

British Standards Institution

BSI Group

Annual Review & Summary Financial Statements



*We shape the future*



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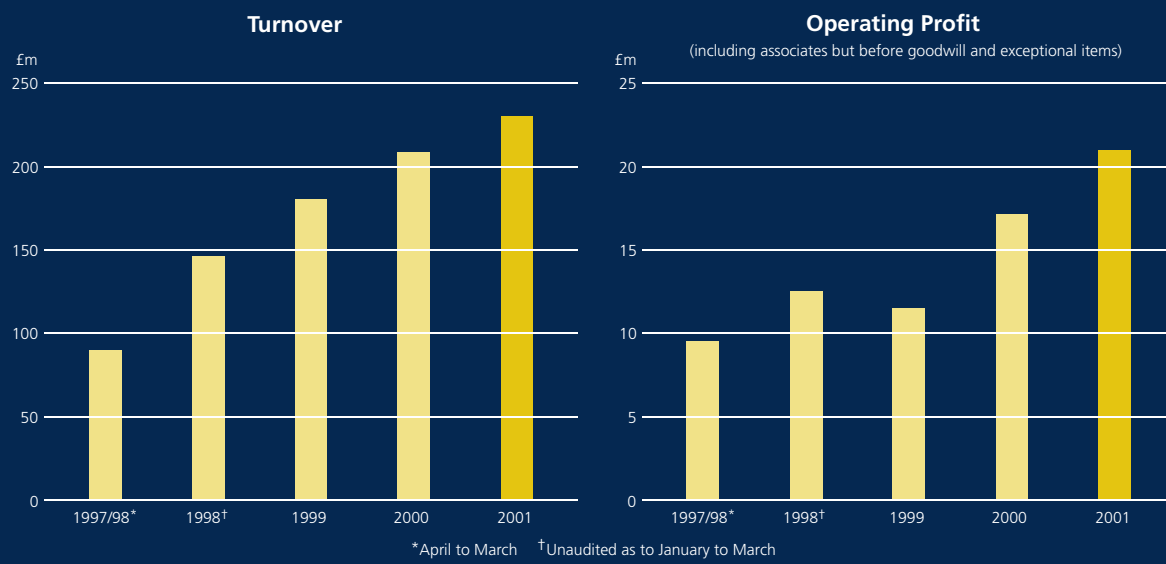
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## BSI's Principal Activities

- Facilitating the development and publication of national and international standards
- Sale and distribution of standards
- Product testing and product certification
- Assessment of management systems
- Inspection of commodities and consumer goods



## Financial Highlights



## Chairman's statement

The British Standards Institution reached its notable centenary milestone in 2001. Our role has changed considerably since 1901. Processes as much as products now require standardisation. As the principles of harmonisation of standards have gained importance, BSI has expanded internationally and significantly broadened the services it offers its global customer base. Product testing and certification, management system registration, information services, training and commodity inspection services have all been added to the portfolio of products that make up the BSI Group of the 21st Century.

This transformation from being simply the UK's national standards body to the leading international provider of best practice services mainly took place over the last decade. The change in our Royal Charter in 1998 to allow the Group to acquire new businesses was the catalyst enabling BSI to purchase:

- 1998 – Inspectorate – the international commodity inspection specialists
- 1998 – CEEM Inc – a leading US training and management services business
- 1999 – Rocky Mountain Geochemicals – an American precious metal testing firm
- 1999 – Mertcontrol – Hungary's leading commodity inspection company
- 1999 – International Standards Certification – a Singapore based certification organisation
- 2002 – KPMG Quality Registrars' North American ISO management systems certification business

Our latest acquisition means we are now the leading provider of management systems registration in the USA.

These acquisitions have helped propel the Group into a position of international standing. Growth has been evident in all areas of the business:

- Group turnover during the last ten years has increased from £61 million to £232.5 million whilst pre-tax earnings have risen by over five times from just under £4 million to £21.1 million, or £24.1 million if one-off costs are excluded.
- The Group now operates in 110 countries.
- Staff levels have increased from 1,700 in 1991 to over 4,700 in 2001. Over half our staff are located outside the UK and we particularly welcome our new North American colleagues to the Group.

But while we are constantly looking to the future, 2001 was also a year of reflection and pride. The BSI Centenary was marked with celebrations throughout the year. HM Government recognised the milestone with a reception in the splendid ambience of Lancaster House. Digby Jones, Director General of the Confederation of British Industry, led British business' congratulations of BSI with a visit and tour of our London headquarters. We are extremely grateful for the CBI's support and the importance given to quality and standards by British business.

The centrepiece of the year's celebrations was a dinner at the Natural History Museum in July in the presence of HRH the Princess Royal, which Melanie Johnson MP, Consumers Affairs minister also attended. Many colleagues from other national standards bodies, CEN, CENELEC and ISO were able to join staff and customers of BSI at what was a truly memorable occasion and a landmark internationally.

