...making excellence a habit.™

The British Standards Institution

Annual report and financial statements 2013

Our mission is simple: We make excellence a habit... for you

Whether in manufacturing or in services, in the developed world or rising economies, in large companies or small, what all organizations need is someone who can help them make excellence a habit.

Why we exist

Apparently the most popular word in the world is 'OK'. But at BSI we're not OK about that. We don't think the world should settle for 'OK'. We believe the world deserves better than that. We believe the world deserves 'excellent'. That's why we always challenge mediocrity. The idea that 'just about good enough' is acceptable to clients, business partners or the world at large is never acceptable to us.

Read more: Page 2

What we do

Quite simply, BSI is the business standards company that helps organizations make excellence a habit – all over the world. That's our business, enabling others to perform better. For more than a century our experts have been challenging mediocrity and complacency to help embed excellence into the way people and products work... to perform better, manage risk and achieve sustainable growth.

Read more: Page 4

We are trusted

For our expertise
In the world of standards we always have been, and intend always to be, the expert body

We are the world's first National Standards Body

For our integrity
Due to our ownership structure we are free to be completely objective

We have been a Royal Charter Company since 1929

For our value
What we value most is creating value and delivering continual business improvement

We have over 72,000 clients in 150 countries worldwide

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 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'. 2013 and 2012 comply with the requirements of IAS 19R and accordingly we have restated 2012 for comparative purposes. Previous years' comparatives have not been restated.

For more than a century our experts have been challenging mediocrity and complacency to help embed excellence into the way people and products work.

Highlights of our year

- Robust performance in challenging markets
- Record underlying revenue for fourteenth consecutive year
- High levels of investment affected short-term profits
- Significant acquisition in Australia

Revenue
£271.8m +7%

Underlying operating profit
£28.3m -9%

Operating profit
£26.8m -16%

Net asset value
£63.4m +27%

Cash
£43.4m +6%

Financial review: Page 25

Managing the day-to-day business of BSI

We deliver our portfolio of services across three geographical regions through three key business streams into key industrial sectors.

We are a leading global maker of standards

BSI was the world's first standards organization and today remains a leading global standards maker. We were a founding member of the International Organization for Standardization (ISO) and hold a permanent seat on the Council of both ISO and the European Committee for Standardization (CEN), its European equivalent.

Our portfolio extends to over 30,000 current standards, a substantial source of knowledge and best practice, providing vital information to our clients across a diverse range of industrial sectors.

Our history is long and distinguished

The first BSI committee met in 1901. Ever since, we have been instrumental in shaping the majority of the world's most widely used and implemented international standards, such as the quality management systems standard, ISO 9001, which started out life as BS 5750 in 1979 and has now been adopted by more than one million organizations in 178 countries across the globe.

Today in 2014, BSI has grown to be one of the largest independent certification bodies for management systems which, together with the other business streams comprising our 'Knowledge, Assurance and Compliance' portfolio, ensure that we can deliver a unique combination of services to our clients worldwide.

We have over 72,000 clients in 150 countries worldwide, with almost 100,000 locations certified. In 2013 we provided practical training for around 88,000 people worldwide on how to implement and operate standards. Together our clients account for 54% of the FTSE 100, 40% of the Fortune 500 and 24% of the Nikkei listed companies.

Our business expertise...

Performance

Fine tuning organizations to perform at their best

Over 72,000 companies across the world, from small and medium-sized businesses to some of the largest companies in existence, have found adopting BSI's performance management products and services can be the backbone to creating a more successful business. BSI clients profit from more satisfied customers. They benefit from more efficient ways of working, better cost control, and faster and more effective implementation of new working processes.

Risk

Managing risk and building stakeholder confidence

Risk is often perceived negatively, but at BSI we know organizations that balance their risks benefit from greater opportunities and simultaneously defend, protect and enhance their reputation, business and brand. BSI's risk-based solutions are designed to help organizations mitigate risk, improve business resilience, meet customer requirements and fulfil customer, regulatory and statutory obligations.

Sustainability

Saving money, energy and the environment

BSI is proud to have produced the world's first environmental standard back in 1992. Since then we have led the way with ongoing developments in environmental management, energy management, corporate social responsibility, carbon footprinting and biodiversity. BSI can help organizations deliver considerable environmental, economic and social benefits by providing a framework for managing sustainability.

...delivered through...

Our expert team

Business excellence begins with people. The most effective way to achieve it is to work with those who have already embedded excellence in other organizations – like our people.

We have decades of experience working with all types of businesses. So our people understand the challenges that our clients could be facing. They have the skills to recognize where excellence can be achieved and transferred to their employees.

Our standards developers

A new type of product might need standardizing, an industrial process might need defining to protect workers or consumers, or a business might simply decide it wants to create its own private standard to standardize its own processes. Our experts guide our clients through the standards development process to ensure that the final product is exactly what they are looking for.

Our client managers

The moment a client decides to improve their business, our client managers step up to assist them. They work to understand their unique goals. They do their very best to get them where they want to be, whatever the starting point. What's more, the client manager stays with them from application to certification and beyond, to make sure they get the most from their investment.

Our tutors

Train with the best to become the best. Our tutors are recognized as leaders in their field, offering a world-class learning experience. They are trained to understand and meet a client's different learning needs, and they have years of industry experience. Furthermore, they train the client managers who assess an organization to keep their learning in line with their certification.

...to our clients

Working with industry globally

Our clients range from globally recognized brands to small, local companies across 150 countries and almost 100,000 sites worldwide. A champion of excellence, BSI offers its range of products and services across a myriad of industrial sectors.

We are particularly strong in some sectors, developing structured solutions across Knowledge, Assurance and Compliance, directly linked to the specific challenges encountered by our clients. We are increasingly becoming their partner of choice, offering a unique service they know they can trust.

- Aerospace
- Automotive
- Construction
- Financial Services
- Food
- Healthcare
- Information and Communications Technology
- Mining and Minerals

Making excellence a habit – all over the world

BSI is the business standards company that helps organizations make excellence a habit – all over the world. Our business is enabling others to perform better.

Our process

Developing and embedding excellence

Our services are designed to align with the steps individual clients need to take to understand best practice, how to achieve it and how to ensure that it remains an ongoing habit.

Shape

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

Share

We share our standards and guidance documents in a variety of formats, from paper to PDF and organization-wide licences.

Embed

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

Assess

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

Our methods

Refined over a century of development

At BSI we are very proud of our long history. For more than a hundred years our growing team of experts has worked tirelessly to hone the skills that we provide to our clients to ensure that the unique range of products and services that they receive from us helps them to embed excellence in their businesses and to reap the benefits.

75% of quality management clients improved their own levels of customer satisfaction and loyalty. 83% of business continuity clients reported enhanced reputation as the key benefit. 85% of information security clients built stakeholder confidence. 74% of sustainability clients reported improvements to their corporate reputation. With the help of BSI, what can your business achieve?

Source: International BSI Excellerator Research.

Knowledge

'Acquaintance with facts, truths or principles'

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 the expert body, bringing together experts from industry to shape standards at local, regional and international levels.

Assurance

'Positive declaration intended to give confidence'

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

Support

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

Compliance

'The act of conforming'

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

On a global scale

Imparting our expertise worldwide

BSI is an integrated global enterprise, able to serve clients from 67 offices in 27 countries across the world. We have over 72,000 clients in 150 countries worldwide and a presence on every continent on the globe.

EMEA

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

Americas

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

Asia Pacific

Our Asia Pacific management team is based in Hong Kong and we have offices in ten other Asia Pacific countries, stretching from Japan to Australia.

'Another year of progress and achievements'

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

Sir David Brown, Chairman

I am pleased to be able to report that 2013 was another year of progress and achievements for BSI. First among all of them, and of central importance for an institution of BSI's significance in its 112th year of life, was that we weathered another year of challenging economic conditions in all our markets around the world, and did so remarkably well. We delivered a record level of underlying revenue for the fourteenth consecutive year, growing by 7% year-on-year to £271.8m. The Board is conscious that such an achievement was made possible by the sustained investments we have made for many successive years in BSI's richly diverse and talented global team, in the effectiveness and efficiency of our operating processes, and in the strategic initiatives necessary to ensure that we continue to meet our clients' evolving needs excellently. Every year we seek to strike a careful balance between managing BSI's finances with proper near-term caution and making the planned investments required to continue to secure BSI's longer-term health. In 2013 that balance resulted in an underlying operating profit which, although 9% less than in 2012, was robust at £28.3m.

The most sizeable strategic investment made during the year was the acquisition from the National Association of Testing Authorities of the Australian company NCS International (NCSI). We rapidly and successfully integrated NCSI with our existing Australian business to accelerate BSI to the number two position in the Australian certification market. After the outlays on the acquisition and the other strategic and operational investments, and another considerable payment into our UK defined benefit pension scheme to reduce the deficit, we ended the year with 6% more cash than we began the year, at £43.4m.

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

'The Board is confident that 2014 will be another year in which we can look forward to capitalizing on our profound strength.'

There were no changes to the Board of Directors in 2013. At the time of writing, one change is foreseeable in the year ahead. Keith Clarke, a Non-executive Director and Chairman of the Remuneration Committee, will retire on 31 March 2014 after more than three years of distinguished service. He will be succeeded in both roles, on 1 April 2014, by Pat Chapman-Pincher. She has Board level experience in both public and private companies and extensive knowledge of company start-ups, mergers and acquisitions. Pat has been an advisor to the Board since 2011, during which time she has contributed strongly to the direction of the Group.

The Chairman of the Standards Policy and Strategy Committee (SPSC), Mike Nichols, retired in early 2013 because of ill health and, I am sorry to report, passed away in December. He was an outstanding leader who was passionately committed to BSI, and will be missed by all in the standards world. We are very fortunate to have secured as his successor Carol Sergeant CBE. Her distinguished career and expertise across the private, public and not-for-profit sectors have given her a deep understanding of the vital role of standards in every walk of life. Under her Chairmanship the Standards Policy and Strategy Committee will go from strength to strength.

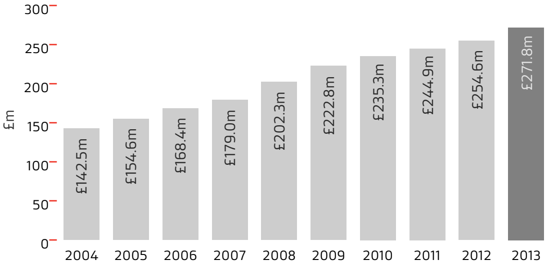
Each year my role presents me with opportunities to work with BSI people everywhere, and 2013 was no exception. Always I am struck by their deep knowledge, energy, integrity and infectious enthusiasm for what BSI does. They, and the very many BSI Committee Members and Subscribing Members, are the heart 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 113th year, the Board is confident that 2014 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
27 March 2014

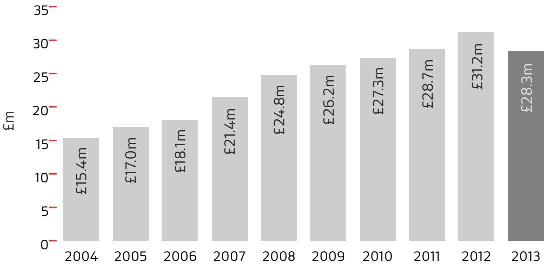
Underlying revenue

£271.8m +7%



Underlying operating profit

£28.3m -9%



'A tough but important year for BSI'

'BSI has focused increasingly on chosen markets where we are seen as a thought leader and a domain expert.'

Howard Kerr, Chief Executive

Summary

I wrote in last year's Annual Report about completing 'One BSI', an integrated global enterprise able to serve clients from what are now 67 offices in 27 countries across the world. I also stated that our strategic plan was being executed effectively as we look to build scale across our business to serve these clients even better. 2013 has been a tough but important year for BSI, during which we have continued to build on these foundations and implement this plan.

The global economy remained challenging and, as many of our listed competitors in the Testing, Inspection and Certification sector publicly reported, continuing the levels of growth seen in recent years has proved difficult. However, BSI has continued to develop its geographical, sectoral and business stream footprint to ensure that we are well hedged against external cycles, and has focused increasingly on chosen markets where we are seen as a thought leader, an innovator and a domain expert.

As such, it is pleasing to be in a position to report a revenue for the year of £271.8m and a growth rate for BSI of 8% at constant exchange rates. This equates to 5% organic growth and a further 3% delivered through the acquisition of NCSI in Australia in May 2013. Sterling strengthened during 2013 against some of our major trading currencies and this meant that our overall growth rate, at actual exchange rates, was 7%. New sales, which will translate into revenue over time, grew faster than revenue, with a 12% overall increase on 2012, which augurs well for 2014 and beyond.

As I said, 2013 was a year of building on the foundations of 'One BSI'. Significant investments were made into the business during the year. Many of these will begin to pay back in 2014 but had the effect of depressing 2013 underlying operating profit to below 2012 levels but in line with our plan. Our underlying operating profit was £28.3m, which was the expected 9% below last year's. Operating profit fell by 16% to £26.8m. We expect to see these trends reverse in 2014.

Our business remains in robust financial health. We ended the year with no external debt and £43.4m in cash. This is 6% higher than at the end of 2012, despite the Australian acquisition, the internal revenue and capital investments and a further contribution of £5.0m into the UK defined benefit pension fund.

Structure

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

Our strategy

Our strategy is to differentiate ourselves and compete against established players in our chosen marketplaces by leveraging our unique combination of products and expertise. We aim to double the size of our business in the medium term, through a combination of accelerated organic growth as a priority and complemented by selected acquisitions. We aim to become a truly global organization that continues to be true to our core values of Integrity, Inclusivity and Continual Improvement.

Our strategic objectives are:

1 Achieve growth potential in each of our markets

We operate in many countries, through our business streams of Knowledge, Assurance and Compliance. We will integrate and leverage the elements of this rich portfolio into sector solutions that address the economic and societal needs of today and tomorrow. Through this means, we will achieve our goals of increased scale and relevance in our core markets, and critical mass in all other countries to enhance surpluses for reinvestment back into the business.

2 Leverage our capabilities to create areas of competitive advantage

We believe that some of our markets offer greater opportunities for growth and profitability and we will focus on these to become market leaders, offering unmatched domain expertise, thought leadership and a unique business proposition to our clients. We will develop a competitive advantage in these areas that will make us a trusted partner in a world where trust has been undermined.

3 Develop and execute longer-term 'go to market' and delivery plans

We work in many sectors, each of which is competitive and constantly changing. We always need to have one eye on the future to predict demand and aim to satisfy this demand by creating, developing and introducing innovative new products and services to ensure that our clients continue to feel valued and continue to value BSI.

Measurement of progress

As we aim to make excellence a habit both internally and externally, we measure our progress through a combination of financial and non-financial key performance indicators (KPI) agreed at Board level. Examples of the financial KPIs are to be seen throughout this strategic report. These are supplemented by non-financial KPIs including the following:

Employee engagement

In collaboration with the Hay Group we have undertaken global employee engagement surveys since 2009. The online survey is open to all employees and we have consistently achieved over 70% participation levels. The survey consists of 65 questions concerning a variety of topics that focus on working at BSI with particular emphasis on employee enablement and engagement. We benchmark these results against data from over 6.7 million employees in over 400 companies worldwide. Our most recent survey, in late 2013, showed continued excellent progress over previous surveys in every aspect, so that we are now, for example, above the Hay Group global industry norm for enablement and within 5% of the global norm for engagement. We have achieved this with the help of employees across the world by listening and acting on their feedback to deliver improved communication, driving our values and behaviours throughout the Group, investing in training and development and raising the importance of performance management. We aim to make BSI an increasingly desirable place to work and build a career.

Client satisfaction

We have formally solicited client feedback since 2006 and track our Net Promoter Score (NPS) and Overall Satisfaction Score (SAT) as we aim to increase our ability to understand not just how satisfied our clients are, but also their engagement with our business and their motivation to work with BSI. In 2013 our survey received over 25,000 responses from our clients, which provided a wealth of insight. We received an NPS of 50.9, higher than in 2012, where any score over 50 is generally regarded as excellent. Our SAT was 8.7 out of ten, level with 2012. Over 60% of clients who responded scored us nine or above out of ten for overall satisfaction and just 2% considered themselves dissatisfied with our service. We have plans to improve these good scores still further, with the explicit recognition that the more we can delight our clients, the more this will drive the success of their business and of BSI.

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

Structure continued

Our increased focus is on developing and delivering sector solutions, combining our unique product range and expertise to become thought leaders and the business partner of choice in our chosen markets. BSI already enjoys a strong position in the Construction, Medical Devices, Automotive, Aerospace, Information and Communications Technology (ICT) sectors and, now with the acquisition of NCSI, the Food sector as well. We see future opportunities in these areas and also, particularly, in expanding our leadership in the Medical Devices sector into the wider Healthcare arena and by investing further into Financial Services, where our products and services are becoming increasingly in demand.

Investments

The swift integration of the NCSI business with the existing BSI business in Australia allows us to offer a greater range of integrated services from a single provider to the Australian market and significantly broadens the footprint and scalability of the operation with offices in each of the major state capitals. It also enhances our product offering globally by providing new certification expertise in the key sectors of Agriculture and Food.

We also completed a major refurbishment and consolidation of our Product Certification laboratories in Hemel Hempstead, UK. This investment has allowed us to provide a far more modern environment from which to develop a business that is fast becoming more international and important to us. Our focus is on Construction, Personal Safety and Appliances and we are looking to extend certification opportunities into new areas such as Services.

2013 saw a continuation of our significant investments in our IT systems, both internal and those that support our client offering. Of the latter, there were new and important releases of our BSI Entropy Software™, with version 5 being released, as well as a new version of the British Standards Online (BSOL) publishing offering and enhancements to our Supply Chain Solutions software. These, and our other integrated systems, help to enhance the client journey and our employee satisfaction as they are able to do their jobs more efficiently. We also continue to invest in the further development of innovative new standards that not only meet the need of the economy and society today but also anticipate the requirements of the future.

People

Outside the capital expenditure detailed earlier we also recruited heavily during 2013, particularly in the client-facing areas of sales and delivery. By the end of the year we had almost 3,000 people working for us, an increase of 12% on 2012. We are proud to employ a talented global workforce that 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 Innovation, Integrity and Continual Improvement that guide us in everything we do. You make BSI what it is today.

I am pleased to report that, following the changes reported last year, our Group and Operational Executive teams were unchanged throughout 2013. This stability has helped us to deliver our performance. However, in early 2014, our Global Marketing Director, Maureen Sumner Smith, was promoted to the newly created position of UK Managing Director, to ensure focus on our largest market. We expect to announce Maureen's replacement as Global Marketing Director shortly.

We invest consistently in people development, providing a range of training and support tools to help individuals develop meaningful careers within BSI. These include our Sales Excellence Academy and Assessor Academy which are now part of the framework at BSI and deliver strong results and stronger people into our workforce. I was pleased that we were officially recognized as an 'Investors in People' (IiP) company in the UK in 2012. During 2013 we undertook our third global employee engagement survey. This showed excellent progress over previous surveys in every aspect, delivering invaluable feedback as we aim to improve our IiP scale rating at our next assessment in 2015. We have also seen an improvement in our employee retention statistics, with voluntary attrition falling from 11.5% in 2012 to 9.7% in 2013, a tangible demonstration of our progress and evidence that our investments are really beginning to deliver their benefits.

Clients

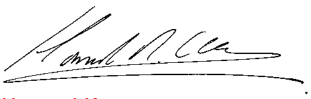
Once again we delivered our products to a record number of clients. We now have 72,000 clients on almost 100,000 sites worldwide. We work equally with multinational companies and small and medium-sized enterprises (SME) who benefit from working with BSI. We know this because they tell us. Over 60% of clients who responded to our latest client satisfaction survey scored us nine or ten out of ten for overall satisfaction and just 2% considered themselves dissatisfied with our service.

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

Outlook

Towards the end of 2013, we, as many others, saw an easing of the general economic climate. We remain hopeful that trading conditions will be better in 2014 than we have experienced in recent times and that our 2013 investments will produce the returns we expect from them.

We will continue to invest in the organic growth of our business and will complement this with targeted acquisitions as we did in 2013. We will implement this strategy in 2014 as we have in previous years and look forward to driving BSI to further success.



Howard Kerr
Chief Executive
27 March 2014

Our workplace gender balance

Equality and diversity

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

Main Board
20%
female

Senior management
16%
female

Total workforce
44%
female

Performance by geographical region

'We completed a major refurbishment and consolidation of our Product Certification laboratories in Hemel Hempstead, UK, and appointed a dedicated leader for the global business stream.'

'BSI is an integrated global enterprise, able to serve clients from 67 offices in 27 countries across the world. We have over 72,000 clients in 150 countries worldwide and a presence in every continent on the globe.'

EMEA

Revenue
£146.5m +6%
2012: £138.3m

Proportion of total Group revenue
54%

Employees (including head office)
1,457
2012: 1,379 employees

Offices
UK, France, Germany, Italy, the Netherlands, Poland, Qatar, Russia, Saudi Arabia, Spain, Turkey and the UAE

The economic backdrop across Europe remained challenging in 2013, yet our European business performed robustly during the year, with revenue growth of 6% comprising solid growth in our home market of the UK, slower improvements in our Central European region and very strong performances in some of our smaller markets in Southern Europe and the Middle East.

2013 was a year of investment for our European business in many respects. We completed a major refurbishment and consolidation of our Product Certification laboratories in Hemel Hempstead, UK, and appointed a dedicated leader for the global Product Certification business stream. This investment has allowed us to provide a far more modern and effective environment for our employees and clients so that they can continue to set the industry benchmark for best practice in our chosen product areas, ensuring that we continue to deliver excellence to an increasingly international client base.

In the UK, the investment in our people continued and is beginning to deliver results. Our staff retention was at higher levels than in previous years and the employee engagement survey showed improvements in all areas. Our UK Professional Services entity signed its first advisory contract in December. Over time, we anticipate this becoming a more significant part of our portfolio for those clients who do not seek systems certification. On 1 January 2014 we appointed a UK Managing Director, who will increase focus on this, the largest of all our current markets.

