricewaterhouseCoopers systems certification business in South Africa. On average, Sterling weakened against the US Dollar and Chinese Renminbi but strengthened against the rest of our major trading currencies and the two effects balanced almost exactly, meaning that exchange had a negligible effect on our reported revenue. This compares to the 4% negative effect we experienced in 2014. The reported revenue growth of 15%, at actual prevailing exchange rates, meant that our underlying revenue continued its trend of increasing every year since 1999 and is at its highest level in the 114-year history of the Company.

Revenue continued
Each of our regions and business streams reported revenue growth in 2015. EMEA grew by 7%, the Americas by 48% and Asia Pacific by 4%. Our Knowledge stream grew by 7%, Assurance by 7% and Compliance by an acquisition-enhanced 488%, on consistent comparatives. The Americas and the Compliance business stream benefited most from the acquisitions. Details of the performance of the regions and business streams, and their organic growth at comparable exchange rates, is given in the Business review on pages 18 to 21.

Underlying operating profit (UOP)
As explained last year, 2013 was a year of investment for BSI and 2014 results demonstrated that these investments had begun to pay back and provided a strong base for future growth in 2015 and beyond. This happened as planned in 2015 and an underlying operating profit of £35.4m was 22% higher than the UOP generated in 2014 (2014: £29.1m). This is the highest level of UOP reported by BSI in its history.

As with revenue there are three components to this increase. UOP at constant exchange rates grew by 18%. The acquisitions completed during 2015 added another 4% of growth. As with revenue, exchange rate movements during 2015 had a negligible effect on reported UOP.

At an overall Group level our gross profit margin fell from 47.7% in 2014 to 46.9% in 2015. In a group of companies such as BSI, with such a wide geographical spread and diverse blend of business streams, product mix can have an effect on overall margin, and this was, indeed, the case in 2015. It is pleasing to report increased gross profit margins for our Systems Certification and Training businesses, in line with our strategic initiatives. Our acquired Consultancy businesses have a naturally lower level of gross profit margin and the increased proportion of Consultancy in 2015 has a negative overall effect on Group gross profit margin through this mix effect. In addition our Entropy business recorded a loss at gross profit level, compared to a profit in 2014, leading to its restructuring during the year. This also had an adverse impact.

Selling, distribution and administration costs increased more slowly than revenue, by 11% during 2015. Internal profit budgets were beaten in 2015 and incentive payments to management increased from their 2014 levels. In addition the provision for the Long Term Incentive Plan was increased by £2.0m (2014: £0.8m) due to the 2015 results and an increase in our expectations for 2016 and beyond. Depreciation and amortization increased to £10.5m (2014: £8.8m), due mainly to the first-year amortization of the acquired intangibles relating to the 2015 acquisitions.

These levels of gross profit margin and selling, distribution and administration costs resulted in an underlying operating profit of £35.4m (2014: £29.1m) as explained above. This implies an underlying operating profit margin of 10.7%, an improvement of 60 basis points on 2014 (2014: 10.1%).

Exceptional items and operating profit
During the year our Entropy business was restructured and two of the modules of the software were frozen and will not be commercialized in the foreseeable future. As a result we have impaired the asset value of these modules by £0.8m. In addition a further £0.1m of goodwill was impaired so that the overall asset value held in the Group accounts at the end of 2015 was equal to the net present value of future cash flows expected from the Entropy business. The £0.9m is shown as an exceptional item in 2015.

Our acquisitions of EORM and HCE included some element of consideration payable three years after the acquisitions should certain employment criteria be met at that time. This amount will be accrued over the next three years and so an exceptional item of £0.6m appears in the 2015 accounts. In addition there were other costs relating to the three acquisitions amounting to £0.1m incurred during the year.

In 2014 we created a provision of £0.8m for a restructuring of our Japanese business, which started at the end of that year. This restructuring was completed during 2015 as expected at an overall cost of £0.5m. The £0.3m unspent has been credited back to exceptional items in 2015 In total, exceptional items in 2015 amounted to a cost of £1.3m (2014: £1.6m income), which meant that operating profit ended the year at £34.1m, an increase of 11% over the 2014 figure of £30.7m.

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 2015 but finance income was lower than in 2014 due to the reduction in the prevailing interest rates at which we were able to invest. As a result finance income was £0.1m (2014: £0.3m). 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 £2.6m in 2015 (2014: £2.4m). Profit before tax increased by 10% from £28.6m in 2014 to £31.6m in 2015.

Taxation
The Group effective tax rate (ETR) on pre-tax profits in 2015 was 25.1% (2014: 26.6%). Eliminating the prior-year adjustments arising on overprovided UK and foreign tax, the current year ETR was 25.7% compared to 23.4% last year.

We consider the ETR on UOP to be a better indicator of the tax management of the operating businesses. In 2015, the ETR on UOP increased to 28.2% (2014: 27.2%). The mix of the differing tax rates between the countries in which we make our profit can create such fluctuations in the overall rate. In particular in 2015, the tax rate for our existing US businesses has increased to 41% (2014: 39%) and the acquisitions of EORM and HCE have increased the proportion of our profits in this high tax jurisdiction. This has been mitigated to some extent by the UK tax rate reduction to 20% (2014: 21%).

Balance sheet and cash flow

The net asset value of the Group increased by £21.9m or 39%, from £56.5m to £78.4m in 2015. This was mainly due to the profit for the year of 2015 which, at £23.7m, was 13% higher than the 2014 figure of £21.0m, and a reduction in the deficit of the UK defined benefit scheme of £11.1m during the year.

BSI remained highly cash generative during 2015, with cash generated from operations, before contributions to the UK defined benefit pension scheme, of £45.7m (2014: £38.5m). Our strong cash position at the start of 2015 meant that we were able to fund our acquisitions without recourse to external financing. £19.7m was spent on these (2014: £nil) but, despite this outflow, we ended 2015 with zero debt and £51.0m in the bank, only £1.8m or 3% lower than our opening balance of £52.8m. This means that, in 2016, we are again well placed to fund any prospective acquisitions internally.

Our purchases of property, plant and equipment and intangible assets, predominantly computer software, were £6.8m in 2015 (2014: £8.4m). 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 £0.3m in the development of new Training courses (2014: £0.4m).

Debtor days increased slightly during 2015 to 58 days (2014: 55 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 2015, with receivables written off amounting to only £0.8m (2014: £0.5m) 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 decreased by £11.1m, or 14%, from £82.0m to £70.9m during 2015. A contribution was made to the scheme, in accordance with the schedule of contributions agreed with the Pension Trustee, of £12.5m (2014: £12.5m), and there was an actuarial gain arising from changes in financial assumptions of £9.3m (2014: £44.7m loss). However, these were offset by a negative return on scheme assets of £6.4m (2014: £12.2m positive return), an actuarial loss arising from changes in demographic assumptions of £1.2m (2014: £0.3m), a net interest cost of £2.6m (2014: £2.4m) and operating expenses of £0.5m (2014: £0.6m).

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 3.8% compared to 3.6% in 2014. This accounted for the vast majority of the decrease 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 pension 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 £0.5m was made into the scheme in February 2015, and a further £12.0m was paid in March 2015, satisfying the Group's obligations under the schedule of contributions for the year. The next triennial valuation will take place on 31 March 2016.

In addition to the UK defined benefit pension scheme the Group operates small defined benefit pension schemes in Taiwan and Germany which provide benefits based on final pensionable salary and service. The net liability recognized on the balance sheet in relation to these schemes at 31 December 2015 was £1.0m (2014: £0.9m).

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.

BSI continued to be highly cash generative and held cash of £51.0m at the end of 2015. This was down 3% from the equivalent figure at the end of the previous year (2014: £52.8m). However, during the year, there was cash expenditure on acquisitions of £19.7m (2014: £nil), capital expenditure of £6.8m (2014: £8.4m) and a contribution to the UK defined benefit pension fund of £12.5m (2014: £12.5m). Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdrafts of £2.4m (2014: £2.3m), on an unsecured basis, at the end of 2015, 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 low.

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 UOP would be around £1.3m.

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
22 March 2016

Exchange rates

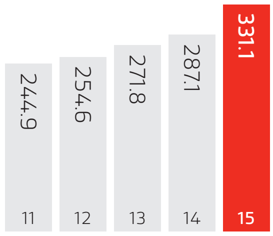
	Year end 2015	Year end 2014	**Average 2015**	Average 2014
Australian Dollar	**2.04**	1.91	**2.05**	1.83
Euro	**1.36**	1.28	**1.39**	1.25
Chinese Renminbi	**9.64**	9.57	**9.58**	10.10
Japanese Yen	**179**	187	**185**	175
US Dollar	**1.49**	1.56	**1.53**	1.64

Financial KPIs

Revenue (£m)

£331.1m

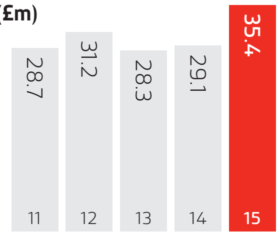
+15%



Underlying operating profit (£m)

£35.4m

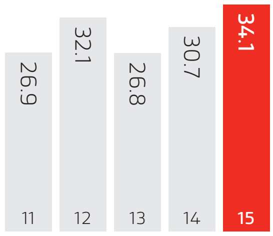
+22%



Operating profit (£m)

£34.1m

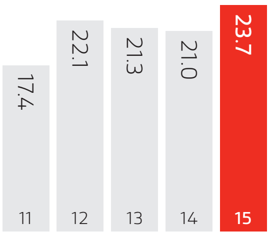
+11%



Profit for the year (£m)

£23.7m

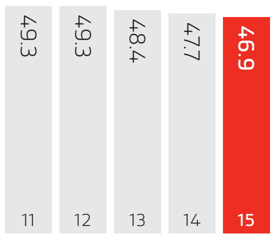
+13%



Gross profit margin (%)

46.9%

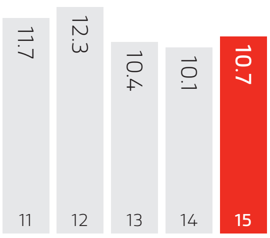
-0.8ppt



Underlying operating profit margin (%)

10.7%

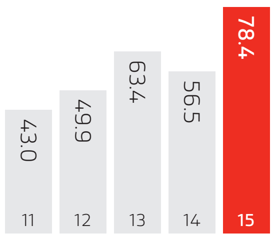
+0.6ppt



Net asset value (£m)

£78.4m

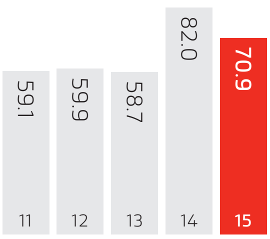
+39%



UK defined benefit pension fund deficit (£m)

£70.9m

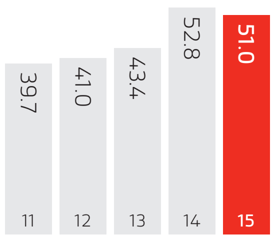
-11%



Cash (£m)

£51.0m

-3%



Social responsibility helps drive our decisions, activities and culture.

"Our aim is to integrate social responsibility into the way we do our day-to-day business, and encourage others to do the same."

Our commitment

Social responsibility (SR) is an integral part of Organizational Resilience. We are committed to ensuring that social responsibility helps to drive our decisions, activities and culture.

Our approach

In September 2015, I took over as Chairman of the Board's SR Committee, in which I am supported by the Chairman, Sir David Brown, a Non-executive Director, Dr Stephen Page, and Howard Kerr, the Chief Executive. Executive sponsors for our priority areas and a new SR Programme Manager were appointed in 2015. Together, we ensure that our approach to SR aligns with the business strategy.

The focus this year has been to review and revitalize our approach. We continue to base this on ISO 26000 (Guidance on Social Responsibility), and have documented our updated approach in 'Our social responsibility commitment', issued in January 2016. This describes where we believe we can make a difference within four priority areas: our business, our people, our communities and our environment. I am grateful to our network of regional and country SR champions, who have been instrumental in implementing this new approach, while continuing to embed SR within their countries.

www.bsigroup.com/social-responsibility

Our business

We recognize that, as a National Standards Body and a world leader in assurance and compliance services, we are in the very fortunate position of being able to help shape the way organizations handle SR and contribute to sustainable development. Our aim is also to integrate SR into the way we do our day-to-day business, and encourage others to do the same.

It is our policy to implement appropriate relevant standards as part of our ongoing business. In addition to the guidance of ISO 26000, we currently adopt the principles of ISO 9001 (Quality Management), ISO 14001 (Environmental Management), OHSAS 18001 (Health and Safety Management), ISO 22301 (Business Continuity Management) and ISO 27001 (Information Security), and seek independent certification where accreditation rules allow.

As part of an ongoing review of our procurement policies and procedures we have updated our Code of Business Ethics in line with the UK Modern Slavery Act requirements and guidance, and will continue to focus on working with suppliers to ensure ethical and environmentally responsible procurement.

We led the revisions of the world's most well-known standards, ISO 9001 and ISO 14001, which were both published in September 2015. We continue to update and refresh the standards on our web-based tool, 'Sustainability Standards Navigator', to help the general public understand our range of standards that can support sustainable development.

www.bsigroup.com/sustainabilitynavigator

Consumer and Public Interest Network

BSI's Consumer and Public Interest Network (CPIN) exists to make sure that new standards address key consumer issues and tackle everyday problems faced by ordinary people. It includes members of the public who have relevant experience and representatives from Which?, Citizens Advice, the National Consumer Federation, environmental groups, as well as non-industry groups with a societal focus, such as charities.

The CPIN members represent the consumer view on standards development committees and on the BSI Committee that ultimately drives standards strategy – the Standards Policy and Strategy Committee (SPSC). Its key focus areas are services, safety, security of personal information, sustainability and inclusivity.

An example of their recent work includes the revision of ISO/IEC Guide 71 for addressing accessibility in standards.

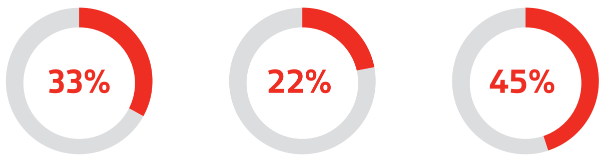
Our people

We recognize that our world is changing, and continually seek to engage our colleagues' views to ensure that we become a better employer where people can develop their careers. We want to create a supportive and fearless culture where every person feels enabled to be the best that they can be. Our 2015 biennial global employee survey showed that our colleagues are proud of the work we do, are motivated to contribute more than is required and would recommend BSI as a place to work. With our highest-ever participation rate of 83%, we demonstrated progress in all dimensions of the survey. We were delighted to be recognized as a 'Silver-level' Investors in People (IiP) company for the first time in the UK, which reflects the progress we have made in the way we manage, lead, develop and involve our employees in decision making.

Every year we invest heavily in learning and development at all levels in the organization, with management development courses recognized by the Institute of Leadership and Management (ILM). We have also invested in providing opportunities for our colleagues to improve their physical, social and emotional wellbeing. We conducted a survey in conjunction with 'Britain's Healthiest Company' and identified our major wellbeing challenges in the UK as musculoskeletal and personal resilience. Our 2016 wellbeing programme will therefore focus on these areas.