Turning to the Group's performance, the centenary year was marked by the posting of record financial results. The individual businesses all performed well with British Standards and Inspectorate exceeding expectations.

Our results for 2001 reflected this upturn in BSI's business performance. Group turnover increased to £232.5 million from £210.8 million in 2000 while operating profit, before exceptionals and goodwill amortisation but including associates, was £21.1 million, compared to £17.3 million for 2000.

The Group's underlying profit was even higher, at £24.1 million, if one considers branding, closure costs, and other once-off charges, amounting to £3.0 million which were incurred in 2001. Net funds also rose significantly to £20.4 million, up from £10.4 in 2000. I am delighted with the progress that the Group has made. It is a credit to all of the management and staff who have put in such an effort, throughout the year.

## Chairman's statement continued

During the year the Group embarked on a brand change programme that will see all BSI Group companies operating under a strengthened BSI brand mark and new strapline, "We shape the future". It will emphasise the opportunity that exists for customers to make the most of BSI's wide-ranging expertise. Presenting a unified face to the world will also bring a wealth of opportunities. Knowledge and expertise can be shared across the Group and our customers will be able to look to the services of the other divisions of BSI irrespective of which area of the Group they are already doing business with.

With regards to Board issues I am pleased to announce that Sir David John joined the Board as a non-executive director on 1 May 2002. Sir David has had a long and distinguished business career. Most recently he was Chairman of the BOC Group and I know that he will bring additional balance and wisdom to the Board.

Kevin Wilson the Group's interim Chief Operating Officer left BSI in February 2002. Kevin's role in the upturn of the Group's fortunes cannot be overstated. He leaves BSI with our very best wishes for the future.

Replacing Kevin is Stevan Breeze whom we warmly welcome. Stevan, who joined BSI from the Jarvis Group, has been appointed Managing Director and joins the Board. Stevan is responsible for all commercial businesses of the Group.

David Lazenby continues as Director of Standards and it was with great pleasure that we received the announcement that David had been appointed a CBE in HM the Queen's New Year's Honours List for services to standardisation. This is an honour for David personally and also reflects the universal esteem in which BSI, the leading national standards body, is held.

As in previous years we continued to invest carefully in our own future and BSI once again welcomed a new intake of graduate management trainees last year. We wish them well for a successful career with the Group.

We are leaders in advancing industry and trade. Our business in the 21st Century remains the protection of consumers' interests and to increase our customers' competitive advantage through a full range of quality services. The strength and depth of the BSI portfolio places the Group in a unique position capable of providing carefully tailored support for the growing global requirements of our customers worldwide. In essence we help to shape the future for both our customers and consumers by working to a better quality of life.

Standards still represents our core raison d'être and our public service role. We take these responsibilities seriously. I am pleased to report that both our performance and reputation in the achievement, attainment and protection of standards worldwide has never been higher. We intend to keep it that way.

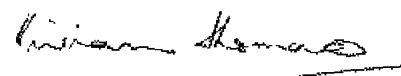
I have been privileged to lead BSI for just over ten years. I have notified the Board of my intention to retire at the conclusion of this year's AGM. My successor, who will be appointed by the Board, will be announced immediately after the formal business has been concluded at the AGM.

Throughout my tenure at BSI, in continually changing circumstances, I have been fortunate enough to have had the support of a dedicated and effective executive team. I am deeply indebted to them and wish them well. Indeed, the results speak for themselves. I believe I leave BSI poised to make further significant progress. The essentials are in place with a strong balance sheet, no debt, significant borrowing potential, if needed, and BSI is operating in a buoyant market place.

I wish all BSI Group staff and customers worldwide, continued success.

**We shape the future.**

Vivian Thomas CBE  
14 June 2002



## Commercial Business Report



I arrived at the BSI Group in February 2002 at the end of a year of celebration. A year in which the Group reflected on its history and its growth from a body, very much focused on supporting British industry, to a world class multi-faceted operation established in some 110 countries with a staff of approaching 5,000.

This expansion is progressing and I warmly welcome the Group's latest recruits who joined BSI following the purchase of KPMG's North American ISO management systems certification business. This acquisition has strengthened the Group's presence in the Americas, particularly in the key automotive sector and has reaffirmed our commitment to provide a global service to our customers. We will continue to consider future acquisitions providing that they complement the current core businesses reflected by our portfolio.

During the year the Group embarked on a significant brand identity programme, the intention being to bring all the BSI Group business divisions and in particular Inspectorate, under one, strengthened brand mark. Our customers expect consistency and clarity both in the products that we offer and their dealings with the Group. We are now in a strong position to raise awareness of our entire range of quality products to our global customer base.

It is an exciting time to be a part of BSI. The Group has a powerful brand and strapline; it is moving forward, building on its past successes and providing business with the capabilities to trade across international markets. The growth opportunities and requirements for BSI's products are enormous. The future for the Group has never looked brighter.





