



## Sharing best practice

### **The British Standards Institution**

Annual Review and Summary

Financial Statements 2007

*raising standards worldwide™*





## **CONTENTS**

<b>Highlights of the Year</b>	<b>4</b>
<b>Chairman's Report</b>	<b>5</b>
<b>Chief Executive's Report</b>	<b>7</b>
<b>Operational Review</b>	
BSI British Standards	10
BSI Management Systems	13
BSI Product Services	18
<b>Summary Financial Review</b>	<b>21</b>
<b>Summary Financial Statements</b>	<b>23</b>
<b>Independent Auditors' Statement to the Board of Directors of The British Standards Institution</b>	<b>26</b>
<b>Summary Directors' Report</b>	<b>27</b>
<b>The Board</b>	<b>30</b>
<b>Summary Directors' Remuneration Report</b>	<b>32</b>
<b>Summary Corporate Governance Statement</b>	<b>33</b>
<b>Corporate Social Responsibility Statement</b>	<b>37</b>
<b>Interests in Group Undertakings</b>	<b>38</b>
<b>Facts and Figures</b>	<b>38</b>

## Highlights of the Year

### Operating Highlights

- 1,997 new standards published with key developments in business continuity (BS 25999), occupational health and safety (BS OHSAS 18001), sustainable events management (BS 8901), customer service (BS 8477) and carbon footprint management for products and services (PAS 2050)
- Strong sales growth in BSI Management Systems globally and BSI Products Services Healthcare and Kitemark® Services businesses
- Significant enhancements in the Group's e-business capability with new website and growth in e-shop transactions
- Major contracts won by BSI British Standards for technical assistance in Eastern Europe, Asia Pacific, the Middle East and Latin America
- Record new business orders for BSI Management Systems and continued improvements in customer satisfaction

### Financial Highlights

Total Group revenue  
**£179.0m**  
2006: £168.4m  
Up 6.3%

Profit before taxation (PBT)  
**£18.8m**  
2006: £14.0m  
Up 34%

Cash generated from operations  
**£12.7m**  
2006: £11.6m  
Up 9%

Net assets  
**£2.9m**  
2006: £8.3m

Net assets (before pension liability<sup>1</sup>)  
**£60.2m**  
2006: £52.9m

Note: The BSI logo, BSI Group logo, BSI Learning logo, "Kitemark" and the Kitemark symbol are either registered trademarks of The British Standards Institution in the United Kingdom and other jurisdictions, or are in the process of registration.

<sup>1</sup> Net of deferred tax

## Chairman's Report



**Sir David John KCMG**  
Chairman

I am delighted to report that in 2007 the BSI Group has again posted very strong results with excellent revenue growth and significant improvements in profitability and cash generation. This is a clear reflection of the progress we have made since we instigated our strategic review in 2002.

We are now realising the benefits of our strategy of developing a premium portfolio of standards-based solutions, enhancing our human resources and skills, leveraging the opportunities for added value services through new web-based technologies and extending our global infrastructure.

All the business units delivered volume growth and improvements in efficiency and customer service, resulting in revenue of £179.0 million (2006: £168.4 million) and profit before tax of £18.8 million (2006: £14.0 million). The underlying performance of the Group is demonstrated by the excellent trading profit improvement of 34.3% year on year. Cash at year-end of £25.6 million (2006: £19.4 million) saw also a significant improvement with a 32.0% increase on the previous year.

With a continued strong focus on the key brand attributes of integrity, independence and innovation, we continue to develop solutions to address issues of critical importance to any Boardroom; namely management of risk, increasing operational efficiency, improving sustainability, and removing barriers to trade.

We have seen significant developments in such areas as business continuity, with the publication of the BS 25999 certification standard, sustainability with the first ever sustainable events management standard BS 8901, and carbon management, with the development of PAS 2050 for carbon footprinting of products and services.

Our standards output was 1,997 new standards for the year, an excellent performance when set against a continued reduction in output of new standards both European and internationally. As a leading Standards Body we continue to deliver excellent service to UK Government in helping it meet its European standardisation obligations and taking a leading role in European standardisation through CEN/CENELEC, and internationally through ISO/IEC.

Our key themes of inspiring confidence and delivery of assurance have resonated with both established and new customers with record new business sales from BSI Management Systems. The beneficial impact of new web-based technologies has been exemplified by the growth in online sales of standards through the expansion of our e-shop and enhancement of our online subscription service in BSI British Standards. The growth in our Healthcare and Kitemark® Services businesses in BSI Product Services underline our ability to develop and grow innovative new solutions for new and existing markets.

Our capability to deliver training and e-learning to customers globally provides the added value they demand. Development of the BSI Entropy Software™ system to support customers beyond conventional certification is of particular benefit in a market of increased globalisation, supply chain complexity and increased competitiveness.

Our relationship with the National Standards Body of China took a further positive step with the appointment of Mike Low, Director, BSI British Standards, as the first foreign representative on their China Standardization Expert Committee, which advises the Chinese National Standards Body on national standards and policy. BSI also signed a Memorandum of Understanding with the Confederation of Indian Industry in November promoting the exchange of best practice in standardisation for the mutual benefit to UK and India businesses.