Our recruitment programme helps us create a workforce that reflects the local diversity of the countries we operate in. Appointments are made on merit, seeking increasingly to take the benefits of diversity into consideration. Our senior management comprises of 25 different nationalities. We have a larger population of female employees at the lower grade levels in the organization with a diminishing presence as the grading level increases, although it was pleasing to see an increase on 2014 at both Board and senior management level. Increasing gender diversity across the Group will be a key focus for the future.

Diversity – percentage female



Board of Directors (2014: 22%) | Senior management (2014: 18%) | Total workforce (2014: 45%)

Our communities

We understand the importance of giving back to our local communities and we encourage our colleagues to play a positive role in this. Our aim is to positively contribute to the communities within which we work.

Our colleagues boast a wealth of knowledge and skills that can support our local communities. They often volunteer their time to charitable organizations and organize free seminars and workshops for the public by subject matter experts. We maintain an active policy of charitable giving, either directly or in support of colleague-led initiatives. In the summer, over 400 colleagues participated in our 'Walk for Water' challenge in aid of our global charity partner, WaterAid. We covered over 25,000 miles, more than the earth's circumference at the equator, and raised important funds to help support communities in Ethiopia.

Some of the 90 members of the US team who walked over ten million steps in two weeks to raise money for our global charity partner, WaterAid.

In support of WaterAid

Greenhouse gas emissions

Caring for the environment

Our global carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO_2e). Emissions are shown in compliance with DEFRA Greenhouse Gas Reporting Guidance and have been calculated using the latest conversion factors published by the Department for Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA) in May 2015.

Year on year we strive to produce the most accurate data available to us through the continual improvement of our data gathering process. This year we have had access to better information on 2014 emissions, which we have restated below. The increase in Scope 1 emissions is primarily due to the inclusion of more refined data relating to the fuel consumption of our UK motor fleet in 2015. We aim to develop and enhance our data gathering process and reporting methods still further in 2016 to ensure robust reporting on these emissions in the future.

Greenhouse gas emissions (tCO_2e)	2015	2014
Scope 1 emissions	**3,100**	2,700
Scope 2 emissions	**2,600**	2,900
Net emissions	**5,700**	5,600
Intensity ratio per employee	**1.80**	1.87
Intensity ratio per square metre	**0.14**	0.14

Definitions

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 BSI-owned or leased vehicles.

Scope 2 emissions arise indirectly and result from the off-site generation of electricity, heating and cooling purchased by BSI.

The intensity ratio per employee is the total net emissions divided by the headcount employed by the Group during the year.

The intensity ratio per square metre is the total net emissions divided by the area of office space used by the Group during the year.

Our environment

We recognize the importance of good environmental stewardship. We aim to minimize the negative impacts of our decisions and activities on the environment and improve our environmental performance. Adopting the principles of ISO 14001 (Environmental Management) helps us in this regard. We have achieved third-party certification in our Corporate Centre and Information Solutions businesses. We are conscious that, as we upgrade our offices over time, it has a significant environmental impact and we adopt the highest relevant standards to help minimize this.

We operate local recycling awareness campaigns to help reduce our impact on the environment. Many countries also operate specific initiatives such as collecting and recycling bottle tops in exchange for polio vaccines for children in Japan and donating old IT equipment to charitable organizations when we upgrade our equipment in the UK and the US.

Energy is also a key focus. In 2015, we appointed a consultant to review our energy use and met the requirements of the EU Energy Efficiency Directive and the UK Energy Savings Opportunity Scheme (ESOS). The ESOS audit accounted for 96.8% of our energy use in the UK, and confirmed that 68% of our usage is business travel. Lighting, heating and cooling were also identified as significant uses of energy. In 2016 we will develop and implement a Global Energy Policy.

At BSI we take our social responsibilities very seriously. Our business allows us to 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.

Alicja Lesniak
Chairman of the Social Responsibility Committee
22 March 2016

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 Chartered Engineer and 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 Non-executive Director of TTG Global Group Ltd.

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 and was appointed to the Board in October 2012. An engineer by background, he started his career at Cambridge University before moving to industry where he spent over 20 years working 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 Institution of Civil Engineers and of the Royal Academy of Engineering, where he continues to serve as Editor-in-Chief of the Academy's flagship magazine, Ingenia.

Lucinda Riches A N R

Senior Non-executive Director

Lucinda Riches was appointed advisor to the Board in May 2011, Non-executive Director in May 2012 and Senior Non-executive Director in October 2015. 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 20 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 N SR
Non-executive Director
Alicja Lesniak was appointed Board Advisor in October 2014 and Non-executive Director in June 2015. 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., where she qualified as a Chartered Accountant, 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 Non-executive Director and Chair of the Audit Committee at Channel 4 Television Corporation and, in addition, Senior Non-executive Director at Next Fifteen Communications Group PLC.

Dr Stephen Page N R SP SR
Non-executive Director
Stephen Page joined the Board in September 2015 as Non-executive Director. Stephen has a wealth of experience in IT transformation and corporate risks such as cyber security and counter-terrorism. At Accenture he had a variety of European and global leadership roles including Managing Director, Strategic IT Effectiveness. For the past ten years he has held a portfolio of Board and senior advisory positions. He is currently a Non-executive Director of the National Crime Agency and of the British Library, and advises a number of companies facing the risks and opportunities of the digital age.

Douglas Hurt A N R
Non-executive Director
Douglas Hurt joined the Board in November 2015 as Non-executive Director. Douglas started his career at PricewaterhouseCoopers, where he qualified as a Chartered Accountant. From there he joined the GlaxoSmithKline Group, where he held many senior roles including Managing Director, Glaxo Wellcome UK. In 2006 he joined IMI PLC and was Group Finance Director until February 2015. He is currently Non-executive Director and Chairman of the Audit Committee of Tate & Lyle PLC and Vesuvius 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.

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 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
22 March 2016

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 2014 (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, Sir David Brown, Chairman, is a member of the Audit Committee (not in compliance with C.3.1 of the Code) 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 2015 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.

Dr John Regazzi, Dr Tom Gorrie and Anthony Lea retired from the Board on 31 May, 31 August and 30 September 2015, respectively. Alicja Lesniak, who had been an advisor to the Board since October 2014, was appointed as a Non-executive Director on 1 June 2015. Dr Stephen Page and Douglas Hurt were appointed as Non-executive Directors on 1 September and 1 November 2015, respectively.

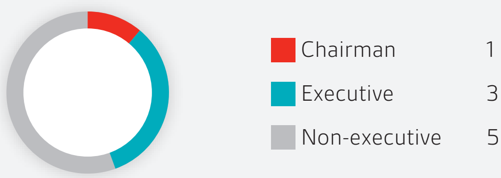
The current Directors of the Company and their roles are given in their biographical details on pages 34 and 35.

There is a clear division of responsibilities at the head of the organization which has 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 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.

Board management and corporate structure

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 was the Senior Independent Director until Lucinda Riches was appointed to that role on 1 October 2015. As Senior Independent Director, Lucinda Riches met with the Non-executive Directors without the Chairman being present in January 2016.

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 seven meetings of the Board during the year ended 31 December 2015. 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 2015 included:

January
- Review of the effectiveness of changes to the Board agenda process
- Business update on the UK customer excellence initiative
- Report on the Group's Health, Safety and Environmental performance

March
- Evaluation of the effectiveness of the Chairman and Chief Executive
- Consideration and approval of the proposed acquisition of Hill Country Environmental, USA
- Review of 2014 results and approval in principle of the Annual Report
- Review of Non-executive Directors' fees and agreement for an increase to be proposed at the AGM
- Presentation by the HR Director of the Group's talent management strategy
- Business update on customer insight
- Discussion on the Group's foreign exchange strategy with regard to overseas acquisitions

May
- Review of BSI's Code of Business Ethics
- Review of compliance with the NSB Code of Conduct
- Appointment of Alicja Lesniak, Board Advisor, as a Non-executive Director
- Appointment of the Chairman of the Audit Committee as a result of a Director's retirement
- Business update on the product certification business
- Standards Policy and Strategy Committee update by its Chairman
- Determination of membership fees

June (two meetings)
- Group strategy meeting with the Group's executive management
- Consideration of the Group Strategic Plan 2016–18
- Business update on healthcare and medical devices businesses
- Appointment of Dr Stephen Page as a Non-executive Director
- An update on Board recruitment

September
- Consideration of the governance of Group subsidiary companies
- Update on the assurance business
- Update on accreditation compliance
- Agreement of the Group Strategic Plan 2016–18
- Appointment of Douglas Hurt as a Non-executive Director
- Presentation to the Non-executive Directors, in private, of a review of the Group's senior leadership team

December
- Review of the annual evaluation of the Board and its Committees
- Agreement for an entry into a new territory – New Zealand
- Business update on the Asia Pacific Region
- Consideration of a matter referred to the Board by the Standards Policy and Strategy Committee
- Confirmation of the Group's new Social Responsibility Commitment
- Agreement of the Group budget 2016
- Consideration of proposed acquisitions

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	Sep	Dec
Chairman							
Sir David Brown	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman
Executive Directors							
Howard Kerr	Member	Member	Member	Member	Member	Member	Member
Craig Smith	Member	Member	Member	Member	Member	Member	Member
Dr Scott Steedman	Member	Did not attend	Member	Member	Member	Member	Member
Non-executive Directors							
Dr Tom Gorrie (to 31 August 2015)	Member	Member	Member	Member	Member	–	–
Douglas Hurt (from 1 November 2015)	–	–	–	–	–	–	Member
Anthony Lea (to 30 September 2015)	Member	Member	Member	Member	Did not attend	Did not attend	–
Alicja Lesniak (from 1 June 2015)	–	–	–	Member	Member	Member	Member
Dr Stephen Page (from 1 September 2015)	–	–	–	–	–	Member	Member
Dr John Regazzi (to 31 May 2015)	Member	Member	Did not attend	–	–	–	–
Lucinda Riches	Member	Member	Member	Member	Did not attend	Member	Member
Alison Wood	Member	Member	Member	Member	Member	Member	Member
Board Advisor							
Alicja Lesniak (to 31 May 2015)	Attended as Board Advisor	Attended as Board Advisor	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 it was facilitated by Independent Board Review, a division of Independent Audit Limited. Following an information gathering process, including use of its online assessment service Thinking Board, it independently analysed the responses and presented the findings and its suggestions in a paper which was considered, discussed and acted upon by the Board and its Committees. The Board agreed that, in 2015, BSI should facilitate the process itself and, in order to provide consistency, assess change and build upon benefits of the previous year's process, BSI would use the same question set and Thinking Board system but would review and analyse the responses internally. The exercise was valuable and led to constructive discussion. It was agreed to implement the changes and improvements suggested, which included a greater degree of clarity in defining the Group's risk appetite, a deeper consideration of external perspectives and developments, including competitor activities in the next Strategic review and the inclusion of executive succession planning and development in the Chief Executive's objectives.

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 reviewed annually. 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 and 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 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 Dr Scott Steedman, Director of Standards, and Dr Stephen Page, Non-executive Director, with Sir David Brown, Group Chairman, and Howard Kerr, Chief Executive, in attendance.

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

Social Responsibility Committee

The Social Responsibility Committee is responsible for enhancing the commitment of the Group to social responsibility based upon the guidelines set out in 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 control 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 discussions. 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, as part of the internal audit department, 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 principal risks and uncertainties facing the business are detailed on pages 22 and 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 and Risk 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 FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014, 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
22 March 2016

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
22 March 2016

The Audit Committee (the 'Committee') is established by the Board under terms of reference that are annually reviewed and most recently updated in December 2014 to take account of updates to the FRC's UK Corporate Governance Code and 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 2015 the Committee comprised:

- Sir David Brown
- Douglas Hurt (from 1 November 2015)
- Anthony Lea (Chairman to 31 May 2015, left the Committee on 30 September 2015)
- Alicja Lesniak
- Lucinda Riches (Chairman from 1 June 2015)

Audit Committee attendance

The Committee met three times in the year ended 31 December 2015.

Attendance	Mar	Jun	Nov
Sir David Brown	Member	Member	Member
Douglas Hurt	–	–	Member
Anthony Lea	Chairman	Member	–
Alicja Lesniak	Member	Member	Member
Lucinda Riches	Member	Chairman	Chairman

● Chairman ● Member

The appointment of a company chairman to an audit committee is not in compliance with the recommendations of the FRC UK Corporate Governance Code. However, Sir David Brown, Chairman of BSI, is a member of the Committee as his knowledge and experience are considered beneficial.

Douglas Hurt has held many senior financial roles including Group Finance Director at IMI plc. Anthony Lea was 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. Alicja Lesniak is Chairman of the Audit Committee at Channel 4 Television Corporation and Next Fifteen Communications Group plc and during her career has held many senior financial roles including Chief Financial Officer of Ogilvy and Mather Worldwide and Aegis plc. 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. All are considered to have recent and relevant financial experience.

When appropriate, the Chief Executive, Group Finance Director, Group Financial Controller, Head of Tax and Treasury and Head of Internal Audit and Risk, 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 assess 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 auditors to supply non-audit services; and
- meeting with the auditors without Executive Directors present.

The Committee focuses its agenda on financial reporting risk and reviewing the continuing validity of critical accounting judgements and estimates. It 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:

- received and considered, as part of the 2014 year-end process, 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 2014 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 and Risk 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 2015, were primarily the detection of fraud in revenue recognition, management override of controls and acquisition accounting, 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;
- undertook a review of the UK Financial Shared Service Centre;
- received regular reports from the finance team on the progress of the Group's transfer pricing exercise;
- considered and confirmed the Group's approach to hedging foreign currency;
- retained the Institute of Internal Auditors to undertake an external quality assessment of the Group's internal audit function and agreed recommended areas of improvement with the management team;
- 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 2015 were:

- management override of controls;
- fraud in revenue recognition;
- acquisition accounting for the new businesses;
- 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. 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:

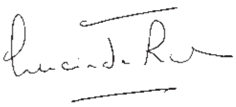
- considering the external auditors' proposed audit strategy and agreeing with them the scope of the audit programme based on their risk assessment and the detailed review of specific businesses suggested by the Committee;
- agreeing areas of audit focus with the auditors;
- re-tendering the external audit 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;
- discussing with the auditors 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.

External audit continued

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 2016 Annual General Meeting.

By Order of the Board



Lucinda Riches
Chairman of the Audit Committee
22 March 2016

Report of the Nominations Committee

The Nominations Committee (the 'Committee') is established by the Board under terms of reference reviewed annually and 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 2015 the Committee comprised:

- Sir David Brown (Chairman)
- Dr Tom Gorrie (to 31 August 2015)
- Douglas Hurt (from 1 November 2015)
- Howard Kerr
- Anthony Lea (to 30 September 2015)
- Alicja Lesniak (from 1 June 2015)
- Dr Stephen Page (from 1 September 2015)
- Dr John Regazzi (to 31 May 2015)
- Lucinda Riches
- Alison Wood

Nominations Committee attendance

The Committee met five times in the year ended 31 December 2015.