## Commercial Business Report continued

### Review of the year

2001 was a very good year for the Group. We enjoyed increased profitability across the divisions and this, coupled with a strong balance sheet, has given the Group a robust platform to build for the future.

All of BSI was shocked and saddened by the terrible events in the USA on 11 September 2001. The BSI Group has many staff and customers in the United States who were affected by the terrorist attacks on New York and Washington DC. Our sincere condolences go to the families and friends of those who were killed or suffered injuries.

Despite the downturn in global economic activity following those attacks, I am pleased to report that during 2001 we achieved turnover growth of 10.3% to £232.5 million, with operating profits (including associates but excluding exceptionals and goodwill amortisation) moving ahead by 22% to £21.1 million. Operating profit, as defined above, represented some 9.1% of turnover up from 8.2% in 2000.

I am also pleased to report that the Group maintained its investment in and support for innovation during 2001. Our sponsorship, for the seventh successive year, of the Royal College of Art's Environmental Design & Technology awards was complemented last year by a special centenary scholarship. Diana Irani, a fashion and textiles postgraduate student from India, was the recipient of the centenary scholarship for her innovative use of medication in clothing. As in previous years the quality and imagination of the work put forward by the students for consideration was exceptionally high. The overall winner was Casja Flensburg, a Swedish student, for her design of a female urinal that displayed environmental sensitivity and a strong commercial insight.

BSI maintained its involvement with the Prince Michael International Road Safety Awards Scheme and we were pleased that the award for passenger safety was presented to Volvo Cars for their innovative concept car.

The BSI Group and our customers rely heavily upon the calibre of our staff and I second the Chairman's thanks to all colleagues across the Group who contributed to a successful year.



**Stevan Breeze,**  
Managing Director

## Commercial Business Report continued

### BSI Management Systems

BSI Management Systems, under the directorship of Nick Moy, had another successful year experiencing organic growth in all three regional hubs. Generating both revenue growth and enhanced profitability underlines the ability of the business to achieve success in an increasingly competitive market. This organic growth has been complemented by our acquisition of KPMG's ISO registration business which has made us the market leader in the North American market, as well as within the important automotive market in that region.

The establishment of the three hubs structure: the Americas, Asia, and Europe, Middle East and Africa (EMEA), resulted in each hub outperforming expectations in terms of profitability and generating new business significantly ahead of the previous year.

The uptake of ISO 14001 the Environmental Management Systems standard continues to increase rapidly across the world, and the ability of BSI Management Systems to establish global brand leadership in the new Management System Standards associated with Health & Safety (OHSAS 18001) and Information Security (BS 7799) is particularly encouraging.

Differentiation of the base ISO 9000 Management System into sector-specific schemes continues to increase and BSI is well established to cater for these demands as illustrated through our participation in such schemes as ISO TS 16949 (automotive) and TL 9000 (telecoms).

Our efforts to establish BSI as the leading registrar in the transition of ISO 9000 to the year 2000 version remains a major focus, with significant resources allocated to training our assessors and educating our clients about the implications and benefits of the new standard.

In terms of product development BSI is focused on extending its portfolio into operational risk management assessment as well as environmental sustainability. These developments extend our platform for an integrated approach to meeting our clients' requirements for independent assurance and improving business efficiency as well as mitigating risk.

With the increasing globalisation of the market, we have now extended our geographic reach with the establishment of new offices in Thailand and Turkey as well as consolidating our presence in Africa with the establishment of a majority shareholding joint venture in South Africa.

We now have the ability to deliver assessments in over 100 countries with increased emphasis on delivering locally on a consistent global basis. This commitment to deliver assessments with an unrivalled level of consistency across the world has been augmented by our training and advisory activities in all three hubs. These have been expanded to include distance learning as well as courses for consultants involved in the implementation of a wide range of management systems prior to certification.

Major internal initiatives have been implemented within the business to improve our operational efficiency and ability to meet customer demands. In particular, the establishment of Point Global, an intranet based framework that integrates with our operational platform (SAP) will undoubtedly establish BSI Management Systems as the foremost registrar in terms of customer service and flexibility.

BSI Management Systems is now clearly focused on the establishment of "clear blue water" between ourselves and the competition in all facets of our service delivery for our expanding and diverse customer base.



## Commercial Business Report continued

### BSI Business Information

BSI Business Information, under the directorship of Giles Grant, had a successful first year, operating as an information provider. The division was created in 2001 from the commercial operations of British Standards, and includes British Standards (Publishing) Limited, a joint venture with IHS.

BSI Business Information's major activities centre on the commercial sales of standards and standards related information in a variety of formats, whether hardcopy, online, seminars and training. Additionally, BSI Business Information offers a range of services from technical advice to consultancy, including production of non-consensus private standards/codes of practice.

The Professional Standards Service has given customers greater speed and flexibility and was taken up enthusiastically by the market. 2001 saw the launch of PAS 2001 – *A Guide to Good Practice in Knowledge Management*, developed in conjunction with PricewaterhouseCoopers and other leaders in the field. Continuing this momentum, BSI is now leading the development of KM good practice on the European stage.