In 2012 we restructured our German businesses into a single trading company in new premises in Frankfurt. This process was completed with the sale of our German laboratory, purchased with the EUROCAT acquisition in 2008, to CSA Group in July 2013. A new management team joined this business in 2013 and, although progress has been slower than expected, the efforts of this team are starting to gather pace in a key target market for BSI.

Particular successes were achieved in Southern Europe and the Middle East and Africa which, from relatively small bases, both increased revenue by over 20% on 2012. This is encouraging as it justifies the investments in new people and offices that we made in previous years, and again, in 2013, and provides a larger footprint to exploit as economies recover and our services become more widely recognized.

Our Food industry sector

Our standards developers, assessors and trainers include some of the world's leading food safety experts focusing on the key issues of today and the future.

Increasing population growth and changing food habits are placing huge pressures on the global food sector. Organizations involved in the food supply chain are responsible for sourcing and delivering safe food to the highest quality as well as ethically and sustainably. Training and certification to globally recognized standards improves product traceability and increases the trust and credibility of an organization.

Developing standards

We bring together experts and innovators to tackle the ever-changing issues facing the whole supply chain in the food and agriculture sectors and have led a number of key initiatives to address industry issues. These have included developing prerequisite programme standards including food safety for food manufacturing and a standard for the integrity and traceability of primary products in the food and agriculture chain.

Global solutions

By working with BSI to train and implement credible and globally recognized food safety and quality standards, organizations can fully evaluate their product, process and reputational risks to improve business performance.

1. With over 2,800 food and agriculture standards in our portfolio, we are well positioned to support the industry and supply chain challenges. Where new issues arise, we can respond quickly with new standards and guidelines through our Publicly Available Specification (PAS) development team.
2. Our range of certification schemes can provide specific solutions to our clients' needs. From FSSC 22000 (Food Safety) to BRC Global Standards, Safe Quality Food (SQF) and Hazard Analysis and Critical Control Point (HACCP), our integrated services can help address key concerns.
3. Managing the supply chain is key within the food sector. Our intelligence-based approach can help an organization manage its supply chain risk and protect its brand reputation. Our specialist food training solutions, coupled with our unique software solutions, help clients identify country and product specific risk so they can be managed and mitigated.

Performance by geographical region continued

'We completed our first ever audit in Antarctica and can now truly say that BSI has a presence in every continent on the globe.'

Americas

Revenue
£60.3m +4%
2012: £57.8m

Proportion of total Group revenue
22%

Employees
520
2012: 528 employees

Offices
US, Brazil, Canada and Mexico

Following a number of years of strong performances in our Americas region, 2013 was a more difficult year with challenges in several areas. Overall revenue growth was 4%, boosted slightly by the small American subsidiary of the NCSI acquisition in Australia. Historically the region has been based on Systems Certification and Medical Devices businesses, although, more recently, there has been significant investment in our other business streams, in particular Training and our Compliance offerings of BSI Entropy Software™ and Supply Chain Solutions products which work with major US retailers, pharmaceutical companies and other importers.

The US is the second largest market for BSI outside the UK, and trading conditions were not seen to improve substantially from the previous year's until later in 2013 when some recovery was visible. As such the more important business streams, while showing some progress on 2013, did not grow as quickly as expected. It is positive to see new sales orders increase at a faster rate than revenue as this augurs well for 2014 and beyond. BSI leadership in the US Medical Device sector was further strengthened in 2013 with strong sales, marketing and thought leadership delivered through, for example, our road-show programme. Our BSI Entropy Software™ and Supply Chain Solutions business streams are run from our new office in Scottsdale, US and have both undergone significant investment with a view to client refocusing and re-launching the products to a wider BSI global audience.

Outside the US we have subsidiaries in Canada, Mexico and Brazil. All of these economies experienced their difficulties in 2013. In Canada our training stream performed well with regular classes running in eight different cities in the country. Mexico experienced slower growth in its core Systems Certification market but was successful in increasing revenues from the BSI Entropy Software™. Brazil was the most improved performer in the region following difficult years and, with the expansion of the portfolio to include Product Certification, Medical Devices and BSI Entropy Software™, it is starting to deliver steady profitability.

As in other BSI regions, significant investment was completed in the sales organization and other tools to enhance the client experience. The improvements to the region's economy, particularly in the US, that became apparent towards the end of the year should see these investments begin to bear fruit in 2014.

Asia Pacific

Revenue
£65.0m +11%
2012: £58.5m

Proportion of total Group revenue
24%

Employees
1,098
2012: 889 employees

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

Boosted by the successful acquisition and integration of NCSI in Australia, our Asia Pacific region grew by 11% during 2013. Organic expansion reached new levels as well, with six new offices opened in China, Indonesia and India. We completed the move of our regional head office from Singapore to Hong Kong and moved our Chinese head office to Shanghai to emphasize the importance we place on the Greater China market. The investment in people and business stream initiatives mirrored this. We established regional initiatives in the Medical Devices sector and the Training and Supply Chain streams. Our sales and customer care teams grew significantly to support this. We view Asia Pacific as the region with the highest growth potential and invested strongly during 2013 to support the expected future expansion.

In such a far-reaching region, successes were many and diverse during the year. Several of our subsidiaries started developing Publicly Available Specification (PAS) standards for local clients. New products were launched in the areas of road traffic safety, anti-bribery and cloud security. Regional staff were trained in our BSI Entropy Software™ and Supply Chain Management products in preparation for roll-out in 2014.

We have been entrusted to certify many of the region's stock exchange data centres to ISO 27001 (Information Security). In 2013 we added Hong Kong, Bangkok and Jakarta to our portfolio which already comprised Tokyo, Shenzhen, Taipei, Seoul and New Delhi. In addition, the Hong Kong Stock Exchange also achieved ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). These prestigious certifications further strengthen our reputation and regional leadership in this area. In India we certified the Indira Gandhi Airport in New Delhi for the successful implementation of the Road Traffic Safety Management System, making it the first airport in the world to be certified.

We also completed our first ever audit in Antarctica, ISO 14001 (Environmental Management), for the Australian Antarctic Division, which is responsible for supporting scientific research and maintaining Australia's commitment to the Antarctic Treaty Program. We can now truly say that BSI has a presence in every continent on the globe.

Our Healthcare industry sector

Our proven worldwide expertise ensures that clients meet the essential requirements for most major geographies and we provide comprehensive solutions covering the full spectrum of regulatory needs.

We are fully resourced to support manufacturers around the world with a team of medical device product experts, collectively holding in excess of 1,200 years' experience in product design and development, who understand the specific challenges manufacturers face and the importance of bringing innovative yet safe products to market. Ensuring the predictability and transparency of regulatory product clearance is vital to maintaining a competitive edge. Manufacturers tell us they need to work with a highly competent, customer focused EU Notified Body* that fully understands the specifics of their environment, as well as the importance of complete confidentiality around their unique patent pending novel technologies.

Developing standards

BSI is already strong in developing medical device standards. Moving forward we are looking at how we replicate our expertise across the broader healthcare spectrum. Working with key stakeholders from government, royal colleges, clinical and professional bodies we are looking at standardization aimed at long-term care for an increasingly aging population. These include standards covering dementia-friendly communities to the quality of healthcare provision and the application of assistive technologies.

Global solutions

We are the market-leading medical device certification body providing market access to all European states and other key geographies including the United States and Japan. That's why seven of the top ten medical device manufacturers worldwide work with us and keep working with us to maintain the standards of excellence that create safer products.

1. We help our clients navigate complex regulatory routes providing a comprehensive portfolio of best practice guidelines and standards applicable to the healthcare and medical sectors.
2. BSI is a world leading EU Notified Body, providing market access through medical device CE certification. We also certify medical device products on behalf of all major regulators including the US Food and Drugs Administration (FDA) and Japan's Pharmaceutical Affairs Law (JPAL).
3. In regulated markets, our clinical and regulatory training courses, combined with BSI's Entropy Software™ compliance tool, help clients manage performance and risk to ensure ongoing compliance.

* EU Notified Body: An organization designated by an EU member state Competent Authority to assess whether a product meets the essential safety and performance requirements of European directives.

Performance by business stream

'There has been significant focus on our preparations for the revisions to ISO 9001 and ISO 14001 and the transition of OHSAS 18001 to an ISO standard.'

'The business is managed through a strong matrix structure with three global business streams, 'Knowledge, Assurance and Compliance', being driven through three geographical regions supported by highly enabling central functions and innovative business systems.'

Knowledge

Revenue
£49.9m +5%
2012: £47.7m

Proportion of total Group revenue
18%

In comparison to last year, 2013 was a very strong year for our Knowledge business stream, with revenue growth reaching 5% in what has recently been quite a relatively modest growth area. This has been achieved through good performances in both our distributor channels and our direct product sales. Our subscription services (both Membership and British Standards Online (BSOL)) maintained high, consistent renewal levels in the UK and internationally. BSOL, our flagship product, achieved double-digit growth compared to last year. Revenue mix was again favourable, with increases in digital products with relatively high margins and any revenue shortfalls concentrated in our lower-margin delivery services and consultancy lines of business. We saw a renewed interest in our products from our Knowledge business stream's core UK industrial sectors of Construction, Oil and Gas, and Manufacturing, reflecting the upturn in business in their sectors.

As a result of these direct and indirect distribution channels, BSI's digital sales maintain a significant geographical spread. Additionally in 2013 our global standards development consultancy was extended beyond the UK, primarily into our Asia Pacific region, where PASs were marketed by our local business units, particularly Japan, Taiwan and Korea, the Middle East and the US. Similarly we have seen some increased funding to support critical areas of UK standards development such as Smart Cities and Assisted Living.

After a quieter 2012 our International Projects division won new projects in India, Jordan, Azerbaijan and Kazakhstan and delivered significant assignments in Lebanon, Ukraine, Rwanda and China.

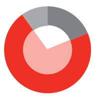
During 2013 we continued to invest heavily in our digital offerings through a re-launch of our information products platform based on Mark Logic, which now hosts our online shop, our BSOL subscription service and, Eurocodes PLUS+, the innovative online workflow tool from BSI, which digitizes all 15,000 pages of the Eurocodes for the construction industry.

In a changing world our product offering evolves to suit our clients. We invest in new standards, new platforms and new geographies to ensure that we match these requirements. Our continued growth in these challenging times demonstrates the trust that our clients place in BSI and ensures that we remain a trusted partner in the uptake and use of knowledge across their organizations.

‘Our Medical Devices sector’s growth was ahead of the market, buoyed by strong performance in Europe, supported by new growth in Japan and China.’

Assurance

Revenue
£194.8m +7%
2012: £181.5m



Proportion of total Group revenue
72%

Systems Certification

Despite a lacklustre global market for Systems Certification, which has been publicly acknowledged by several of our major competitors, our business performed solidly during 2013, reporting organic growth of 4%, boosted by the Australian acquisition to 7% overall. Internally we implemented an IT system that delivered a customer-focused ‘Common Operating Model’ which incorporates into one system the best practice that has developed around our international offices. We continued our strong support for independent accreditation of BSI, maintaining our global accreditations with ANAB and UKAS and local accreditations with national bodies where appropriate.

Several new products were introduced during the year. These included a new partnership with the Cloud Security Alliance to launch the CSA STAR certification scheme and transitioning from the old version of ISO 27001 (Information Security) onto the 2013 revision.

There has also been considerable focus on our preparations for the most significant changes in the Systems Certification market for many years when in 2015 and 2016 the standards for ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) will be revised and OHSAS 18001 (Occupational Health and Safety) will transition to an ISO standard. All of these were originated by BSI and we intend to remain at the heart of the development of these world-class standards.

Product Certification

During 2013 we refocused our Product Certification and were successful in reversing the decline in revenue that the stream had experienced in recent years, recording a modest growth of 1% in 2013. We withdrew from several unprofitable product areas and concentrated on those sectors central to our strategy in which we are able to differentiate our offering: Construction, Personal Safety, Gas and Electrical Appliances and Kitemark™ for Service Product.

We also demonstrated our commitment to Product Certification by investing heavily in our testing facilities in Hemel Hempstead, UK, rationalizing these onto a single site on Maylands Avenue. Through this process, we have focused our testing activity in areas where we have deep expertise and use partner organizations where we do not.

We increased the number of our partner laboratories in Asia Pacific during 2013, including signing our first partner in Japan. These support our certification offering with local product testing.

The most significant change to our Product Certification market in 2013 was the Construction Products Regulation which became law in the UK. This was a major challenge for many of our existing clients and also introduced new clients to our product offering. This provided a welcome boost to our results which will continue into 2014 and beyond.

Medical Devices

This sector faced continuing challenges throughout 2013, with many global leading companies consolidating and downsizing. The reduced access to venture capital and the US sales tax levy continued to undermine industry confidence. As a result the global Medical Device sector showed growth at only around 5%.

BSI growth was ahead of the market at 12%, buoyed by strong performance in Europe, supported by new growth in Japan and China. We also strengthened our leadership position in the important US market, in particular, with our BSI Entropy Software™ compliance tool. Performance in Germany was disappointing after an excellent 2012.

Regulatory uncertainty remains in the European Union, with major changes to the existing Medical Device Directives proving to be controversial at times and experiencing delay. This is challenging as clarity of direction would help with strategic plans, particularly with respect to aligning BSI competences to the regulatory requirements in advance of the proposed changes.

As a founding member of the Notified Body Industry Group (Team NB), we were integral in writing the code of conduct now being adopted as a blueprint for improved competence within the sector. We also continue to engage in the ongoing Brussels debates to support enhancing patient safety, in particular championing raising the bar further with respect to Notified Body capability and consistency.

Performance by business stream continued

'Almost 15,000 more delegates attended our training courses in 2013 than in the previous year, bringing our total training audience to over 88,000.'

Compliance

Revenue
£27.1m +7%
2012: £25.4m

Proportion of total Group revenue
10%

Training

Training had another solid year in 2013 with revenue increasing by 8% on the back of strong performances across the world, especially in our EMEA and Asia Pacific regions. Almost 15,000 more delegates attended our public and in-house courses in 2013 than in the previous year, bringing our total training audience to over 88,000.

New training products were launched in the areas of road traffic safety, anti-bribery, cloud security and food safety. The most significant growth came in our sector-focused Medical Devices portfolio. The collaboration with our Medical Devices team has created a uniquely strong offering in this area which has led to a good cross-sell of our other services, including certification and CE marking.

Investment in our people came in the form of investment in new heads of training in several countries, together with a new Training Academy initiative to develop commercial and customer service skills in our people to operate and grow sustainably our training businesses across the BSI world.

Risk and Compliance Management

The major event in 2013 was the release of BSI Entropy Software™ version 5 in September. This new version is a complete rewrite and technology refresh of the software. Clients will experience greater ease of use, greater flexibility and configurability, greater visibility and insight, greater mobility and greater security. One module, Client Portal, is a free corrective and preventative action tool available to BSI certification clients. It permits a web-based dialogue with BSI to download audit findings and agree and implement corrective actions. Early reviews of this product have been very strong. Revenue did, however, decline by 11% during 2013 as the market slowed before the new release of version 5.

The BSI Entropy Software™ development team was reorganized and expanded with a new base in Scottsdale, Arizona, US. Significant investments were made to grow the team in the US to support both new and legacy versions of the BSI Entropy Software™ product.

First-time sales for BSI Entropy Software™ were closed in Brazil, Spain and Australia as the product becomes more global.

Supply Chain Solutions

Issues, often deep in their supply chains, have been the cause of extremely negative publicity for many large, global companies during 2013 and there is no doubt that stakeholders are insisting on a far better understanding of all direct and indirect suppliers that can influence products before they come to market. BSI provides solutions with ever-increasing appeal in this area and continued to invest in personnel, both at the new stream headquarters in Scottsdale, Arizona, US, and in Europe and Asia Pacific, as supply chain investigations become more and more international. Revenue growth was 14% in 2013.

In 2013 we extended our Supply Chain Risk Management services and intelligence beyond supply chain security to cover social responsibility and business continuity risk management. Our Supply Chain intelligence service agreement with the US Government Department of Homeland Security was renewed in 2013.

Our Information and Communications Technology industry sector

In the fast changing world of ICT, BSI is at the forefront of helping organizations manage the challenges of this dynamic market.

The ICT industry remains one of the most vibrant and innovative global markets. As more and more people are getting connected, new applications and services are being developed and users' online experiences are expanding throughout the world. All these developments increase risks for organizations who cannot afford to take an ad hoc approach to managing them.

Developing standards

BSI has been at the forefront of developing standards in this fast-moving area from the beginning. In the 1990s we developed BS 7799, the first global information security standard, which shaped ISO 27001. Our experts have continued to lead the development of standards in this area, with focus on the new emerging issues of cyber security, quality of software, and the new evolving 'internet of things' and 'big data'.

Global solutions

Our range of globally recognized solutions help organizations gain considerable insight and benefits from managing and protecting their systems, data and technology, whatever their size or geographical location.

1. BSI publishes a wealth of information to help our clients achieve industry compliance and best practice, including national and international standards, guidance documents and multimedia solutions – all ensuring that their ICT is well-managed and meets their business needs.
2. BSI is the leading ISO 27001 certification body, with 44% of all global certifications being issued by us. Our range of solutions means that our clients can address the key issues relating to their organization and target new specific issues such as cloud security.
3. BSI's expert tutors have gained a deep understanding of the challenges that face organizations globally in the ICT sector. BSI has trained over 6,000 delegates in ICT related courses during the course of 2013, helping business to thrive and grow.

Effective risk management

'We have a continual and dynamic process for identifying, evaluating and managing the risks in the business, based on ISO 31000.'

Risk management

The Board of BSI understands that effective risk management is an inherent part of the business process. The identification, evaluation and mitigation of risk is integrated into key business processes from strategic planning to day-to-day performance management as well as into health, safety and environmental management.

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

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 ensure 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 Risk and Compliance team.

What we did in 2013

At the beginning of 2013, we executed our plan to implement an integrated audit programme. This entailed our financial Internal Audit and Risk and Compliance functions working together in the delivery of combined auditing. This enabled a more efficient and effective way of sharing information between the two teams and provided a holistic approach to country audits which enabled the auditors to consider risks in tandem with financial implications. It also added value for the business unit being audited with two auditors bringing different knowledge and skill sets to the country audit and gave each team the opportunity to learn from each other on audit and adapt their processes where necessary for continual improvement.

In addition, in 2013 we achieved ISO 27001 (Information Security) certification in our Chiswick offices, ensuring that we have an appropriate information security management system (ISMS) that conforms to this standard. We are currently executing a project to roll out this management system to all our other offices in BSI during 2014.

What we will do in 2014

We will continue with our programme of risk management and will undertake a full review and workshop with our senior management team. We will continue to strengthen the co-operation between our assurance functions to ensure our risks are identified and mitigated.

Insurance

The BSI Group maintains a global insurance programme covering all major insurable risks to the Group's business assets and operations worldwide. In the first quarter of 2013, we undertook an in-depth strategic review of our global insurance programme to ensure it continues to meet the requirements of BSI's risk financing strategy and adequately supports our principal risks. In the second quarter, we undertook a re-broking exercise to test the market to ensure that we continue to receive the best service available from our supplier.

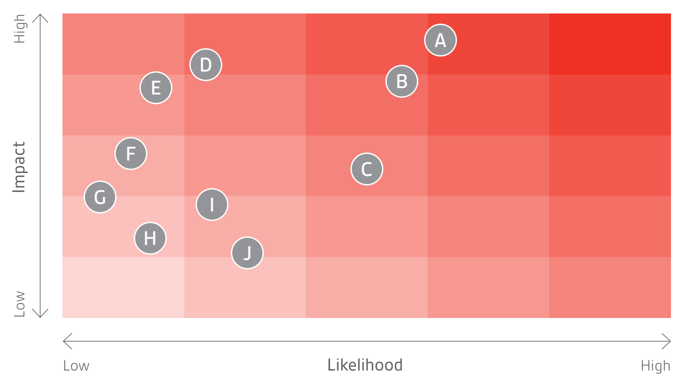
Change to principal risks during 2013

Government regulatory intervention risk reduced over the year as the proposed changes in the regulatory environment in which some of BSI's business is conducted was clarified and understood. We have made appropriate changes to mitigate this risk and are well placed to manage it.

During 2013 we undertook a review and testing of our business continuity plans at all of our major country offices. We now consider this risk mitigated and moved it in early 2014 from our Strategic Risk Register to be monitored through our operational risk management process.

Third-party liability for certification activities has been identified as, potentially, a new and growing risk which has been added to the Risk Register in the last quarter of 2013.