Attendance	Mar	May	Jun	Jun	Sep
Sir David Brown	Chairman	Chairman	Chairman	Chairman	Chairman
Dr Tom Gorrie	Member	Member	Member	Member	–
Howard Kerr	Member	Member	Member	Member	Member
Anthony Lea	Member	Member	Member	Did not attend	–
Alicja Lesniak	Invitee	Invitee	Invitee	Member	Member
Dr Stephen Page	–	–	–	–	Did not attend
Dr John Regazzi	Member	Did not attend	–	–	–
Lucinda Riches	Member	Member	Did not attend	Did not attend	Member
Alison Wood	Member	Member	Member	Member	Member

Chairman Member Did not attend Invitee

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 Board retirements;
- recommended to the Board, in accordance with the agreed Board succession plan, the appointment of Alicja Lesniak, who was Board Advisor, as a Non-executive Director;
- recommended to the Board the appointment of Lucinda Riches as Senior Independent Director following the retirement of Anthony Lea from that role;
- oversaw the recruitment process for Board appointments; and
- following a review of candidates, recommended the appointments to the Board and its Committees of Dr Stephen Page and Douglas Hurt as Non-executive Directors.

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 2015, the Committee was responsible for the recruitment process for the appointment of two further Non-executive Directors. The Committee agreed a description of the roles and of the capabilities required for each, following an evaluation of the balance of skills, experience, independence and knowledge required. It then authorized 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 Social responsibility review on page 32.

By Order of the Board

Sir David Brown
Chairman of the Nominations Committee
22 March 2016

Introduction by Alison Wood, Chairman of the Remuneration Committee.

I am pleased to present the Directors' remuneration report for the year ended 31 December 2015. 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.

Performance and reward for 2015
Payments made to the Directors under BSI's variable pay arrangements reflect BSI's strong financial performance for 2015. I am pleased to report that Management Operating Profit (MOP), revenue and cash all exceeded the challenging target levels set the previous year and, indeed, MOP exceeded stretch levels providing a further bonus amount. The Long Term Incentive Plan (LTIP), intended to incentivize growth in MOP over a longer time scale, exceeded the expectations set in 2013 and provided maximum vesting for 2015. Further details may be found in the Variable Pay section on pages 52 and 53.

Discretionary decisions made in 2015
The Committee retains discretionary power regarding certain areas of Directors' remuneration. The Committee did not exercise any of its discretionary power during 2015.

Remuneration policy for 2016
The Committee considered and agreed a change to the definitions of profit used to set targets for the variable pay elements from definitions based on MOP to definitions based on Underlying Operating Profit. In addition, the target weighting for the annual bonus arrangement was amended to emphasize current year profit generation while the target weighting for the LTIP was amended to encourage an emphasis on longer-term revenue growth in accordance with the aspirations of the Strategic Plan. Details are set out in the Remuneration policy table on pages 54 and 55.

2016 focus
The Committee has reviewed the effectiveness of the Company's remuneration policy and identified further ways to develop BSI's Director remuneration arrangements. During 2016 the Committee will address the framework and metrics of BSI's incentive plans to promote continuous improvement in operational performance, the development of new products and markets and the successful integration of acquisitions. Additionally, the Committee will put further emphasis on monitoring and reviewing the overall remuneration strategy to ensure it underpins the delivery of BSI's strategy.

The Remuneration Committee continues to ensure that the tenets of best practice are applied, namely timely and appropriate salary reviews, communicated in context to recipients; the clear setting of challenging variable pay targets, both long and short term – with them communicated clearly at the beginning of the performance periods to all recipients; and keeping the variable pay programmes as stable as possible, while ensuring the Directors are incentivized towards the achievement of the organization's strategic goals.

Alison Wood

Alison Wood
Chairman of the Remuneration Committee
22 March 2016

Remuneration Committee

The Committee is established by the Board under terms of reference that are annuallly reviewed and which 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 2015 the Committee comprised:

- Douglas Hurt (from 1 November 2015)
- Anthony Lea (to 30 September 2015)
- Dr Stephen Page (from 1 September 2015)
- Dr John Regazzi (to 31 May 2015)
- Lucinda Riches
- Alison Wood (Chairman)

When appropriate, Sir David Brown, Howard Kerr, Craig Smith, Dr Tom Gorrie, Alicja Lesniak and Jim Newell, the Group HR Director, have been invited to the Committee to attend its meetings. 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 2015.

Attendance	Jan	Mar	Mar	Sep	Dec
Douglas Hurt	–	–	–	–	●
Anthony Lea	●	●	●	●	–
Dr Stephen Page	–	–	–	○	●
Dr John Regazzi	○	●	●	–	–
Lucinda Riches	●	●	●	●	●
Alison Wood	●	●	●	●	●

● Chairman ● Member ○ Did not attend

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 2015 external advice was sought from Willis Towers Watson regarding Executive and Chairman compensation benchmarking.

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:

- agreed salary increases for the Executive Directors;
- agreed changes to the rules of the Company's LTIP in order to incorporate clawback and malus;
- considered and agreed an amendment to the remuneration policy to change the definition of profit used to set targets for the variable pay elements and amend target weighting for the annual bonus and LTIP arrangements to focus on profit generation and revenue growth, respectively;
- considered and agreed payments under the 2014 bonus arrangement;
- considered the Chairman's fee and recommended that an increase be put to members for their consideration at the Annual General Meeting;
- discussed and agreed the Directors' remuneration report in the Company's 2014 Annual Report, taking into account recent changes in HMRC rules regarding the reporting of Non-executive Directors' travel costs to their normal place of work;
- agreed to amend the remuneration policy of the Company to allow Executive Directors to retain any fees they receive from working, with the consent of the Board, as Non-executive Directors of outside companies;
- updated the Committee's annual plan of work to include an annual review of structure, metrics and targets for the forthcoming year's bonus plan;
- considered the findings of the Committee evaluation process; and
- reviewed the policy for Directors' expenses.

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.

2015 remuneration

Single figure total (audited information)

Director	Salaries and fees Year ended 31 Dec 2015 £'000	Salaries and fees Year ended 31 Dec 2014 £'000	Taxable benefits[1] Year ended 31 Dec 2015 £'000	Taxable benefits[1] Year ended 31 Dec 2014 £'000	Pension benefits[2] Year ended 31 Dec 2015 £'000	Pension benefits[2] Year ended 31 Dec 2014 £'000	Variable pay receivable for 2015: Bonus Year ended 31 Dec 2015 £'000	Variable pay receivable for 2015: Bonus Year ended 31 Dec 2014 £'000	Variable pay receivable for 2015: LTIPs Year ended 31 Dec 2015 £'000	Variable pay receivable for 2015: LTIPs Year ended 31 Dec 2014 £'000	Total Year ended 31 Dec 2015 £'000	Total Year ended 31 Dec 2014 £'000
Executives												
Howard Kerr[3]	**408**	388	**25**	23	**5**	22	**350**	332	**331**	—	**1,119**	765
Craig Smith[4]	**300**	267	**19**	19	**10**	40	**213**	202	**191**	—	**733**	528
Dr Scott Steedman	**214**	209	**16**	15	**32**	31	**166**	158	**150**	—	**578**	413
	922	864	**60**	57	**47**	93	**729**	692	**672**	—	**2,430**	1,706
Chairman												
Sir David Brown	**149**	148	**5**	6	**—**	—	**—**	—	**—**	—	**154**	154
Non-executives												
Anthony Lea[5]	**29**	41	**—**	—	**—**	—	**—**	—	**—**	—	**29**	41
Dr Tom Gorrie[6]	**28**	41	**25**	40	**—**	—	**—**	—	**—**	—	**53**	81
Douglas Hurt[7]	**6**	—	**—**	—	**—**	—	**—**	—	**—**	—	**6**	—
Alicja Lesniak[8]	**23**	—	**—**	—	**—**	—	**—**	—	**—**	—	**23**	—
Dr Stephen Page[9]	**12**	—	**—**	—	**—**	—	**—**	—	**—**	—	**12**	—
Dr John Regazzi[10]	**15**	36	**13**	27	**—**	—	**—**	—	**—**	—	**28**	63
Lucinda Riches	**39**	37	**—**	—	**—**	—	**—**	—	**—**	—	**39**	37
Alison Wood	**41**	13	**—**	—	**—**	—	**—**	—	**—**	—	**41**	13
Board Advisor												
Alicja Lesniak[11]	**15**	9	**—**	—	**—**	—	**—**	—	**—**	—	**15**	9
	357	325	**43**	73	**—**	—	**—**	—	**—**	—	**400**	398
Total	**1,279**	1,189	**103**	130	**47**	93	**729**	692	**672**	—	**2,830**	2,104

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 £50,617 (2014: £40,631) supplement in lieu of pension contributions.

4 Salary includes £25,685 (2014: £nil) supplement in lieu of pension contributions.

5 Resigned as a Director on 30 September 2015.

6 Resigned as a Director on 31 August 2015.

7 Appointed as a Director on 1 November 2015.

8 Appointed as a Director on 1 June 2015.

9 Appointed as a Director on 1 September 2015.

10 Resigned as a Director on 31 May 2015.

11 Board Advisor until appointed as a Director on 1 June 2015.

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 2015 (2014: none). Comparatives for 2014 have been restated to exclude former Directors.

2015 remuneration continued

Variable pay

Annual bonus for 2015

Annual bonuses for the year ended 31 December 2015 were provided to the Executive Directors by the Committee, in accordance with the policy set out in the Annual Report 2014 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 2015 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%
Dr 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 2015 was 116% of target, revenue was 99% 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 2015. The Committee did not exercise any of its discretionary power with regard to bonus payments for 2015.

2015 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%	97.8%	£350,124
Craig Smith	40%	80%	77.5%	£213,147
Dr Scott Steedman	40%	80%	77.2%	£165,997

Long Term Incentive Plan vesting in 2015 (audited information)

In 2013 Howard Kerr, Craig Smith and Dr 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 2015. 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 2015 was above the maximum target level of £36.8m, the maximum number of PUs vested with respect to the 2015 financial year and the following payments were made:

Long Term Incentive Plan vesting 2015	PUs awarded 2013	Vesting	Payment 2015
Howard Kerr	220,859	150%	£331,288
Craig Smith	127,500	150%	£191,250
Dr Scott Steedman	100,000	150%	£150,000

Long Term Incentive Plan awarded in 2015 (audited information)

In 2015 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. 2017. The PUs awarded under the LTIP in 2015 were:

2015 LTIP awards	Basis – salary multiple	PUs awarded 2015	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 2017
Craig Smith	50%	134,000	10%	50%	150%	31 December 2017
Dr Scott Steedman	50%	105,000	10%	50%	150%	31 December 2017

Total LTIP awards held

LTIP awards held	Howard Kerr	Craig Smith	Dr 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 2015	233,495	134,000	105,000	10%	50%	150%	31 December 2017
PUs awarded 2014	227,800	130,750	102,500	10%	50%	150%	31 December 2016
Total PUs held	**461,295**	**264,750**	**207,500**				

The Company made contributions of a total of 18% of Howard Kerr's basic salary into a personal pension arrangement and as a salary supplement in lieu of pension contributions. The Company made contributions of a total of 15% of Craig Smith's basic salary into the BSI UK Pension Plan and as a salary supplement in lieu of pension contributions. Scott Steedman participates in the BSI UK Pension Plan, into which the Company made contributions of 15% of his basic salary.

Loss of office payments (audited information)
No payments for loss of office were made in 2015 (2014: £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
2015	1,119	195.6%	150.0%
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.

2015 remuneration change from 2014

	% change in salary	% change in taxable benefits	% change in bonus
Chief Executive	+5.2%*	+7.2%	+5.5%
UK employees	+2.2%	+9.1%	+8.9%

* 2.7% if salary paid in lieu of pension contributions is excluded.

UK employees (comprising full-time and part-time employees and contract staff) have 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. Dr Scott Steedman served as a Non-executive Director of the Port of London Authority and, in accordance with policy, retained his remuneration of £23,200 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, 40.1% of profits made above budget were used for variable pay awards across the Group.

Statement of implementation of Directors' remuneration policy

During 2015, all Directors' remuneration was awarded within the policy set out in the Directors' remuneration report in the Annual Report and financial statements 2014.

Remuneration policy

The Directors' remuneration policy is set out in the table opposite. It applies to remuneration awards made from 1 January 2016 and is set for a period of one year. Areas of change from the policy operated in 2015 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. For variable pay, the Committee retains the discretion to adjust payments up or down in exceptional circumstances. In previous years, profit used to set targets for the variable pay elements was 'Management Operating Profit' which was adjusted at the Committee's discretion to take account of items considered to be beyond the control of management. For 2016, this element of discretion has been removed by moving to profit targets based upon Underlying Operating Profit before specific adjustments. 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.

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 by reference to 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.	For Executive Directors the Company makes contributions into defined contribution pension arrangements or provides a cash alternative.
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. Awards are subject to malus and clawback provisions. 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.

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.

Maximum value	Performance metrics	Changes from 2015 policy
	Not applicable.	
	Not applicable.	
	Not applicable.	
Maximum bonuses for Howard Kerr, Craig Smith and Dr Scott Steedman are 100%, 80% and 80% of basic salary, respectively.	Award payments are dependent upon the achievement of targets weighted as follows: As a percentage of basic salary, targets are based for Howard Kerr: i) 30% on 'Group Profit for the Annual Bonus Plan', ii) 10% on revenue, and iii) 10% on personal objectives, plus up to an additional 50% on stretch 'Group Profit for the Annual Bonus Plan'; and for Craig Smith and Dr Scott Steedman: i) 24% on 'Group Profit for the Annual Bonus Plan', ii) 8% on revenue, and iii) 8% on personal objectives, plus up to an additional 40% on stretch 'Group Profit for the Annual Bonus Plan'.	The annual bonus profit target has been changed from 'Management Operating Profit' to 'Group Profit for the Annual Bonus Plan', which is defined as Underlying Operating Profit before discretionary bonus charges, LTIP charges and all foreign exchange adjustments. In addition, target weighting has been amended to emphasize current year profit generation.
A maximum of 150% of Participation Units (PUs) may vest depending on target achievement.	PUs are awarded to Executive Directors by the Remuneration Committee. Award payments are dependent upon the achievement of targets weighted as follows: As a percentage of basic salary, targets are based: i) 25% on 'Group Profit for the LTIP' and ii) 75% on revenue; a proportion of these vest, depending on the achievement of 'Group Profit for the LTIP' and revenue growth targets for the third financial year after award. Awards made are on a discretionary basis.	The LTIP profit target has been changed from 'Management Operating Profit' to 'Group Profit for the LTIP', which is defined as Underlying Operating Profit before LTIP charges and all foreign exchange adjustments. In addition, target weighting has been amended to emphasize longer-term revenue growth.