In addition, both technical research and fast track standards development contracts were won with Waste and Resources Action Programme, the leading body in creating markets for recycled resources in the UK.

New product development centred on further enhancing both CD-ROM and online products. The new versions of British Standards Online provided global customers with enhanced functionality such as credit card ordering which increased sales. ISO 9000: 2000 and information security application tools provided solutions to customers across all sectors of the economy including cyber vending machines allowing instant document download.

The seminar and workshop programme offered further value added service providing attendees with practical advice and guidance on the successful implementation of standards and related products. Topics covered include management systems – the transition to ISO 9001: 2000, Health & safety (OHSAS 18000 1 & 2), and Complaints management (BS 8600) with workshops run in locations throughout the UK and Northern Ireland. The programme also covers industry specific standards such as BS 8888 – Technical product documentation, BS 10175 – Contaminated land, IEC 60601-1 Medical electrical devices, and BS 5839 – 1 Fire alarms and detection systems, a legislative requirement. New topics are continually being reviewed and evaluated with the aim of meeting and exceeding customer needs and expectations.

British Standards (Publishing) Limited, our joint venture with IHS, performed exceptionally well. Existing customers continue to upgrade from CD-ROM to online, broadening standards usage and allowing greater customer access globally. Investment in online delivery continues to reap rewards through improved document delivery to Distributors worldwide, reducing environmental and production costs of printing.

Business Information's Customer Services team continued to deliver exceptionally high levels of service to customers. 2001 saw significant investment in a new Siebel 'Customer Relationship Management' system which will enable both Marketing and Customer Services to upgrade their ability to respond to customers needs and preferences.

2001 also witnessed growth in delivery of BSI's commercial expertise to standards bodies and other non-UK organisations. This work is continuing in 2002. Particularly successful has been the programme in countries seeking early accession to the EU. The national standards bodies of Cyprus and Malta have both publicly acknowledged that BSI Business Information advice and support has helped them move quickly to meeting the requirements for membership of the European Committee for Standardisation, CEN.

Information Delivery, BSI Business Information's digital printing facility provided bespoke services to new customers in the Mediterranean. It won a major contract against strong competition to print on demand standards and other documents for CEN for distribution throughout Europe and beyond. Whilst recognising that its primary objective is to provide services to BSI, the Information Delivery business will continue in 2002 to seek innovative ways of maximising use of its state-of-the art equipment and expertise.

The BSI Membership scheme has been strengthened, delivering new benefits and improved access and communications via a Member only area of BSI's web site. Whilst support for small businesses has improved through development of a web site aimed at providing focused standards and business guidance information acknowledging the 24/7 nature of most modern businesses.

BSI Business Information continues to support the BSI Group and British Standards and the close co-operation, communication and teamwork amongst everyone concerned ensures this. In 2002 we will look forward to build on both this and the success of 2001.



## Commercial Business Report continued

### BSI Product Services

Under the directorship of Alan Hope, BSI Product Services continued to grow and broaden its geographic and technological reach, penetrating new markets at home and abroad in 2001.

A major investment programme throughout the year resulted in new test equipment to assist clients in the transition from British to harmonised European standards. These investments have enabled us to meet the challenges of the future and continue to provide our clients with the excellent service, integrity and confidence they have come to expect.

2001 was also a year spent on developing opportunities in Medical Devices, Pressure Equipment and the Machinery Directives in North America, Middle East, China, Japan, India and Europe. Sales and Marketing personnel have been appointed in a number of key international manufacturing locations, including Malaysia/Singapore, Iran and latterly China/Hong Kong. The US Medical Devices initiative has been a great success for both Product Services and Management Systems through BSI Inc, and will be the model for further initiatives in 2002.

Product Services' standing with the respective accreditation and assessment bodies has never been higher. UKAS have assessed the newly implemented electronic based QMS as being fully compliant with ISO 17025. The portfolio of Notified Body listings continues to grow and now stands at 16, making us the single largest Notified Body in Europe. During 2001 NB status was obtained for the Noise Directive, and for common cement products within the Construction Products Directive. Product Services continues to play a major role in the development and implementation of the EU 'New Approach Directives'. Inspection Body status to EN 45004 has also been achieved in respect of pressure vessels.

The number of Kitemark, CE marking and other certification scheme licences has increased by 839 in 2001 to a total of 4,739 and the new Kitemark Conditions of Contract were finalised, heralding a new era for the Kitemark.

BSI Product Services is increasingly becoming the product testing and certification service provider of choice. Opportunities for further growth and development exist, driven by the breadth of specialist skills, knowledge and the professional standing of Product Services staff.