The Board's visit to Brazil in November reflected our focus toward Latin America and provided the opportunity to develop relationships with the Brazilian National Standards Body and engage with both customers and local staff. I also visited Poland in June taking the opportunity to meet key clients including Polish Telecommunications, Siemens and LG Philips, opening the new branch office in Wroclaw and meeting officials from Polish Standards.

BSI British Standards won major contracts in Eastern Europe, Central America, the Middle East, China and Asia Pacific to help establish and develop the standards infrastructure in these emerging economies. This will clearly benefit UK business in developing their export activity in these areas.

The importance of standards in developing and promoting innovation was recognised through the publication of the Sainsbury Review on Innovation in October. We continue to work closely with the newly established Government Department for Innovation, Universities and Skills and the new Technology Strategy Board in supporting the Government Innovation and Technology Strategy in our role as the National Standards Body for the UK. More work in nanotechnology, biometrics and regenerative medicine has reinforced our credentials in this important developing area for UK industry.

### The Board

It is with much sadness that we learnt of the death of Wayne Booker in October. Wayne served as a Non-executive Director from May 2003 to May 2005 and as a Strategic Adviser to the Board thereafter. With an illustrious international career including Ford Motor Company Vice Chairman from 1996 to 2001, Wayne's contribution to the Board has been significant in terms of our geographic and product portfolio development.

In July we welcomed Anthony Lea to the Board as a Non-executive Director. With his extensive financial and operational experience with Anglo American in the UK, South Africa and North America, Tony has strengthened the Board's capability to provide governance and strategic input to the Group.

September saw the appointment of Martin Hannah as Group Finance Director. Martin's considerable international experience in both the manufacturing and service sectors and his experience in dealing with the financial regulatory and compliance requirements across the world will be invaluable as BSI continues to develop its infrastructure and office network worldwide.

### BSI Pension Fund

The BSI Board continues to be committed to addressing the Fund's significant deficit and in 2007 the Company contributed £10.0 million (2006: £10.1 million) towards the deficit on the Fund. This contribution is in excess to the Schedule of Contribution agreed with the Trustee of the BSI Retirement Benefits Plan for the third consecutive year. In 2007 the Trustee commenced the required triennial valuation and it is expected that a new Schedule of Contributions will be agreed in the first half of 2008. Further details are contained in the Summary Financial Review on pages 21 to 22.

### Staff

As a professional business services organisation, the quality and calibre of our staff is of paramount importance.

We continue to invest in new skills and capabilities at all levels within the organisation and across the world, ensuring that we excel not only in technical proficiency but also commercial acumen in a market that is increasingly competitive.

### Future developments

The strategic roadmap established for the Group five years ago will continue to focus our effort towards developing new and innovative standards-based solutions and extending our global footprint. With a service delivery through 56 offices and 124 countries, we manage the Group's risks associated with changes in exchange rates, regulatory compliance and social and economic volatility through the maintenance of a robust, flexible and responsive organisational framework able to adapt quickly to the dynamics of such external drivers.

BSI Group continues to be committed to ensuring best practice in managing our health, safety and environmental obligations for our staff, customers and stakeholders and maintain sustainable practices in all our businesses benefiting our business partners and local communities.

Our aim continues to be to develop further into a highly proficient professional services organisation that exceeds the expectations of our customers and stakeholders through the harnessing of knowledge management and new technologies, to deliver a standards-based solutions portfolio with unrivalled commitment to customer service.

**Sir David John KCMG**  
**Chairman**  
**17 March 2008**

“...we continue to develop solutions to address issues of critical importance to any Boardroom...”

## Chief Executive's Report



**Stevan Breeze**  
*Chief Executive*

### Review of the Year

2007 saw another successful year for the BSI Group with a strong revenue performance of £179.0 million up 6.3% on last year (2006: £168.4 million). This represents an average growth rate of more than 6.9% from continuing operations since 2002 when we embarked on the strategic refocusing of the BSI Group.

The 2007 profit before tax of £18.8 million (2006: £14.0 million) represents an excellent performance for the Group during a period where we continued to invest substantially in both people and systems whilst managing our operational and corporate costs effectively and efficiently. The beneficial impact of our strategic review is clearly illustrated by this excellent improvement in profitability of our operations with a growth rate of 34.3% year on year.

Concentrating on our core activities of standards, training, testing, assessment and certification, the Group saw a further marked improvement in the cash position at year end of £25.6 million (2006: £19.4 million) after funding a number of initiatives particularly in developing our e-business capability and providing for the pension fund.

We continue to address the challenge of the pension deficit and during the year made a further significant contribution of £10.0 million (2006: £10.1 million) to reduce this deficit. Reducing the shortfall will remain a key priority, whilst ensuring that we continue to invest in both product development, people skills, operational delivery, customer service and geographical reach to sustain a vibrant and growing business in the face of increasing competition and changing market needs. Our pension liability before tax has increased to £79.0 million (2006: £63.7 million) under IAS 19, most significantly as a result of changes in longevity assumptions. This has contributed to a reduction in our net assets from £8.3 million in 2006 to £2.9 million in 2007.