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
Dr Scott Steedman	7 November 2012	1 October 2012	6 months by either party

The Chairman is re-appointed by the Board each year upon the recommendation of the Nominations Committee. Except where indicated, the appointment of Non-executive Directors is for periods of three years but is subject to re-appointment at AGMs in accordance with the Bye-laws. 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	Non-executive Director
	19 December 2011	1 December 2011	Deputy Chairman
		31 March 2012	Chairman
Douglas Hurt	21 October 2015	1 November 2015	Non-executive Director
Alicja Lesniak	24 September 2014	1 October 2014	Board Advisor
	1 June 2015	1 June 2015 (to AGM 2017)	Non-executive Director
Dr Stephen Page	26 June 2015	1 September 2015	Non-executive Director
Lucinda Riches	23 May 2011	19 May 2011	Board Advisor
	17 May 2012	17 May 2012	Non-executive Director
	22 May 2014	22 May 2014 (to AGM 2017)	re-appointed
Alison Wood	22 July 2014	1 September 2014	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.

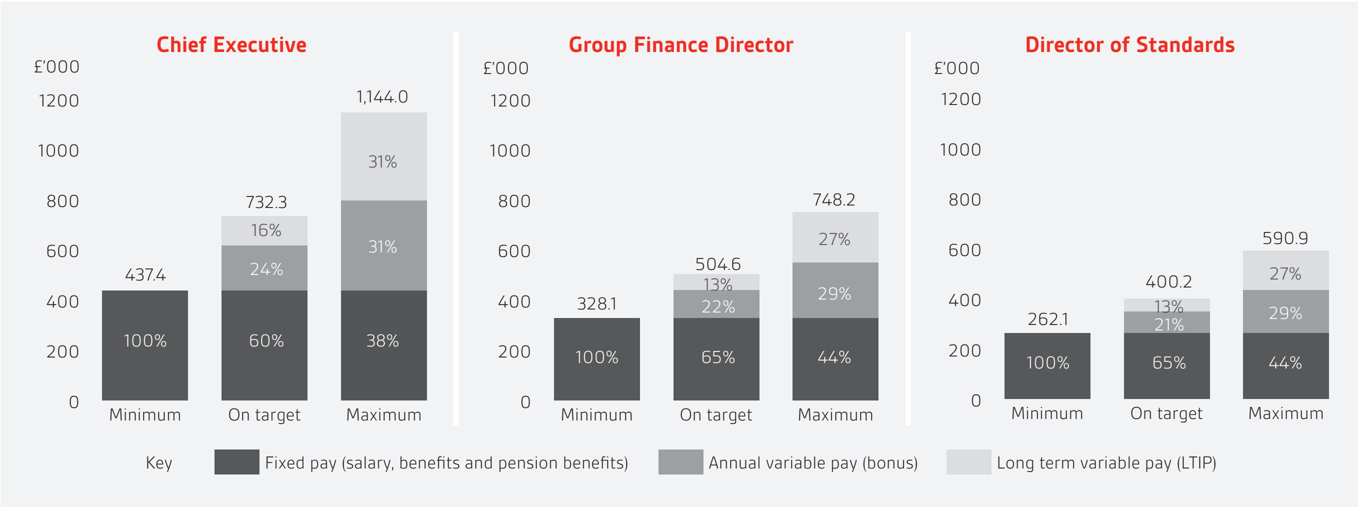
Policy on termination payments

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 Board is responsible for any such Non-executive Director termination arrangements. The Committee, overseen by its Chairman, is responsible for the setting of any termination payments for Executive Directors and the Chairman and it reserves the right to apply discretion as it sees fit in relation to the above.

Illustration of the application of the Directors' remuneration policy for 2016

The charts below provide an illustration of what could be received by each Executive Director in 2016, 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 Dr 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 Dr 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 2015 and actual 2015 benefit and pension benefit amounts; annual bonus awards for potential payment with respect to the 2016 financial year are based on basic pay at 31 December 2015; and LTIPs are based on the 2014 awards potentially vesting for the performance period ending 31 December 2016.

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 that they contain audited information.

By Order of the Board

Alison Wood

Alison Wood
Chairman of the Remuneration Committee
22 March 2016

The Directors submit their report and audited financial statements for The British Standards Institution and its subsidiaries for the year ended 31 December 2015.

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 2015, 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 disclosures.

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 and 35 and except where noted below all held office throughout the year. The Directors were as follows:

Sir David Brown
Howard Kerr
Craig Smith
Dr Scott Steedman
Dr Tom Gorrie (resigned 31 August 2015)
Douglas Hurt (appointed 1 November 2015)
Anthony Lea (resigned 1 September 2015)
Alicja Lesniak (appointed 1 June 2015)
Dr Stephen Page (appointed 1 September 2015)
Dr John Regazzi (resigned 31 May 2015)
Lucinda Riches
Alison Wood

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 Douglas Hurt, Alicja Lesniak and Dr Stephen Page will be offering themselves 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 Craig Smith and Dr Scott Steedman will also be standing for re-election at the Annual General Meeting.

Annual General Meeting
The 2016 Annual General Meeting will be held at 4pm on Thursday, 26 May 2016 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 dispatched to the members.

Independent auditors
The BSI Group's auditors for the year ended 31 December 2015 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 review 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 two UK RIDDOR reportable accidents during 2015, which related to a minor fall from a test rig and a fall at a business event. There were also three lost time incidents (between one and three days' absence from work).

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 (2014: £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

There were no post-balance sheet events.

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.

Viability statement

The Directors have considered the ongoing viability of the BSI Group.

Each year, on a rolling three year basis, the Directors draw up a strategic plan for the business. The plan is based on a consideration of the Group's markets within the context of the expected economic environment. Then, based upon an analysis of the strategic capabilities of the Group, a plan is drawn up in line with the risk appetite of BSI as agreed by the Directors.

In 2015, the Directors drew up the strategic plan for the Group until the end of 2018. BSI has a long history of underlying revenue and operating profit growth dating back to the last century and this plan showed a continuation of these trends. The Directors are confident that the Group is on a trajectory which should result in the achievement of the key performance indicators for the strategic plan, which are set out on page 6.

While the strategic plan reflects the Directors' best estimate of the future prospects of the business, they tested and confirmed its validity in scenarios. These scenarios related to demand for BSI's products and services, fluctuations of Sterling compared to our other trading currencies and the availability of sufficient cash to satisfy the Group's obligations and undertake the necessary investments to achieve the key performance indicators.

Based upon the strategic plan to 2018, the Directors have a reasonable expectation that the BSI Group will be able to continue in operation and meet its liabilities as they fall due for at least that period of time.

BSI is embarking on a programme of developing its Organizational Resilience in accordance with the principles set out in BS 65000. This will help ensure the Company is better able to anticipate, prepare for, respond to and adapt to incremental change and disruptions, enabling BSI to survive and prosper into the future.

By Order of the Board

AKWales.

Tony Wales
Company Secretary
22 March 2016

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 2015 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 requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements 2015 (the 'Annual Report'), comprise:

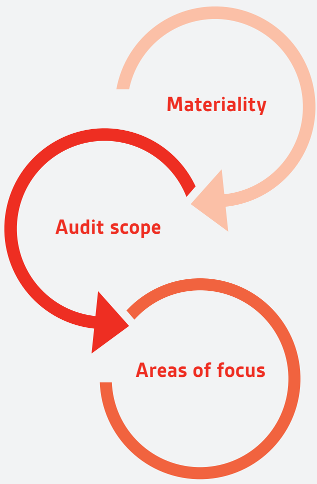
- the Group consolidated balance sheet as at 31 December 2015;
- the Group consolidated income statement and Group consolidated statement of comprehensive income for the year then ended;
- the Group consolidated statement of cash flows for the year then ended;
- the Group consolidated statement of changes 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, 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: £3.1m 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 specified audit procedures at five further reporting locations in the USA, EORM, Japan, China and Australia.
- The UK Group engagement team also audited the UK operating locations and undertook site visits to Turkey.
- The reporting locations subject to audit procedures account for 90% of the Group's operating profit and 86% of the Group's profit before tax.

- Revenue recognition.
- Acquisition accounting for Environmental and Occupational Risk Management (EORM).
- Valuation of defined benefit pension scheme assets and liabilities.
- Consideration of goodwill and 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.

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Risk of fraud in revenue recognition	
The Group has a variety of material revenue streams, with distinct characteristics and revenue recognition methods (as disclosed in Note 2 to the financial statements), 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 the stage of completion of significant contracts.	We assessed whether the Group's revenue recognition policies complied with IFRSs, and tested the application of those policies. We found no material exceptions in this regard. We evaluated the design and implementation of the relevant IT systems and controls, and tested the operating effectiveness of internal controls over the completeness, accuracy and cut off 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 signed 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 test revenues recognised in the USA, EORM, Japan, China and Australia and at the UK operating locations. Through this process, we matched revenue transactions to accounts receivable, accrued revenue and cash transactions 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 accounts to identify unusual adjustments for contracts that ended during the year. We found that, based on our audit work, the Directors' percentage of completion estimates appear reasonable.
Acquisition accounting for Environmental and Occupational Risk Management (EORM)	
The Group has acquired 100% of the share capital of Environmental and Occupational Risk Management (EORM), a leading provider of environmental, health and safety and sustainability consultancy services, for \$27.5m (£18.1m). The valuation of the identifiable net assets of EORM requires significant judgement and technical expertise in choosing appropriate assumptions. Changes in a number of key assumptions can have a material impact on the identifiable net assets of EORM including discount rates, customer attrition rates and revenue growth assumptions.	We have audited the Directors' work over the opening balance sheet, working capital adjustments and the work of management's experts in determining the identifiable net assets on acquisition and the calculation of goodwill arising on the transaction. We have evaluated the key assumptions applied in determining the fair value measurements of assets and liabilities acquired. In particular we have assessed the discount rate used in valuing the business, terminal value calculations and the estimated useful economic life of customer relationships. We have also involved our tax specialists in determining the appropriate deferred taxation liabilities to be recognised upon the intangible assets acquired. We understand the Directors' accounting treatment and concur with the final valuation. We have, in addition, involved our valuation specialists to evaluate the findings of management's experts. We found that the identifiable net assets and the purchase price allocation has been completed as required by IFRS 3.

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
Valuation of defined benefit pension scheme assets and liabilities	
The Group has defined benefit pension plans with net retirement benefit obligation liabilities of £71.9m, which are significant in the 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, requires 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 100 within Note 24 to the financial statements. 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 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 read the report issued to the Directors by the actuary. With the assistance of our own actuarial experts, 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 tested 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 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 supportable and reasonable.
Consideration of goodwill and intangible assets for impairment	
The Group has intangible assets (including goodwill) of £64.9m, which are significant in the context of the overall balance sheet of the Group. In particular, we focused our audit effort on the value-in-use calculations supporting the valuation of intangible assets and goodwill. The Directors identified an impairment trigger and recorded an £889k impairment to goodwill and other intangible assets of the Entropy cash generating unit (CGU). The Directors' assessment of the 'value in use' of the Group's 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. Based on historical performance, the Directors believe there is significant headroom between the value in use of the CGUs and their carrying value for all CGUs other than Entropy. 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 tested the Directors' key assumptions over the value in use of the Entropy 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. Based on our audit work, we found that the Directors' assumptions were supportable and within a range that we considered to be reasonable. We challenged the Directors on the adequacy of their sensitivity calculations over the Entropy CGU and all other CGUs in respect of the key assumptions above. For all CGUs we calculated the degree to which these assumptions would need to move, individually and in combination, 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, the Directors' assessment that the impairment provision against the intangible asset and goodwill of Entropy of £889k was supportable and no other material impairment provisions were identified by our audit work in respect of intangible assets and goodwill.

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.

Report on the Group financial statements continued

Our audit approach continued

How we tailored the audit scope continued

The Group is structured across four reportable segments (EMEA, UK Standards, Americas and Asia Pacific) in addition to the global head office Group functions. The consolidated financial statements are a consolidation of 73 reporting locations within these reportable segments, comprising the Group's operating business and centralized functions.

Our Group audit scope included audits of the complete financial information of the UK Standards and UK Assurance operations along with detailed specified procedures at five further reporting locations (USA, EORM, Japan, China and Australia). These reporting locations were selected based on their size and their risk characteristics. Together with the global head office Group functions, 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 90% of the Group's operating profit and 86% of the Group's profit before tax.

As part of our year-end audit procedures, the Group team visited the UK and the US component teams. These visits involved discussing the audit approach and any issues arising from our work, as well as meeting local management. The Group team attended all clearance meetings either in person or by phone call. In addition to this, on a rotational basis, we visit the sites of reporting locations not subject to reporting procedures as outlined above and perform some tests of controls. This year we visited Turkey and EORM.

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 on the individual financial statement line items and disclosures and in evaluating 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	£3.1m (2014: £2.7m).
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 believe that the profit before tax provides us with a consistent year on year basis for determining materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300,000 (2014: £200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

The Directors have chosen to voluntarily report how they have applied the UK Corporate Governance Code (the 'Code') as if the parent company were a premium listed company. Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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.

ISAs (UK & Ireland) reporting

As a result of the Directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
  - otherwise misleading;
- the statement given by the Directors on page 58, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report on pages 44 to 46, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report.

Other required reporting continued

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

As a result of the Directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation on page 59 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' explanation on page 59 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

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 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 parent company's members 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 2015 and on the information in the Directors' remuneration report that is described as having been audited.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2016

BSI Group consolidated income statement
for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Revenue	5, 6	**331.1**	287.1
Cost of sales		**(175.9)**	(150.1)
Gross profit		**155.2**	137.0
Selling and distribution expenses		**(42.2)**	(39.0)
Administrative expenses		**(77.6)**	(68.9)
Operating profit before exceptional (costs)/income		**35.4**	29.1
Exceptional operating (costs)/income	7	**(1.3)**	1.6
Operating profit	7	**34.1**	30.7
Finance income	11	**0.1**	0.3
Finance costs	11	**(2.6)**	(2.4)
Profit before income tax		**31.6**	28.6
Income tax expense	12	**(7.9)**	(7.6)
Profit for the year		**23.7**	21.0

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

The accompanying notes on pages 70 to 102 form an integral part of the consolidated financial statements.

BSI Group consolidated statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit for the year		**23.7**	21.0
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations, net of taxes*	24b	**1.2**	(27.2)
Items that may be subsequently reclassified to profit or loss			
Impact of change in the UK tax rate on deferred tax	16	**(2.3)**	—
Net investment and cash flow hedges		**(0.6)**	(0.2)
Currency translation differences		**(0.1)**	(0.5)
		(3.0)	(0.7)
Other comprehensive loss for the year, net of taxes		**(1.8)**	(27.9)
Total comprehensive income/(loss) for the year		**21.9**	(6.9)

* The re-measurements of post-employment benefit obligations, net of taxes, shown above, are stated net of a deferred tax debit of £2.6m and a current tax credit of £2.2m.

The accompanying notes on pages 70 to 102 form an integral part of the consolidated financial statements.