#### Statistics:

Kitemark Licences **2296**

CE Certificates: **2443**

Notified Body Approvals: **16**

## Commercial Business Report continued

### BSI Inspectorate

Inspectorate had a strong year. The first part of the year was characterised by robust market conditions in the traditional commodity sectors of metals, minerals and coal, oil and petrochemicals and agro commodities that fed through strongly into profits.

Despite widespread speculation of major economic disruption following the 11 September terrorist attacks in the United States this did not materialise and the Americas division under the directorship of Neil Hopkins performed well. Certain areas did feel adverse effects, such as a weakening demand for aviation fuel, and low metal prices, but overall the impact on the commodity business was more muted than in some industries.

In Holland BSI Inspectorate exited the loss making metals business and will concentrate energies on a major oil and petrochemical laboratory development. The Inspectorate M&L business in South Africa was sold to the Glenrand Group but close trading relationships will be maintained for international business. The opportunity was taken during the year to strengthen operations in Estonia by acquiring the remaining equity of our former joint venture.

2001 saw the first full year of the development the Pacific Rim, India and the Middle East region and the business grew strongly despite slackening demand from US based consumer clients. We were pleased to incorporate a new entity in Thailand that already has the second place market position in that country. We have also strengthened BSI Inspectorate's presence in the UAE and Saudi Arabia.

We continued to invest in new and upgraded laboratory facilities including new laboratories in Ukraine and Russia, plus a major upgrading of the world leading metals and minerals laboratory in the UK. The newly expanded geochemical testing laboratory in Reno, Nevada benefited from an expanded network of sample preparation laboratories throughout Central and South America.

The Americas oil and petrochemical division had a robust year on continued strong demand for testing and inspection. Investment was maintained leading to an improved service to the Houston area petrochemical market. The Bayport laboratory was relocated to new, larger premises with added state of the art testing equipment.

New laboratory facilities in Jacintoport, Texas to serve the growing fuel oil inspection business were opened. The new laboratory will provide "hub" laboratory services to the Gulf Coast fuel oil blending market and will play a central role in providing laboratory support to the recently awarded Florida Power and Light contract.

The Brazilian Agro-commodities division also expanded scope to include testing, inspection and traceability of non-GMO soya and organic fruits and vegetable exports from Brazil. To meet the demands of Brazil's agri export market new agri testing laboratories were opened in Vitoria, Espiritu Santo state and Rio Grande do Sul, Rio Grande do Sul state. The US Agri division grew at a slower than forecast rate as a result of a weak wheat harvest.

BSI Inspectorate maintained strong foreign trade supervision services for a number of governments and these included pre-shipment inspection and price verification contracts in Bangladesh, Iran and Bolivia.

BSI Inspectorate is rolling out a new brand identity that, through the new brand mark and company trading names, clearly identifies the division as integral to the BSI Group.



## British Standards Report

British Standards is the National Standards Body of UK, and as such is responsible for the origination, drafting, public consultation, and finally the publication and marketing of all the formal consensus British Standards and other standardisation products. 2001 has been an outstandingly busy and successful year for British Standards within BSI. Both in terms of our output and processes, strengthened staffing, and our national and international profile, we have achieved a great deal.

The output of standards was again a record of 1850, including approximately 45% European (CEN/CENELEC), 45% International (ISO/IEC) and a further 10% purely national ones. We are making strong efforts to focus our work to reflect market relevance, in order to better serve our stakeholders and sustain our position. For this reason we have been working with our sector committees and their chairmen to achieve a more pro-active guidance on our focus and priorities.

Highlights of our publications during the year included the eagerly awaited 2000 edition of ISO 9000 series (Quality Management Systems). But other major items include:

- BS 8300 Access for the disabled
- BS 7671 Requirements for electrical installations (the IEE Wiring Regulations)
- BS 7255 Code of Practice for safe working of lifts
- BS 7982 Guidance on the environmental impact of large scale fires involving plastics
- BS/ISO 15489-1 and PD/ISO/TR15489-2 Standards on (electronic) records management.

Our work received good public exposure, which all helps to maintain, and hopefully increase, the profile which is so necessary in order to sustain the vigour and success of our work. Extensive media coverage of items which touched on public concerns included the use of IT in examination assessments, disabled access guidance, labelling of sun-safe clothing, and of course the advances made by industry over 100 years on our Centenary.

Our internal processes have been greatly strengthened by the continuing adoption of latest technology. Electronic Document Delivery (EDD) was virtually completed by the end of the year. Most committee rooms are now fully equipped for electronic working, and I am pleased that only a handful of committee members found difficulty with the changes in format.

Today a vital dimension is the work in the European arena (with CEN, CENELEC and ETSI) and internationally (with ISO, IEC) where we provide the major access and influence for UK industry and other stakeholders. Through British Standards high level participation in the key councils and committees we are able to provide input to, and handle output from, these vital arenas.

In 2001, our centenary year, we were honoured to host the General Assembly of the European Standards Organisation CEN, and also the General Assembly of the European Consumers Organisation ANEC. These events were extremely successful, and reflected the commitment and hard work of the British Standards team.