The delivery of our strategy continues to focus on: the creation of standards-based solutions that are relevant and measurable; the provision of unrivalled customer service and by providing an extended range of added value integrated services. We achieve this through continued investment in new skills and technologies within e-business to deliver cost effective, innovative services to our customers across the world.

We continue to establish renown in such key areas of importance to business as management of risk, improvements in operational efficiency, sustainability and supporting innovation. We now service no less than 75% of the FTSE 100 companies and 42% of Fortune 500 corporations, as well as many of their supply chains. Our capability in the growing Asian market is illustrated by our engagement with no less than 42% of corporations listed on both the Hang Seng and Nikkei 225 indices.

Understanding of the challenges and key issues that face our 80,000 customers worldwide remains pivotal. We have extended our online customer satisfaction survey to include both BSI Management Systems and BSI British Standards, whilst the research of consumers' perceptions of the BSI Kitemark® has clearly identified significant opportunities to leverage Kitemark® into service applications through BSI Product Services.

We continue to invest in more and better sales and marketing across the Divisions, reflecting our desire to better understand our customers' demands and create and deliver effective solutions that address their needs.

**BSI British Standards** had another successful year with the publication of 1,997 new standards and significant enhancements in its e-business capability through the extension of its e-shop portfolio and the increased functionality of its online subscription service.

2007 saw further developments of its management system standards range with the publication of the BS 25999 assessment specification standard for Business Continuity Management, the publication of BS OHSAS 18001 for Health and Safety Management and the introduction of BS 8901, the world's first event management sustainable standard. All these new products illustrate BSI British Standards' continued ability to develop innovative standards to meet market needs prior to any development of such standards in the international arena.

The development of PAS 2050 for measurement of carbon foot printing for products and services in partnership with DEFRA, the UK Government Department for Environment, Food and Rural Affairs, and the Carbon Trust demonstrates the importance of standards in the management of carbon for businesses large and small.

The growth of our commissioned standards business is further illustrated by the development of standards to address Internet Safety (PAS 74), Food Security (PAS 96) and Fire Risk (PAS 911 and PAS 79).

We have seen a significant increase in our overseas contracting operations through the provision of technical assistance to emerging economies in Eastern Europe, Asia Pacific, the Middle East, Africa and Latin America.

The publication of the Sainsbury Review in the UK clearly identified the role of standards in supporting innovation and we continue to work closely with UK Government through the Department of Innovation, Universities and Skills and the new Technology Strategy Board to develop standards in emerging technologies.

Our relationship with key countries such as China, India, Mexico and Brazil continues to build with the establishment of collaborative projects in areas such as energy management, food safety and removal of trade barriers through the application of international standards.

The ability to deliver standards and supporting information online with enhanced search functionality is now a key strategic task to meet increasing customer needs to match their own workflow demands. 2007 saw further investment in our publishing and web/e-business skills and technologies to match these market needs and will continue to be a key focus in 2008 and beyond.

**BSI Management Systems** had another successful year with strong sales growth and improved operational efficiency. Significant progress was achieved in new business sales in both mature and emerging markets.

We now deliver assessments to some 60,000 customers in 124 countries worldwide and our current focus on customer satisfaction has yielded excellent growth in utilisation of assessors and client retention.

The provision of improved e-Reports, the establishment of a new web platform and the implementation of a global integrated Customer Relationship Management System have all contributed to improve the effectiveness of our marketing and operational capabilities.

The ability to deliver training services in local language and through the development of new BSI Learning® e-learning programmes has seen considerable success across all the regions, providing clear added value to our customers on their road to certification and beyond.

Several significant new products have been introduced to the market including assessment and training to the new BS 25999 standard for Business Continuity Management, a new edition of the OHSAS 18001 certification scheme as a British Standard BS OHSAS 18001, the ISO 20252 quality management standard for Market Research, the development of BSI BenchMark for environment and health and safety and the creation of innovative second party auditing products utilising the BSI Entropy Software™ capability.

Our global launch programme for the new Business Continuity standard in November in London, Tokyo and New York was unprecedented in terms of customer interest and media exposure.

All regions saw accelerated growth, with new business sales reaching record levels in the UK, Americas, China, Japan and Asia Pacific. The new Asia Pacific entity was fully established to provide a strong platform to capitalise on the significant growth opportunities in that region.

E-business will be pivotal in improving our service to existing and new customers, leveraging web technologies for online marketing and operational efficiency. The development of BSI's Entropy

“...continued investment  
in new skills and  
technologies within e-  
business to deliver cost  
effective, innovative  
services to our customers  
across the world.”

Software™ to accommodate the increasing globalisation of supply chains and the inherent challenges that accompany such a trend provides BSI Management Systems with the unique opportunity to provide the added value that global customers demand beyond conventional assessment.

**BSI Product Services** saw excellent growth in its Healthcare business, in line with the key priorities established in its strategic review implemented last year. The ability to provide global access to many of the largest medical companies for their products has reinforced BSI Healthcare's market leadership as a leading provider of medical devices certification worldwide. In parallel Kitemark® Services through the development of schemes such as Thatcham BSI Kitemark® for automotive body repairs, has also seen significant growth. Extending the exceptional consumer awareness of the BSI Kitemark® into the service industry and through the support of specifiers such as insurance companies provides a major opportunity to deliver extra assurance and cost benefits to that industry.