BSI Group consolidated statement of changes in equity
for the year ended 31 December 2015

	Retained earnings £m	Translation reserve £m	Total £m
At 1 January 2014	63.8	(0.4)	63.4
Profit for the year	21.0	—	21.0
Re-measurements of post-employment benefit obligations, net of taxes	(27.2)	—	(27.2)
Net investment hedges	—	(0.2)	(0.2)
Currency translation differences	—	(0.5)	(0.5)
At 31 December 2014	**57.6**	**(1.1)**	**56.5**
Profit for the year	**23.7**	**—**	**23.7**
Re-measurements of post-employment benefit obligations, net of taxes	**1.2**	**—**	**1.2**
Impact of change in the UK tax rate on deferred tax	**(2.3)**	**—**	**(2.3)**
Net investment and cash flow hedges	**—**	**(0.6)**	**(0.6)**
Currency translation differences	**—**	**(0.1)**	**(0.1)**
At 31 December 2015	**80.2**	**(1.8)**	**78.4**

Retained earnings

Retained earnings are used to record the changes in retained profit/(loss), actuarial gains/(losses) relating to retirement benefit obligations and impacts of UK tax rate changes on deferred tax.

Translation reserve

The translation reserve is used to record the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and net investment and cash flow hedges.

BSI Group consolidated balance sheet
as at 31 December 2015

	Note	2015 £m	2014 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**20.6**	18.9
Goodwill	14	**41.7**	29.7
Intangible assets	14	**23.2**	19.9
Deferred tax assets	16	**23.2**	24.9
Trade and other receivables	19	**3.4**	2.5
Total non-current assets		**112.1**	95.9
Current assets			
Inventories	18	**0.1**	—
Trade and other receivables	19	**77.2**	64.6
Derivative financial instruments	20	**—**	—
Current tax assets		**2.3**	1.7
Cash and cash equivalents	21	**51.0**	52.8
Total current assets		**130.6**	119.1
Total assets		**242.7**	215.0
Liabilities			
Non-current liabilities			
Deferred tax liabilities	16	**(6.0)**	(3.6)
Retirement benefit obligations	24	**(71.9)**	(82.9)
Provisions for liabilities and charges	23	**(1.4)**	(1.1)
Trade and other payables	22	**(6.7)**	(4.3)
Total non-current liabilities		**(86.0)**	(91.9)
Current liabilities			
Trade and other payables	22	**(72.3)**	(61.7)
Current tax payables		**(5.7)**	(4.8)
Provisions for liabilities and charges	23	**(0.3)**	(0.1)
Total current liabilities		**(78.3)**	(66.6)
Total liabilities		**(164.3)**	(158.5)
Net assets		**78.4**	56.5
Reserves			
Retained earnings		**80.2**	57.6
Translation reserve		**(1.8)**	(1.1)
Total reserves		**78.4**	56.5

The accompanying notes on pages 70 to 102 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 65 to 102 were approved by the Board of Directors on 22 March 2016 and were signed on its behalf by:

Craig Smith
Group Finance Director
22 March 2016

BSI Group consolidated statement of cash flows
for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Profit before income tax		**31.6**	28.6
Adjustments for:			
– Retirement benefit charges	24b	**0.5**	0.6
– Depreciation of property, plant and equipment	7	**3.6**	3.4
– Amortization of intangible assets	7	**6.9**	5.4
– Impairment of goodwill	7	**0.1**	—
– Net loss on disposal of businesses	7	**0.1**	0.5
– Loss on disposal of intangible assets	7	**—**	0.1
– Reversal of impairment of property, plant and equipment	7	**—**	(3.2)
– Impairment of intangible assets	7	**0.8**	—
– Provision for impairment of trade receivables	7	**0.3**	0.6
– Bad debts written off	7	**0.5**	0.2
– Finance income	11	**(0.1)**	(0.3)
– Finance costs	11	**2.6**	2.4
Changes in working capital (excluding the exchange differences on consolidation):			
– (Increase)/decrease in inventories		**(0.1)**	0.1
– Increase in trade and other receivables		**(11.0)**	(10.0)
– Increase in trade and other payables		**9.4**	10.4
– Increase/(decrease) in provisions and other liabilities		**0.5**	(0.3)
– Retirement benefit payments	24b	**(12.5)**	(12.5)
Cash generated from operations		**33.2**	26.0
Interest received		**0.1**	0.3
Income tax paid		**(8.6)**	(8.5)
Net cash generated from operating activities		**24.7**	17.8
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**—**	0.1
Purchases of property, plant and equipment	13	**(3.8)**	(3.6)
Purchases of intangible assets	14	**(3.0)**	(4.8)
Acquisition of subsidiary and businesses, net of cash acquired	15a	**(19.7)**	—
Net cash used in investing activities		**(26.5)**	(8.3)
Net (decrease)/increase in cash and cash equivalents		**(1.8)**	9.5
Opening cash and cash equivalents		**52.8**	43.4
Exchange losses on cash and cash equivalents		**—**	(0.1)
Closing cash and cash equivalents	21	**51.0**	52.8

The accompanying notes on pages 70 to 102 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2015

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 approved for issue by the Board of Directors on 22 March 2016.

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 (FRS 102).

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 1 January 2015:

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19. The adoption of this amendment did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 2015, 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 or 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.

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 2018 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.

2. Principal accounting policies continued

b. Changes in accounting policy and disclosures continued

ii. New standards, amendments and interpretations not yet adopted continued

On 13 January 2016, the International Accounting Standards Board (IASB) published IFRS 16 on lease accounting, which replaces the current guidance in IAS 17. The standard applies to annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, "Revenue from Contracts with Customers" is also applied. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 is likely to have an impact on the financial statements of BSI, in that a number of lease contracts previously classified as operating leases under IAS 17, will be brought on balance sheet and the new approach will create debt in the form of lease obligations. Lessees will have to present interest expense on the lease liability and depreciation on the right-of-use asset in their income statement. In comparison with operating leases under IAS 17, this will change the allocation of expenses and also the total amount of expense recognized for each period of the lease term. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new guidance will also change the cash flow statement because lease payments that relate to contracts that have previously been classified as operating leases are no longer presented as operating cash flows in full. Only the part of the lease payments that reflects interest on the lease liability can be presented as an operating cash flow. Cash payments for the principal portion of the lease liability are classified within investing activities. The Group is yet to assess IFRS 16's full impact.

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.

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 the 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 are 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 the 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

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.

2. Principal accounting policies continued

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 the 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 the 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.

iv. Internally generated product development costs

Product development costs, which include costs incurred on developing training courses, are capitalized only when specific criteria for capitalization, as set out in IAS 38, "Intangible Assets" are met including consideration of probable future economic benefit. Capitalized product development costs are amortized over the asset's estimated useful life on a straight-line basis at rates that range between 20%–25% of cost per annum.

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.

2. Principal accounting policies continued

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.

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 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.

k. Impairment of financial assets continued

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);

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 maturity of the 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.

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.

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.

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.

2. Principal accounting policies continued

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.

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 the position 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 substantively 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 better assess 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 are 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 credited to administrative expenses in the income statement.

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.

3. Financial risk management continued

Financial risk factors continued

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. Group companies are required to hedge foreign exchange risk exposure with 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. 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	**2.04**	+10%	+10%	**£0.2m**
Chinese Renminbi	**9.64**	-2%	+10%	**£0.1m**
Euro	**1.36**	+4%	+10%	**—**
Japanese Yen	**178.94**	+13%	+10%	**£0.1m**
US Dollar	**1.49**	-1%	+10%	**£0.6m**

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 £1.3m.

b. Credit risk

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

	2015 £m	2014 £m
Bank deposits	**51.0**	52.8
Trade receivables	**51.1**	42.3
Other receivables	**29.5**	24.8
Total credit risk	**131.6**	119.9

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.

3. Financial risk management continued

Financial risk factors continued

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 liquid assets of £51.0m 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.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date 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 2015 and 2014.

At 31 December 2015	**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	**48.0**	**0.3**	**1.5**	**4.2**

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

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 2h. 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 income statement and 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 98 to 100.

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

The liabilities allow for indexation of benefits in line with the Consumer Price 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 2015		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	**0.25% p.a.**	**(13.1)**	**13.7**
Inflation rate	**0.25%* p.a.**	**4.5**	**(4.1)**
Salary escalation	**0.25%**	**1.3**	
Life expectancy	**Approximately 1 year**	**10.1**	

* This sensitivity allows for the impact on all inflation-related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors). Other than the inflation sensitivity assumption detailed above, all other sensitivities shown assume that assumption changes occur in isolation.

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 set out 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 and training services on standards and regulatory approval.
- Compliance – 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. 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 2015 is as follows:

	EMEA £m	UK Standards £m	Americas £m	Asia Pacific £m	Corporate £m	Group £m
Total segment revenue	114.4	56.2	92.3	76.2	—	339.1
Inter and intra-segment revenue	(3.2)	(0.4)	(1.2)	(3.2)	—	(8.0)
Revenue from external customers	111.2	55.8	91.1	73.0	—	331.1
Operating profit before exceptional costs	8.5	17.0	11.2	5.8	(7.1)	35.4
Depreciation and amortization	(1.9)	(1.5)	(2.1)	(1.1)	(3.9)	(10.5)
Finance income	—	—	—	—	0.1	0.1
Finance costs	—	—	—	—	(2.6)	(2.6)
Income tax expense	(3.5)	(2.5)	(2.6)	(0.8)	1.5	(7.9)
Total assets[3]	50.2	19.7	59.0	43.1	69.4	241.4
Total assets include:						
Intangible asset impairment (Note 14)	—	—	—	—	(0.9)	(0.9)
Additions to non-current assets (other than financial instruments and deferred tax assets)	1.4	1.4	21.6	0.7	3.2	28.3
Total liabilities[1,3]	(25.1)	(19.7)	(19.5)	(16.2)	(82.5)[2]	(163.0)

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 £70.9m 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 83.

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 83.

5. Segment information continued

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

	2015 £m	2014 £m
Operating profit before exceptional costs for reportable segments	**42.5**	34.4
Corporate	**(7.1)**	(5.3)
Operating profit before exceptional costs	**35.4**	29.1
Acquisition costs	**(0.7)**	(0.3)
Restructuring and reorganization provision release/(costs)	**0.3**	(0.8)
Reversal of impairment of property, plant and equipment (Note 13)	**—**	3.2
Impairment of intangible assets (Note 14)	**(0.9)**	—
Disposal of businesses	**—**	(0.5)
Finance costs	**(2.6)**	(2.4)
Finance income	**0.1**	0.3
Profit before income tax	**31.6**	28.6

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:

	2015 £m	2014 £m
Segment assets for reportable segments	**172.0**	137.4
Corporate assets	**69.4**	77.5
Reclassifications:		
Trade and other receivables and taxation	**1.3**	0.1
Total assets as per the balance sheet	**242.7**	215.0

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:

	2015 £m	2014 £m
Segment liabilities for reportable segments	**80.5**	66.0
Corporate liabilities	**82.5**	92.4
Reclassifications:		
Trade and other payables and taxation	**1.3**	0.1
Total liabilities as per the balance sheet	**164.3**	158.5

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

	2015 £m	2014 £m
Knowledge	**56.3**	52.8
Assurance	**246.6**	229.5
Compliance	**28.2**	4.8
Revenue from external customers	**331.1**	287.1

Based on where the customer is located revenue from external customers in the UK was £109.6m (2014: £101.2m), and the total of revenue from external customers in other countries was £221.5m (2014: £185.9m). The major components of the total of revenue from external customers from other countries were £80.4m (2014: £53.1m) in the US, £17.8m (2014: £18.1m) in Japan, £15.4m (2014: £15.1m) in Australia and £21.3m (2014: £18.5m) in China.

The total of non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets located in the UK was £36.9m (2014: £38.5m), and the total of these non-current assets located in other countries was £48.9m (2014: £30.0m).

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 (2014: None).

6. Revenue

Revenue recognized in the income statement is analysed as follows:

	2015 £m	2014 £m
Sale of goods	**10.5**	8.9
Rendering of services	**304.7**	262.0
Copyright and royalty income	**15.9**	16.2
Total revenue	**331.1**	287.1

7. Operating profit

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

	Note	2015 £m	2014 £m
Employee benefit expense	8	**158.1**	136.3
Depreciation of property, plant and equipment	13	**3.6**	3.4
Reversal of impairment of property, plant and equipment	13	**—**	(3.2)
Impairment of goodwill	14	**0.1**	—
Impairment of intangible assets	14	**0.8**	—
Amortization	14	**6.9**	5.4
Provision for impairment of trade receivables	19	**0.3**	0.6
Operating lease payments for plant and machinery	10	**2.3**	2.2
Operating lease payments for land and buildings	10	**7.5**	7.4
Loss on disposal of intangible assets	14	**—**	0.1
Net loss on disposal of businesses	15	**0.1**	0.5
Rental income from sub-lease of properties	10	**(0.5)**	(0.5)
Bad debts written off		**0.5**	0.2
Other exchange losses		**0.3**	0.2
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		**0.5**	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		**0.2**	0.1

Exceptional operating (costs)/income	Note	2015 £m	2014 £m
Acquisition costs		**(0.7)**	(0.3)
Restructuring and reorganization provision release/(costs)		**0.3**	(0.8)
Disposal of businesses	15b	**—**	(0.5)
Impairment (cost)/reversal	13, 14	**(0.9)**	3.2
Total operating exceptional (costs)/income		**(1.3)**	1.6

7. Operating profit continued

Exceptional operating costs amounted to £1.3m (2014: credit of £1.6m) and comprised:

- £0.7m of costs associated with the acquisition of Environmental and Occupational Risk Management Inc. and the business of Hill Country Environmental Inc. (Note 15);
- £0.3m credit, being the release of a restructuring provision related to the restructuring of the business in Japan;
- £0.8m impairment of a part of the Entropy capitalized software assets; and
- £0.1m impairment of goodwill relating to Entropy International Ltd.

In 2014, operating exceptional costs 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 15);
- £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.

The corporation tax impact of exceptional items was £nil (2014: credit of £0.3m) as the net expense items are regarded as tax non-deductible.

8. Employee benefit expense

	Note	**2015 £m**	2014 £m
Wages and salaries (including termination benefits of £1.3m (2014: £0.9m))		**132.6**	113.7
Social security costs		**14.4**	13.0
Long Term Incentive Plan (LTIP) expense		**2.0**	0.8
Other pension costs – defined contribution plans	24a	**9.1**	8.8
Employee benefit expense charged in arriving at operating profit	7	**158.1**	136.3
Net pension finance costs	11, 24b	**2.6**	2.4
Total employee benefit expense charged in arriving at profit before income tax		**160.7**	138.7

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

	2015 Number	2014 Number
Production, assessment, training and laboratory	**1,815**	1,641
Sales and distribution	**655**	642
Administration	**1,055**	1,003
Total headcount	**3,525**	3,286

The headcount above includes external resource of 274 (2014: 272).