We have maintained our innovative approaches to the generation and dissemination of our standards, and the services we provide. We have undertaken contracts for our friends in Cyprus Standards and the Malta Standards Authority, as part of their preparations for membership of CEN (the latter being voted in at the General Assembly in October 2001). Other international activities and collaborative ventures have kept us at the heart of the world of standardisation. A programme of formal visits by colleagues from other standards bodies underlines this.

Overall, British Standards had an exceptionally busy and successful year. Our team is facing challenging times, and I pay tribute to their determination to keep us at the forefront of the standards world.



**David Lazenby CBE**  
Director, British Standards

## Summary Financial Review

### Introduction

It is our policy to follow best practice accounting in the preparation of our Annual Review and Summary Financial Statements in accordance with company regulation and the Listing Rules of the UK Financial Services Authority.

The year to 31 December 2001 has seen a continued increase in operating activity, resulting in an operating profit before exceptional items and goodwill amortisation but including associates of £21.1 million compared to £17.3 million for the year to 31 December for 2000.

### Cash flow and investment in the business

Cash of £22.2 million was generated in 2001 from operating activities before interest, tax and capital expenditure. Net capital expenditure for the year of £6.8 million reflects continuing investment in computer software, equipment and infrastructure.

As a result of improved performance and working capital management, net funds at the end of the year were £20.4 million compared to £10.4 million at the start of the year.

The Group seeks to achieve a balance between certainty of funding with committed facilities and a flexible cost-effective structure. At 31 December 2001, the group had unutilised committed bank facilities of £13.4 million, unutilised short term borrowing facilities of £12.4 million and net cash of a further £18.5 million.

The Group policy is for Treasury to continually review the market for interest rate protection instruments. An example of this is the matching of sterling set-off deposits against sterling and currency loans, and to invest the surplus cash at floating interest rates. Management of interest rate risk is achieved by using corresponding fixed interest rate periods for both the loans and the sterling deposits. The risk is also managed by constant monitoring of the interest rates in the three currencies and periodic reviews of the market for interest rate protection instruments.

BSI operates internationally giving rise to exposure from changes in foreign exchange rates, particularly the US dollar. The Group does not hedge profit and loss account translation exposure because any benefit obtained from such hedging can only be temporary. If the exchange rates prevailing at the year end had applied throughout 2001 the effect on translation of operating profit and retained profit would have been less than 1% (2000: 1%).

### Taxation

The effective tax rate for the year reduced from 33.6% in 2000 to 33.4% in 2001, excluding the effect of goodwill. This is higher than the UK statutory rate of 30% because a significant proportion of the Group's profit arises in the USA and because of unrelieved losses in certain overseas locations. Going forward, the tax rate is expected to reduce towards the UK statutory rate.

### Government support

Government funding of standards work has declined from £7.3 million in 1994/95 to £5.6 million for the year to 31 December 2001. Within current year funding, £3.3 million represents direct funding for standards activities and £2.3 million for other related activities including committee members' international travel.

The activities of standards writing are managed exclusively within a ring-fenced arrangement, whereby Government funds together with receipts from sales and funding from other BSI sources are deployed to meet the needs of the standards development programme.

### Going concern

The Directors confirm that, after making appropriate enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they adopt the going concern basis in preparing these financial statements.

### Roy Mort

Group Finance Director  
14 June 2002

## Summary Financial Statements

### Summary group profit and loss account

for the year ended 31 December 2001

	2001	2000
	Total £'000	Total £'000
<b>Turnover</b>	<b>232,525</b>	210,817
Cost of sales	<b>(130,912)</b>	(119,107)
<b>Gross profit/(loss)</b>	<b>101,613</b>	91,710
Operating income and expenses	<b>(81,289)</b>	(76,721)
Goodwill amortisation	<b>(988)</b>	(3,591)
<b>Group operating profit/(loss)</b>	<b>19,336</b>	11,398
Share of associates	<b>792</b>	366
Profit on sale of fixed assets	<b>-</b>	95
	<b>20,128</b>	11,859
Net interest receivable/(payable)	<b>281</b>	(2,382)
<b>Profit/(loss) before taxation</b>	<b>20,409</b>	9,477
Tax	<b>(7,146)</b>	(4,163)
<b>Profit/(loss) after tax</b>	<b>13,263</b>	5,314
Minority interests	<b>(2,237)</b>	(916)
<b>Retained profit/(loss)</b>	<b>11,026</b>	4,398

Other gains and losses arising in the year and charged against reserves were exchange losses of £1.5m (2000: £2.0m gain on the release of the deferred tax provision on the revaluation of properties and exchange gains of £0.2m).

There is no difference between profit on ordinary activities before taxation and retained profit for the period stated above, and their historical cost equivalents.