Risk heat map



Principal risks

Type of risk	Risk description	Risk status	Mitigating activities
A Government regulatory intervention	Much of the work undertaken by BSI is in a regulated space or influenced by governments around the world and changes to government policy could affect our trading.	↓	We continue our discussions with governments to ensure that our voice is heard during policy debates.
B Macro-economic environment	The continuing challenging global economic environment means that the risk in the execution of strategic plans is more complex to manage with less certainty of success.	↔	Our strategic plan takes into consideration the economic uncertainty and its financial targets are mindful of the external environment. Performance against budget is closely monitored. Our diverse business activities mean that there is a low concentration of risk and the recovering economic environment is also creating opportunities.
C Accreditation compliance	BSI's certification activities are accredited to ISO 17021 (Conformity Assessment), which includes accreditation compliance to ISO 9001 (Quality Management) for all BSI's offices worldwide. Failure to operate to those standards could lead to a withdrawal of accreditation licences.	↔	A regulatory compliance framework is in place along with a compliance audit programme.
D Brand and reputation	Failure to protect or maximize the core identity associated with BSI would result in deterioration of our reputation and potential loss of business.	↔	We continue to reinforce our values, policies and processes, taking robust action where necessary to protect our brand and reputation. We continue to invigorate 'Making Excellence a Habit' and reassert the Group values globally.
E UK pension fund	Increases in the ongoing deficit associated with the UK defined benefit pension scheme would adversely affect the strength of our balance sheet.	↔	The scheme is closed to new entrants and future accruals and we hold regular meetings with the trustee to review the investment policy, our funding requirements and any opportunity to insure against this risk.
F Competitor action	A major consolidation amongst competitors, a large new entrant to the market or other competitive activities may threaten our market position in our business streams or geographic regions.	↔	We continue to monitor and analyse activity in our competitive landscape at local, regional and global levels, with responses put into action as appropriate. We continue to seek new opportunities in all aspects of our business.
G Financial and tax compliance	There is an ongoing risk in any organization of our size and complexity for irregularities to occur due to human error or fraud which could impact our financial results.	↔	We have strong reporting lines in place throughout our organization, both regionally and functionally. In addition, we have Internal Audit and Group Risk and Compliance audit teams who regularly visit all locations. There is also an annual external audit of our financial results undertaken by PricewaterhouseCoopers LLP.
H Third-party liability for certification activities	Potential issues in the certification of management systems and products could give rise to third-party claims.	↑ *New risk*	Key employees have the relevant training and expertise for their roles and there is continual monitoring of all business streams and activities.
I Health and safety	A risk to our business or reputation could develop if we do not actively monitor and maintain the health and safety of staff, contractors and other visitors to the Group's premises.	↔	This is a vital and integral part of corporate governance and a prime responsibility of management at every level. BSI continues its compliance programmes for OHSAS 18001 (Occupational Health and Safety) in all operations worldwide.
J Business continuity	Natural disasters, political, social and economic unrest, acts of terror or major pandemic events could jeopardize the markets in which we operate.	↓	We have business continuity plans in place for all our locations. These are reviewed and updated regularly and are subject to periodic testing.

'We have an important role to enhance the value that standards bring'

'2013 was another strong year for our standards and policy teams during which we saw the visibility and recognition of our work increase across many fronts.'

Dr Scott Steedman CBE, Director of Standards

As the UK's National Standards Body (NSB), BSI has an important role to enhance the value and opportunity that voluntary standards bring as knowledge of good practice for business, industry and society. 2013 was another strong year for our standards and policy teams during which we saw the visibility and recognition of our work increase across many fronts. Whether in the international sphere, in Europe or in the UK, good progress was made in engagement and in the facilitation and delivery of standards with the potential to deliver performance improvement, support trade and stimulate innovation and economic growth. In this review, we summarize some of the more important outcomes achieved.

Support to the UK

UK-China trade

Increasing trade with China is a top priority for UK industry and so it was with considerable pride that BSI signed an agreement on the mutual recognition of standards in December. This historic agreement with the Chinese Government, represented by the General Administration of Quality Supervision, Inspection and Quarantine ministry and BSI's Chinese counterpart, the Standardization Administration of China, was a milestone both for China and the UK. Signed in front of Chinese Premier Li Keqiang and British Prime Minister David Cameron during the trade summit meetings in Beijing, it opens the door for business and industry to put forward British and European Standards for potential recognition or adoption by China. A number of industry sectors have already responded with requests for consideration. We see our strong relationship with China bringing opportunities for increased collaboration between experts in all areas of our work, particularly in new fields such as future cities and building information modelling.

Financial services

Because of its importance to international trade, financial services are also an important focus for BSI, although it remains a sector that is unfamiliar with the opportunity from voluntary standards. Together with the Chartered Institute for Securities and Investments (CISI), BSI commissioned independent research on the potential for voluntary standards to deliver business performance improvement in this vital sector of the economy. The report, published in November, recommends that creating space for standards would help to rebuild a safer and more trusted financial services sector. We are now working with industry stakeholders to map out opportunities and set priorities for new work.

> 'Our International Projects team won new work in a number of countries where we can help to strengthen institutional capacity in standardization.'

High Speed 2 rail route (HS2)

We recognize that, even in sectors that have a long history of using standards such as infrastructure, there is scope for performance improvement. As part of the HS2 Efficiency Challenge Programme, BSI worked with HS2 Ltd and industry experts during 2013 to identify opportunities for time and cost savings through better use of design codes and standards. The recommendations from this work surprised many for the value that could be delivered through the streamlining of existing standards and the development of new guidance in areas such as temporary works and tunnelling.

Innovation and the Technology Strategy Board (TSB)

It is important to recognize the role that standards can play in supporting innovation. In European policy, standards have been identified as key enablers for technologies in the Horizon 2020 communications issued by the European Commission Directorate-General for Research and Innovation. The gap between research and commercialization can be bridged in part through the strategic use of voluntary standards. To demonstrate the value of this approach, BSI and the TSB started work to deliver advice and, where relevant, standards programmes in four pilot areas: synthetic biology, cell therapies, offshore renewable energy and assisted living. All four areas of work proved successful. For the first time in the history of publicly-funded research and development in the UK, we now have an established relationship with the TSB and its research community.

Global footprint

Outside the UK, we place great significance on the work we do to raise awareness and build capacity in standardization. Over the past year we have sought to build up our relationship with standardizers from developing countries, particularly our Commonwealth partners. We work partly through ISO, but also directly with countries of strategic interest to the UK in the context of standardization.

Through the Commonwealth Smart Partnership Network, BSI participated in a major conference in Dar es Salaam, Tanzania, with an audience of 600 senior politicians, including 20 heads of state and business leaders from Africa and Asia. It was an opportunity to discuss with this influential audience the role that standards can play as knowledge for socio-economic transformation. BSI also worked with standards bodies to establish a new Commonwealth standards network to promote the sharing of best practice in countries that have traditionally based their own national standards on ours.

Our International Projects team had a very successful year winning new work in a number of countries where we can help to strengthen institutional capacity in standardization. One example of this was the completion in October of a large European funded contract to support the National Accreditation Agency of Ukraine on a two-year 'twinning' project. Twinning projects bring together public bodies and institutions with public responsibilities in the EU and beyond to share best practice to enable reform.

We also commenced work on a large project for India's Ministry of Commerce and Industry in May. This project is supporting the Capacity Building Initiative for Trade Development in food, which seeks to strengthen India's capacity to achieve economic growth, sustainable development and reduce poverty through better integration into global trade by increasing product safety and quality, reducing costs and impediments to trade.

International influence

The European standards bodies, CEN and CENELEC, of which BSI is a leading member, published their 'Ambitions 2020' document during 2013. There are six ambitions, covering global influence, regional relevance, wider recognition, network of excellence, innovation and growth and a sustainable standardization system. Our external policy team worked hard to influence the development of these ambitions, which outline CEN and CENELEC's commitment to contribute to the strengthening of Europe's growth and competitiveness through a solid and sustainable standardization system that creates added value for the European economy.

As part of the development of new European policy, the European Commission departments for internal market and enterprise set up a high level group of industry experts, academia and other stakeholders to propose ideas for the stimulation of business services within the single market and internationally. As Vice President Policy for CEN, I chaired a working group considering the role of standards and related instruments in bringing performance improvement to this important sector. The final report is expected to stress the importance of a functioning voluntary standards framework as part of its vision for the future of the sector, a very positive outcome. I was also invited to co-chair the negotiations between the European Standardization Organizations and the US NSB, the American National Standards Institute, over a formal co-operation agreement which will support the Transatlantic Trade and Investment Partnership negotiations.

Within ISO, after some years of discussion, we succeeded in securing international acceptance of Occupational Health and Safety onto the ISO work programme, building on the widely recognized OHSAS 18001. We also introduced the topic of Anti-Bribery Management Systems, which will build on BS 10500.

> 'Standards are an accelerator of trade and a springboard for industry to increase its success around the world.'

Further highlights

2013 saw another milestone for BSI as the best-known of the ISO standards for which the UK hosts the secretariat, ISO 9001 (Quality Management), started its next major revision. Because it is such a popular international approach for businesses worldwide, we have made a draft of the revised standard available for public feedback.

Throughout the year we have been working with stakeholders to develop a suite of 'Smart City' standards. In spring 2013, we set up a steering group for developing a terminology standard, made up of experts in economics, the built environment, planning and technology. Two PAS documents are now in development, a terminology and a framework specification.

Sustainability remains a strong focus, with the publication of PAS 2070 (City-level Greenhouse Gas Emissions), sponsored by the Greater London Authority, publication of a revised version of BS 8900 (Sustainability Management) and work starting on a revision of PAS 2030 for Green Deal installers.

In our governance and risk areas, PAS 555 (Cyber-security Risk) has been published. In August we published BS 13500 (Code of Practice for Delivering Effective Governance), the first national standard of its type. Focusing on issues such as accountability, control and direction, it is aimed at businesses of all sectors and sizes. A further international success has been the completion of the new ISO 55000 series of standards on asset management, which are based on the very successful PAS 55, jointly developed with the Institute of Asset Management (IAM). We have also started to develop a new specification, to be published as PAS 7000, that will help organizations to select supply chain partners which comply with their own governance, risk and compliance policies and addresses all significant categories of risk within the supply chain.

Excellent progress has been made in the construction sector with new standards for Building Information Modelling, including the publication in February of PAS 1192-2 (Information Management for the Capital/Delivery Phase of Construction Projects). We have also continued to support the industry with standards supporting the Construction Products Regulation, and with further promotion of the structural Eurocodes, which is supported through BSI's exclusive Eurocodes PLUS+ platform.

NSB governance and outreach

As the UK NSB, appointed by Her Majesty's Government to represent the UK in Europe and globally in matters of standards, we are committed to deepening our engagement with industry and the wider stakeholder community, including users, consumers and regulators.

We held two Standards Forums in 2013, aimed primarily at Committee Members and Chairmen, one in Bristol in April focusing on Smart Cities and one in London in November. Numbers attending these events were the largest for many years.

I am particularly grateful to Lynn Faulds Wood, who completed her term of office this year as Chair of our Consumer and Public Interest Network. We were also delighted to welcome Christine Heemskerk, former Chair of the Trading Standards Institute, as the new Chair of this important network, whose focus is to bring the voice of the consumer into standards-making.

We were delighted to welcome Carol Sergeant CBE as the new Chair of our SPSC. Carol's work in compiling the Sergeant Report on financial products, and on whistle-blowing, demonstrates her strong commitment to organizational excellence, and we look forward to working with her to shape the direction of standards for the future.

2013 saw good progress with engagement and outreach towards government, business and industry. Our message has been widely welcomed by every audience, in the UK and internationally. Our challenge as the NSB is to convert that interest through formal processes into knowledge that can drive higher performance in products, processes and business potential throughout the country.

Standards are an accelerator of trade and a springboard for industry to increase its success around the world. Almost all of BSI's work in standards development is focused on the development of international standards and for this we depend on our community of 10,000 independent experts on 1,200 committees. I continue to be deeply grateful for their commitment to shaping the best practice knowledge that provides so much opportunity for business and industry to deliver innovation, growth and sustainable development.

Scott Steedman

Dr Scott Steedman CBE
Director of Standards
27 March 2014

'2013 was a year of investment for the future in BSI'

'It is testament to the growing geographical, stream and sectoral diversity of BSI that we were able to report revenue growth in each of our geographical regions and each of our business streams in 2013.'

Craig Smith FCCA, Group Finance Director

Overview

Trading conditions across the globe during 2013 remained challenging and, although towards the end of the year there was some optimism that the general business climate was improving to a degree, many of our listed competitors reported slowing organic growth in many of the markets in which BSI trades. It is testament to the growing geographical, stream and sectoral diversity of BSI that we were able to report revenue growth in each of our geographical regions and each of our business streams in 2013. This diversity offers a natural hedge to economic fluctuations in any given sector or region.

Revenue in 2013 was £271.8m, an overall increase of 7% on the 2012 result of £254.6m. This single percentage increase figure comprises three component parts. Organic growth at constant exchange rates was 5%, the same as between 2011 and 2012. The revenue from the post-acquisition period of NCSI contributed 3% to the increase. However there was a negative impact of 1% which arose from the increasing strength of Sterling. BSI reports its results in Sterling but, when this currency strengthens against other currencies in which we trade, their revenues and profits are worth less when retranslated. In particular, during 2013, Sterling strengthened significantly against the Japanese Yen and the Australian Dollar, whose results were, consequently, negatively impacted on retranslation. It is worthy to note that underlying revenue has increased every year since 1999.

2013 was a year of investment for the future in BSI. Significant investments were made during the year which are expected to pay back in 2014 and beyond. As a result of these, underlying operating profit ended the year 9% below 2012 at £28.3m (2012: £31.2m). We have complied with the requirements of IAS 19R in this report, and have restated 2012 for comparative purposes.

Exceptional costs during 2013 amounted to £1.5m (2012: £0.9m income). £1.1m of these related to the acquisition and integration costs for NCSI which joined us in May and was successfully combined with our existing Australian business before the end of the year. The remaining £0.4m was cost relating to the restructuring of our Product Certification laboratories in Hemel Hempstead, UK. In 2012 the release of provisions outbalanced the cost of restructuring programmes and led to a credit of £0.9m in the income statement. As a result of this operating profit fell 16% in 2013 to £26.8m (2012: £32.1m).

The Group continued its policy of investing its cash reserves proactively during 2013 but finance income was lower than in 2012 due to the reduction in the prevailing interest rates at which we were able to invest. Finance income was £0.4m (2012: £0.6m). This income was, however, still significantly higher than the £0.2m achieved in 2011 before this policy was introduced. Finance costs relate predominantly to the net interest cost on the liability of our UK defined benefit pension scheme and were £2.6m in 2013 (2012: £2.7m). Our effective tax rate on profit before tax fell from 26.3% in 2012 to 13.4% in 2013, aided primarily

> 'BSI has no debt and, consequently, no finance costs relating to borrowings. Following the success of our more proactive approach to investing our cash surplus in 2012, we continued with this policy throughout 2013.'

Overview continued

by a prior year adjustment relating to the deferred tax recognition of goodwill amortization in Canada. The effective tax rate on underlying operating profit also fell to 28.7% (2012: 28.9%). Profit for the year fell by 4% to £21.3m (2012: £22.1m).

We ended 2013 with no debt and cash of £43.4m, an increase of £2.4m or 6% on the closing cash balance for 2012 despite the acquisition of NCSI, significant capital expenditure and a contribution to the UK defined benefit pension scheme of £5.0m (2012: £18.0m). According to the agreed schedule of contributions a total of £40.0m was payable in the calendar years 2011 to 2013 inclusive. A total of £35.0m had been contributed during 2011 and 2012 so the £5.0m payment during 2013 was in line with this schedule.

Exchange rates

We translate our balance sheets into Sterling at year-end exchange rates. For our profit and loss accounts we use a weighted average rate so the figures in the table opposite are an approximation. For our major currencies this table shows the rates used for 2012 and 2013.

If our 2013 revenue were to be translated at 2012 exchange rates it would be £3.1m, or 1% higher at £274.9m. If underlying operating profit were to be translated at 2012 exchange rates it would be £0.2m, or 1% higher at £28.5m. All numbers in this report are at prevailing exchange rates.

Revenue and operating profit

Revenue for 2013 was £271.8m, an increase of 7% over the £254.6m reported for 2012. At constant exchange rates this increase would have been 8%, split 5% organic and 3% inorganic due to the acquisition of NCSI in May. Each of our revenues and business streams reported increases in revenue. Geographically Asia Pacific grew by 11%, EMEA by 6% and the Americas by 4%. In terms of our business streams our Assurance business grew by 7%, our Knowledge business by 5% and our Compliance business by 7%.

Gross profit margin for the year was 0.9% below last year at 48.4% (2012: 49.3%). Across such a geographically diverse and varied business as BSI, product mix can have an effect on overall margin and, with price pressures increasing in some areas of our business and straight line depreciation costs classified as cost of sales for our fledgling software businesses, this overall reduction was expected. Selling, distribution and administrative expenses increased by 9% over 2012. Over 2 percentage points (ppt) of this increase was inorganic, and due to the post-acquisition expenses of NCSI. Another 1ppt was as a result of the recommencement of contributions to the long-term incentive plan provision of £0.3m (2012: £0.9m release). In addition significant investments were made during the year, particularly in selling resources and new offices, which are expected to pay back in 2014 and beyond.

Underlying operating profit was £28.3m, a decrease of 9% from 2012 (2012: £31.2m). This implies an underlying operating profit margin for the year of 10.4% compared to 12.3% last year. The reduction is the result of all the influences mentioned above, some of which had a one-off negative effect in 2013. As time progresses we would expect increasing revenue from our software businesses to outweigh the constant depreciation charge, the 2013 investments to pay back and no further exceptional reversals from the long-term incentive scheme cost.

Exceptional items

Total exceptional operating costs in 2013 were £1.5m (2012: £0.9m income). These related to two items. The first, a cost of £1.1m, was in respect of the acquisition and integration of NCSI in Australia. The second, a cost of £0.4m, related to the restructuring of our Product Certification laboratories in Hemel Hempstead, UK. 2012 benefited from the release of provisions into the income statement which outweighed the restructuring costs and led to an overall credit to the income statement.

Finance income and costs

BSI has no debt and, consequently, no finance costs relating to borrowings. Following the success of our more proactive approach to investing our cash surplus in 2012, we continued with this policy throughout 2013. However, prevailing interest rates for deposits were significantly lower in 2013 than they had been in 2012 and, as a result, investment income was £0.4m (2012: £0.6m). The finance cost shown on the face of the consolidated income statement relates materially to the net interest cost on the liability of our UK defined benefit pension scheme and was £2.6m in 2013 (2012: £2.7m).

Taxation

The Group effective tax rate (ETR) in 2013 was 13.4% (2012: 26.3%). This comprises a current year tax charge of 21.5% (2012: 21.7%) and a net prior year tax credit of 8.1% arising from recognition of a deferred income tax asset for goodwill amortization in Canada of 6.6% and net over-provided UK and foreign tax of 1.5%.

We consider the ETR on underlying operating profit to be a better indicator of the tax management of the operating business. In 2013 the ETR on underlying operating profit was 28.7% (2012: 28.9%). The mix of the differing tax rates between the countries in which we make operating profit can create small fluctuations in the overall rates.

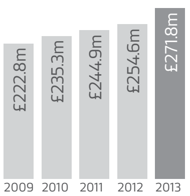
Exchange rates

	Year end 2013	Year end 2012	Average 2013	Average 2012
Australian Dollar	1.86	1.56	1.67	1.54
Euro	1.20	1.22	1.18	1.23
Chinese Renminbi	10.09	10.20	9.69	10.05
Japanese Yen	173.43	138.51	152.95	127.69
US Dollar	1.65	1.61	1.56	1.59

Financial KPIs

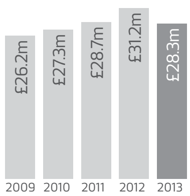
Revenue

£271.8m +7%



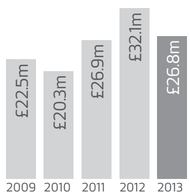
Underlying operating profit

£28.3m -9%



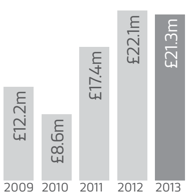
Operating profit

£26.8m -16%



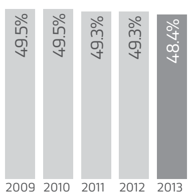
Profit for the year

£21.3m -4%



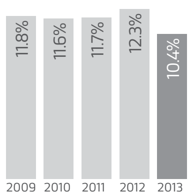
Gross profit margin

48.4% -0.9ppt



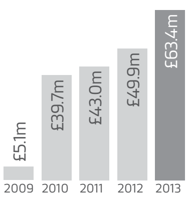
Underlying operating profit margin

10.4% -1.9ppt



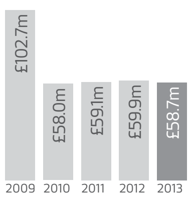
Net asset value

£63.4m +27%



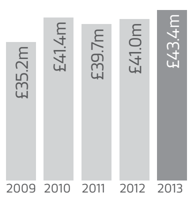
UK defined benefit pension fund deficit

£58.7m -2%



Cash

£43.4m +6%



2013 and 2012 results comply with the requirements of IAS 19R. Previous years' comparatives have not been restated.

'We continued to invest heavily into our information communications and technology infrastructure as well as on more client-facing programmes such as BSI Entropy Software™.'

Balance sheet and cash flow

Our balance sheet strengthened during 2013, with net assets increasing by 27% to £63.4m (2012: £49.9m). This was aided slightly by a reduction in the deficit of the UK defined benefit pension scheme of £1.2m during the year. The Group contributed £5.0m to the scheme during the year. BSI remained cash generative and ended 2012 with zero debt and a cash balance of £43.4m, an increase of £2.4m or 6% during the year. Cash generated from operations before contributions to the UK defined benefits pension scheme was £33.4m (2012: £32.2m).

Our purchases of property, plant and equipment and intangible assets (predominantly computer software) were £12.0m (2012: £8.9m). We continued to invest heavily into our information and communications technology infrastructure as well as on more client-facing programmes such as BSI Entropy Software™ and our Information Products Platform which can host the full range of our online products. In addition there was significant capital expenditure incurred in the restructuring of our Product Certification laboratories in Hemel Hempstead, UK.

Debtor days in 2013 stayed the same as in 2012 at 53.3 days. This Group average depends on the geographical distribution of our revenue and the customary terms of trade encountered in different countries. 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 2013, with receivables written off amounting to only £0.6m (2012: £0.8m) and no significant change in the relative ageing of outstanding trade receivables.

Pensions

The Group's UK defined benefit pension scheme deficit decreased slightly from £59.9m to £58.7m during 2013. The main factors behind this decrease were a further contribution of £5.0m (2012: £18.0m) into the scheme and an increase in scheme assets of £4.5m (2012: £6.7m), primarily due to market performance, offset by a net interest cost of £2.6m (2012: £2.7m), operating expenses of £0.7m (2012: £0.8m) and an increase in liabilities of £5.0m (2012: £22.0m).

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 4.45% compared to 4.5% in 2012. This accounted for the majority of the increase in liabilities. BSI seeks to be close to the midpoint 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 2010 and a schedule of contributions was agreed that was expected to eliminate the deficit by 31 December 2019. This schedule required contributions of £40.0m in the period 2011 to 2013 inclusive.