9. Directors' emoluments

The emoluments of the Executive and Non-executive Board members during the year are disclosed in the Directors' 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:

	2015			2014		
	Land and buildings £m	**Other £m**	**Total £m**	Land and buildings £m	Other £m	Total £m
No later than 1 year	**7.3**	**2.1**	**9.4**	6.3	1.7	8.0
Later than 1 year and no later than 5 years	**20.5**	**3.4**	**23.9**	19.7	3.1	22.8
Later than 5 years	**16.3**	**—**	**16.3**	21.1	—	21.1
Minimum lease payments	**44.1**	**5.5**	**49.6**	47.1	4.8	51.9

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 (2014: £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	**2015 £m**	2014 £m
No later than 1 year	**0.5**	0.5
Later than 1 year and no later than 5 years	**—**	0.1
Minimum sub-lease receipts	**0.5**	0.6

11. Finance income and costs

	2015 £m	2014 £m
Bank interest receivable on cash and short-term deposits	**0.1**	0.2
Other external interest	**—**	0.1
Finance income	**0.1**	0.3
Net interest on the net defined benefit pension obligation (Note 8 and Note 24b)	**(2.6)**	(2.4)
Finance costs	**(2.6)**	(2.4)

12. Income tax expense

	2015 £m	2014 £m
Current tax		
UK tax current year	**4.8**	3.8
UK tax prior years	**0.1**	0.2
Foreign tax current year	**6.3**	4.5
Foreign tax prior years	**0.1**	0.5
Total current tax	**11.3**	9.0
Deferred tax (Note 16)		
Origination and reversal of temporary differences	**(1.6)**	(1.6)
Prior year deferred tax adjustments	**(0.5)**	0.2
Impact of change in UK tax rate	**(1.3)**	—
Total deferred tax	**(3.4)**	(1.4)
Total income tax expense	**7.9**	7.6

The tax on the Group's profit before tax is higher (2014: higher) than the theoretical amount that would arise using the weighted average UK statutory tax rate of 20.25% (2014: 21.5%) applicable to profits of the consolidated entities as follows:

	2015 £m	2014 £m
Profit before income tax	**31.6**	28.6
Tax calculated at the weighted average UK statutory tax rate of 20.25% (2014: 21.5%)	**6.4**	6.1
Effects of:		
– Expenses not deductible for tax purposes	**1.3**	0.1
– Tax losses for which no deferred income tax asset was recognized	**0.4**	0.3
– Income not subject to tax	**(0.1)**	(0.2)
– Higher tax rates on overseas earnings	**1.4**	0.4
– Tax adjustments arising from change in UK tax rates	**(1.3)**	—
Adjustments to tax charge in respect of previous periods:		
– UK	**(0.4)**	0.1
– Foreign	**0.2**	0.8
Total income tax expense	**7.9**	7.6

The Group effective tax rate (ETR) on profits before tax and goodwill impairment for the year is 25.1% (2014: 26.6%). The ETR at 25.1% comprises a current year tax charge of 25.7% (2014: 23.4%) and a prior year tax credit of 0.6% arising from net over-provided UK and foreign tax.

The ETR for the Group's underlying business operations for the current year is 28.2% (2014: 27.2%), after removing the tax impact of non-operational exceptional and finance costs, and prior years' items.

The ETR at 25.1% is further reconciled from the UK statutory tax rate of 20.25% (a blended tax rate of 21% applicable in the period to 31 March 2015, reduced to 20% through the remaining period to 31 December 2015) by additional higher overseas Group taxes of 4.4% (e.g. USA 41% and Japan 40% statutory tax rates), the prior years' tax credit of 0.6%, the credit impact of the reduction in UK tax rates 4.2% and the net ETR increase of 5.25% for Group tax permanent and temporary differences and tax losses not recognized.

The Budget announced by the chancellor on 8 July 2015 (the '2015 Summer Budget') included changes to the main rates of tax for UK companies. The main rate of corporation tax will decrease from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020.

These amendments are included in the Finance Bill 2015 that received Royal Assent on 18 November 2015. Therefore, the decreases in tax rates to 19% and 18% were substantively enacted for the purposes of IAS 12 on 18 November 2015. As such, the impact of these step changes in the UK tax rate are included in these financial statements.

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 2014	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**
Additions	**—**	**—**	**1.2**	**2.6**	**3.8**
Additions: acquisition of subsidiary	**—**	**—**	**—**	**0.2**	**0.2**
Disposals	**(0.7)**	**—**	**—**	**(0.9)**	**(1.6)**
Reclassifications	**0.3**	**—**	**(1.0)**	**0.7**	**—**
Reclassifications from computer software (Note 14)	**—**	**—**	**—**	**1.6**	**1.6**
Exchange differences	**—**	**—**	**—**	**0.1**	**0.1**
At 31 December 2015	**11.2**	**6.5**	**1.1**	**21.5**	**40.3**
Accumulated depreciation and impairment					
At 1 January 2014	(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)**
Charge for the year (Note 7)	**(0.3)**	**(0.4)**	**—**	**(2.9)**	**(3.6)**
Disposals	**0.7**	**—**	**—**	**0.9**	**1.6**
Reclassifications from computer software (Note 14)	**—**	**—**	**—**	**(0.5)**	**(0.5)**
Exchange differences	**—**	**—**	**—**	**0.1**	**0.1**
At 31 December 2015	**(2.5)**	**(3.9)**	**—**	**(13.3)**	**(19.7)**
Net book value at 31 December 2015	**8.7**	**2.6**	**1.1**	**8.2**	**20.6**
Net book value at 31 December 2014	8.7	3.0	0.9	6.3	18.9

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 consolidated 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 in 2014 which has been recognized through the Group consolidated income statement.

Capital commitments in respect of property, plant and equipment

Capital expenditure of £0.2m (2014: £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 2014	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	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**
Additions	**—**	**1.2**	**1.5**	**—**	**0.3**	**3.0**
Additions: acquisition of subsidiaries (Note 15)	**12.3**	**0.1**	**—**	**8.9**	**—**	**21.3**
Disposal	**(0.1)**	**(0.2)**	**(0.3)**	**—**	**—**	**(0.6)**
Impairment*	**(0.1)**	**—**	**(1.3)**	**—**	**—**	**(1.4)**
Reclassifications	**—**	**0.7**	**(0.7)**	**—**	**—**	**—**
Reclassifications to property, plant and equipment (Note 13)	**—**	**(1.3)**	**(0.3)**	**—**	**—**	**(1.6)**
Exchange differences	**(0.1)**	**—**	**—**	**(0.2)**	**—**	**(0.3)**
At 31 December 2015	**48.1**	**15.9**	**14.0**	**16.7**	**2.2**	**96.9**
Accumulated amortization and impairment						
At 1 January 2014	(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)**
Charge for the year (Note 7)	**—**	**(2.0)**	**(2.8)**	**(1.8)**	**(0.3)**	**(6.9)**
Disposals	**—**	**0.2**	**0.3**	**—**	**—**	**0.5**
Impairment*	**—**	**—**	**0.5**	**—**	**—**	**0.5**
Reclassifications to property, plant and equipment (Note 13)	**—**	**0.4**	**0.1**	**—**	**—**	**0.5**
Exchange differences	**—**	**—**	**—**	**0.3**	**—**	**0.3**
At 31 December 2015	**(6.4)**	**(11.3)**	**(6.2)**	**(6.7)**	**(1.4)**	**(32.0)**
Net book value at 31 December 2015	**41.7**	**4.6**	**7.8**	**10.0**	**0.8**	**64.9**
Net book value at 31 December 2014	29.7	5.5	10.8	2.8	0.8	49.6

* During the year our Entropy business was restructured and two of the modules of the software were frozen and will not be commercialized in the foreseeable future. As a result the net book value of these asset modules of £0.8m has been impaired. In addition, a further £0.1m of Entropy goodwill was impaired so that the overall value of the Entropy cash-generating unit in the Group accounts at the end of 2015 equates to the net present value of future cash flows expected from the Entropy business.

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

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

Capital commitments in respect of computer software

Capital expenditure of £0.3m (2014: £0.1m) 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
2015	**7.2**	**17.0**	**12.2**	**5.3**	**41.7**
2014	7.2	4.6	12.6	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 0.93% and 5.36% (2014: -0.2% and 10.2%).

Applying a zero growth rate on the cash flows beyond the three-year period would result in an impairment on the Group's CGUs of £1.0m (2014: £nil). Discount rates applied to the cash flow forecasts are pre-tax, derived using the capital asset pricing model and vary from 6.1% to 15.2% (2014: 7.8% to 13.2%) across the CGUs.

Following an impairment of the Entropy CGU assets and goodwill during the year of £0.9m, any further change in assumptions that reduce the net present value of future cash flows relating to the Entropy CGU, will result in further impairment. Consequently, if the pre-tax discount rates increased at all (2014: 6.5%), the Group's CGUs would suffer impairment. If the pre-tax discount rates were 0.1% higher (2014: 6.8% higher), the Group would have an impairment against intangible assets of £0.1m (2014: £0.1m).

15. Business combinations

a. Acquisitions

i. Acquisition of Environmental and Occupational Risk Management Inc.

On 13 January 2015, the Group acquired 100% of the 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 and closing cash commitments amounting to USD 1.0m (£0.7m). Deferred consideration is payable upon receipt of tax refunds relating to taxation periods prior to the acquisition date.

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.

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. Goodwill recognized arising from the acquisition was £0.2m, based on a valuation method adopted in a similar historical acquisition.

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.

iii. Acquisition of Hill Country Environmental Inc.

On 1 June 2015, the Group acquired the trade of Hill Country Environmental Inc. (HCE), which is based in Austin, Texas in the US, for a cash consideration of USD 2.7m (£1.7m), with the aim of integrating HCE into EORM. As no tangible or monetary assets have been acquired, all of the fair value of the net assets acquired comprise intangible assets. Goodwill recognized arising from the acquisition was £0.9m, based on a valuation method adopted in a similar historical acquisition.

With HCE, EORM gains a highly regarded team of 19 talented environmental consulting and engineering professionals, creating a strong presence for EORM in the diverse Texas economy. By adding HCE to EORM, BSI will enhance its expertise and broaden its services in some key environmental disciplines and markets. HCE has strong talent in air, water and waste consulting combined with deep oil and chemical industry sector knowledge and customers.

15. Business combinations continued

a. Acquisitions continued

The following table summarizes the consideration paid for each acquisition, the fair value of assets acquired and liabilities assumed at the acquisition dates:

	EORM £m	South Africa £m	HCE £m	Total £m
Purchase consideration				
Cash	**18.8**	0.3	1.7	20.8
Deferred consideration paid during the year	**0.5**	–	–	0.5
Deferred consideration outstanding	**0.8**	–	–	0.8
Total purchase consideration	**20.1**	**0.3**	**1.7**	**22.1**
Recognized amounts of identifiable assets acquired and liabilities assumed				
Cash and cash equivalents	1.6	–	–	1.6
Property, plant and equipment	0.2	–	–	0.2
Computer software (included in intangibles) (Note 14)	0.1	–	–	0.1
Customer relationships and intellectual property (included in intangibles) (Note 14)	8.0	0.1	0.8	8.9
Trade and other receivables	4.1	–	–	4.1
Trade and other payables	(2.6)	–	–	(2.6)
Deferred tax asset (Note 16)	0.7	–	–	0.7
Deferred tax liabilities arising on acquired intangibles (Note 16)	(3.2)	–	–	(3.2)
Total identifiable net assets	**8.9**	**0.1**	**0.8**	**9.8**
Goodwill (included in intangibles) (Note 14)	**11.2**	**0.2**	**0.9**	**12.3**
Total	**20.1**	**0.3**	**1.7**	**22.1**

Goodwill of £12.3m arising from these acquisitions is attributable to future synergies expected from combining the operations of the Group and of the new acquisitions, particularly in consulting and advisory services, together with the fair value of the assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of trade and other receivables is £4.1m and includes trade receivables with a fair value of £1.8m.

The revenue included in the consolidated income statement since 13 January 2015 contributed by EORM was £21.0m. EORM also contributed operating profit before exceptional costs of £2.5m over the same period.

The revenue included in the consolidated income statement since 1 June 2015 contributed by HCE was £0.9m. HCE also contributed operating profit before exceptional costs of £0.2m over the same period.

b. Disposals

i. The Agile Group Pty Limited

During 2015 the Group liquidated its wholly owned subsidiary The Agile Group Pty Limited, a company incorporated in Australia. The Group incurred a loss on liquidation of £0.1m mainly arising from the write-off of goodwill on acquisition and the recycling of translation exchange from reserves to the income statement.

ii. Entropy International Canada Inc.

During 2015 the Group liquidated its wholly owned subsidiary Entropy International Canada Inc., a company incorporated in Canada. No gain or loss arose from the liquidation.

16. Deferred tax

	2015 £m	2014 £m
Deferred tax assets:		
– To be recovered after more than twelve months	**17.6**	20.2
– To be recovered within twelve months	**5.6**	4.7
Total deferred tax assets	**23.2**	24.9
Deferred tax liabilities:		
– To be incurred after more than twelve months	**(5.1)**	(3.1)
– To be incurred within twelve months	**(0.9)**	(0.5)
Total deferred tax liabilities	**(6.0)**	(3.6)
Net deferred tax assets	**17.2**	21.3

16. Deferred tax continued

Gross movement on the deferred tax account

	2015 £m	2014 £m
At 1 January	**21.3**	15.0
Acquisitions of subsidiaries	**(2.5)**	(1.1)
Income statement tax credited (Note 12)	**3.4**	1.4
Tax (charged)/credited to equity relating to retirement benefit obligations	**(4.9)**	5.7
Disposal of subsidiary	**—**	0.1
Exchange differences	**(0.1)**	0.2
At 31 December	**17.2**	21.3

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:

Deferred tax liabilities	Temporary differences £m	Total £m
At 1 January 2014	(2.3)	(2.3)
Acquisition of subsidiary	(1.1)	(1.1)
Disposal of subsidiary	0.1	0.1
Charged to the income statement	(0.3)	(0.3)
Exchange differences	—	—
At 31 December 2014	**(3.6)**	**(3.6)**
Acquisition of subsidiaries	**(3.2)**	**(3.2)**
Credited to the income statement	**0.9**	**0.9**
Exchange differences	**(0.1)**	**(0.1)**
At 31 December 2015	**(6.0)**	**(6.0)**

Deferred tax assets	Accelerated capital allowances £m	Pension £m	Losses £m	Other temporary differences £m	Total £m
At 1 January 2014	0.5	11.7	2.2	2.9	17.3
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**
Acquisition of subsidiaries (Note 15)	**—**	**—**	**—**	**0.7**	**0.7**
Credited to the income statement	**—**	**1.5**	**0.5**	**0.5**	**2.5**
Charged directly to equity	**—**	**(4.9)**	**—**	**—**	**(4.9)**
At 31 December 2015	**0.7**	**14.0**	**3.6**	**4.9**	**23.2**

The deferred tax charged directly to equity during the year was £4.9m (2014: credit of £5.7m), which related to the retirement benefit obligation.

The carrying amount of deferred tax assets is recognized to the extent that the realization of the related tax benefit through future taxable profits is probable.

The Group did not recognize deferred tax assets of £0.4m (2014: £0.5m) in respect of losses amounting to £1.2m (2014: £2.1m) that can be carried forward against future taxable income.