### Summary group balance sheet

at 31 December 2001

	2001	2000
	Group £'000	Group £'000
Goodwill	<b>30,664</b>	31,352
Tangible assets and investments	<b>23,229</b>	22,458
<b>Fixed assets</b>	<b>53,893</b>	53,810
Current assets	<b>103,666</b>	102,698
Current liabilities	<b>(51,054)</b>	(59,983)
<b>Net current assets</b>	<b>52,612</b>	42,715
<b>Total assets less current liabilities</b>	<b>106,505</b>	96,525
<b>Creditors due for payment after one year</b>	<b>(19,589)</b>	(22,561)
<b>Provisions for liabilities and charges</b>	<b>(10,799)</b>	(9,283)
<b>Minority interests</b>	<b>(3,469)</b>	(1,590)
<b>Net assets</b>	<b>72,648</b>	63,091
<b>Reserves</b>	<b>72,648</b>	63,091

The summary financial statements on pages 21 to 22 were approved by the Board on 22 May 2002 and have been signed on its behalf by:

**Vivian Thomas** CBE  
Chairman

## Summary Financial Statements

### Summary group cash flow statement

for the year ended 31 December 2001

	2001 £'000	2000 £'000
<b>Net cash flow from operating activities</b>	<b>22,157</b>	17,324
<b>Dividends received from associated undertakings</b>	<b>419</b>	425
<b>Returns on investments and servicing of finance</b>	<b>(564)</b>	(2,522)
<b>Taxation</b>	<b>(5,648)</b>	(3,026)
Purchase of tangible fixed assets	(6,760)	(5,055)
Sale of tangible fixed assets	2	33,771
<b>Net capital expenditure</b>	<b>(6,758)</b>	28,716
<b>Acquisitions and disposals</b>	<b>31</b>	(564)
<b>Cash inflow/(outflow) before management of liquid resources and financing</b>	<b>9,637</b>	40,353
<b>Management of liquid resources</b>	<b>9,008</b>	(31,434)
<b>Financing</b>		
(Decrease)/Increase in borrowings	(9,953)	74
Investment by minority	-	42
Repayment of principal under finance leases	(58)	(215)
<b>Increase in cash</b>	<b>8,634</b>	8,820

### Movement in net funds/(debt)

for the year ended 31 December 2001

	2001 £'000	2000 £'000
<b>Increase in cash</b>	<b>8,634</b>	8,820
Loans and finance leases acquired	-	-
Movement in short term investments	(9,008)	31,434
Movement in borrowings	9,953	(74)
Other changes in debt	401	(898)
<b>Movement in net funds in the period</b>	<b>9,980</b>	39,282
Net funds/(debt) at beginning of period	10,385	(28,897)
<b>Net funds at end of period</b>	<b>20,365</b>	10,385

### Summary remuneration report

During 2001, the total amount of directors' emoluments, including benefits and bonus payments, was £0.6m (2000: £1.0m). Full details of Directors' remuneration is contained in the detailed Report and Accounts for 2001 (see page 29).



## Summary Reports

### Auditors' statement to the members of BSI

We have examined the Summary Financial Statements set out on pages 21 and 22.

### Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Review and Summary Financial Statements in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Annual Review and Summary Financial Statements with the full annual financial statements and Directors' report and its compliance with the relevant requirements of Section 251 of the United Kingdom Companies Act 1985 and the regulations thereunder, as if the same applied to BSI. We also read the other information contained in the Annual Review and Summary Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

### Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, "The Auditors' Statement on the Summary Financial Statement," issued by the Auditing Practices Board for use in the United Kingdom.

### Opinion

In our opinion the Summary Financial Statements are consistent with the annual financial statements and Directors' report of BSI for the year ended 31 December 2001 and comply with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder as if the same were applicable to BSI.

### PricewaterhouseCoopers

Chartered Accountants and Registered Auditors.  
London  
14 June 2002

### Summary Directors' report

The Annual Review and Summary Financial Statements are a summary of the information contained in the Annual Report and Accounts for the year ended 31 December 2001.

### Principal activities and business review

A review of the business and likely future developments of the business are described in the Chairman's statement on pages 3 to 5 and the operating review on page 7 to 19. A description of the principal activities of the Group is set out on page 2.

### Corporate governance

The Company follows the Combined Code which incorporates the Cadbury, Greenbury and Hampel reports and the guidance on the interpretation of internal controls provided by the Turnbull report.

The Board has appointed a number of committees to deal with specific aspects of the management of the Company namely the Audit, Remuneration, Nominations and Development Committees. Directors' membership of these committees is shown on page 27.

A Group Compliance and Risk Management function under the direction of the Director of Legal Affairs and a Business Risk function under the direction of the Finance Director carry out complementary work in the fields of identifying and managing risk, compliance monitoring and training and maintaining internal and external quality standards.

Details of how the Company applies the principles set out in the Combined Code are set out in the full Report and Accounts for the year ended 31 December 2001.

### Annual General Meeting

Details of the Annual General Meeting to be held on 24 July 2002 at 3.30pm at British Standards House, London, together with the resolutions to be proposed at the meeting are set out on page 24.