A payment into the scheme of £5.0m in December 2013 took the overall actual contribution to £40.0m during this period, satisfying the Group's obligations. Another triennial valuation took place with the effective date of 31 March 2013 and a new schedule of contributions is currently in the process of being agreed with the Pension Trustee.

Treasury

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

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

The Group held cash of £43.4m at the end of 2013, up 6% from the equivalent figure at the end of the previous year. During the year net cash expenditure on acquisitions was £10.2m (2012: £nil), capital expenditure £12.0m (2012: £8.9m) and the contribution to the UK defined benefit pension fund £5.0m (2012: £18.0m). Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdrafts of £2.5m (2012: £4.4m), on an unsecured basis, at the end of 2013, 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 the Group considers this to be minimal.

The Group has significant operations outside the UK and so has exposure to currency fluctuations. Note 3 to the consolidated financial statements shows the translational exposure that the Group would suffer should any of the major currencies in which it trades move by 10% against Sterling. If all currencies moved by 10% against Sterling in the same direction, the impact to underlying operating profit would be around £0.4m.

Accounting policies

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

By order of the Board

Craig Smith FCCA
Group Finance Director
27 March 2014

'An integral part of best practice'

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

Dr Tom Gorrie, Chairman of the Social Responsibility Committee

BSI has a long history of striving for excellence. We are proud of our role as leaders and promoters of standardization, compliance and best practice. Social responsibility is an integral part of best practice and is extremely important to us. Through our Group Compliance Framework and Social Responsibility (SR) Code of Conduct, we demonstrate a strong commitment towards embedding sustainable business practices in all areas of our organization. BSI's SR Code of Conduct is inspired by and aligned with universally accepted standards of business conduct. The SR Code of Conduct outlines BSI's position on business ethics, the environment, human rights and our supplier engagement process to ensure we act as a good corporate citizen.

Our strategy

Our strategy is shaped by our SR Committee. The Committee provides governance and oversight of the Group's SR strategy, which is based on ISO 26000 (Guidance on Social Responsibility), in alignment with the overall business strategy. The Committee comprises four Non-executive Directors: I act as Chairman, along with Sir David Brown, John Regazzi and Pat Chapman-Pincher, as well as Howard Kerr, the Chief Executive. To support the Committee, a Global SR Team has been established to work with regional champions and locally appointed representatives. The Global SR Team comprises experts from across the business with the common objective of ensuring that corporate SR is a vital part of our corporate ethos.

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

Our business

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

We trust we can make a positive contribution to society by striving for excellence in our day-to-day business. BSI's business activity allows us to shape the way the world handles SR issues. Our global network of trusted sustainability and SR experts allows us to leverage our knowledge, services and relationships in areas where we can make a real difference. We work with governments, organizations, academia and industry to develop innovative standards that help our clients to implement a sound SR framework.

> 'We are happy to announce that our global charity is WaterAid, the leading NGO operating in water and sanitation.'

Greenhouse gas emissions

Caring for the environment

BSI's global carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO_2e). Emissions are shown in compliance with the Department for Environment, Food and Rural Affairs (DEFRA) Greenhouse Gas Reporting guidance, calculated using conversion factors published by the Department for Energy and Climate Change (DECC). Scope 1 emissions arise directly from sources that are owned or controlled by BSI, including emissions from fossil fuels burned on site and emissions from company-owned or leased vehicles. Scope 2 emissions arise indirectly and result from the generation of electricity, heating and cooling generated off-site but purchased by BSI. BSI uses data recorded at its primary locations but where we occupy unmetered serviced premises, estimates have been made based on the area and use of the property.

For our sustainability reporting we have set boundaries based on operational control, as defined by the Greenhouse Gas Protocol. This is BSI's first year of reporting GHG emissions and no prior year comparatives are available. We are implementing measures to improve and extend the scope of our reporting, for example by including fugitive emissions arising incidentally from our testing operations.

Greenhouse gas emissions 2013	tCO_2e
Scope 1 emissions	5,600
Scope 2 emissions	1,400
Gross emissions	**7,000**
Carbon offset	(1,800)
Net emissions	**5,200**

The Intensity Ratio per employee, calculated as the net emissions divided by the average number of full-time equivalent individuals employed by the Group during the year, was 1.7 tCO_2e.

Our business continued

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

We also help organizations implement management systems to ensure continual improvement in the area of social responsibility alongside training to help them embed sustainability and ethical business practices.

Our people

The most important asset in our business is our people. We are proud to have been recognized as an Investors in People (IiP) company in the UK, which reflects best practice in the way we manage, lead, develop and involve our employees in decision-making. We are committed to excellence in the development and success of our people, so we continually improve our internal learning programmes and performance management systems. We also have wellbeing programmes operating globally, which include discounted gym memberships, running clubs and social clubs and offer wellbeing advice.

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

Our environment

We recognize the importance of good environmental stewardship and aim to minimize our impact on the environment. We have a Group objective to comply with ISO 14001 (Environmental Management) in all of our major operations worldwide and, while accreditation rules prevent us from being certified ourselves, we operate a compliance and audit programme undertaken by a trained lead assessor. Across the Group, we have many local initiatives including energy saving, waste minimization and recycling.

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

Our community

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

We are happy to announce that our global charity is WaterAid, the leading NGO operating in water and sanitation. WaterAid transforms lives in the world's poorest communities by providing clean water and safe sanitation. WaterAid were instrumental in securing UN recognition that access to water and sanitation are a human right. WaterAid continues to be actively involved in influencing the progression of the Millennium Development Goals post 2015.

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

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

Each of our local offices contributes towards our SR initiatives in their own way. In addition to supporting our global charity we encourage and support our employees to support local charities through our matched giving programme by supplementing their achievements. Our people make contributions by supporting charities and by giving their time and expertise through a range of fundraising, volunteering and pro bono activities. We take pride in the fact that most of our charitable donations in 2013 were based on matching what our employees raised for charities such as WaterAid, Children in Need, Red Cross Typhoon Haiyan Relief, Race for Life, Macmillan Cancer Support and Oxfam, among many others.

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

Thomas M. Gorrie

Dr Tom Gorrie
Chairman of the Social Responsibility Committee
27 March 2014

WaterAid

Board of Directors

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1 Sir David Brown

Chairman *(Chairman N, SR)*

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

2 Howard Kerr

Chief Executive *(N, SR)*

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.

3 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.

4 Dr Scott Steedman CBE

Director of Standards *(SP)*

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

5 Anthony Lea

Senior Non-executive Director *(Chairman A, N, R)*

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

6 Keith Clarke CBE

Non-executive Director *(A, N, Chairman R)*

Keith Clarke joined the Board as Non-executive Director in December 2010 and was formerly Chief Executive of WS Atkins PLC. A qualified architect, he previously held the roles of Chief Executive of Skanska UK and Chief Executive, Construction at Kvaerner Construction Group and, prior to these, management positions at Trafalgar House, Olympia and York and the New York City Public Development Corporation. He has been Chairman of the Construction Industry Council and its Constructing Excellence High Level Steering Group. He is a visiting professor and advisory board member of Imperial College, Chairman of Forum for the Future, a Non-executive Director of Engineering UK and an Advisory Board Member of Infrastructure UK.

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7 Dr Tom Gorrie

Non-executive Director *(N, Chairman SR)*

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

8 Dr John Regazzi

Non-executive Director *(N, R, SR)*

John Regazzi joined the Board in July 2006. He is a US citizen and resident and former Managing Director of Market Development at Elsevier, Chief Executive of Elsevier Inc., and Global Managing Director of Elsevier Electronic Publishing. He was also President and Chief Executive of Engineering Information Inc. He is Professor and Dean Emeritus of the College of Information and Computer Science of Long Island University. He is also Chairman of the Board of Directors of LawLogix Group Inc. and Managing Director, Akoya Capital Partners, Vice President of the Engineering Information Foundation and Chairman of the US Department of Commerce National Technology Information Service Advisory Board.

9 Lucinda Riches

Non-executive Director *(A, N, R, SP)*

Lucinda Riches was appointed advisor to the Board in May 2011 and Non-executive Director in May 2012. She was an investment banker for over 20 years at SG Warburg and its successor firms, ultimately as Global Head of Equity Capital Markets and a Board Member at UBS Investment Bank. She is Non-executive Director of UK Financial Investments Limited, established in 2008 to manage 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 and on the Partnership Board of King and Wood Mallesons LLP, formerly SJ Berwin LLP, and a Trustee of Sue Ryder.

10 Pat Chapman-Pincher

Board Advisor *(A, R, SR)*

Pat Chapman-Pincher was appointed advisor to the Board in May 2011. She has board level experience in both international public and private technology companies. She also has extensive knowledge in new company start-ups and mergers and acquisitions. She is Senior Non-executive Director of Pace PLC, Chairman of the Cavell Group, and Trustee of Finding Rhythms. She also works as a chief executive mentor with Merryck Mentoring.

11 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*

Group executive


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The Group executive comprises:

1 **Howard Kerr**
Chief Executive

2 **Craig Smith**
Group Finance Director

3 **Scott Steedman**
Director of Standards

4 **Tony Wales**
Director of Legal Affairs

5 **Jim Newell**
Group Human Resources Director

6 **David Brown**
Director of Corporate Development

7 **Mark Basham**
Managing Director, BSI EMEA

8 **Todd VanderVen**
President, BSI Americas

9 **David Horlock**
Managing Director, BSI Asia Pacific

Operational executive

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The Operational executive comprises the Group executive and:

10 **Steve Cargill**
Chief Information Officer

11 **Maureen Sumner Smith**
Global Marketing Director (to 31 December 2013)

12 **Shirley Bailey-Wood**
Director of Publishing

13 **Gary Fenton**
Director of Assurance

14 **Gary Slack**
Director of Medical Technology

15 **Richard Keown**
Director of Training

16 **Bill McMoil**
Senior Vice-President, Governance, Risk and Compliance

17 **Dan Purtell**
Senior Vice-President, Supply Chain Solutions

Corporate governance report

Introduction from the Chairman

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

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

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

Sir David Brown
Chairman
27 March 2014

Governance framework

The Board of The British Standards Institution is committed to the highest standards of corporate governance which it considers fundamental to the success of the business. The British Standards Institution is governed by its Royal Charter and Bye-laws. As a Royal Charter Company BSI is not subject to the oversight by investors as is found in joint-stock companies but nevertheless has complied throughout the accounting period with the FRC UK Corporate Governance Code 2012 (the 'Code') wherever relevant and practical. In particular, the provisions of the Code relating to shareholders are not applicable to the Company (E.1 of the Code).

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 2013 the Board comprised the Chairman, Sir David Brown; the Chief Executive, Howard Kerr; two further Executive Directors, responsible for finance and standards; and five independent Non-executive Directors.

Keith Clarke will step down from the Board on 31 March 2014.

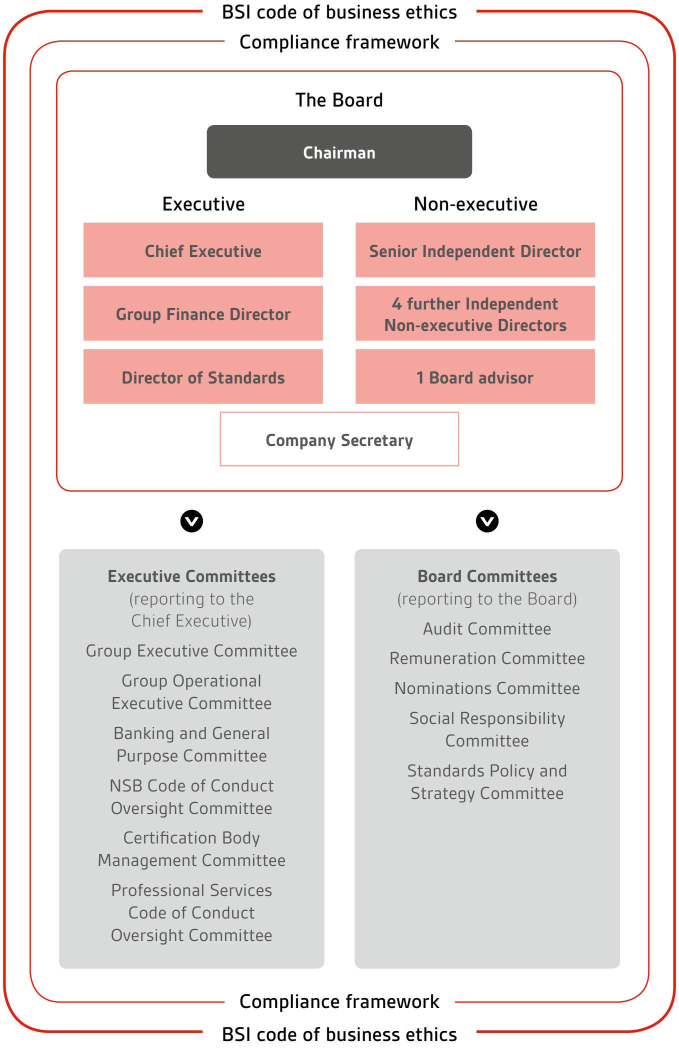
During 2011, Pat Chapman-Pincher was appointed as advisor to contribute additional expertise to the proceedings of the Board and its committees. The Board has agreed that she will be appointed as a Non-executive Director on 1 April 2014 and she will be standing for re-election at the Annual General Meeting on 22 May 2014.

The current Directors of the Company and their roles are given in their biographical details on pages 32 and 33.

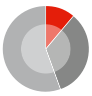
There is a clear division of responsibilities at the head of the organization which have been set out in writing and approved by the Board. The Chairman is responsible for the leadership of the Board, ensuring that the Directors receive the information they require for their roles. He also facilitates the contribution of the 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 is the Senior Independent Director and met with the Non-executive Directors without the Chairman being present.

Rotation of Directors

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

Board meetings

There were eight meetings of the Board during the year ended 31 December 2013. 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 2013 included:

February
- Incremental investment plans

March
- Evaluation of the effectiveness of the Chairman and Chief Executive
- Review of Non-executive Directors' interests and specialisms
- Update to the Audit Committee terms of reference
- Review of the auditor re-tender process
- Consideration of the sale of the German Medtech business
- Entropy and Supply Chain Solutions investment plans
- Business update on IT projects
- Human resources 2013 action plan

April
- Proposal to acquire NCS International Pty. Ltd, an Australian company

May
- Review and agreement of the Code of Business Ethics
- Review of compliance with NSB Code of Conduct
- Business update on the Assurance business stream
- Determination of membership fees
- Appointment of auditors following re-tender
- Update on search for new SPSC Chair

June (two meetings)
- Group strategy meeting with the Group's executive management
- Preview and update on Entropy Software™ version 5
- Agreement of the Strategic Plan 2014–16
- Remuneration plan 2014–16

September
- Business updates on EMEA and Product Certification
- Tour of the refurbished Hemel Hempstead facility
- Agreement of strategic KPIs based on the Group Strategic Plan
- Consideration of updated organizational structure
- Discussion on membership structure and engagement

December
- Indemnification of Directors
- Business update on Asia Pacific business
- Group budget 2014
- Results of the employee engagement initiative

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 attendance of Directors and the Board advisor at Board as well as Audit, Remuneration and Nominations Committee meetings is indicated in the table below.

	Board meetings								Audit Committee			Remuneration Committee				Nominations Committee	
Attendance	Feb	Mar	Apr	May	Jun	Jun	Sep	Dec	Mar	Jun	Nov	Feb	Mar	Sep	Dec	Mar	Dec
Sir David Brown	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman	Invitee	Invitee	Invitee	Invitee	Invitee	Invitee	Invitee	Chairman	Chairman
Howard Kerr	Member	Member	Member	Member	Member	Member	Member	Member	Invitee	Invitee	Invitee	Invitee	Invitee	Invitee	Invitee	Member	Member
Craig Smith	Member	Member	Member	Member	Member	Member	Member	Member	Invitee	Invitee	Invitee	—	—	—	—	—	—
Scott Steedman	Did not attend	Member	Did not attend	Member	Member	Member	Member	Member	—	—	—	—	—	—	—	—	—
Keith Clarke	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Chairman	Chairman	Chairman	Chairman	Member	Did not attend
Tom Gorrie	Member	Member	Member	Member	Member	Member	Member	Member	—	—	—	—	Invitee	Invitee	Invitee	Member	Member
Anthony Lea	Member	Member	Member	Member	Member	Member	Member	Member	Chairman	Chairman	Chairman	Did not attend	Member	Member	Member	Member	Member
John Regazzi	Member	Member	Member	Member	Member	Member	Member	Member	—	—	—	Member	Member	Member	Member	Member	Member
Lucinda Riches	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Member	Did not attend
Pat Chapman-Pincher	Member	Member	Member	Member	Did not attend	Did not attend	Member	Member	Member	Did not attend	Member	Member	Member	Member	Member	Invitee	Invitee

Chairman Member Did not attend Invitee

Evaluation, training and support

An evaluation process is carried out annually to support continuing improvement in Board effectiveness. A formal Board evaluation process was carried out during the year and covered an extensive range of topics including the competence and effectiveness of the Board, its committees and individual Directors. The exercise was constructive and, where changes or improvements were identified, they are being implemented. The intention is to have this process led by an external facilitator at regular intervals and this was most recently done in 2011.

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 Company. The Board is supported by the Company Secretary who is available to give on-going advice to all Directors on Board procedures and corporate governance. There is a procedure for Directors to have access, if required, to independent professional advice, paid for by the Company.

Board committees

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

Audit Committee

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

A report by the Audit Committee, including details of its membership, is set out on pages 42 to 44.

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 Remuneration report, which includes details of the Remuneration Committee's membership, is set out on pages 45 to 53.

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 page 54.

Board committees continued

Standards Policy and Strategy Committee

The principal objective of the Standards Policy and Strategy Committee is to bring together the views of those interested in British Standards and standardization activities in order to develop the strategic policy of the organization in the national, European and international standards arenas. The Committee is chaired by Carol Sergeant CBE, who took over the role from Mike Nichols on 1 July 2013. The committee's members include Howard Kerr, Chief Executive, as well as Scott Steedman, Director of Standards.

Details of standards activities are given by Scott Steedman, Director of Standards, on pages 22 to 24.

Social Responsibility Committee

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

The Social Responsibility report, which includes details of the Committee's membership, is set out on pages 29 to 31.

Internal control

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

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

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

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

The report on principal risks and uncertainties is set out on pages 20 and 21.

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

As part of the internal control environment there is a comprehensive financial management, financial control and governance framework. Quarterly financial and operational reviews are undertaken throughout the BSI Group by the Chief Executive and Group Finance Director and the Board reviews a full financial report and commentary every month. The BSI Group's internal audit function is responsible for auditing and monitoring the application of financial procedures and practices throughout the BSI Group. The Head of Internal Audit reports functionally to the Group Finance Director but has full and open access to BSI's 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 on-going process, established in accordance with the Turnbull Guidance 2005, for identifying, evaluating and managing the significant risks faced by the organization, which has been in place during the year under review and up to the date of approval of this Annual Report and Financial Statements.

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

By Order of the Board

Sir David Brown
Chairman
27 March 2014

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
27 March 2014

Report of the Audit Committee

Anthony Lea
Chairman

Keith Clarke

Pat Chapman-Pincher

Lucinda Riches

The Audit Committee (the 'Committee') is established by the Board under terms of reference that were most recently updated in December 2013 to take account of updates to the UK Corporate Governance Code and the FRC Guidance on Audit Committees. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership
During the year ended 31 December 2013 the Committee comprised:

Anthony Lea (Chairman)
Pat Chapman-Pincher
Keith Clarke
Lucinda Riches

Anthony Lea was previously finance director at Anglo American PLC, is a trustee of the RAF Benevolent Fund, and chairman of its finance committee, and is also chairman of the audit committee at the Office of Fair Trading (OFT). Lucinda Riches was an investment banker for over 20 years at SG Warburg and successor firms and is a non-executive director of UK Financial Investments Limited. Both are considered to have recent and relevant financial experience.

Meetings
The Committee met three times in the year ended 31 December 2013.

Attendance	Audit Committee Mar	Jun	Nov
Anthony Lea	●	●	●
Keith Clarke	●	●	●
Pat Chapman-Pincher	●	○	●
Lucinda Riches	●	●	●

● Chairman ● Member ○ Did not attend

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

Key responsibilities of the Committee
These include:

- monitoring the integrity of the financial statements of the Company and the BSI Group including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- commencing with the Annual Report 2013, reviewing the content of the Annual Report to advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to access the Company's performance, business model and strategy;
- meeting with the auditors, in advance of the annual audit, to consider and discuss the nature and scope of the audit;
- monitoring the effectiveness of the internal audit function;
- reviewing the 'whistle-blowing' procedure;
- overseeing the relationship with the external auditors and addressing the effectiveness of the external audit process, including making recommendations for the appointment, re-appointment and removal of the external auditors; and
- meeting with the auditors without Executive Directors present.

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

Activities of the Committee

During the year the Committee, among other things:

- as part of the 2012 year-end process, received and considered an audit report from PricewaterhouseCoopers LLP on matters including audit progress and findings, quality of earnings, reporting matters, judgement areas, taxation, systems and controls, risk management, corporate governance and auditor independence;
- considered and recommended to the Board the external auditors' fees, letters of engagement and letters of representation;
- reviewed the draft financial statements and the Annual Report and after due consideration recommended them to the Board;
- at each of its meetings, considered the Internal Audit department's reports, looked at its findings from each location/business area and reviewed and discussed with the head of Internal Audit how and when issues were addressed and closed. The Committee also agreed future activity planning and received reports on the department's staffing;
- agreed the scope and content of the annual Letter of Assurance. Following the Letter of Assurance exercise, the Chief Executive reported to the Committee on the returns received;
- received reports from the Company Secretary on concerns 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;
- received a comprehensive Group treasury and tax update from the Group Finance Director and Head of Tax and Treasury;
- in accordance with its terms of reference, the Committee 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 the Government;
- received an update on the Information Security Management System compliance project, the certification of compliance at the Chiswick site and plans for rolling out the ISMS around the rest of the BSI Group;
- selected, on behalf of the Board, the Company's external auditors in the re-tender process and subsequently recommended to the Board the re-appointment of PricewaterhouseCoopers LLP;
- received regular reports from the finance team on the progress of the Group's transfer pricing exercise;
- reviewed the minutes of the Banking and General Purpose Committee and discussed matters of interest with the treasury and finance teams; and
- received a regular update from the Group Finance Director regarding key finance function staffing around the Group.