In response to the impact of increased globalisation and product convergence, the more traditional activities in BSI Product Services of construction, engineering and electrical and electronics have been merged into one core business unit to meet both local and global needs more effectively and efficiently.

With a key focus on customer service, many of our core processes across all activities are being 'digitised' to deliver a comprehensive, transparent and solution-based service to meet the increasing complexity of regulatory approvals which confronts our customers across the world.

“We now service no less than 75% of the FTSE 100 and 42% of Fortune 500 corporations...”

Having established management in China and Japan, as well as the Americas, BSI Product Services is now well positioned to engage with its customers on a local basis. The application of new technologies and additional technical skills is now providing the level of immediacy and responsiveness that our customers demand.

Coupled with a closer partnership with regulators to streamline the certification process, BSI Product Services is now leading the market in delivering added value to both new and existing clients seeking regulatory approval in their markets.

Enhancing new technologies to streamline and optimise the core business in parallel with strengthening our international presence now provide the platform upon which BSI Product Services can implement its strategic intent to extend its customer proposition to higher value added testing, review and certification services.

### Future developments

The BSI Group is now servicing its customers across 124 countries, many of them in emerging markets. Operating in potentially volatile markets requires a strong focus on establishing robust controls to mitigate inherent risks and we continue to improve our management of these risks as a key priority.

Through extending our global footprint and developing innovative solutions that address the key business issues of today and tomorrow, we are well placed to sustain our position as a leading standards-based solution provider to customers across the world.

Embracing the challenges and benefits that will arise from web-based technologies is now a key focus across the Group to deliver the cost effective and added value solutions our customers demand.

I take this opportunity of thanking all my colleagues for their efforts in the delivery of another excellent set of results.

**Stevan Breeze**  
**Chief Executive Officer**  
**17 March 2008**

## Operational Review



**Mike Low**  
*Director, BSI British Standards*

### BSI British Standards

In 2007 BSI British Standards delivered significant improvements in terms of both revenue and operational effectiveness in creating and promoting new standards of relevance to UK industry and global markets. This was an excellent achievement when set against a background of diminishing development work both at European (CEN/CENELEC) and International (ISO/IEC) levels.

### Setting the standard in the UK

1,997 British Standards were published during the year including the second part of the new BS 25999 Business Continuity standard for the assessment and certification against this standard. This new management system standard has generated unparalleled interest across the business community by addressing one of the key issues prevalent within the boardrooms of corporations across the world. This was reflected by the publication of our regular annual business survey which generated exceptional media interest in this subject.

2007 also saw the publication of BS OHSAS 18001, the management system standard for occupational health and safety, reflecting the market demand for a full consensus British Standard in this important arena.

Other high profile standards generating extensive public interest included BS 8848 for adventure ventures and BS 8477, a new code of practice for customer service.

BSI continued to develop its portfolio within sustainability with the introduction of BS 8901, the world's first event management standard which sets out requirements for planning and managing sustainable events. With an innovative approach to its development, the standard was 'trialled' at six locations including the Manchester International Festival, Live Earth and Lord's with full support from the London Organising Committee for the Olympic Games (LOCOG 2012).

Within the environmental arena BSI British Standards has partnered with the Carbon Trust and DEFRA to develop a standard methodology for the measure of the embodied greenhouse gases in products and services. This draft standard is again being 'piloted' with nine companies including, Tesco, Coca-Cola and Cadbury Schweppes. It provides an exciting opportunity for BSI British Standards to play a pivotal role in the effective management of carbon.

BSI British Standards continues to support no less than 1,237 committees with 10,784 committee member representatives and our thanks goes to all these members for their continued contribution and commitment to help deliver value to UK industry.

Initiatives to promote standardisation as a supporting tool for innovation were delivered throughout the year. A set of standardisation strategy documents were developed to tie-in with UK Government's Technology Programme and a strong relationship was established with the new Technology Strategy Board. High profile work in Nanotechnologies, Biometrics and Regenerative Medicine continued in close collaboration with the newly formed UK Government Department for Innovation, Universities and Skills. BSI British Standards contributed extensively to the Sainsbury Review on Innovation, both directly to Lord Sainsbury and working closely with other key stakeholders including NPL, UKIPO, Research Councils and the CBI.

2007 saw the twentieth anniversary of ISO 9001, the quality management system standard that originated from BSI and which is now universally accepted as the most popular standard worldwide.

The National Standardization Strategic Framework (NSSF) initiative in partnership with UK Government and the CBI concluded its three year term in 2007 with the establishment of a robust framework to ensure continued promotion of the benefits of standardisation to the business community and government departments.

Our education website continues to build in depth and breadth with new content aired for students from primary to post graduate level. Hits on the website have averaged no less than 51,000 per month an increase of 36% on the previous year.

Our strong relationship with consumer stakeholders was further reinforced with the establishment of a new Consumer and Public Interest (CPI) Network to focus consumer input and representation into those areas of standardisation of most relevance and importance.