17. Financial instruments

a. Financial instruments by category

At 31 December 2015	Loans and receivables £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments	**74.7**
Cash and cash equivalents	**51.0**
Total	**125.7**

At 31 December 2015	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	**54.0**
Total	**54.0**

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

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

	2015 £m	2014 £m
Finished goods and goods for resale	**0.1**	—
Total inventories	**0.1**	—

19. Trade and other receivables

	2015 £m	2014 £m
Trade receivables	**52.3**	43.5
Less: provision for impairment of trade receivables	**(1.2)**	(1.2)
Trade receivables – net	**51.1**	42.3
Other receivables	**8.5**	7.1
Prepayments	**5.9**	5.2
Accrued income	**15.1**	12.5
Total trade and other receivables	**80.6**	67.1
Less non-current portion:		
– Other receivables	**(3.4)**	(2.5)
Current portion of trade and other receivables	**77.2**	64.6

Trade and other receivables are non-interest bearing and are generally on 30–60 day (2014: 30–60 day) terms.

As the majority of the receivables are short term in nature, the fair values of trade and other receivables approximate to their carrying values 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 2015, trade receivables of £21.3m (2014: £14.8m) 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:

	2015 £m	2014 £m
Current (not due)	**29.8**	27.5
<1 month	**12.5**	8.6
1–3 months	**6.7**	4.5
3–5 months	**1.1**	1.0
>5 months	**1.0**	0.7
Trade receivables – net	**51.1**	42.3

As of 31 December 2015, trade receivables of £1.2m (2014: £1.2m) 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:

	2015 £m	2014 £m
<1 month	**0.1**	0.1
1–3 months	**0.1**	0.1
3–5 months	**0.2**	0.2
>5 months	**0.8**	0.8
Provision for impairment of trade receivables	**1.2**	1.2

19. Trade and other receivables continued

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

	2015 £m	2014 £m
British Pounds Sterling	**27.1**	23.0
US Dollars	**22.5**	15.5
Euros	**7.8**	7.4
Australian Dollars	**4.0**	4.2
Japanese Yen	**2.8**	2.3
Chinese Renminbi	**3.5**	2.9
Other currencies	**12.9**	11.8
Total trade and other receivables	**80.6**	67.1

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

	2015 £m	2014 £m
At 1 January	**1.2**	0.9
Provision for impaired receivables	**0.5**	0.7
Receivables written off during the year as uncollectable	**(0.3)**	(0.3)
Unused amounts reversed	**(0.2)**	(0.1)
At 31 December	**1.2**	1.2

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

	2015 £m	2014 £m
Current assets		
Forward foreign exchange contracts – cash flow hedges	**–**	–

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were £20.5m (2014: £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 (2014: 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 in the balance sheet.

21. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	**35.9**	33.6
Short-term deposits	**15.1**	19.2
Total cash and cash equivalents	**51.0**	52.8

No bank overdraft facilities were in use at 31 December 2015 (2014: £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 £51.0m (2014: £52.8m). 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:

	2015				2014			
	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	**15.1**	**0.7**	**21.9**	**37.7**	19.2	0.8	11.0	31.0
US Dollars	**—**	**1.5**	**1.4**	**2.9**	—	2.0	11.2	13.2
Euros	**—**	**—**	**1.0**	**1.0**	—	—	0.6	0.6
Australian Dollars	**—**	**1.7**	**—**	**1.7**	—	0.6	—	0.6
Japanese Yen	**0.5**	**—**	**0.5**	**1.0**	0.3	—	0.6	0.9
Chinese Renminbi	**—**	**2.8**	**—**	**2.8**	—	2.5	—	2.5
Other currencies	**0.3**	**0.9**	**2.7**	**3.9**	0.3	0.7	3.0	4.0
Total	**15.9**	**7.6**	**27.5**	**51.0**	19.8	6.6	26.4	52.8

22. Trade and other payables

	2015 £m	2014 £m
Trade payables	**7.1**	4.9
VAT and sales taxes	**3.7**	3.6
Other taxes and social security	**3.3**	3.2
Other payables	**7.6**	4.5
Accruals	**32.3**	28.2
Deferred income	**25.0**	21.6
Total trade and other payables	**79.0**	66.0
Less non-current portion:		
– Other payables	**(5.8)**	(2.4)
– Deferred income	**(0.7)**	(0.3)
– Accruals	**(0.2)**	(1.6)
Current portion of trade and other payables	**72.3**	61.7

22. Trade and other payables continued

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

	2015 £m	2014 £m
British Pounds Sterling	**42.0**	38.2
US Dollars	**15.2**	9.1
Euros	**5.0**	4.5
Australian Dollars	**2.8**	2.4
Japanese Yen	**3.1**	2.9
Chinese Renminbi	**3.0**	2.4
Other currencies	**7.9**	6.5
Total trade and other payables	**79.0**	66.0

Trade payables are non-interest bearing and are generally on 30–60 day (2014: 30–60 day) terms. Other payables are non-interest bearing and are generally on 30–90 day (2014: 30–90 day) terms.

As the majority of payables are short term in nature, the fair values of trade and other payables approximate to their carrying values 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 2014	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**
Charged to the income statement	**0.3**	**0.2**	**0.5**
At 31 December 2015	**1.2**	**0.5**	**1.7**

The property provisions are held against dilapidations and potential property exposures relating to surplus or sub-let properties. 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.

The property provisions utilized and released in the prior year relate to the Group's liability for restructuring the UK Product Testing laboratories.

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:

	2015 £m	2014 £m
Non-current	**1.4**	1.1
Current	**0.3**	0.1
Total provisions for liabilities and charges	**1.7**	1.2

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 £6.4m (2014: £6.1m).

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the year totalling £2.7m (2014: £2.7m).

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 Trustees have the primary responsibility for governance of the Plan. The Trustees comprise 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 – if Plan assets do not move in line with Plan liabilities then a deficit may arise. The Trustees hold a buy-in policy which broadly immunizes around £90m of the liabilities to changes in market conditions. The Trustees monitor the appropriateness of the Plan's investment strategy, in consultation with the Company, on an ongoing basis.

Inflation risk – a significant proportion 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 from 1 April 2014 to 31 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 2015 (2014: £12.5m).

Balance sheet

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

	2015 £m	2014 £m
Present value of defined benefit obligations	**378.0**	385.0
Fair value of plan assets	**(307.1)**	(303.0)
Total deficit – UK defined benefit pension plan	**70.9**	82.0
Impact of minimum funding requirement/asset ceiling	**—**	—
Net liability in the balance sheet	**70.9**	82.0

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 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 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
	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
At 1 January 2015	**385.0**	**(303.0)**	**82.0**
Administration expenses	**—**	**0.5**	**0.5**
Interest expense/(income) (Note 8, Note 11)	**13.6**	**(11.0)**	**2.6**
	398.6	**(313.5)**	**85.1**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	**—**	**6.4**	**6.4**
– Loss from change in demographic assumptions	**1.2**	**—**	**1.2**
– Gain from change in financial assumptions	**(9.3)**	**—**	**(9.3)**
	(8.1)	**6.4**	**(1.7)**
Contributions:			
– Employers	**—**	**(12.5)**	**(12.5)**
Payments from plans:			
– Disbursements	**(12.5)**	**12.5**	**—**
	(12.5)	**—**	**(12.5)**
At 31 December 2015	**378.0**	**(307.1)**	**70.9**

24. Retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Assumptions

The principal actuarial assumptions used were as follows:

	2015 % p.a.	2014 % p.a.
Rate of increase in salaries	**4.15**	4.00
Rate of revaluation in deferment	**2.15**	2.00
Pension increase rate:		
– RPI (min. 3%, max. 5%)	**3.65**	3.55
– CPI (min. 3%, max. 5%)	**3.20**	3.15
Discount rate	**3.80**	3.60
Inflation assumption – RPI	**3.15**	3.00
Inflation assumption – CPI	**2.15**	2.00

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 25.7 (2014: 25.3) years (men) or 27.0 (2014: 26.5) years (women). Life expectancy for a member currently aged 65 is 23.5 (2014: 23.5) years (men) or 25.1 (2014: 25.0) years (women).

Plan assets are comprised as follows:

	Value at 31 December 2015		Value at 31 December 2014	
	£m		£m	
Schroder Diversified Growth Fund	**72.9**	**24%**	73.1	24%
Standard Life Global Absolute Return Strategies Fund	**58.5**	**19%**	56.8	19%
Bonds	**82.5**	**27%**	76.1	25%
Cash	**2.2**	**1%**	1.9	1%
MetLife Annuity policy	**91.0**	**29%**	95.1	31%
Total fair value of plan assets	**307.1**	**100%**	303.0	100%

Expected contributions to retirement benefit plans for the year ending 31 December 2016 are £12.5m (2015: £12.5m).

The weighted average duration of the defined benefit obligation is 18 years (2014: 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 2015 is £1.0m (2014: £0.9m).

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 light of local legal and taxation advice, experience to date, and the 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 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 Trustees

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

b. Key management

Key management of the Group includes the Directors (Executive and Non-executive) and other members of the Executive Committee. Emoluments of the Directors are disclosed in the Directors' 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:

	2015 £m	2014 £m
Salaries and short-term benefits	**3.5**	2.5
Other long-term benefits	**0.9**	—
Total emoluments	**4.4**	2.5

Strategic report

Corporate governance

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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	South 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 Professional Services Japan Co. Ltd	Japan	100%	Business services
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
Environmental and Occupational Risk Management Inc.	USA	100%	Business services
PT BSI Group Indonesia	Indonesia	100%	Business services

* Percentage of ordinary share capital.

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

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 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements 2015 (the 'Annual Report'), comprise:

- the parent company balance sheet as at 31 December 2015; 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, 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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.

ISAs (UK & Ireland) reporting

The Directors have chosen to voluntarily comply with the UK Corporate Governance Code (the "Code") as if the parent company were a premium listed company. Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

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.

Other voluntary reporting

Opinion on additional disclosures

Directors' remuneration report

The parent company voluntarily prepares a Directors' remuneration report in accordance with the provisions of the Companies Act 2006. The Directors have requested that we audit the part of the Directors' remuneration report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 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 parent company's members 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 2015.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2016

Parent company balance sheet
as at 31 December 2015

	Note	2015 £m	2014 £m
Fixed assets			
Intangible assets	4	**7.1**	10.0
Tangible assets	5	**2.5**	0.7
Investment property	6	**3.4**	2.7
Investment in subsidiaries	7	**39.9**	39.9
		52.9	53.3
Current assets			
Debtors (including £11.7m (2014: £12.3m) due after one year)	8	**128.0**	106.6
Cash at bank and in hand		**37.9**	42.6
		165.9	149.2
Creditors – amounts falling due within one year	9	**(106.8)**	(91.8)
Net current assets		**59.1**	57.4
Total assets less current liabilities		**112.0**	110.7
Defined pension scheme liability	12	**(70.9)**	(82.0)
Provision for liabilities	10	**(0.3)**	(0.2)
Net assets		**40.8**	28.5
Reserves			
Retained earnings		**38.3**	26.6
Non-distributable reserves		**2.5**	1.9
Total equity		**40.8**	28.5

The accompanying notes on pages 107 to 120 form an integral part of the parent company financial statements.

The financial statements on pages 105 to 120 were approved by the Board of Directors on 22 March 2016 and were signed on its behalf by:

Craig Smith
Group Finance Director
22 March 2016

Strategic report

Corporate governance

Financial statements

Parent company statement of changes in equity
for the year ended 31 December 2015

	Retained earnings £m	Non-distributable reserves £m	Total £m
At 1 January 2014	38.8	1.9	40.7
Profit for the year	14.9	—	14.9
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	(27.1)	—	(27.1)
At 31 December 2014	**26.6**	**1.9**	**28.5**
Profit for the year	**12.7**	**0.6**	**13.3**
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	**(1.0)**	**—**	**(1.0)**
At 31 December 2015	**38.3**	**2.5**	**40.8**

Retained earnings
Retained earnings represent accumulated comprehensive income for the year and prior periods.

Non-distributable reserve
The non-distributable reserve arose on the revaluation of investment property on transition to FRS 102 and includes the associated deferred tax of £0.6m (2014: £0.5m). Any subsequent revaluation differences arising from the investment property are transferred to the non-distributable reserve.

1. Statement of compliance
The individual financial statements of The British Standards Institution have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland" (FRS 102), and the Companies Act 2006.

2. Principal accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in Note 20.

a. Basis of preparation
These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

b. Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

c. Exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions:

- FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included in the Group consolidated financial statements.
- FRS 102 paragraph 1.12(e), from disclosing key management personnel compensation in total.

d. Exemptions under Companies Act 2006
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 the statement of changes in equity.

e. Foreign currencies
Functional and presentation currency
The Company's functional and presentation currency is the British Pound Sterling (£) and all values are rounded to the nearest £100,000 except when otherwise indicated.

Transactions and balances
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 the 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.

f. 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 Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts allowed by the Company.

The Company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group's activities as described below. The Company 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. 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.

2. Principal accounting policies continued

g. 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.

h. Dividend income

Dividend income is recognized when the right to receive payment is established.

i. 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 and is netted off against lease rental payments.

j. Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial instruments, including trade and other receivables, cash at bank and loans to fellow subsidiary companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortized cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortized cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit or loss.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognized in the profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party which has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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. If not, they are presented as non-current liabilities. Trade payables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method. The Company does not hold or issue any other financial liabilities for trading purposes.

k. Finance and operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present values of minimum lease payments.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market values.

The Company does not have any finance leases.

l. Cash and cash equivalents

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 are shown within borrowings in current liabilities.

m. 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.

2. Principal accounting policies continued

n. Intangible assets

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.

o. Tangible fixed assets

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.

Depreciation 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:

Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	10%–33%

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 Company takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

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.

Impairment of non-financial assets

Assets 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).

p. Investment property

Investment properties are measured initially at cost, including purchase price and any directly attributable expenditure. Investment properties are measured at fair value at each reporting date. Gains or losses arising from changes in the fair value of the investment property are recognized in the profit or loss.

Transfers are made to or from investment property to or from other categories of tangible fixed assets only when there is a change in use of the property.

2. Principal accounting policies continued

q. Provisions for liabilities and charges

A provision is recognized in the balance sheet when the Company 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

r. Contingent liabilities

Contingent liabilities, arising as a result of past events, are not recognized when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date, or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

s. Employee benefits

i. Defined benefit pension schemes

The Company 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 Company'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 Company'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 12. 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 the period in which they arise.

ii. Defined contribution pension schemes

The Company 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. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been substantively enacted by the period end.

Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes a provision where appropriate on the basis of amounts expected to be paid to the authorities.

u. Deferred taxation

Deferred tax arises from timing differences between the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in the financial statements.

Deferred tax is recognized on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profit.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

v. Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. It does not disclose transactions with members of the same Group that are wholly owned.

3. Critical accounting judgements and estimation uncertainty

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.

Exemptions on transition to FRS 102

The Company has used an estimated market valuation of freehold land and buildings as the deemed cost on transition to FRS 102.