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

Significant areas

Significant and elevated areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2013 were:

- fraud risk;
- acquisition accounting;
- retirement benefit obligations; and
- valuation of goodwill and intangibles.

The Committee addressed these by applying, with the auditors, a rigorous review of each. No unusual issues were identified in any of these areas and the 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 auditors where appropriate the proper application of accounting rules and compliance with disclosure requirements.

External audit

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

- the consideration of the external auditors' proposed audit strategy and agreement with them of the scope of the audit programme based on their risk assessment and the detailed review of specific businesses suggested by the Committee;
- agreeing areas of audit focus with the auditors, which for 2013 have been the detection of fraud in revenue recognition, management override of controls and, given the purchase of the NSCI group in 2013, acquisition accounting and purchase price allocation;
- the introduction of a regular re-tender process for the external auditors to take place at least every ten years. This was undertaken in 2013 and PricewaterhouseCoopers LLP were retained as the Company's auditors but with a new team with a fresh approach;
- 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 their audits effectively;
- detailed discussion with the auditors on areas of elevated risk, including pensions and impairment of assets; and
- regularly reviewing and feeding back to the auditors an assessment of their performance on matters including meeting the audit programme, the thoroughness and perceptiveness of their reviews and the quality of their technical expertise.

The Committee reviews the level of fees and type of non-audit work carried out by the auditors. 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 with three firms and the existing auditors tendering for the role. After a full consideration of the firms and their proposals, the Board decided that the expertise, world-wide coverage and overall value offered PricewaterhouseCoopers LLP meant that the Board recommended to the members their re-appointment as the Company's auditors at the 2013 Annual General Meeting. 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 at the 2014 Annual General Meeting.

By Order of the Board

Anthony Lea
Chairman of the Audit Committee
27 March 2014

Remuneration report

Introduction by Keith Clarke CBE, Chairman of the Remuneration Committee

I am pleased to present the Remuneration Report for the year ended 31 December 2013. BSI supports greater transparency in remuneration reporting and this report reflects best practice to the extent practical for a company of BSI's type and size.

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

During 2013, the Remuneration Committee ensured the essence of best practice was applied, namely timely and appropriate salary reviews, communicated in context to recipients; the clear setting of all variable pay targets both long and short term, with them being communicated clearly at the beginning of the financial year to all recipients; and thirdly, keeping the variable pay programmes as stable as possible to encourage Directors and other senior staff to modify behaviour to achieve goals, rather than having the expectation that schemes would change each year.

I am pleased to say we met all of these best practice criteria whilst ensuring that the targets set were appropriate to the objectives of BSI.

The targets for variable pay are only intended to pay out at the maximum amount when exceptional performance has been achieved and we believe the results for the year will reflect, with reasonable accuracy, the appropriateness of the targets.

The challenges for the year to come essentially lie in the historic LTIPs being unlikely to pay out due to missed targets. There are uncertain market conditions in regard to executive pay, with both large and modest increases occurring in the marketplace. Current benchmarking which the Remuneration Committee uses, not as a primary driver but a secondary check of appropriateness of total remuneration, has a significantly wide spread, currently reflecting both the long-term recession in the UK and European economies; combined with low inflation and in some cases significant pay rises for individuals changing jobs. The Committee has looked at in detail the appropriateness of the schemes in combination with each other and is content they are driving the appropriate behaviour in the management team and, where applicable, other staff.

The Committee retains discretionary power regarding certain areas of Directors' remuneration. The Committee did not exercise any of its discretionary power during 2013.

Keith Clarke CBE
27 March 2014





Keith Clarke
Chairman

Pat Chapman-Pincher

Anthony Lea

John Regazzi

Lucinda Riches

REMUNERATION COMMITTEE

The Committee is established by the Board under terms of reference that were most recently updated in July 2012. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership
During the year ended 31 December 2013 the Committee comprised:

Keith Clarke (Chairman)
Pat Chapman-Pincher
Anthony Lea
John Regazzi
Lucinda Riches

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

Meetings and advice

The Committee met four times in 2013.

Remuneration Committee

Attendance	Feb	Mar	Sep	Dec
Keith Clarke	●	●	●	●
Pat Chapman-Pincher	●	●	●	●
Anthony Lea	○	●	●	●
John Regazzi	●	●	●	●
Lucinda Riches	●	●	●	●

● 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. No external advice was required in 2013. In 2012, Deloitte LLP Global Employer Services provided such advice.

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:

- considered and agreed payments under the 2012 bonus arrangement and made awards under the 2013 bonus and LTIP in accordance with the Company's remuneration policy;
- considered and rejected the possibility of updating the targets for existing LTIP awards;
- discussed and recommended the 2013 personal objectives for the Executive Directors;

- considered and agreed the remuneration report for the 2012 Annual Report in the light of the draft remuneration reporting regulations;
- reviewed the policy for Directors' expenses;
- reviewed and updated the Company's remuneration policy;
- undertook a strategic review of executive remuneration in the Group worldwide;
- made a recommendation for an uplift to the Chairman's fees;
- discussed the effectiveness of benchmarking; and
- considered and agreed the format of the remuneration report for the 2013 Annual Report in the light of new annual report remuneration reporting regulations.

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.

2013 REMUNERATION

							Variable pay receivable for 2013					
	Salaries and fees		Benefits		Pension benefits[1]		Bonus		LTIPs		Total	
Director	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000
Executives												
Howard Kerr[2]	369.5	356.1	24.2	25.1	29.8	26.7	171.4	168.0	—	—	594.9	575.9
Craig Smith	260.4	254.2	18.2	18.0	39.1	38.1	105.0	107.1	—	—	422.7	417.4
Scott Steedman[3]	204.1	178.3	15.6	13.5	30.6	25.5	79.2	60.5	—	—	329.5	277.8
	834.0	788.6	58.0	56.6	99.5	90.3	355.6	335.6	—	—	1,347.1	1,271.1
Chairman												
Sir David Brown[4]	147.0	129.5	—	—	—	—	—	—	—	—	147.0	129.5
Non-executives												
Keith Clarke	40.5	40.0	—	—	—	—	—	—	—	—	40.5	40.0
Tom Gorrie	40.5	40.0	—	—	—	—	—	—	—	—	40.5	40.0
Anthony Lea	40.5	40.0	—	—	—	—	—	—	—	—	40.5	40.0
John Regazzi	35.5	35.0	—	—	—	—	—	—	—	—	35.5	35.0
Lucinda Riches[5]	35.5	35.0	—	—	—	—	—	—	—	—	35.5	35.0
Advisor												
Pat Chapman-Pincher	35.5	35.0	—	—	—	—	—	—	—	—	35.5	35.0
	375.0	354.5	—	—	—	—	—	—	—	—	375.0	354.5
Total	1,209.0	1,143.1	58.0	56.6	99.5	90.3	355.6	335.6	—	—	1,722.1	1,625.6

1 Contributions made by the Company outside of salary sacrifice arrangements.

2 Salary includes £31,193 (2012: £27,756) supplement in lieu of pension contribution.

3 Appointed as a Director on 1 October 2012. Of Scott Steedman's total remuneration in 2012 of £277,800, £195,900 relates to remuneration in his capacity as Director of Standards (Designate), prior to his appointment to the Board.

4 Sir David Brown was appointed Chairman on 31 March 2012. Of his total remuneration in 2012 of £129,500, £20,700 relates to his role as Non-executive Director before that date.

5 Appointed as a Director on 1 October 2012. Of Lucinda Riches' total remuneration in 2012 of £35,000, £13,500 relates to remuneration in her capacity as advisor, prior to her appointment to the Board.

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 2013 (2012: £nil).

Comparatives for 2012 have been restated to exclude former Directors.

2013 REMUNERATION continued

Variable pay

Annual bonus for 2013

Annual bonuses for the year ended 31 December 2013 were provided to the Executive Directors by the Committee, in accordance with the policy set out in the Annual Report 2012 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 2013 annual bonuses were based:

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

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

The payment threshold was the achievement of 90% of both 'management operating profit' and revenue targets. The actual 'management operating profit' for 2013 was 101.4% of target, revenue was 95.1% 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 2013. The Committee did not exercise any of its discretionary power with regard to bonus payments for 2013.

2013 Annual bonus payments	On-target award based on basic salary	Maximum award possible	Actual award based on basic salary	Actual award
Howard Kerr	50%	100%	50.4%	£171,410
Craig Smith	40%	80%	40.2%	£105,049
Scott Steedman	40%	80%	38.6%	£79,152

Long Term Incentive Plan vesting in 2013

In 2011 Howard Kerr, as a participant in the LTIP, was 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 2013. 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 2013 was below the threshold level of £38.0m, no PUs vested with respect to the 2013 financial year and therefore no payment was made.

Long Term Incentive Plan awarded in 2013

In 2013 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. 2015. The PUs awarded under the LTIP in 2013 were:

2013 LTIP awards	Basis — salary multiple	PUs awarded 2013	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%	220,859	10%	50%	150%	31 December 2015
Craig Smith	50%	127,500	10%	50%	150%	31 December 2015
Scott Steedman	50%	100,000	10%	50%	150%	31 December 2015

Total LTIP awards held

LTIP awards held	Howard Kerr	Craig Smith	Scott Steedman	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
PUs awarded 2013	220,859	127,500	100,000	10%	50%	150%	31 December 2015
PUs awarded 2012	215,472	125,000	90,000	10%	50%	150%	31 December 2014
Total PUs held	436,331	252,500	190,000				

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

Loss of office payments
No payments for loss of office were made in 2013 (2012: £nil).

Remuneration of the Chief Executive

Table of historic data	Chief Executive single figure remuneration total £'000	Annual bonus payout against target	LTIP vesting rates against target
2013	595.0	100.9%	—
2012	575.9	102.0%	—
2011	792.4	118.1%	100.5%
2010	706.0	200.0%	—
2009	797.7*	129.5%	—

* Includes £215,000 relocation contribution.

Howard Kerr was Chief Executive for each year shown.

2013 remuneration change from 2012

	% change in salary	% change in benefits	% change in bonus
Chief Executive	+3.76%	-3.72%	+2.08%
UK employees	+3.37%	+6.47%	+19.28%

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

Distribution of profit above budget
In accordance with the arrangements set out above, and other incentive arrangements in place within the Group, 61.8% of profits made above budget were used for variable pay awards, primarily due to over-performance in one business unit.

Statement of implementation of Directors' remuneration policy
During 2013, all Directors' remuneration was awarded within the policy set out in the Remuneration report in the Annual Report and financial statements 2012.

REMUNERATION POLICY

The Directors' remuneration policy is set out in the table opposite. It applies to remuneration awards made from 1 January 2014 and is set for a period of one year. Areas of change from the policy operated in 2013 are shown in the table. The Committee aims to maintain a Directors' remuneration policy that is stable and clearly defined but which evolves, over the longer term, to remain relevant to the needs of BSI's business and to reflect the wider employment market. The Committee therefore reviews the policy in advance of the remuneration policy year to ensure it is appropriate and effective.

Policy discretion

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

Element and how it supports long and short-term strategy
Salary and fees (Fixed) By attracting, retaining and motivating individuals of the quality required to further the interests of the organization.
Benefits (Fixed) By providing a benefits package appropriate to the role of the individual and competitive with similar organizations.
Pension benefits (Fixed) By providing a cost-effective retirement benefit as part of an overall remuneration package.
Bonuses (Variable) By incentivizing Directors to align their performance to the delivery of the shorter-term goals of the business.
LTIPs (Variable) By incentivizing Directors to align their performance to the delivery of longer-term strategic aims and goals of the business.

Notes:

- Performance conditions have been selected by the Committee to incentivize performance. These conditions are kept under review and, in line with the BSI Group's focus on growth, revenue targets were added for 2013.
- 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.

Operation and recovery	Maximum value	Performance metrics	Changes from 2013 policy
The base salaries of Executive Directors are determined on an individual's responsibility and performance and are reviewed annually. Consideration is given to remuneration in comparable organizations when appropriate and external benchmarking is carried out biennially. Non-executive Directors receive a fee for their services to the Company which is reviewed annually.			Base salaries are reviewed annually. External bench marking is carried out biennially.
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 any benefits in kind.			Benefits also include annual leave.
The Company makes contributions into defined contribution pension arrangements or provides a cash alternative for Executive Directors.			Pension benefits also include provision for a cash alternative for Executive Directors.
Awarded to Executive Directors subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives. There is no right of recovery. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate.	Maximum bonuses for Howard Kerr, Craig Smith and Scott Steedman are 100%, 80% and 80% of basic salary, respectively.	Award payments are dependent upon the achievement of targets. As a percentage of basic salary, awards are based for Howard Kerr: i) 15% on 'management operating profit', ii) 15% on revenue, iii) 10% on cash, iv) 10% on personal objectives, plus up to an additional 50% on stretch 'management operating profit'; for Craig Smith: i) 12% on 'management operating profit', ii) 12% on revenue, iii) 8% on cash, iv) 8% on personal objectives, plus up to an additional 40% on stretch 'management operating profit'; for Scott Steedman: i) 16% on 'management operating profit', ii) 16% on revenue, iii) 8% on personal objectives, plus up to an additional 40% on stretch 'management operating profit'.	Committee discretion to adjust payments up or down in exceptional circumstances.
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. There is no right of recovery. 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.	A maximum of 150% of Participation Units (PUs) may vest depending on target achievement.	PUs are awarded to Executive Directors by the Remuneration Committee. A proportion of these vest, depending on the achievement of 'management operating profit' and revenue growth targets for the third financial year after award. Awards made are on a discretionary basis.	Committee discretion to adjust payments up or down in exceptional circumstances. It is highlighted that if employment ceases during the vesting period awards will normally lapse in full.

REMUNERATION POLICY continued

Statement of principles for new Executive Director recruitment

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

Policy on notice periods

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

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

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

	Letter of appointment dated	Date of appointment	Role
David Brown	27 May 2010	27 May 2010	as Non-executive Director
	19 December 2011	1 December 2011	as Deputy Chairman
		31 March 2012	as Chairman
Pat Chapman-Pincher	23 May 2011	19 May 2011	as Board advisor
	5 December 2013	1 April 2014	as Non-executive Director
Keith Clarke	8 December 2010	8 December 2010	as Non-executive Director
	5 December 2013	8 December 2013 (to 31 March 2014)	re-appointed
Tom Gorrie	22 July 2009	1 September 2009	as Non-executive Director
	12 July 2012	1 September 2012	re-appointed
Anthony Lea	13 June 2007	1 July 2007	as Non-executive Director
	8 June 2010	1 July 2010	re-appointed
	27 June 2013	1 July 2013	re-appointed
John Regazzi	24 May 2006	1 June 2006	as Non-executive Director
	29 May 2009	1 June 2009	re-appointed
	17 May 2012	1 June 2012	re-appointed
Lucinda Riches	23 May 2011	19 May 2011	as Board advisor
	17 May 2012	17 May 2012 (to 22 May 2014)	as Non-executive Director

Approach of the Company in setting Non-executive Director fees

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

Policy on termination payments

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

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

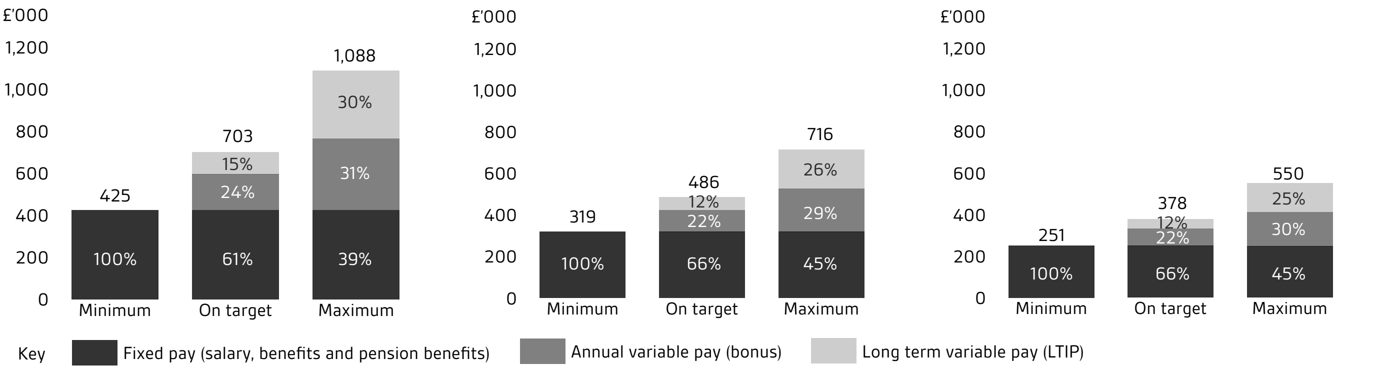
Illustration of the application of the Directors' remuneration policy for 2014

The charts below provide an illustration of what could be received by each Executive Director in 2014, which is the year of application of the stated remuneration policy:

Chief Executive

Group Finance Director

Director of Standards



Notes:

- Minimum means fixed pay only (i.e. basic pay, benefits and pension benefits); i.e. below the payment threshold for variable pay awards.
- On target means fixed pay, an award equivalent to 50%, 40% and 40% of basic pay to Howard Kerr, Craig Smith and Scott Steedman, respectively under the annual bonus arrangement and vesting of 50% of the PUs awarded to each Director under the LTIP.
- Maximum means fixed pay, an award equivalent to 100%, 80% and 80% of basic pay to Howard Kerr, Craig Smith and Scott Steedman, respectively under the annual bonus arrangement and vesting of 150% of the PUs awarded to each Director under the LTIP.
- For the purpose of this illustration: fixed pay is based on basic pay at 31 December 2013 and actual 2013 benefit and pension benefit amounts; annual bonus awards for potential payment with respect to the 2014 financial year are based on basic pay at 31 December 2013; and LTIPs are based on the 2012 awards potentially vesting for the performance period ending 31 December 2014.

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 Remuneration Report consists of unaudited information with the exception of the section entitled 2013 Remuneration on pages 47 to 49.

By Order of the Board

Keith Clarke CBE
Chairman of the Remuneration Committee
27 March 2014

Report of the Nominations Committee

Sir David Brown
Chairman

Howard Kerr

Keith Clarke

Tom Gorrie

Anthony Lea

John Regazzi

Lucinda Riches

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

Membership
During the year ended 31 December 2013 the Committee comprised:

Sir David Brown (Chairman)
Howard Kerr
Keith Clarke
Tom Gorrie
Anthony Lea
John Regazzi
Lucinda Riches

Meetings
The Committee met twice in the year ended 31 December 2013.

	Nominations Committee	
Attendance	Mar	Dec
Sir David Brown	Chairman	Chairman
Howard Kerr	Member	Member
Keith Clarke	Member	Did not attend
Tom Gorrie	Member	Member
Anthony Lea	Member	Member
John Regazzi	Member	Member
Lucinda Riches	Member	Did not attend

● Chairman ● Member ○ Did not attend

When appropriate, Pat Chapman-Pincher, as Board advisor, is invited by the Committee 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;
- drafted and recommended to the Board the Board Equality and Diversity policy; and
- recommended appointments to the Board and its Committees.

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.

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

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

Since all Board appointments are made on merit, taking the benefits of diversity fully into account, the Board considers that it would be inappropriate to set targets for the percentage of female Directors. However, it will report annually on the diversity of the Board. Details of the gender distribution of the Board, as well as of senior management and employees in the BSI Group as a whole, may be found in the Chief Executive's report on page 11.

The effectiveness of this policy will be monitored by the Nominations Committee.

By Order of the Board

Sir David Brown
Chairman of the Nominations Committee
27 March 2014

Directors' report

The Directors submit their report and audited financial statements for The British Standards Institution and its subsidiaries for the year ended 31 December 2013.

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 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

Directors' report disclosures

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

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

Corporate governance

The corporate governance report is set out on pages 36 to 40.

The Board

The members of the Board are listed on pages 32 and 33 and all held office throughout the year. The Directors were as follows:

Sir David Brown
Howard Kerr
Craig Smith
Scott Steedman
Keith Clarke
Tom Gorrie
Anthony Lea
John Regazzi
Lucinda Riches

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.

On 31 March 2014 Keith Clarke will be stepping down as a Director. Following the recommendation of the Nominations Committee, the Board has agreed that Pat Chapman-Pincher, currently advisor to the Board, will be appointed as a Director on 1 April 2014.

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 and as a new Director and accordingly Pat Chapman-Pincher will be offering herself for re-election at the forthcoming Annual General Meeting. In addition, under Bye-law 9, one-third (rounded down) of the Directors not standing under Bye-law 8 are required to retire by rotation and stand for re-election and therefore Sir David Brown and Howard Kerr will also be standing for re-election at the Annual General Meeting.

Annual General Meeting

The 2014 Annual General Meeting will be held at 4.00pm on Thursday, 22 May 2014 at 389 Chiswick High Road, London W4 4AL. Business to be considered at the meeting is set out in a separate Notice of Meeting despatched to the members.

Independent auditors

The BSI Group's auditors for the year ended 31 December 2013 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 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 other companies, BSI has, since 5 December 2013, 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 which directly affect them, using email, websites, intranet, in-house publications and meetings at business locations. The employees of the BSI Group are instrumental in its success and the organization works hard to maintain good relationships with its employees around the world through continual communications and employee forums. Periodically the BSI Group conducts a regular employee engagement survey with the results used to identify and then action opportunities to improve engagement.

Further details of the BSI Group's engagement with its employees are set out in the 'Our people' section of the Social Responsibility report on page 30.