The strategic importance for developing standards within the Service Sector was exemplified by our leadership within CEN of a major initiative on Service Standardization to support the development of European Directives relating to Services.

### **Delivering choice to our customers**

2007 saw major investments in our capability to deliver both standards and supporting documentation and information in electronic format and across the web.

The creation of the e-Shop with its ability to download the full standards portfolio has seen not only a switch to electronic fulfilment but an increase in online single copy sales overall.

The relaunch of "British Standards Online" with enhanced functionality has also seen growth in demand and will be an area of considerable focus in forthcoming years as the shift is made to meet the demands of e-business.

This investment will focus not only on upgrading the existing content to match and support the workflow demands of customers, but also the creation of additional online tools to support the usage and application of key standards in such areas as health and safety and business continuity.

This understanding of what customers demand has been further supported by investment in external sales resource and the creation of an online customer satisfaction monitor to identify and improve performance on the key issue of customer service.

Our Standards Solutions business continues to grow, meeting the demands for bespoke and fast to market standards solutions. Twenty four new projects were won during the year, including repeat business from several key accounts including WRAP, the Disability Rights Commission and the Institute of Asset Management. Significant progress was made within the security and safety sectors with the development of Public Available Specifications (PAS) for Internet Safety (PAS 74), Food Security (PAS 96) and Fire (PAS 911 and PAS 79).

60 business and standards related publications were published and a number of well attended commercial conferences and seminars supporting the understanding, application and usage of standards were run.

The input from our independent strategic advisory committee (SPSC) representing both standards makers and users has made a significant contribution in supporting the development of a committee framework and standards development programme reflecting UK priorities.

### **Maximising opportunities overseas**

BSI British Standards' work in emerging economies providing technical assistance saw a major increase in projects won. The governments of Albania, Kosovo, Serbia, Sierra Leone, Zambia and South Africa have been supported with the development of their local standards infrastructure. In Mexico, BSI is delivering projects relating to food safety and the removal of trade barriers between Europe and Mexico.

Several initiatives in Russia have focused on the regulation of food safety and the successful implementation of trade agreements. Visits to Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan have yielded close relationships with key organisations in these countries.

In the Middle East region BSI has worked closely with local national standards bodies to support the development of national and regional standards across the region. BSI British Standards has also taken the lead in a CEN project supporting the development of the Middle East/North Africa region in helping local laboratories to work to the requirements of European Directives in Construction Products, Low Voltage and Pressure Equipment.

"...draft standard is being  
'piloted' with nine  
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Coca-Cola and Cadbury  
Schweppes."

“2007 saw major investments in our capability to deliver both standards and supporting documentation and information in electronic format and across the web.”

In Vietnam, BSI has been leading a major project to establish a standards, accreditation and metrology framework for the country as part of its accession to the WTO.

For China, BSI British Standards continues to develop the excellent relationship we have built with the Chinese National Standards Body, with exchanges and visits by key staff and joint development work in the areas of energy and food safety. Several EC funded projects have been won to help China with harmonisation with European Standards.

Efforts in India have culminated in a Memorandum of Understanding signed with CII (Confederation of Indian Industry) in November 2007 to promote UK best practice in standardisation into the India business community.

BSI British Standards continues to play a leading role in the international arena in both ISO/IEC and CEN/CENELEC, focusing on meeting new market needs in traditional sectors and the development of standards in new sectors and technologies. BSI has a pivotal role in promoting closer working relationships with all the European and International Standards Bodies and ensuring continued and closer market relevance.

Currently we hold 206 International Secretariats and have implemented a clear focus on priorities for UK development and areas of UK strength to match the profile of secretariats we hold. We are actively twinning or transferring secretariats of lower UK interest with other National Standards Bodies to focus on new technology areas, including nanotechnology, biometrics and energy, of strategic importance to the UK.

The continued excellent contribution made by our Committee Chairmen was exemplified by the prestigious ISO Lawrence D Eicher Award being presented to the UK chaired Technical Committee for Industrial Automation Systems and Integration.

### Future developments

With the recruitment of both senior management and staff in the areas of publishing and e-commerce during the year, the need to develop BSI British Standards into a broad-based solutions provider enhancing the opportunities and benefits of developing standards and related information in new formats using new technologies has been clearly recognised.

This strategic shift will continue to enrich our customers' experience and provide the framework whereby all our stakeholders will benefit through the delivery of dynamic and purposeful standards-based solutions. We are rapidly building renown in such key areas as Sustainability, Risk and Carbon Management to become the online source of critical business data.

Whilst we remain alert to the challenges of a reducing level of activity in the development of high impact new standards from the international standards community, our efforts to align ever closer to the needs of customers and UK stakeholders will deliver both the added value clients demand, and the sustainability for BSI British Standards to continue to thrive and progress.

## Operational Review



**Fleming Norklit**  
Managing Director,  
BSI Management Systems

### BSI Management Systems

2007 proved another very successful year for BSI Management Systems, which again delivered strong revenue growth combined with an excellent improvement in profitability.

This has been achieved by concentrating resources on expanding new business sales across both mature and emerging markets, driving a deep focus on customer satisfaction and continuing to improve productivity across the business.