A proposal will be put forward to increase the annual limits on remuneration payable to the Chairman of the Board from £95,000 to £120,000, the Chairman of the Audit Committee from £22,000 to £23,000 and other non-executive directors from £19,500 to £20,500. The annual limits, which were last reviewed in 1999, are designed to reflect current market rates.

### The Board

On 1 February 2002, Stevan Breeze joined the Board as Managing Director Commercial Operations and on 1 May 2002 Sir David John KCMG joined the Board as a non-executive director.

Retiring Directors who will retire by rotation from the Board at this year's Annual General Meeting are Vivian Thomas and David Kendall. Vivian Thomas will not be offering himself for re-election, having completed over ten years' service on the Board. David Kendall is pleased to offer himself for re-election. Under the Bye-laws Stevan Breeze and Sir David John also retire from the Board and will be offering themselves for re-election.

### Stanley K Williams

Director of Legal Affairs and Company Secretary  
14 June 2002

### Full Report and Accounts

In the interests of readability and economy, we follow the common practice of publishing an Annual Review of our operating activities together with Summary Financial Statements. It should be noted that the latter do not contain sufficient information to allow as full an understanding of the company's results and state of affairs as would be provided by a full report and accounts.

If you would like a copy of the detailed Report and Accounts for 2001, on which the auditors have issued an unqualified report, please contact Mrs Pamela Danvers:

Tel: 020 8996 7339 Email: Pamela.Danvers@bsi-global.com

## The Board of Directors

### Chairman

**Vivian Thomas** CBE ▲●■◆  
Chairman of the BSI Board since November 1991, Vivian Thomas was previously Chief Executive of BP Oil UK having joined the BP Board in 1985. He previously held a number of senior management positions for that company around the world. He is a Board member of Gowrings plc and Jaguar Ltd. Age 70.

### Non-executive Members

**Anthony Fry** ●■  
Anthony Fry is a Managing Director of Credit Suisse First Boston, the leading global investment bank. Prior to joining Credit Suisse First Boston he held a number of senior positions in the financial sector for the Rothschild Group. He joined the BSI Board on 1 January 2000. Age 44.

### Neil Garrard

▲●◆  
Neil Garrard joined the Board in March 1992. An independent business consultant and a director of four small companies in the leisure, development and building components sectors, he worked for McKinsey and Co management consultancy until leaving in 1990 to pursue his own business interests. Age 64.

### David Kendall

●  
Following a distinguished career in the oil and petrochemical industry David Kendall joined the BSI Board on 1 January 2000. In addition to membership of the BSI Board he holds a number of non-executive directorships including chairmanships of Wagon plc, Danka Business Systems plc, Blagden plc and Celtic Energy Ltd. Age 67.

### Sir David John

KCMG  
Sir David John joined the BSI Board in May 2002 as a non-executive director. Sir David was previously an executive director of Inchcape plc and has recently completed six years as non-executive chairman of The BOC Group plc. He is currently chairman of Premier Oil plc, a board member of the Welsh Development Agency and a non-executive director of Balfour Beatty plc and The St Pauls Company Inc., USA. Age 63.

### Nigel Macdonald

▲  
Nigel Macdonald has been a member of the BSI Board, and Chairman of the BSI Audit Committee, since 1992. A senior partner with Ernst and Young, he is a past President of the Institute of Chartered Accountants of Scotland and a member of the Competition Commission. He is also chairman of a retail company. Age 57.

### Tony Percival

◆■▲  
Tony Percival joined the BSI Board in January 1997. He is a director of Kingfisher plc and was its finance director from 1995 to 1998, following 28 years accounting and management experience as a partner with Coopers & Lybrand. Age 62.

### Executive Members

**Stevan Breeze**  
*Managing Director*  
Stevan Breeze joined the BSI Board in February 2002. He was previously a Director of Jarvis Infrastructure Services and Divisional Managing Director at BTR. Age 50.

### David Lazenby

CBE  
*Director, British Standards*  
David Lazenby has been Director of British Standards since December 1997. A professional engineer, he is a past President of the Institution of Structural Engineers, and over many years has gained wide experience of national, European and international standards activities. Age 64.

### Roy Mort

*Finance Director*  
Roy Mort joined the BSI Board in November 2000, having previously been Finance Director of the Group's subsidiary, Inspectorate plc. He has previously held senior positions in a number of international companies and has wide operational experience within the services industry. Age 50.

### Director of Legal Affairs and Company Secretary

**Stanley Williams**  
Stanley Williams joined BSI as Company Secretary and Director of Legal Affairs in September 1997. He was previously Company Secretary and Solicitor of BTR plc, and Deputy Company Secretary of Rowntree plc. He is Chairman of the BSI Pension Trust. Age 57.

▲ Audit Committee

● Appointments and Remuneration Committee

■ Nominations Committee

◆ Development Committee