Equality and diversity

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

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

Health and safety

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

There were no fatalities or serious injuries in 2013. There were no UK RIDDOR reportable accidents during 2013 but there were two 'over seven lost days accidents', one in Germany and one in India. There were also a further three 'under seven lost days accidents' reported in this period.

Social and environmental issues.

A review of the Group's social responsibility activities during the year is set out in the Social Responsibility report on pages 29 to 31. This Report also contains disclosures of the Group's greenhouse gas emissions. The Company made no political donations during the year (2012: £nil).

Principal risks and uncertainties

The principal risks and uncertainties facing the business are detailed on pages 20 and 21.

Financial instruments

Details of the use and materiality of financial instruments are provided in Note 20 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.

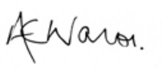
Post balance sheet events

There were no post balance sheet events.

Going concern

The BSI Group has growing revenue and robust profits, has a broad spread of customers and has taken reasonable steps to manage the risks the business faces. It also has a significant cash reserve and no borrowings. Accordingly, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the parent company's and the BSI Group's financial statements.

By Order of the Board



Tony Wales
Company Secretary
27 March 2014

Independent auditors' report

to the Board of Directors of The British Standards Institution

Report on the consolidated financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with The British Standards Institution's Royal Charter and Bye-laws and the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The consolidated financial statements (the 'financial statements'), which are prepared by The British Standards Institution, comprise:

- the consolidated balance sheet as at 31 December 2013;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

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

What an audit of financial statements involves

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

In addition, we read all the financial and non-financial information in the Annual Report and financial statements 2013 (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.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole to be £2.4m. This represents approximately 10% of profit before tax.

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

Overview of the scope of the audit

The Group is structured across four reportable segments (EMEA, UK Standards, Americas and Asia Pacific) in addition to the Corporate function. The consolidated financial statements are a consolidation of 69 reporting locations within these reportable segments, comprising the Group's operating businesses and centralized functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting locations to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

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 three further reporting locations (USA, Japan and China). Following the acquisition of NCSI during the year, the complete financial information of the Australian operations was also subjected to an audit. Together with the 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 accounted for 88% of the Group's operating profit and 96% of the Group's profit before tax.

to the Board of Directors of The British Standards Institution

Report on the consolidated financial statements continued

Overview of our audit approach continued

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused 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.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 43.

Area of focus	How the scope of our audit addressed the area of focus
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.	As the foundation of the evidence we obtained regarding the revenue recognized during the year, we evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognized in the financial statements. We also tested journal entries posted to revenue accounts to identify unusual or irregular items. We used computer assisted auditing techniques to analyse revenues recognized at the locations that were subject to audits of their complete financial information and where detailed specified procedures were performed, matching revenue transactions to accounts receivable, accrued revenue and cash and thereby identifying any unusual or unexpected transactions for specific follow up and testing to check the completeness, accuracy and timing of the revenue recorded.
Acquisition accounting and purchase price allocation During the year the Group completed the acquisition of NCSI in Australia. Under IFRS management were required to fair value the net assets acquired and recognize any separately identifiable intangible assets. Such valuation exercises are inherently judgemental.	We tested the assets and liabilities acquired with NCSI. As part of this we deployed a local PwC team in Australia to perform an audit of the complete financial information of the Australian operations and additional specified audit procedures over the fair value of the items on the acquisition balance sheet. We also carried out a detailed exercise on the intangible assets that were identified by the Group at the time of the acquisition to check that they were appropriately classified and valued.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with paragraph 21 of The British Standards Institution's Royal Charter and Bye-laws and applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the parent company financial statements of The British Standards Institution for the year ended 31 December 2013 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
27 March 2014

BSI Group consolidated income statement

for the year ended 31 December 2013

	Note	2013 £m	2012 Restated £m
Revenue	5, 6	271.8	254.6
Cost of sales		(140.2)	(129.1)
Gross profit		131.6	125.5
Selling and distribution expenses		(38.0)	(33.6)
Administrative expenses		(65.3)	(60.7)
Operating profit before exceptional costs		28.3	31.2
Exceptional operating (costs)/income	7	(1.5)	0.9
Operating profit	7	26.8	32.1
Finance income	11	0.4	0.6
Finance costs	11	(2.6)	(2.7)
Profit before income tax		24.6	30.0
Income tax expense	12	(3.3)	(7.9)
Profit for the year	25	21.3	22.1

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

The accompanying notes on pages 64 to 92 form an integral part of the consolidated financial statements.

BSI Group consolidated statement of comprehensive income

for the year ended 31 December 2013

	Note	2013 £m	2012 Restated £m
Profit for the year		21.3	22.1
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations, net of deferred tax	24b	(0.8)	(11.5)
Items that may be subsequently reclassified to profit or loss			
Impact of change in the UK tax rate on deferred tax	16	(3.5)	(2.4)
Cash flow hedges	25	—	0.1
Net investment hedge	25	(1.9)	(0.4)
Currency translation differences	25	(1.6)	(1.0)
		(7.0)	(3.7)
Other comprehensive loss for the year, net of tax		(7.8)	(15.2)
Total comprehensive income for the year		13.5	6.9

No separate statement of changes in equity has been presented in these financial statements as there are no changes in equity other than those disclosed in the consolidated statement of comprehensive income above.

The accompanying notes on pages 64 to 92 form an integral part of the consolidated financial statements.

BSI Group consolidated balance sheet

as at 31 December 2013

	Note	2013 £m	2012 £m
ASSETS			
Non-current assets			
Property, plant and equipment	13	15.8	10.9
Goodwill	14	29.7	26.2
Intangible assets	14	20.5	17.5
Deferred tax assets	16	17.3	16.9
Trade and other receivables	19	1.8	1.5
Total non-current assets		85.1	73.0
Current assets			
Inventories	18	0.1	—
Trade and other receivables	19	56.0	51.3
Current tax assets		2.0	1.0
Cash and cash equivalents	21	43.4	41.0
Total current assets		101.5	93.3
Total assets		186.6	166.3
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	16	(2.3)	(1.9)
Retirement benefit obligations	24	(59.5)	(60.3)
Provisions for liabilities and charges	23	(1.2)	(1.5)
Trade and other payables	22	(2.6)	(2.2)
Total non-current liabilities		(65.6)	(65.9)
Current liabilities			
Trade and other payables	22	(52.8)	(49.1)
Current tax payables		(4.5)	(1.2)
Derivative financial instruments	20	—	—
Provisions for liabilities and charges	23	(0.3)	(0.2)
Total current liabilities		(57.6)	(50.5)
Total liabilities		(123.2)	(116.4)
Net assets		63.4	49.9
RESERVES			
Retained earnings	25	63.8	46.8
Translation reserve	25	(0.4)	3.1
Total reserves		63.4	49.9

The accompanying notes on pages 64 to 92 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 60 to 92 were approved by the Board of Directors on 27 March 2014 and were signed on its behalf by:

Craig Smith
Group Finance Director
27 March 2014

BSI Group consolidated statement of cash flows

for the year ended 31 December 2013

	Note	2013 £m	2012 Restated £m
Cash flows from operating activities			
Profit before income tax		24.6	30.0
Adjustments for:			
– Retirement benefit charges	24b	0.8	0.9
– Depreciation of property, plant and equipment	7	2.7	2.5
– Amortization of intangible assets	7	4.2	3.4
– Loss on disposal of property, plant and equipment	7	—	0.1
– Reversal of impairment of property, plant and equipment	7	—	(0.2)
– Provision for impairment of trade receivables	7	0.1	0.3
– Bad debts written off	7	0.4	0.4
– Finance income	11	(0.4)	(0.6)
– Finance costs	11	2.6	2.7
Changes in working capital (excluding the exchange differences on consolidation):			
– (Increase)/decrease in inventories		(0.1)	0.2
– Increase in trade and other receivables		(3.2)	(3.6)
– Increase/(decrease) in trade and other payables		1.9	(1.7)
– Decrease in provisions and other liabilities		(0.2)	(2.2)
– Retirement benefit payments	24b	(5.0)	(18.0)
Cash generated from operations		28.4	14.2
Interest received		0.6	0.4
Income tax paid		(4.5)	(4.0)
Net cash generated from operating activities		24.5	10.6
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		0.2	0.1
Purchases of property, plant and equipment	13	(8.1)	(3.0)
Purchases of intangible assets	14	(3.9)	(5.9)
Acquisition of subsidiary and businesses, net of cash acquired	15a	(10.2)	—
Proceeds from disposal of business	15b	0.5	—
Purchases of minority interest		—	(0.1)
Net cash used in investing activities		(21.5)	(8.9)
Net increase in cash and cash equivalents		3.0	1.7
Opening cash and cash equivalents		41.0	39.7
Exchange losses on cash and cash equivalents		(0.6)	(0.4)
Closing cash and cash equivalents	21	43.4	41.0

The accompanying notes on pages 64 to 92 form an integral part of the consolidated financial statements.

1. Corporate information

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on 27 March 2014.

2. Principal accounting policies

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

a. Basis of preparation

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

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

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

i. New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013 and have a material impact on the Group:

- Amendment to IAS 1, "Financial Statement Presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments).
- IAS 19, "Employee Benefits" was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The impact on the financial statements is shown below:

	Consolidated income statement – Administrative expenses Charge		Consolidated income statement – Finance costs Charge		Consolidated income statement – Deferred tax Credit		Consolidated statement of comprehensive income Charge/(credit)	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Before change to IAS 19R	—	—	1.0	2.0	(0.2)	(0.5)	2.2	12.7
Impact of change	0.7	0.8	1.6	0.7	(0.5)	(0.3)	(1.8)	(1.2)
Post application of IAS 19R	0.7	0.8	2.6	2.7	(0.7)	(0.8)	0.4	11.5

- IFRS 13, "Fair Value Measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

ii. New standards 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 2013, and have not been applied in preparing these consolidated financial statements.

2. Principal accounting policies continued

a. Basis of preparation continued

ii. New standards and interpretations not yet adopted continued

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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.

b. Basis of consolidation

i. Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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.

c. 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.

2. Principal accounting policies continued

d. 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.

e. 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	5–25 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 2g).

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.

f. Intangible assets

i. Goodwill

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

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

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

2. Principal accounting policies continued

f. Intangible assets continued

ii. Computer software

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

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

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

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

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

iii. Acquired intangible assets

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

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

g. 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.

h. 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.

2. Principal accounting policies continued

h. Financial assets continued

ii. Loans and receivables continued

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.

i. 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.

j. 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 Group first assesses whether objective evidence of impairment exists.

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

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

Impairment testing of trade receivables is described in Note 19.

k. Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

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

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

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 on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

2. Principal accounting policies continued

k. Derivative financial instruments continued

i. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognized in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

ii. Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'finance income'. 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.

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

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

The Group uses forward currency contracts to manage currency exposure risk on major contracts, committed receipts and payments and intra-group funding. The Group does not hold or issue any other derivative financial instruments.

iii. Net investment hedge

Hedges in 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.

l. 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.

m. 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.

n. Trade payables

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

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

2. Principal accounting policies continued

o. Current and deferred income tax

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

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

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

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

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

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

p. 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.

q. 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.

r. 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. 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.

2. Principal accounting policies continued

r. Retirement benefit obligations continued

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.

s. 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 amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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. Sales of goods

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

t. Exceptional items

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

u. Borrowing costs

Borrowing costs are recognized as an expense when incurred.

v. 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.

w. Long-term incentive plan

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

x. 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.

2. Principal accounting policies continued

y. Other income

i. Interest income

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

ii. Rental income

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

3. Financial risk management

Financial risk factors

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

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

a. Market risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, 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.

The Group Treasury's risk management policy is to hedge known key foreign currency transactions and to hedge material balance sheet items that are held in currencies other than the functional currency of the entity concerned. The Group buys or sells currencies forwards 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 exposure of the Group's operating profit to movements in foreign currency is expressed below. This analysis considers the impact of an adverse change of 10% in the exchange rate between British Pound Sterling and the most significant foreign currencies used by operating units in the Group. The example movement of 10% has been selected in order to demonstrate the level of movement required in order to create a material impact.

Currency	Year-end exchange rate	Exchange movement modelled	Adverse impact on operating profit
Australian Dollar	1.86	+10%	£(0.1)m
Chinese Renminbi	10.09	+10%	—
Euro	1.20	+10%	—
Japanese Yen	173.43	+10%	£0.1m
US Dollar	1.65	+10%	£0.2m

A similar movement of 10% in British Pound Sterling against all of the currencies in which the Group has exposure would result in an adverse operating profit impact of £0.4m.

b. Credit risk

Credit risk for the Group arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to accounts receivable and committed transactions with customers.

The Group's credit risk from banking institutions is considered to be low. The majority of funds are held in the UK with five relationship banks (HSBC, RBS, Barclays, Lloyds and The Co-operative Bank), 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 on-going basis for financial strength.

Each local entity is responsible for managing and analysing the credit risk for each of their 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. Group credit risk from individual accounts receivable is minimal and, where appropriate, is provided against.

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 money market funds of £7.3m and other liquid assets of £36.1m that are expected to readily generate cash inflows for managing liquidity risk.

Prudent liquidity risk management implies maintaining 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 financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As the majority of the payables are short term in nature, their fair values approximate to their carrying values as the impact of discounting is not significant.

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

At 31 December 2012	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	29.7	—	—	1.3

4. Critical accounting estimates and judgements

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

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

a. Impairment of goodwill

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

b. Income taxes

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

c. Deferred tax assets

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

4. Critical accounting estimates and judgements continued

d. Retirement benefit obligations

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

The principal assumptions are detailed in Note 24b on pages 88 to 90.

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

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

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

	Increase/(decrease) in present value of deficit at 31 December 2013		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	0.25% p.a.	(11.9)	12.5
Inflation rate	0.25% p.a.	4.6*	(4.5)**
Salary escalation	0.25%	1.1	
Life expectancy	Approximately 1 year	9.0	
RPI/CPI wedge increase	By 0.2%	(2.5)	

* Applies to the RPI and CPI inflation assumptions. Assumes that the salary increase assumption will also increase by 0.25% p.a. and the pension increase assumption will increase by 0.10% p.a. allowing for the relevant minima and maxima.

** Applies to the RPI and CPI inflation assumptions. Assumes that the salary increase assumption will also decrease by 0.25% p.a. and the pension increase assumption will decrease by 0.10% p.a. allowing for the relevant minima and maxima.

e. Provisions

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

f. Purchase price allocation and fair value accounting

During the year, the Group acquired 100% of the share capital of NCS International Pty Ltd for £10.4m, being the parent company of the NCSI Group, a leading third-party auditing, assurance and certification organization operating in Australia and the US. Judgement and estimation techniques were employed in the allocation of the consideration and in determining the fair value of the separately identifiable intangible assets acquired, for which management engaged the expertise of an external advisor. See Note 15a.

5. Segment information

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

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

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

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

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

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

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

5. Segment information continued

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

	EMEA £m	UK Standards £m	Americas £m	Asia Pacific £m	Corporate £m	Group £m
Total segment revenue	100.2	49.8	60.8	66.7	—	277.5
Inter and intra-segment revenue	(3.2)	(0.3)	(0.5)	(1.7)	—	(5.7)
Revenue from external customers	97.0	49.5	60.3	65.0	—	271.8
Operating profit before exceptional costs	9.4	17.1	6.0	0.9	(5.1)	28.3
Depreciation and amortization	(1.9)	(0.9)	(0.3)	(1.2)	(2.6)	(6.9)
Finance income	—	—	—	—	0.4	0.4
Finance costs	—	—	—	—	(2.6)	(2.6)
Income tax expense	(1.6)	(3.5)	1.0	0.8	—	(3.3)
Total assets[3]	46.6	17.9	24.4	38.8	62.5	190.2
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets)	5.7	1.1	0.6	10.3	3.2	20.9
Total liabilities[1,3]	(23.3)	(15.7)	(7.3)	(13.0)	(67.5)[2]	(126.8)

1 The measure of liabilities has been disclosed for each reportable segment and is provided to the Board.
2 Included here is an amount of £58.7m relating to pension liabilities for the Group which have not been allocated to the segments disclosed above.
3 The reconciliation of total assets and liabilities to those shown on the balance sheet is shown on page 62.

While the segments have not changed, we have restated the segmental information to better reflect the information reviewed by the Board in 2013 and have restated the prior year comparative for consistency.

The segment information provided to the Board for the reportable segments for the year ended 31 December 2012 (restated) is as follows:

	EMEA £m	UK Standards £m	Americas £m	Asia Pacific £m	Corporate £m	Group £m
Total segment revenue	93.1	47.9	58.2	59.6	—	258.8
Inter and intra-segment revenue	(2.2)	(0.5)	(0.4)	(1.1)	—	(4.2)
Revenue from external customers	90.9	47.4	57.8	58.5	—	254.6
Operating profit before exceptional costs	9.8	15.3	7.9	2.8	(4.6)	31.2
Depreciation and amortization	(1.9)	(0.8)	(0.3)	(0.8)	(2.1)	(5.9)
Reversal of impairment of property, plant and equipment	0.2	—	—	—	—	0.2
Finance income	—	—	—	—	0.6	0.6
Finance costs[4]	—	—	—	—	(2.7)	(2.7)
Income tax expense	(2.4)	(1.0)	(2.6)	(2.2)	—	(8.2)
Total assets[3]	38.5	17.3	20.6	28.8	64.6	169.8
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets)	1.4	1.3	0.3	1.0	4.9	8.9
Total liabilities[1,3]	(19.4)	(17.3)	(4.8)	(10.1)	(68.3)[2]	(119.9)

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 £59.9m 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 62.
4 The finance costs have been restated following a change on adoption of IAS 19 revised on 1 January 2013 (see Note 2 on page 64).

5. Segment information continued

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

	2013 £m	2012 Restated £m
Operating profit before exceptional costs for reportable segments	33.4	35.8
Corporate	(5.1)	(4.6)
Operating profit before exceptional costs	28.3	31.2
Acquisition costs	(1.1)	—
Reorganization of German operating sites	—	(1.1)
Restructuring and reorganization costs	(0.4)	0.7
Rationalization of UK operating sites	—	(0.3)
Release of business exit provisions	—	1.6
Finance costs[1]	(2.6)	(2.7)
Finance income	0.4	0.6
Profit before income tax	24.6	30.0

1 The finance costs have been restated following a change on adoption of IAS 19 revised on 1 January 2013 (see Note 2 on page 64).

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:

	2013 £m	2012 Restated £m
Segment assets for reportable segments	127.7	105.2
Corporate assets	62.5	64.6
Reclassifications:		
Trade and other receivables and taxation	(3.6)	(3.5)
Total assets per the balance sheet	186.6	166.3

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:

	2013 £m	2012 Restated £m
Segment liabilities for reportable segments	59.3	51.6
Corporate liabilities	67.5	68.3
Reclassifications:		
Trade and other payables and taxation	(3.6)	(3.5)
Total liabilities per the balance sheet	123.2	116.4

5. Segment information continued

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

	2013 £m	2012 £m
Knowledge	49.9	47.7
Assurance	194.8	181.5
Compliance	27.1	25.4
Revenue from external customers	271.8	254.6

Based on where the customer is located revenue from external customers in the UK is £95.0m (2012: £87.8m), and the total of revenue from external customers in other countries is £176.8m (2012: £166.8m). The major components of the total of revenue from external customers from other countries are £52.5m (2012: £46.3m) for the US and £19.8m (2012: £22.8m) for Japan.

The total of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts located in the UK is £37.7m (2012: £33.0m), and the total of these non-current assets located in other countries is £28.3m (2012: £21.6m).

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 (2012: £nil).

6. Revenue

Revenue recognized in the income statement is analysed as follows:

	2013 £m	2012 £m
Sale of goods	9.5	11.6
Rendering of services	247.8	229.7
Copyright and royalty income	14.5	13.3
Total revenue	271.8	254.6

7. Operating profit

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

	Note	2013 £m	2012 £m
Employee benefit expense	8	125.7	113.6
Depreciation of property, plant and equipment	13	2.7	2.5
Reversal of impairment of property, plant and equipment	13	—	(0.2)
Amortization	14	4.2	3.4
Provision for impairment of trade receivables	19	0.1	0.3
Operating lease payments for plant and machinery	10	1.8	1.8
Operating lease payments for land and buildings	10	7.1	6.2
Loss on disposal of property, plant and equipment		—	0.1
Rental income from sub-lease of properties	10	(0.5)	(0.5)
Bad debts written off		0.4	0.4
Other exchange losses		0.8	0.3
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		0.4	0.4
Fees payable to the Group's auditors and their associates for other services:			
– The audit of the Company's subsidiaries pursuant to legislation		0.1	0.1
– Tax advisory services		0.1	0.2

Exceptional operating (costs)/income	2013 £m	2012 £m
Acquisition costs	(1.1)	—
Release of business exit provisions	—	1.6
Rationalization of UK operating sites	—	(0.3)
Restructuring and reorganization costs	(0.4)	0.7
Reorganization of German operating sites	—	(1.1)
Total operating exceptional (costs)/income	(1.5)	0.9

7. Operating profit continued

Exceptional operating costs amounted to £1.5m (2012: a credit of £0.9m) and comprised:

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

In 2012, operating exceptional credit comprised:

- £1.6m credit in relation to the disposal of businesses for which BSI had given warranties and indemnities to the purchasers. The Group had made provisions in respect of the potential costs of exit from certain operations. After completing the transfer of all remaining operational commitments during the year and having sought appropriate expert advice, the Group has released the provisions;
- £0.3m charge in respect of the completion of the rationalization of BSI's UK operating sites outside of the London global headquarters;
- £0.7m credit in relation to the restructuring of the UK Product Testing laboratories for which a provision was made in 2011. After a review of the project, a revised restructuring plan has been adopted resulting in the release of part of the provision; and
- £1.1m charge in relation to the reorganization of the BSI German operations, comprising merger of the two German operations, BSI Management Systems und Umweltgutachter Deutschland GmbH and EUROCAT Institute for Certification and Testing GmbH. This charge can be broken down as follows:
    - £0.6m of associated asset write-downs and exit costs; and
    - £0.5m related to employee relocation and redundancy costs.