Highlights for 2007 include: extensive investment in premium and new products, new investment in sales staff and training initiatives, global rollout of the BSI Learning® platform, integration of the Entropy Software™ business, improvements in the 'Product to Market' process and the opening of new offices in Americas, Asia and Europe.

### Operational improvements

A new high has been established in customer satisfaction with 95% of the responses to our global client satisfaction survey indicating our clients were satisfied or very satisfied with the quality of service. In another key client service indicator, the high level of professionalism displayed by our client managers was singled out as particularly highly regarded by our clients.

We continued to focus strongly on improving the efficiency and utilisation of assessment delivery in the field and achieved significant growth in the number of days delivered to our clients across some 124 countries around the world.

Innovative new e-Reports for assessments were introduced to deliver 'same-day' analysis of client and assessor records of non conformities. These provide our clients with more immediate and enhanced performance analysis, whilst enabling BSI to deliver greater consistency of service throughout our global operations.

In addition, BSI Management Systems has further increased the breadth and scope of its international accreditations in order to extend the reach and applicability of its service offerings. For example, the global UKAS accreditation has been extended until 2011, local accreditations are now held in 15 countries, and we have international accreditations for specialist products in such diverse fields as carbon management, social accountability and food safety.

### United Kingdom

2007 saw accelerated growth in revenue, profit and new business sales. In particular, significant growth in Assessments and Training courses underpinned the improved revenue performance.

Following the highly successful London launch of the new BS 25999 Business Continuity product, increase in market demand has been unprecedented and has resulted in new business at a number of key companies across the IT industry, including Availability Services experts, SunGard, as well as other key organisations from the finance, telecoms, transport, local government and legal sectors.

In addition, increasing concerns around data integrity and security following a number of high profile media reports have driven growth in new sales opportunities around the ISO/IEC 27001 Information Security standard.

The integration of the new software product Entropy, together with new products and a broad portfolio of training courses, has enabled the UK sales teams to better address client needs with an expanded solution which builds on the traditional products, such as the ISO 9001-based business. These new capabilities have directly resulted in new record breaking sales opportunities and revenue growth.

It is also important to note that the continued strong focus on achieving high levels of client satisfaction resulted in an excellent client retention rate, which in turn, drove revenue and profit growth. These latest satisfaction ratings highlight a sustained improvement of 40% over the last 3 years.

## Continental Europe, Middle East and Africa (CEMEA)

2007 was another successful year for CEMEA with improvements in revenue and profitability. The continuing expansion in Germany, together with a rigorous focus on improving assessor utilisation and service delivery resulted in increased new sales, which directly translated into higher revenue and profit performance.

There have been many significant sales wins across the region. A successful launch of the ISO/IEC 20000 product in Russia resulted in the early registration of Sberbank – Savings Bank of the Russian Federation. In Turkey, we have successfully commenced a substantial 2nd Party Audit with a leading global retailer. And in Poland, having achieved local accreditation with the Polish Centre for Accreditation, BSI's Combined Heat and Power (CHP) standard for verifying the efficiency of power generation, and thereby minimising atmospheric emissions, has been successfully rolled out across 42 installations.

CEMEA has also continued to focus on driving high levels of customer satisfaction. Specific attention has been given to improving skill levels and local assessment delivery capabilities in order to ensure more timely and efficient delivery of high quality services. These actions, together with the issue of local language certificates have been particularly well received by clients.

CEMEA is a region consisting in part of a number of relatively small countries, all of which have the potential for considerable revenue opportunities. Therefore, 2007 was also a year, which saw significant attention applied to strengthening the regional organisational structure, implementing new channels to market and developing people skills in order to position for growth.

A new regional management structure has been put in place to drive a sharper focus on business priorities, and further investments have been made in people, skills, partnerships and growing the channel model as a springboard for 2008.

## Americas

The Americas' primary objectives for accelerated revenue growth and increased profitability were achieved by leveraging new service offerings, introducing innovative e-learning initiatives and continuing to focus strongly on driving customer satisfaction, which has resulted in high ratings of 4.5 on a scale of 5.

Auditing new standards, particularly ISO/IEC 27001 and ISO/IEC 20000, have enabled the North American sales team to successfully up-sell and cross-sell into clients so successfully, that BSI Management Systems now owns the dominant market share position in these segments. This has enabled BSI to take a leading position in the efforts to harmonise ISO/IEC 27001 and the credit card processing standards in the US.

BSI is also a sponsoring participant of a new initiative taking place in New York City to review standards in the finance industry, is partnering with VeriSign to promote information security standards and is the market leader in the medical device CE marking and ISO 13485 market for North America.

New York was selected, together with London and Tokyo, to be one of the key global launch platforms for the new certification and training services for the BS 25999 Business Continuity standard. The success of this launch is being replicated in 18 cities across the region in order to drive substantial share in the BCM market.

An initiative with the Ohio State University and the University of Alabama has also proved highly successful in promoting BSI Learning® capabilities and expanding our related e-learning courses, which have resulted in strong revenue streams.