Critical accounting estimates and assumptions

The Company 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. Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilization and the physical condition of the assets. See Note 5 for the carrying amount of property, plant and equipment and Note 2 for the depreciation rates applied for each asset class.

b. Useful economic lives of intangible assets

The useful economic lives used to amortize intangible assets relate to the expected future performance of the assets acquired and management's estimate of the period over which the economic benefit will be derived from the asset. The estimated useful life of these intangible assets is three years. See Note 4 for the carrying amount of the intangible assets.

c. Defined benefit scheme

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 98 to 100 of the BSI Group consolidated financial statements.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary. The liabilities allow for indexation of benefits in line with the Consumer Price 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 2015		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	0.25%	(13.1)	13.7
Inflation rate	0.25%*p.a.	4.5	(4.1)
Salary escalation	0.25%	1.3	
Life expectancy	Approximately 1 year	10.1	

* This sensitivity allows for the impact on all inflation-related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors). Other than the inflation sensitivity assumption detailed above, all other sensitivities shown assume that assumption changes occur in isolation.

4. Intangible assets

	Computer software £m
Cost	
At 1 January 2014	19.9
Additions	1.8
Disposals	(3.3)
At 31 December 2014	**18.4**
Additions	**1.1**
Disposals	**(1.2)**
Reclassification to tangible assets (Note 5)	**(1.6)**
At 31 December 2015	**16.7**
Accumulated amortization and impairment	
At 1 January 2014	(8.8)
Charge in the year	(2.9)
Disposals	3.3
At 31 December 2014	**(8.4)**
Charge in the year	**(2.8)**
Disposals	**1.0**
Reclassifications to tangible assets (Note 5)	**0.6**
At 31 December 2015	**(9.6)**
Net book value at 31 December 2015	**7.1**
Net book value at 31 December 2014	**10.0**

5. Tangible assets

	Short leasehold improvements £m	Plant, machinery and office equipment £m	Total £m
Cost			
At 1 January 2014	2.6	3.1	5.7
Additions	0.1	0.4	0.5
Disposals	(0.1)	(1.9)	(2.0)
At 31 December 2014	**2.6**	**1.6**	**4.2**
Additions	**—**	**1.9**	**1.9**
Disposals	**—**	**(0.6)**	**(0.6)**
Reclassification from intangible assets (Note 4)	**—**	**1.6**	**1.6**
At 31 December 2015	**2.6**	**4.5**	**7.1**
Accumulated depreciation and impairment			
At 1 January 2014	(2.0)	(2.2)	(4.2)
Charge in the year	(0.5)	(0.6)	(1.1)
Disposals	0.1	1.7	1.8
At 31 December 2014	**(2.4)**	**(1.1)**	**(3.5)**
Charge in the year	**(0.1)**	**(0.7)**	**(0.8)**
Disposals	**—**	**0.3**	**0.3**
Reclassification from intangible assets (Note 4)	**—**	**(0.6)**	**(0.6)**
At 31 December 2015	**(2.5)**	**(2.1)**	**(4.6)**
Net book value at 31 December 2015	**0.1**	**2.4**	**2.5**
Net book value at 31 December 2014	0.2	0.5	0.7

6. Investment property

	2015 £m	2014 £m
Balance at 1 January	**2.7**	2.7
Fair value gains on valuation	**0.7**	—
Balance at 31 December	**3.4**	2.7

The estimated fair value of the Company's investment property is £3.4m (2014: £2.7m) which relates to the Company's freehold Hemel Hempstead site. This fair value is an estimated amount for which the site should exchange on the valuation date between a willing buyer and the Company in an arm's length transaction. A valuation has been performed by an independent valuer.

7. Investment in subsidiaries

	2015 £m	2014 £m
Cost at 1 January and 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 27 to the BSI Group consolidated financial statements.

8. Debtors

	2015 £m	2014 £m
Trade debtors	**0.5**	0.5
Amounts owed by subsidiaries	**107.1**	82.5
Corporation tax receivable	**1.5**	1.6
Other debtors	**0.3**	0.3
VAT receivable	**0.3**	0.3
Prepayments and accrued income	**4.0**	4.0
Deferred taxation (Note 11)	**14.3**	17.4
Total debtors	**128.0**	106.6

Amounts owed by subsidiaries include trade and finance amounts. The unsecured finance amounts of £46.8m (2014: £26.7m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with the rates ranging between 2.0% and 8.8% (2014: 2.3% and 8.8%).

Deferred taxation includes £11.7m (2014: £12.3m) falling due after more than one year.

9. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Trade creditors	**1.1**	0.4
Amounts owed to subsidiaries	**90.5**	77.2
Social security and PAYE	**0.4**	0.4
Other creditors	**0.2**	0.2
Accruals	**8.7**	8.2
Deferred income	**5.9**	5.4
Creditors falling due within one year	**106.8**	91.8

Trade creditors are non-interest bearing and are generally on 30–60 day terms. Amounts owed to subsidiaries include trade and finance amounts. The unsecured finance amounts of £4.2m (2014: £2.7m) have no fixed terms of repayment and are interest bearing with the rates ranging between 3.0% and 5.4% (2014: 2.3% and 5.4%).

10. Provisions for liabilities

	Property provisions £m	Total £m
At 1 January 2015	**0.2**	**0.2**
Charged to profit and loss account	**0.1**	**0.1**
At 31 December 2015	**0.3**	**0.3**

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 Note 12.

11. Deferred taxation

	2015 £m	2014 £m
Deferred tax assets:		
– To be recovered after more than twelve months	**12.3**	12.8
– To be recovered within twelve months	**2.6**	5.1
Total deferred tax assets	**14.9**	17.9
Deferred tax liabilities:		
– To be recovered after more than twelve months	**(0.6)**	(0.5)
Total deferred tax liabilities	**(0.6)**	(0.5)
Total net deferred tax assets	**14.3**	17.4

The amounts of net deferred taxation assets recognized are set out below:

	Accelerated capital allowances £m	Other timing differences £m	Pension provision £m	Total £m
At 1 January 2015	**0.2**	**(0.3)**	**17.5**	**17.4**
Credited to profit and loss account	**0.1**	**0.3**	**1.3**	**1.7**
Debited to current year reserves	**—**	**—**	**(4.8)**	**(4.8)**
At 31 December 2015	**0.3**	**—**	**14.0**	**14.3**

12. 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 £1.2m (2014: £1.3m). This includes salary sacrificed contributions.

b. Defined benefit scheme

The Company 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 Trustees have the primary responsibility for governance of the Plan. The Trustees comprise representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and the Plan assets are held in a Trust which is governed by UK regulation.

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 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 Plan and to cover the expenses of running the Plan. 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 have been set on the recommendations of, an independent qualified actuary as required by FRS 102.

The liabilities at the disclosure date allow for indexation in line with the Consumer Price Index.

The Company paid a total of £12.5m in contributions to the fund during the year (2014: £12.5m).

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 Trustees of the UK pension fund with respect to all obligations and liabilities of the Company to make contributions to the scheme.

Balance sheet

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

	2015 £m	2014 £m
Present value of defined benefit obligations	**378.0**	385.0
Fair value of plan assets	**(307.1)**	(303.0)
Total deficit – UK defined benefit pension plan	**70.9**	82.0
Impact of minimum funding requirement/asset ceiling	**—**	—
Net liability in the balance sheet	**70.9**	82.0

12. Pension obligations 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 2014	337.7	(279.0)	58.7
Administration expenses	—	0.6	0.6
Interest expense/(income)	14.8	(12.4)	2.4
	352.5	(290.8)	61.7
Re-measurements:			
– Return on plan assets, excluding amounts included in interest 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
	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
At 1 January 2015	**385.0**	**(303.0)**	**82.0**
Administration expenses	**—**	**0.5**	**0.5**
Interest expense/(income)	**13.6**	**(11.0)**	**2.6**
	398.6	**(313.5)**	**85.1**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	**—**	**6.4**	**6.4**
– Loss from change in demographic assumptions	**1.2**	**—**	**1.2**
– Gain from change in financial assumptions	**(9.3)**	**—**	**(9.3)**
	(8.1)	**6.4**	**(1.7)**
Contributions:			
– Employers	**—**	**(12.5)**	**(12.5)**
Payments from plans:			
– Disbursements	**(12.5)**	**12.5**	**—**
	(12.5)	**—**	**(12.5)**
At 31 December 2015	**378.0**	**(307.1)**	**70.9**

12. Pension obligations continued

Balance sheet continued

The major assumptions used for the updated actuarial valuation were:

	2015 % p.a.	2014 % p.a.
Rate of general increase in salaries	**4.15**	4.00
Rate of revaluation in deferment	**2.15**	2.00
Pension increase rate:		
– RPI (min. 3%, max. 5%)	**3.65**	3.55
– CPI (min. 3%, max. 5%)	**3.20**	3.15
Discount rate	**3.80**	3.60
Inflation assumption – RPI	**3.15**	3.00
Inflation assumption – CPI	**2.15**	2.00

Life expectancy at age 65 for a member currently aged 45 is 25.7 (2014: 25.3) years (men) or 27.0 (2014: 26.5) years (women). Life expectancy for a member currently aged 65 is 23.5 (2014: 23.5) years (men) or 25.1 (2014: 25.0) years (women).

Plan assets are comprised as follows:

	Value at 31 December 2015 £m		Value at 31 December 2014 £m	
Schroder Diversified Growth Fund	**72.9**	**24%**	73.1	24%
Standard Life Global Absolute Return Strategies Fund	**58.5**	**19%**	56.8	19%
Bonds	**82.5**	**27%**	76.1	25%
Cash	**2.2**	**1%**	1.9	1%
MetLife Annuity Policy	**91.0**	**29%**	95.1	31%
Total fair value of assets	**307.1**	**100%**	303.0	100%

Expected contributions to retirement benefit plans for the year ending 31 December 2016 are £12.5m (2015: £12.5m).

The weighted average duration of the defined benefit obligation is 18 years (2014: 18 years).

13. Financial instruments

At 31 December 2015	Loans and receivables £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments	**124.0**
Cash and cash equivalents	**37.9**
Total	**161.9**

At 31 December 2015	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	**100.9**
Total	**100.9**

13. Financial instruments continued

At 31 December 2014	Loans and receivables £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments	102.6
Cash and cash equivalents	42.6
Total	145.2

At 31 December 2014	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	86.4
Total	86.4

Derivative financial instruments

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency transactions. At 31 December 2015 the outstanding contracts all mature within twelve months (2014: twelve months) of the year end. The Company is committed to buy CHF 2.4m and sell USD 28m for a fixed Sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilize observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:CHF and GBP:USD.

The Company has no interest rate derivative instruments (2014: none).

14. Employees

	2015 £m	2014 £m
Wages and salaries	**13.5**	11.9
Social security costs	**1.6**	1.5
Long Term Incentive Plan (LTIP) expense	**2.0**	0.8
Other pension costs	**1.9**	1.9
Total employee benefit expense	**19.0**	16.1

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

	2015 Number	2014 Number
Production, inspection and laboratory	**17**	15
Sales and distribution	**32**	42
Administration	**144**	136
Total headcount	**193**	193

Disclosures in respect of Directors' emoluments can be found in the Directors' remuneration report on pages 49 to 57.

15. Auditors' remuneration

The amount of remuneration receivable by the Company's auditors in respect of the audit of the parent company financial statements is £0.2m (2014: £0.1m).

16. Capital commitments

	2015 £m	2014 £m
Capital expenditure that has been contracted for but not provided for in the financial statements	**—**	—

17. Financial commitments

At 31 December 2015, annual commitments under non-cancellable operating leases were as follows:

	2015			2014		
	Land and buildings £m	**Other £m**	**Total £m**	Land and buildings £m	Other £m	Total £m
No later than 1 year	**2.4**	**0.1**	**2.5**	2.2	0.2	2.4
Later than 1 year and no later than 5 years	**7.3**	**0.2**	**7.5**	7.7	0.2	7.9
Later than 5 years	**8.8**	**—**	**8.8**	11.0	—	11.0
Minimum lease payments	**18.5**	**0.3**	**18.8**	20.9	0.4	21.3

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 2015, the Company held foreign exchange contracts to the value of £20.4m (2014: £1.6m), all expiring within one year. The mark-to-market value of these contracts was an asset of £nil (2014: £nil).

18. Related party transactions

Transactions with related parties have been determined in accordance with FRS 102 and are disclosed below:

a. Pension scheme Trustees

Transactions with the pension scheme Trustees are disclosed in Note 12.

b. Key management

The Company has taken advantage of the exemption available under FRS 102 paragraph 1.12(e) from disclosing key management personnel compensation in total.

c. Transactions with non-wholly owned subsidiaries

There were no material transactions with non-wholly owned subsidiaries during the year. 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.

19. 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 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 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 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.

20. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	Ref	£m	Total 2014 £m
UK GAAP – as previously reported			**17.6**
Defined benefit pension scheme	A	**(2.7)**	
Derivative financial instruments	B	**—**	
Total adjustment to profit for the financial year			**(2.7)**
FRS 102			**14.9**

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20. Transition to FRS 102 continued

Total equity	Ref	1 January 2014 £m	31 December 2014 £m
UK GAAP – as previously reported		38.8	26.6
Revaluation of investment property	C	2.4	2.4
Deferred tax impact of adjustments:			
Revaluation of investment property	D	(0.5)	(0.5)
FRS 102		40.7	28.5

A Defined benefit pension scheme

Under previous UK GAAP the Company recognized an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognized in the profit and loss account. There has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect of the change has been to reduce the profit in the year to 31 December 2014 by £2.7m and reduce the debit in equity by an equivalent amount.

B Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognized at fair value. Previously under UK GAAP the Company did not recognize these instruments in the financial statements. Accordingly at transition an asset of £3,000 was recognized on the balance sheet and a loss of £36,000 was recognized in the profit and loss account for the year ended 31 December 2014. A liability of £33,000 was recognized at that date.

C Revaluation of investment property

On transition to FRS 102 the Company has elected to use a previous valuation of its freehold site on 24 February 2014 as the deemed cost for the asset. This has resulted in an increase to the balance sheet by £2.4m and the creation of a non-distributable reserve.

D Deferred taxation

The Company has accounted for deferred taxation on transition as follows:

Revaluation of investment property – Under FRS 102 deferred taxation is provided on the temporary difference arising from the revaluation. A deferred tax charge of £0.5m arose on transition to FRS 102; this was debited to the non-distributable reserve.

E Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect profit for the financial year, the following adjustments have arisen which have had no effect on net equity or the profit and loss account but which have affected the presentation of these items on the balance sheet. The main items are:

a. Computer software, with a net book value of £11.1m at 1 January 2014, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortization.

b. Under FRS 102 the deferred tax asset at 1 January 2014 of £11.7m, arising on the post-employment benefit liability, is now included within deferred tax on the balance sheet. Under previous UK GAAP, and applying FRSs 17 and 19, the deferred tax asset arising on the post-employment liability was offset against the liability. This has no effect on the Company's equity or profit for the year.

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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