The corporation tax impact of exceptional items is £nil (2012: credit of £0.9m) as the net expense items are regarded as tax non-deductible.

8. Employee benefit expense

	Note	2013 £m	2012 Restated £m
Wages and salaries (including termination benefits of £0.8m; 2012: £1.7m)		105.2	96.5
Social security costs		12.4	11.4
Long Term Incentive Plan (LTIP) expense/(release)		0.3	(0.9)
Pension costs – defined contribution plans	24a	7.8	6.6
Employee benefit expense charged in arriving at operating profit	7	125.7	113.6
Net pension finance costs	11, 24b	2.6	2.7
Total employee benefit expense charged in arriving at profit before income tax		**128.3**	**116.3**

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

	2013 Number	2012 Number
Production, assessment, training and laboratory	1,520	1,404
Sales and distribution	574	494
Administration	981	898
Total headcount	**3,075**	**2,796**

The headcount above includes external resource of 246 (2012: 242).

9. Directors' emoluments

The emoluments of the Executive and Non-executive Board members during the year are disclosed in the Remuneration report on pages 45 to 53.

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 Price 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 2014 and rental increments in line with market.

Other UK leases are up to 25 years and have less than ten years to expiry while overseas leases are typically for five 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:

	2013			2012		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
No later than 1 year	5.9	1.6	7.5	5.8	1.4	7.2
Later than 1 year and no later than 5 years	20.5	2.7	23.2	18.6	1.5	20.1
Later than 5 years	19.1	—	19.1	24.0	—	24.0
Minimum lease payments	45.5	4.3	49.8	48.4	2.9	51.3

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 (2012: £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	2013 £m	2012 £m
No later than 1 year	0.5	0.5
Later than 1 year and no later than 5 years	0.5	1.0
Later than 5 years	—	—
Minimum sub-lease receipts	1.0	1.5

11. Finance income and costs

	2013 £m	2012 Restated £m
Bank interest receivable on cash and short-term deposits	0.4	0.6
Finance income	0.4	0.6
Pension scheme interest cost less expected return on pension scheme plan assets (Note 8 and Note 24b)	(2.6)	(2.7)
Finance costs	(2.6)	(2.7)

12. Income tax expense

	2013 £m	2012 Restated £m
Current tax		
– UK tax current year	4.5	1.0
– UK tax prior years	—	0.6
– Foreign tax current year	2.2	2.4
– Foreign tax prior years	0.4	0.2
Total current tax	7.1	4.2
Deferred tax (Note 16)		
– Origination and reversal of temporary differences	0.8	5.8
– Prior year deferred tax adjustments	(2.4)	(0.7)
– Impact of change in UK tax rate	(2.2)	(1.4)
Total deferred tax	(3.8)	3.7
Total income tax expense	3.3	7.9

The tax on the Group's profit before tax is lower (2012: higher) than the theoretical amount that would arise using the weighted average UK statutory tax rate of 23.25% (2012: 24.50%) applicable to profits of the consolidated entities as follows:

	2013 £m	2012 Restated £m
Profit before income tax	24.6	30.0
Tax calculated at the weighted average UK statutory tax rate of 23.25% (2012: 24.50%)	5.7	7.4
Effects of:		
– Expenses not deductible for tax purposes	1.4	1.4
– Tax losses for which no deferred income tax asset was recognized	0.1	0.5
– Income not subject to tax	(0.1)	(0.8)
– Higher tax rates on overseas earnings	0.4	0.7
– Tax adjustments arising from change in UK tax rates	(2.2)	(1.4)
Adjustments to tax charge in respect of previous periods:		
– UK	(0.7)	(0.6)
– Foreign	(1.3)	0.7
Total income tax expense	3.3	7.9

The Group effective tax rate (ETR) on profits before tax and goodwill impairment for the year is 13.4% (2012: 26.3%*). The ETR at 13.4% comprises a current year tax charge of 21.5% and a net prior year tax credit of 8.1% arising from recognition of a deferred income tax asset for Canada goodwill amortization (6.6% credit) and net over-provided UK and foreign tax (1.5% credit).

The ETR for the Group's underlying business operations for the current year is 28.7% (2012: 28.9%*), after removing the tax impact of non-operational exceptional and finance costs, prior years' items and the reduction in the UK tax rate.

The ETR at 13.4% is further reconciled from the UK statutory tax rate of 23.25% (a blended tax rate of 24% applicable in the period to 31 March 2013, reduced to 23% through the remaining period to 31 December 2013) by additional higher overseas Group taxes of 1.6% (e.g. USA 39%, Japan 40% statutory tax rates), the prior years' tax credit of 8.1%, the credit impact of the reduction in UK tax rates 8.9% and the net ETR increase of 5.6% for Group tax permanent and temporary differences and tax losses not recognized.

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

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

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

* 2012 ETRs tax adjusted for the IAS 19 changes to the defined benefit retirement plan.

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 2012	7.9	6.0	0.3	14.9	29.1
Additions	—	0.3	1.5	1.2	3.0
Disposals	—	—	—	(1.1)	(1.1)
Reclassifications	—	—	(0.8)	0.8	—
Exchange differences	—	—	—	(0.1)	(0.1)
At 31 December 2012	7.9	6.3	1.0	15.7	30.9
Additions	2.3	0.4	3.2	2.2	8.1
Additions: acquisition of subsidiary (Note 15)	—	0.1	—	0.2	0.3
Disposals	(0.6)	(0.4)	—	(1.4)	(2.4)
Reclassifications	2.2	0.2	(3.0)	0.6	—
Reclassifications to computer software (Note 14)	—	—	(0.3)	—	(0.3)
Exchange differences	—	(0.1)	—	(0.5)	(0.6)
At 31 December 2013	11.8	6.5	0.9	16.8	36.0
Accumulated depreciation and impairment					
At 1 January 2012	(6.5)	(2.0)	—	(10.2)	(18.7)
Charge for the year (Note 7)	—	(0.6)	—	(1.9)	(2.5)
Impairment loss reversal (Note 7)	—	—	—	0.2	0.2
Disposals	—	—	—	0.9	0.9
Exchange differences	—	—	—	0.1	0.1
At 31 December 2012	(6.5)	(2.6)	—	(10.9)	(20.0)
Charge for the year (Note 7)	—	(0.6)	—	(2.1)	(2.7)
Disposals	0.6	0.2	—	1.4	2.2
Exchange differences	—	—	—	0.3	0.3
At 31 December 2013	(5.9)	(3.0)	—	(11.3)	(20.2)
Net book value at 31 December 2013	5.9	3.5	0.9	5.5	15.8
Net book value at 31 December 2012	1.4	3.7	1.0	4.8	10.9

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

Capital commitments in respect of property, plant and equipment

Capital expenditure of £0.1m (2012: £0.2m) has been contracted for but not provided in the financial statements.

14. Intangible assets

		Computer software				
	Goodwill £m	Externally acquired £m	Internally generated £m	Customer relationships and intellectual property £m	Internally generated product development costs £m	Total £m
Cost						
At 1 January 2012	32.8	10.9	11.3	6.0	1.2	62.2
Additions	—	1.7	3.6	—	0.6	5.9
Disposal	—	(0.1)	—	—	—	(0.1)
Exchange differences	(0.2)	(0.1)	—	(0.2)	—	(0.5)
At 31 December 2012	32.6	12.4	14.9	5.8	1.8	67.5
Additions	—	1.5	2.0	—	0.4	3.9
Additions: acquisition of subsidiary (Note 15)	4.7	0.2	—	3.7	—	8.6
Disposal	(0.2)	(0.1)	—	(0.2)	—	(0.5)
Reclassifications	—	0.8	(0.8)	—	—	—
Reclassifications from property, plant and equipment (Note 13)	—	—	0.3	—	—	0.3
Exchange differences	(1.0)	(0.1)	—	(0.8)	—	(1.9)
At 31 December 2013	36.1	14.7	16.4	8.5	2.2	77.9

14. Intangible assets continued

	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
Accumulated amortization and impairment						
At 1 January 2012	(6.4)	(6.5)	(3.0)	(3.9)	(0.8)	(20.6)
Charge for the year (Note 7)	—	(1.6)	(1.2)	(0.4)	(0.2)	(3.4)
Disposals	—	0.1	—	—	—	0.1
Reclassifications	—	0.1	—	—	—	0.1
At 31 December 2012	(6.4)	(7.9)	(4.2)	(4.3)	(1.0)	(23.8)
Charge for the year (Note 7)	—	(1.9)	(1.3)	(0.6)	(0.4)	(4.2)
Disposals	—	0.1	—	0.1	—	0.2
Exchange differences	—	0.1	—	—	—	0.1
At 31 December 2013	(6.4)	(9.6)	(5.5)	(4.8)	(1.4)	(27.7)
Net book value at 31 December 2013	29.7	5.1	10.9	3.7	0.8	50.2
Net book value at 31 December 2012	26.2	4.5	10.7	1.5	0.8	43.7

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

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

Capital commitments in respect of computer software

Capital expenditure of £0.5m (2012: £0.4m) has been contracted for but not provided in the financial statements.

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
2013	7.5	4.8	12.1	5.3	29.7
2012	7.5	4.6	8.8	5.3	26.2

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 0.0% and 10.5% (2012: 0.3% and 10.6%). Applying a zero growth rate on the cash flows beyond the three-year period would not result in any impairment on the Group's CGUs (2012: £nil).

Discount rates applied to the cash flow forecasts are pre-tax and derived using the capital asset pricing model and vary from 9.0% to 15.2% (2012: 8.5% to 15.9%) across the CGUs. The pre-tax discount rates would need to increase by 5.1% (2012: 3.7%) before any of the Group's CGUs suffer any impairment. If the pre-tax discount rates were 7.0% higher (2012: 4.0% higher), the Group would have an impairment against intangible assets of £0.1m (2012: £0.1m).

15. Business combinations

a. Acquisition

On 9 May 2013, the Group acquired 100% of the share capital of NCS International Pty Ltd for £10.4m, being the parent company of the NCSI Group, a leading third-party auditing, assurance and certification organization operating in Australia and the US.

As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale and synergies. The goodwill of £4.7m arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and NCSI Group and the market specific expertise within the workforce acquired. None of the goodwill recognized is expected to be deductible for income tax purposes.

15. Business combinations continued

a. Acquisition continued

The following table summarizes the consideration paid for NCSI Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 9 May 2013	£m
Cash, representing total consideration transferred	10.4
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	0.2
Property, plant and equipment (Note 13)	0.3
Computer software (included in intangibles) (Note 14)	0.2
Customer relationships and intellectual property (included in intangibles) (Note 14)	3.7
Trade and other receivables	3.1
Deferred tax assets (Note 16)	0.3
Trade and other payables	(1.9)
Deferred tax liabilities (Note 16)	(0.2)
Total identifiable net assets	5.7
Goodwill	4.7
Total	10.4

The fair value of trade and other receivables is £3.1m and includes trade receivables with a fair value of £2.4m. The gross contractual amount for trade receivables due is £2.5m, of which £0.1m is expected to be uncollectible.

Acquisition-related costs of £1.1m have been charged to exceptional operating items in the consolidated income statement for the year ended 31 December 2013.

The revenue included in the consolidated income statement since 9 May 2013 contributed by NCSI Group was £8.0m. NCSI Group also contributed operating profit before exceptional costs of £0.2m over the same period.

Had NCSI Group been consolidated from 1 January 2013, the consolidated income statement would show pro-forma revenue of £275.9m and operating profit before exceptional costs of £28.2m.

b. Disposal

On 31 July 2013, the Group disposed of its German laboratory to CSA Group for £0.5m. The gain on disposal is immaterial.

16. Deferred tax

	2013 £m	2012 £m
Deferred tax assets:		
– To be recovered after more than twelve months	15.3	12.7
– To be recovered within twelve months	2.0	4.2
Total deferred tax assets	17.3	16.9
Deferred tax liabilities:		
– To be incurred after more than twelve months	(1.9)	(1.6)
– To be incurred within twelve months	(0.4)	(0.3)
Total deferred tax liabilities	(2.3)	(1.9)
Net deferred tax assets	15.0	15.0

16. Deferred tax continued

Gross movement on the deferred tax account

	2013 £m	2012 Restated £m
At 1 January	15.0	17.6
Acquisition of subsidiary	0.1	—
Income statement tax charged (Note 12)	3.8	(3.7)
Tax (charged)/credited to equity relating to retirement benefit obligations	(3.4)	1.4
Exchange differences	(0.5)	(0.3)
At 31 December	**15.0**	**15.0**

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

Deferred tax liabilities	Temporary differences £m	Total £m
At 1 January 2012	(2.0)	(2.0)
Credited to the income statement	0.1	0.1
At 31 December 2012	(1.9)	(1.9)
Acquisition of subsidiary (Note 15)	(0.2)	(0.2)
Charged to the income statement	(0.4)	(0.4)
Exchange differences	0.2	0.2
At 31 December 2013	(2.3)	(2.3)

Deferred tax assets	Accelerated capital allowances £m	Pension £m	Losses £m	Other temporary differences £m	Total £m
At 1 January 2012	—	14.8	1.7	3.1	19.6
Credited/(charged) to the income statement	0.3	(2.3)	(0.8)	(1.0)	(3.8)
Credited directly to equity	—	1.4	—	—	1.4
Exchange differences	—	—	—	(0.3)	(0.3)
At 31 December 2012	0.3	13.9	0.9	1.8	16.9
Acquisition of subsidiary (Note 15)	—	—	—	0.3	0.3
Credited to the income statement	0.2	1.2	1.3	1.5	4.2
Charged directly to equity	—	(3.4)	—	—	(3.4)
Exchange differences	—	—	—	(0.7)	(0.7)
At 31 December 2013	0.5	11.7	2.2	2.9	17.3

The deferred tax charged directly to equity during the year was £3.4m (2012: credit of £1.4m*), which related to the retirement benefit obligation.

The Group did not recognize deferred tax assets of £0.1m (2012: £0.6m) in respect of losses amounting to £0.3m (2012: £2.0m) that can be carried forward against future taxable income.

* 2012 deferred tax adjusted for the IAS 19 changes to the defined benefit retirement plan.

17. Financial instruments

a. Financial instruments by category

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

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

17. Financial instruments continued

a. Financial instruments by category continued

At 31 December 2012	Loans and receivables £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments	47.4
Cash and cash equivalents	41.0
Total	88.4

	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	31.0
Total	31.0

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

	2013 £m	2012 £m
Finished goods and goods for resale	0.1	—
Total inventories	0.1	—

19. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	39.7	37.2
Less: provision for impairment of trade receivables	(0.9)	(1.0)
Trade receivables – net	38.8	36.2
Other receivables	5.5	5.8
Prepayments	4.9	5.4
Accrued income	8.6	5.4
Total trade and other receivables	57.8	52.8
Less non-current portion:		
– Other receivables	(1.8)	(1.5)
Current portion of trade and other receivables	56.0	51.3

Trade receivables are non-interest bearing and are generally on 30–60 day (2012: 30–60 day) terms. Other receivables are non-interest bearing and are generally on 30–60 day (2012: 30–60 day) terms.

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

The provision for impairment is made on a case-by-case basis after due consideration to the likelihood of recovery. As of 31 December 2013, trade receivables of £15.9m (2012: £14.6m) 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:

	2013 £m	2012 £m
Current (not due)	22.9	21.6
<1 month	9.6	9.1
1–3 months	4.2	4.3
3–5 months	1.2	0.7
>5 months	0.9	0.5
Trade receivables – net	38.8	36.2

19. Trade and other receivables continued

As of 31 December 2013, trade receivables of £0.9m (2012: £1.0m) were impaired and fully provided for. The individually impaired receivables mainly relate to customers in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	2013 £m	2012 £m
<1 month	0.1	—
1–3 months	—	0.1
3–5 months	0.1	0.2
>5 months	0.7	0.7
Provision for impairment of trade receivables	**0.9**	**1.0**

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

	2013 £m	2012 £m
British Pounds Sterling	21.2	19.7
US Dollars	12.5	11.2
Euros	6.1	6.1
Australian Dollars	3.7	0.9
Japanese Yen	2.2	2.5
Chinese Renminbi	1.8	2.1
Other currencies	10.3	10.3
Total trade and other receivables	**57.8**	**52.8**

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

	2013 £m	2012 £m
At 1 January	1.0	1.1
Provision for impaired receivables	0.3	0.3
Receivables written off during the year as uncollectable	(0.2)	(0.4)
Unused amounts reversed	(0.2)	—
At 31 December	**0.9**	**1.0**

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

	2013 £m	2012 £m
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	—	—

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were £1.6m (2012: £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 (2012: Level 2) within the fair value measurement hierarchy set out in IFRS 7.

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

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

21. Cash and cash equivalents

	2013 £m	2012 £m
Cash at bank and in hand	20.3	15.7
Short-term deposits	23.1	25.3
Total cash and cash equivalents	**43.4**	41.0

No bank overdraft facilities were in use at 31 December 2013 (2012: £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 is £43.4m (2012: £41.0m). 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 are:

	2013				2012			
	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	23.1	1.1	7.7	31.9	25.3	1.1	5.0	31.4
US Dollars	—	2.1	0.6	2.7	—	0.4	0.9	1.3
Euros	—	—	1.0	1.0	—	—	0.8	0.8
Australian Dollars	—	0.6	—	0.6	—	0.4	—	0.4
Japanese Yen	0.3	—	0.4	0.7	0.2	—	0.6	0.8
Chinese Renminbi	—	1.8	—	1.8	—	2.4	—	2.4
Other currencies	0.8	1.0	2.9	4.7	0.1	1.3	2.5	3.9
Total	**24.2**	**6.6**	**12.6**	**43.4**	25.6	5.6	9.8	41.0

22. Trade and other payables

	2013 £m	2012 £m
Trade payables	4.6	4.5
VAT and sales taxes	2.3	2.6
Other taxes and social security	3.3	3.2
Other payables	3.6	3.3
Accruals	21.4	17.4
Deferred income	20.2	20.3
Total trade and other payables	**55.4**	51.3
Less non-current portion:		
– Other payables	(1.9)	(1.3)
– Deferred income	(0.5)	(0.9)
– Accruals	(0.2)	—
Current portion of trade and other payables	**52.8**	49.1

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

	2013 £m	2012 £m
British Pounds Sterling	32.5	30.5
US Dollars	6.3	3.5
Euros	4.0	5.2
Australian Dollars	2.5	0.5
Japanese Yen	2.3	3.1
Chinese Renminbi	2.2	2.6
Other currencies	5.6	5.9
Total trade and other payables	**55.4**	51.3

Trade payables are non-interest bearing and are generally on 30–60 day (2012: 30–60 day) terms. Other payables are non-interest bearing and are generally on 30–90 day (2012: 30–90 day) terms.

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

23. Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2012	1.4	2.8	4.2
Charged to the income statement	0.4	0.3	0.7
Utilization	(0.1)	(0.7)	(0.8)
Released	(0.4)	(2.0)	(2.4)
At 31 December 2012	1.3	0.4	1.7
Charged to the income statement	0.5	—	0.5
Utilization	(0.5)	(0.1)	(0.6)
Released	(0.1)	—	(0.1)
At 31 December 2013	1.2	0.3	1.5

The property provisions are held against dilapidations and anticipated costs relating to the Group's liability for restructuring the UK Product Testing laboratories. Also included in the prior year property provisions are property exposures relating to surplus or sub-let properties and these were fully utilized or released during the year. The Group has used either the known position or a best estimate of the Group's potential exposure to calculate the potential cost to BSI Group over the remaining lease periods.

Other provisions relate to anticipated costs relating to the Group's liability for restructuring the German operating sites and 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:

	2013 £m	2012 £m
Non-current	1.2	1.5
Current	0.3	0.2
Total provisions for liabilities and charges	1.5	1.7

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 £5.5m (2012: £4.9m).

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the year totalling £2.3m (2012: £1.7m).

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

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

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

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

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

24. Retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

A valuation of the UK defined benefit plan was carried out under the Statutory Funding Objective as at 31 March 2010. This revealed an on-going funding level of 76%. The Group subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2010. 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 £108.8m over the period 1 April 2010 to December 2019. Contributions in respect of future service benefits ceased on 30 April 2010. A further valuation of the Plan as at 31 March 2013 is underway and a schedule of revised additional contributions to the Plan is being agreed with the Trustee.

The Group paid a total of £5.0m in additional contributions to the Plan during 2013 (2012: £18.0m).

Balance sheet

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

	2013 £m	2012 Restated £m
Present value of defined benefit obligations	337.7	329.9
Fair value of plan assets	(279.0)	(270.0)
Total deficit – UK defined benefit pension plan	58.7	59.9
Impact of minimum funding requirement/asset ceiling	—	—
Net liability in the balance sheet	**58.7**	**59.9**

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

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2012	306.8	(247.7)	59.1
Administration expenses	—	0.8	0.8
Interest expense/(income) (Note 8, Note 11)	14.6	(11.9)	2.7
	321.4	(258.8)	62.6
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense/(income)	—	(6.7)	(6.7)
– Gain from change in demographic assumptions	—	—	—
– Loss from change in financial assumptions	22.2	—	22.2
– Experience gains	(0.2)	—	(0.2)
	22.0	(6.7)	15.3
Contributions:			
– Employers	—	(18.0)	(18.0)
Payments from plans:			
– Disbursements	(13.5)	13.5	—
At 31 December 2012 (restated)	329.9	(270.0)	59.9
At 1 January 2013	329.9	(270.0)	59.9
Administration expenses	—	0.7	0.7
Interest expense/(income) (Note 8, Note 11)	14.5	(11.9)	2.6
	344.4	(281.2)	63.2
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense/(income)	—	(4.5)	(4.5)
– Loss from change in demographic assumptions	0.9	—	0.9
– Loss from change in financial assumptions	6.8	—	6.8
– Experience gains	(2.7)	—	(2.7)
	5.0	(4.5)	0.5
Contributions:			
– Employers	—	(5.0)	(5.0)
Payments from plans:			
– Disbursements	(11.7)	11.7	—
	(11.7)	6.7	(5.0)
At 31 December 2013	337.7	(279.0)	58.7

24. Retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Assumptions

The principal actuarial assumptions used are as follows:

	2013 % p.a.	2012 % p.a.
Rate of increase in salaries	4.40	4.00
Rate of revaluation in deferment (p.a.)	2.40	2.10
Pension increase rate (p.a.):		
– RPI (min. 3%, max. 5%)	3.75	3.55
– CPI (min. 3%, max. 5%)	3.25	3.25
Discount rate	4.45	4.50
Inflation assumption – RPI (p.a.)	3.40	3.00
Inflation assumption – CPI (p.a.)	2.40	2.10

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 24.7 (2012: 24.9) years (men) or 26.7 (2012: 26.1) years (women). Life expectancy for a member currently aged 65 is 23.3 (2012: 23.5) years (men) or 25.2 (2012: 24.6) years (women).