Investment in local presence and management has continued to generate significant sales wins in Brazil, Mexico, and Canada, which have delivered very strong double digit sales growth across all three countries. We have also won a significant contract from a Mexican government agency to provide ISO/IEC 22000 assessment to the sugar cane refinery industry.

“...achieved significant growth in the number of days delivered to our clients across some 124 countries around the world.”

“BSI Management Systems  
now owns the dominant  
market share position...”

## China

China now operates through 10 offices with over 210 people. The country is divided into three regions with centralised resources to drive consistent quality and leverage operational efficiency, whilst providing a local service to clients. This strategy has resulted in an average customer satisfaction rating of 87%.

The primary focus in 2007 was on people development, sales territory reorganisation, management capability, improved operational processes, and developing strong relationships with government on key projects whilst building key partnerships in the private sector.

Revenue growth was achieved through organic growth of traditional products across quality, environment, health and safety, as well as new products such as information security and IT service management. The training business also enjoyed strong growth and was a key profit contributor.

This strong performance was achieved by driving demand for BSI products by increasing market visibility, extending channels to market and improving sales effectiveness.

BSI China has attracted over 800 clients and prospects to customer events held in Beijing, Shanghai and Dongguan. It increased media coverage to build image and brand awareness, and further developed its relationships with a number of trade associations and the local market regulator for management systems, CNCA. Significant progress was also made in driving close cooperation with Chinese government organisations on some important projects, whilst continuing to expand key partnerships in the private sector.

A continued focus on developing our people and management capabilities, improving the effectiveness of our sales organisation structure and further enhancements to operational processes, delivered additional efficiencies which underpinned improvements in profitability.

## Asia Pacific

Asia Pacific achieved strong sales growth in 2007, with new business sales growing significantly. This has been achieved in a year of transition, with the establishment of the Asia Pacific region, acquisitions in Thailand and Australia, a new direct presence established in Vietnam - with offices in Ho Chi Minh City and Hanoi - and the conversion of the Malaysia branch office into a full country operation.

Undertaken to capitalise on local market growth, these actions have allowed BSI to establish a strong footprint in this dynamic region.

The product portfolio was fully leveraged to exploit the different stages of market development in the respective countries and a strong leadership position in Information Security has been established. BSI Management Systems was one of the first Certification Bodies approved by the Roundtable for Sustainable Palm Oil (RSPO), which has led to some strategic customer wins.

The BSI Learning® organisations have been strengthened in each of the countries to facilitate delivering the value of BSI Learning® to the market.

## Japan

Japan achieved strong sales growth in revenue in 2007. Investment in people and centralised processes drove improvements in profitability, while maintaining a high level of customer satisfaction.

Growth continues to come from Information Security Management Systems with the team celebrating its 1,000th ISMS certificate in December 2007. The offer has been particularly successful in the electronics, telecommunications, finance and IT sectors, and Japan commands a leading share of the market.

As part of the global launch of the BS 25999 Business Continuity standard, an event was held in Tokyo to drive market interest and promote the BSI brand.

Training continues to represent a significant opportunity and Japan introduced the first IRCA accredited IT Service Management (ISO/IEC 20000) training course.

## Products

BSI Management Systems continues to invest in bringing new and innovative products to the global market place. In 2007, significant investment was made in improving the process for developing new products and bringing them quickly and cost-effectively to market. This has enabled an increasing number of new products to be successfully launched to meet the needs of both multi-national and local clients seeking to improve their business performance and sustainability practices, whilst managing risk within their companies and across their supply chains.

New assessment products introduced during 2007 include:

- BS 25999 – the new standard for Business Continuity Management. The certification standard was published in the last quarter and a global offer for assessment, certification and training was made available to meet the needs of the Boardrooms of UK, USA and Japan. This offer is now being rolled out to other countries.
- BSI BenchMark for environment and health and safety. An innovative approach to understand and score a company and its supply chain processes and risks and evaluate how well they measure up to the core management system standards.
- ISO 20252 (Market Research) – a quality standard for the market research sector which has been adopted by many global market research companies around the world.
- A new edition of the globally recognised Health and Safety OHSAS 18001 was published as a British Standard – BS OHSAS 18001. This improved standard has been widely adopted globally to help companies of all sizes and industries to operate best practice in health and safety management.
- Second Party auditing of global supply chains has been raised as a key requirement from our global accounts and we have responded to this by developing schemes that are supported by our Entropy Software™ and dedicated staff around the world.

“...significant investment was made in improving the process for developing new products and bringing them quickly and cost-effectively to market.”

## E-business

BSI Management Systems fully embraces web technologies through an innovative and customer-centric strategy. This is supported by significant investment designed to deliver advanced international e-business and e-commerce programmes.

Our goal is to become the first online destination for our clients in our areas of expertise and to develop innovative web-based products with which to consolidate and grow our position. With a strategic focus, across all business processes and functions, our drive is to improve our clients' experience with us and to add value through web-based solutions which enable them to gain the full benefit of our services.

During 2007, we laid the foundations of a web platform that has already generated efficiencies in marketing, lead generation and improved sales profitability through an international online presence and a global integrated Customer Relationship Management system.

In 2008, we will accelerate the launch of new web-based products to deliver competitive differentiation and drive significant growth in online sales.