Plan assets are comprised as follows:

	31 December 2013		31 December 2012	
	Value at £m		Value at £m	
Diversified Growth Fund	69.0	25%	61.9	23%
Asset Allocation Fund	54.8	20%	50.8	19%
Bonds	59.3	21%	51.0	19%
Cash	6.1	2%	15.4	5%
Metlife policy	89.8	32%	90.9	34%
Total fair value of plan assets	279.0	100%	270.0	100%

Expected contributions to retirement benefit plans for the year ending 31 December 2014 are £12.5m (2013: £5.0m).

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

ii. Other defined benefit schemes

The Group operates defined benefit pension schemes in Taiwan and Germany which provide benefits based on final pensionable salary and service. The net liability recognized in the balance sheet at 31 December 2013 is £0.8m (2012: £0.4m).

25. Reconciliation of movements in reserves

	Retained earnings £m	Translation reserve £m	Total £m
At 1 January 2012	38.5	4.5	43.0
Profit for the year	22.1	—	22.1
Re-measurements of post-employment benefit obligations, net of deferred tax	(11.5)	—	(11.5)
Impact of change in the UK tax rate on deferred tax	(2.4)	—	(2.4)
Cash flow hedges	0.1	—	0.1
Net investment hedge	—	(0.4)	(0.4)
Currency translation differences	—	(1.0)	(1.0)
At 31 December 2012 (restated)	46.8	3.1	49.9
Profit for the year	21.3	—	21.3
Re-measurements of post-employment benefit obligations, net of deferred tax	(0.8)	—	(0.8)
Impact of change in the UK tax rate on deferred tax	(3.5)	—	(3.5)
Net investment hedge	—	(1.9)	(1.9)
Currency translation differences	—	(1.6)	(1.6)
At 31 December 2013	63.8	(0.4)	63.4

Retained earnings

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

Translation reserve

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

26. Contingent liabilities

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

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

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

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

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

27. Related party transactions

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

a. Pension scheme trustee

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

b. Key management

Key management of the Group includes Directors (executive and non-executive) and other members of the Executive Committee. Emoluments of the Directors are disclosed in the Remuneration report on pages 45 to 53. Emoluments paid to other members of the Executive Committee for employee services are shown in the table below:

	2013 £m	2012 £m
Salaries and short-term benefits	1.9	2.0
Terminations	—	0.4
Total emoluments	**1.9**	**2.4**

28. 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 Food Verification Services Inc. (formerly NCSI Americas Inc)	USA	100%	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 (formerly BSI Group (Australia & New Zealand) Pty Ltd)	Australia	100%	Holding company
BSI Group ANZ Pty Ltd (formerly NCS International Pty Ltd)	Australia	100%	Business services
BSI Group Assurance Limited	England	100%	Holding company
BSI Group Australia Holdings Pty Ltd	Australia	100%	Holding company
BSI Group Canada Inc.	Canada	100%	Business services
BSI Group Deutschland GmbH	Germany	100%	Business services
BSI Group Eurasia Certification Services Co. Ltd	Turkey	100%	Business services
BSI Group France Sarl	France	98%	Business services
BSI Group Holdings The Netherlands BV	Netherlands	100%	Business services
BSI Group India Private Ltd	India	100%	Business services
BSI Group Italia S.R.L.	Italy	100%	Business services
BSI Group Japan K.K	Japan	100%	Business services
BSI Group Korea Ltd	Korea	100%	Business services
BSI Group Learning Beijing Ltd	China	100%	Business services
BSI Group Mexico S dr RL de CV	Mexico	100%	Business services
BSI Group Polska Spolka z o.o.	Poland	100%	Business services
BSI Group Singapore Pte Ltd	Singapore	100%	Business services
BSI Group The Netherlands BV	Netherlands	100%	Business services
BSI Healthcare Saudi Arabia LLC	Saudi Arabia	100%	Business services
BSI Limited	England	100%	Holding company
BSI Management Systems Certification (Beijing) Co. Ltd	China	100%	Business services
BSI Management Systems CIS LLC	Russia	100%	Business services
BSI Management Systems Limited	England	100%	Business services
BSI Pacific Ltd	Hong Kong	100%	Business services
BSI Professional Services Asia Pacific Ltd	Hong Kong	100%	Business services
BSI Professional Services EMEA Limited	England	100%	Business services
BSI Professional Services Holdings Limited	England	100%	Holding company
BSI Services Malaysia Sdn Bhd	Malaysia	100%	Business services
BSI Standards Holdings Limited	England	100%	Holding company
BSI Standards Limited	England	100%	Business services
BSI Vietnam Co., Ltd	Vietnam	100%	Business services
PT BSI Group Indonesia	Indonesia	100%	Business services
The Agile Group Pty Ltd	Australia	100%	Business services

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

* Percentage of ordinary share capital.

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 financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the British Standards Institution's Royal Charter and Bye-laws and the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent company financial statements (the 'financial statements'), which are prepared by The British Standards Institution, comprise:

- the parent company balance sheet as at 31 December 2013; and
- the notes to the parent company financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

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

In addition, we read all the financial and non-financial information in the Annual Report and financial statements 2013 (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.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

to the Board of Directors of The British Standards Institution

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements to be audited 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.

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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with paragraph 21 of The British Standards Institution's Royal Charter and Bye-laws 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 The British Standards Institution as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

We have reported separately on the consolidated financial statements of The British Standards Institution for the year ended 31 December 2013.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2014

Parent company balance sheet

as at 31 December 2013

	Note	2013 £m	2012 £m
Fixed assets			
Tangible assets	2	12.9	12.8
Investments	3	39.9	39.9
		52.8	52.7
Current assets			
Debtors	4	56.2	46.3
Cash at bank and in hand		31.9	31.6
		88.1	77.9
Creditors – amounts falling due within one year	5	(54.9)	(57.8)
Net current assets		33.2	20.1
Total assets less current liabilities		86.0	72.8
Provisions for liabilities	6	(0.2)	(0.8)
Net assets excluding defined benefit pension scheme liability		85.8	72.0
Deferred benefit scheme pension liability, net of deferred tax	7	(47.0)	(46.1)
Net assets including defined benefit pension scheme liability		38.8	25.9
Profit and loss account, representing reserves	10	38.8	25.9

The accompanying notes on pages 96 to 104 form an integral part of the parent company financial statements.

The financial statements on pages 95 to 104 were approved by the Board of Directors on 27 March 2014 and were signed on its behalf by:

Craig Smith
Group Finance Director
27 March 2014

Notes to the parent company financial statements

for the year ended 31 December 2013

1. Principal accounting policies

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

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

a. Basis of preparation

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

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

i. Profit and loss account

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

ii. Cash flow statement

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

b. Turnover and cost of sales

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

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

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

i. Rendering of services

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

ii. Copyright and royalty income

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

c. Interest income

Interest income is recognized in the profit and loss account on an accrual basis.

d. Dividend income

Dividend income is recognized in the profit and loss account when it is receivable.

e. Rental income

The Company sub-lets a number of leased properties in the UK. Rental income is recognized on an accrual basis in accordance with the relevant agreements.

f. Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at contracted rates or, where no contract exists at average monthly rates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are taken to the profit and loss account.

g. Financial instruments

The Company does not hold or issue derivative financial instruments for trading purposes. Derivatives used include currency swaps, interest rate swaps and forward currency contracts.

1. Principal accounting policies continued

h. Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements that transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

i. Investment in Group undertakings

Investments are stated at cost less any provision for impairment in value. Impairment testing is conducted whenever indicators of impairment are present.

j. Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Freehold land is not depreciated. Depreciation on other assets is calculated on a straight-line basis so as to write off the cost of tangible fixed assets less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	5%
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	10%–33%

The Company selects these depreciation rates carefully and reviews them regularly, to take account of any changes in circumstances. The principal factors that the Company takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

k. Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation is probable and can be reliably estimated. Provision for legal claims, onerous lease and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability. Where liabilities are expected to be discharged over a number of years, the provisions have been discounted using an appropriate risk free rate.

l. Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Company's control or are present obligations arising from past events that are not recognized as it is not probable a transfer of economic benefits will occur or the amount cannot be measured with sufficient certainty. The Company reviews its obligations regularly.

m. Retirement benefits

i. Defined benefit pension schemes

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the year is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognized in reserves. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognized on the balance sheet net of related deferred tax.

ii. Defined contribution pension schemes

Amounts charged to operating profit represent the contributions payable to the schemes in the year.

n. Deferred taxation

Deferred tax is fully provided in respect of timing differences that have originated but not reversed by the balance sheet date. These are based on average tax rates that are expected to apply at the time of the reversal, which will be the rates that have either been enacted, or substantially enacted, by the balance sheet date. No deferred tax is provided on permanent timing differences. Deferred tax assets are recognized to the extent that they are regarded as more likely than not to be recoverable. Deferred tax on unremitted earnings of foreign subsidiaries is only provided if dividends have been accrued as receivable or there is a binding agreement to distribute past earnings in the future. Deferred tax balances are not discounted.

2. Tangible assets

	Land and buildings		Plant, machinery and office equipment £m	Total £m
	Freehold £m	Short leasehold improvements £m		
Cost				
At 1 January 2013	0.3	2.4	20.8	23.5
Additions	—	—	2.8	2.8
Disposals	—	—	(0.4)	(0.4)
Reclassification	—	0.2	(0.2)	—
At 31 December 2013	0.3	2.6	23.0	25.9
Accumulated depreciation and impairment				
At 1 January 2013	—	(1.8)	(8.9)	(10.7)
Charge in the year	—	(0.2)	(2.2)	(2.4)
Disposals	—	—	0.1	0.1
At 31 December 2013	—	(2.0)	(11.0)	(13.0)
Net book value at 31 December 2013	0.3	0.6	12.0	12.9
Net book value at 31 December 2012	0.3	0.6	11.9	12.8

The net book value of freehold land not depreciated is £0.3m (2012: £0.3m).

3. Investments

	2013 £m	2012 £m
Cost at 1 January	39.9	40.3
Disposals	—	(0.4)
Cost at 31 December	39.9	39.9

The Directors consider that the fair value of investments is not less than their carrying value.

A list of subsidiaries is provided in Note 28 to the consolidated financial statements.

4. Debtors

	2013 £m	2012 £m
Trade debtors	0.4	0.8
Amounts owed by subsidiaries	50.2	40.5
Corporation tax receivable	1.4	—
Other debtors	0.5	0.7
VAT receivable	0.4	1.4
Deferred taxation* (Note 8)	0.3	0.3
Prepayments and accrued income	3.0	2.6
Total debtors	56.2	46.3

* Excludes deferred tax asset on the pension liability (Note 8).

Amounts owed by subsidiaries include trade and finance amounts. The unsecured finance amounts of £24.3m (2012: £15.7m) 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% (2012: 2.4% and 8.8%).

5. Creditors: Amounts falling due within one year

	2013 £m	2012 £m
Trade creditors	0.7	0.9
Amounts owed to subsidiaries	42.9	44.9
Social security and PAYE	0.7	0.8
Other creditors	0.2	0.3
Accruals	5.1	4.6
Deferred income	5.3	6.3
Creditors falling due within one year	54.9	57.8

Trade creditors are non-interest bearing and are generally on 30–60 day terms. Amounts owed to subsidiaries include trade and finance amount. The unsecured finance amounts of £5.5m (2012: £22.2m) have no fixed terms of repayment and are interest bearing with the rates ranging between 2.6% and 5.4% (2012: 2.8% and 5.4%).

6. Provisions for liabilities

	Property provisions £m	Total £m
At 1 January 2013	0.8	0.8
Credited to profit and loss account	(0.1)	(0.1)
Utilized during the year	(0.5)	(0.5)
At 31 December 2013	0.2	0.2

The property provisions are held against dilapidations. The Company has used either the known position or a best estimate of the Company's potential exposure to calculate the potential cost to BSI Group over the remaining lease periods.

Details of the pension provisions are set out in Notes 7, 8 and 9 below.

7. Defined benefit scheme pension liability (net of deferred tax)

	Pension provision £m	Deferred taxation £m	Total £m
At 1 January 2013	59.9	(13.8)	46.1
Charged/(credited) to profit and loss account	1.0	(1.9)	(0.9)
Charged to current year reserves	2.8	3.0	5.8
Contributions	(5.0)	1.0	(4.0)
At 31 December 2013	58.7	(11.7)	47.0

8. Deferred taxation

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

	Accelerated capital allowances £m	Short-term timing differences £m	Pension provision £m	Total £m
At 1 January 2013	0.3	—	13.8	14.1
(Charged)/credited to profit and loss account	(0.1)	0.1	1.9	1.9
Charged to current year reserves	—	—	(3.0)	(3.0)
Pension contribution	—	—	(1.0)	(1.0)
At 31 December 2013	0.2	0.1	11.7	12.0

9. Pension obligations

The Company operates the following retirement benefit schemes:

a. Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Company offers a Group Personal Pension plan to all new UK employees. The costs for the year were £1.3m (2012: £1.4m). This includes salary sacrificed contributions.

b. Defined benefit scheme

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

A valuation of the UK defined benefit scheme was carried out under the Statutory Funding Objective as at 31 March 2010. This revealed an on-going funding level of 76%. The Company subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2010. It requires contributions from the Company to improve the funding level of the scheme and to cover the expenses of running the scheme. The Company agreed to pay additional contributions of £108.8m over the period 1 April 2010 to December 2019. Contributions in respect of future service benefits ceased on 30 April 2010. A further valuation of the scheme as at 31 March 2013 is underway and a schedule of revised additional contributions to the scheme is being agreed with the Trustee.

The liabilities have been calculated by, and the assumptions set on the recommendations of, an independent qualified actuary. As required by FRS 17, the projected unit method has been used to determine the liabilities.

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

The Company paid a total of £5.0m in contributions to the fund during the year (2012: £18.0m).

Each of the wholly owned subsidiaries, BSI Assurance UK Limited, BSI Standards Limited and BSI Professional Services EMEA Limited, has provided a guarantee and indemnity to the Trustee of the UK pension fund with respect to all obligations and liabilities of the Company to make contributions to the scheme.

FRS 17, "Retirement Benefits"

The major assumptions used for the updated actuarial valuation were:

	2013 % p.a.	2012 % p.a.
Rate of general increase in salaries	4.40	4.00
Rate of revaluation in deferment (p.a.)	2.40	2.10
Pension increase rate (p.a.)		
– RPI (min. 3%, max. 5%)	3.75	3.55
– CPI (min. 3%, max. 5%)	3.25	3.25
Discount rate	4.45	4.50
Inflation assumption – RPI (p.a.)	3.40	3.00
Inflation assumption – CPI (p.a.)	2.40	2.10

Life expectancy at age 65 for a member currently aged 45 is 24.7 (2012: 24.9) years (men) or 26.7 (2012: 26.1) years (women). Life expectancy for a member currently aged 65 is 23.3 (2012: 23.5) years (men) or 25.2 (2012: 24.6) years (women).

9. Pension obligations continued

b. Defined benefit scheme continued

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected long-term rate of return at the balance sheet date were:

	Long-term rate of return expected at 31 December 2013 %	Value at 31 December 2013 £m	Long-term rate of return expected at 31 December 2012 %	Value at 31 December 2012 £m
Diversified Growth Fund	7.10	69.0	8.10	61.9
Asset Allocation Fund	6.60	54.8	6.75	50.8
Bonds	4.35	59.3	3.90	51.0
Cash	0.65	6.1	0.55	15.4
Metlife Policy	4.45	89.8	4.50	90.9
Total fair value of assets		279.0		270.0
Present value of scheme liabilities		(337.7)		(329.9)
Deficit in the scheme		(58.7)		(59.9)
Related deferred tax asset		11.7		13.8
Net pension liability		(47.0)		(46.1)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Analysis of the charge to operating profit

	2013 £m	2012 £m
Current service cost	0.7	0.8

Analysis of the amount charged/(credited) to other finance costs

	2013 £m	2012 £m
Interest cost on pension scheme liabilities	14.6	14.6
Expected return on pension scheme assets	(14.3)	(13.0)
Net charge	0.3	1.6

Analysis of amount recognized in reserves

	2013 £m	2012 £m
Actual return less expected return on pension scheme assets	2.1	5.6
Experience gains arising on the scheme liabilities	2.8	0.2
Losses due to changes in assumptions underlying the present value of the scheme liabilities	(7.7)	(22.2)
Actuarial losses recognized in reserves	(2.8)	(16.4)

Changes in the present value of the defined benefit obligation are as follows:

	2013 £m	2012 £m
Opening defined benefit obligation	329.9	306.8
Current service cost	0.7	0.8
Interest cost	14.6	14.6
Actuarial losses	4.9	22.0
Disbursements	(12.4)	(14.3)
Closing defined benefit obligation	337.7	329.9

9. Pension obligations continued

b. Defined benefit scheme continued

Changes in the fair value of scheme assets are as follows:

	2013 £m	2012 £m
Opening fair value of scheme assets	270.0	247.7
Expected return on scheme assets	14.3	13.0
Actuarial gains	2.1	5.6
Contributions by employer	5.0	18.0
Disbursements	(12.4)	(14.3)
Closing fair value of scheme assets	279.0	270.0

The actual return on scheme assets was £16.4m (2012: £18.6m). Scheme assets do not include any property owned by the Company.

History of experience gains and losses

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of scheme liabilities	(337.7)	(329.9)	(306.8)	(289.4)	(305.5)
Fair value of scheme assets	279.0	270.0	247.7	231.4	202.8
Deficit in the scheme	(58.7)	(59.9)	(59.1)	(58.0)	(102.7)
Experience gains/(losses) arising on scheme assets:					
Amount	2.1	5.6	(3.4)	11.7	7.5
Percentage of scheme assets at year end	0.8%	2.1%	(1.4%)	5.0%	3.7%
Experience gains/(losses) on scheme liabilities:					
Amount	2.8	0.2	(0.1)	31.4	(3.0)
Percentage of scheme liabilities at year end	0.8%	0.1%	0.0%	10.9%	(1.0%)
Total (loss)/gain recognized in reserves:					
Amount	(2.8)	(16.4)	(15.6)	35.5	(30.4)
Percentage of scheme liabilities at year end	(0.8%)	(5.0%)	(5.1%)	12.2%	(10.0%)

Expected contribution to retirement benefit plans for the year ending 31 December 2014 are £12.5m (2013: £5.0m).

10. Reconciliation of movements in profit and loss account

	2013 £m	2012 £m
At 1 January	25.9	21.1
Profit for the financial year	18.7	19.6
Movement in actuarial valuation of defined benefit pension scheme (net of deferred tax)	(5.8)	(14.8)
At 31 December	38.8	25.9

11. Employees

	2013 £m	2012 £m
Wages and salaries	12.0	11.7
Social security costs	1.4	1.4
Other pension costs	2.0	2.2
Total employee benefit expense	15.4	15.3

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

	2013 Number	2012 Number
Production, inspection and laboratory	13	9
Sales and distribution	24	16
Administration	169	161
Total headcount	206	186

Disclosures in respect of Directors' emoluments can be found in the Remuneration report on pages 45 to 53.

12. Auditors' remuneration

The amount of remuneration receivable by the Company's auditors in respect of the audit of the parent company financial statements is £0.2m (2012: £0.3m).

13. Capital commitments

	2013 £m	2012 £m
Capital expenditure that has been contracted for but not provided for in the financial statements	0.4	0.3

14. Financial commitments

At 31 December 2013, annual commitments under non-cancellable operating leases were as follows:

	2013 Land and buildings £m	2012 Land and buildings £m
Expiring within one year	—	0.1
Expiring within two and five years	0.3	0.4
Expiring in over five years	2.1	2.0
Total financial commitments	2.4	2.5

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 2013, the Company held foreign exchange contracts to the value of £1.6m (2012: £1.6m) all expiring within one year. The mark-to-market value of these contracts was an asset of £nil (2012: asset of £nil).

for the year ended 31 December 2013

15. Related party transactions

The Directors of The British Standards Institution had no material transactions with the Company during the year. Details of the Directors' remuneration are disclosed in the Remuneration report on pages 45 to 53. The Company has taken advantage of the exemption available under FRS 8, "Related Party Transactions" not to provide details of transactions with other wholly owned Group companies.

There were no material transactions with non-wholly owned subsidiaries during the year. Details of transactions in the prior year with non-wholly owned subsidiary are set out in the table below. All transactions between the Company and non-wholly owned Group companies arise in the ordinary course of business and are on an arm's length basis.

	2013 £m	2012 £m
Management and other charges to related parties	—	0.1

16. Contingent liabilities

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

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

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

Our front cover this year shows several of our almost 3,000 employees, who help to make excellence a habit all around the world. Clockwise from top:

Tina Xiang – Sales Manager, China

Naoki Asami – Planning Manager, Japan

Dushyant Sanathara – Sales Service Manager, Australia

Kavita Kavanal – Head of Human Resources, India

Fiona Korte – Business Development Executive, Dubai

Marcus Silveira – Account Development Manager, Brazil

Jonathan Jackson – Credit Controller, US

Vanessa Downs – Head of Client Delivery, UK

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