## Business priorities for 2008

To further develop and reinforce our position as trusted partner and recognised authority in the global market place, we must vigorously leverage five key strategic focus areas: our people, our customers, our products, e-business and e-learning.

To meet our clients' demands that we understand their industry and have real business process expertise, we will continue to invest in our people and provide the supporting infrastructure required to ensure delivery of the highest levels of service. For example, leveraging our global infrastructure to service international organisations delivers higher levels of consistency of service, which is of significant value to them and a competitive advantage to BSI.

“Our goal is to become  
the first online destination  
for our clients in our areas  
of expertise...”

Our existing clients are our single most important asset. They purchase our services and they offer the most cost-effective access to new customers. Customer satisfaction remains, therefore, a top priority for 2008, and we will continue to apply rigour to managing customer relationships.

The delivery of innovative and relevant new products and industry specific services will further enable us to strengthen our customer partnerships, thereby providing a strong platform to enhance customer loyalty and retention.

New value added services will enable us to build deep relationships with our clients, which drive higher margins. For example, globalisation means companies face increasing end-to-end risks across their supply chains. Solutions which address business continuity and mitigate risk throughout extended supply chains will be a high priority in the Boardrooms of these companies. By leveraging our suite of services and tools powered by BSI's Entropy Software™, BSI Management Systems will be able to offer a unique proposition which delivers real value to these companies.

We will continue to invest in e-business for efficient, cost effective delivery of our offerings. E-business will help us to engage our clients and potential clients to develop long term relationships and leverage latest online technologies to drive revenue and profit. Such e-business capabilities will provide the platform to deliver our worldwide knowledge and experience more efficiently, timely and cost-effectively to our clients through online, best practice learning, training and education.

## Operational Review



**Alastair Trivett**  
*Managing Director, Global,  
BSI Product Services*

### BSI Product Services

In 2007 BSI Product Services made significant progress in streamlining its core business processes and strengthening its international presence to better serve its increasingly more global customer base.

2007 was a year of both consolidation and expansion. Our Healthcare and Kitemark® Services businesses delivered significant growth realising the benefits of the strategic review we instigated last year. We also merged our traditional Construction, Engineering and Electrical and Electronic business units into one core business whilst at the same time developing them to meet both local and global customer demands.

This restructuring although challenging is enabling BSI Product Services to provide a much more efficient and effective customer service, particularly in light of increasing product convergence and the blurring of conventional business unit boundaries.

Our key initiative of “digitisation” has been greeted with great enthusiasm and support from our customers and well supported by our own staff. Such fundamental step change will help BSI Product Services get much closer to its customers and provide a comprehensive transparent, solution based service essential in the ever more complex regulatory world our customers live in.

### Healthcare

Our Healthcare business has gone from strength to strength providing global market access for some of the world’s largest medical companies, enabling them to improve their speed to market and increase their sales.

In parallel with our traditional business activities, Healthcare is seeing product convergence with the development of drug eluting stents and other combination products. BSI Product Services is well positioned to deal with these issues having almost doubled its staff and skill base in this area in the last 2 years. Our workflows are accessible via the web which means that any of our worldwide experts can review and comment on our customer files and reports, making location and time zones increasingly irrelevant.

The Healthcare team has a strong reputation for meeting the constant challenge of keeping up-to-date with new product developments and integrating this with the application of the very latest regulations. The team continue to recruit the best specialists around the world and build effective teams for growing sectors such as orthopaedics and vascular.

To keep our customers up-to-date we need to be at the forefront of technology, regulations and the industry in general and we were delighted when Paul Brookes our VP and Country Manager for the Americas was appointed as a Director on the Regulatory Affairs Professionals Society Board (RAPS), the first ever appointment from a Notified Body such as BSI Product Services.

With regulations getting more complex and time to market becoming crucial for companies we have moved from a transactional type of arrangement providing the relevant approval documentation to true partnerships. This means that we engage not only with the Quality and Regulatory departments of our customers’ operations but also with the Marketing and CEO functions to help plan product releases globally.

Historically we would simply provide our customers with CE marking for access to the European market, but today we provide market access across the world using our vast network of contacts and expertise to facilitate product placement.

We clearly recognise that customers now require a high level of responsiveness and understanding of their products and processes for a certification provider such as BSI Product Services to succeed in this demanding market.

### Kitemark®

The Kitemark® remains the UK’s most recognised and trusted certification mark and the success of recent new products has resulted in greater exposure for the Kitemark® through broadcast, online and print media.

The automotive industry has seen significant changes with the introduction of the Thatcham BSI Kitemark®, which was developed jointly with our strategic partner Thatcham, the motor insurance repair research centre. Launched in February 2007, this scheme has gone on to be mandated by most leading insurance companies and will undoubtedly drive the standards for crash repairs higher by understanding the new materials and manufacturing techniques used in today's modern cars.

The scheme scooped the 'Industry Excellence' award in the high profile Motor Trader Awards in London, where it was recognised by the judges as a mould breaking and sustainable initiative to help motor traders conduct their business and improve safety.

In addition to the Thatcham BSI Kitemark® scheme, which has contributed extensively to Kitemark® Services becoming one of our fastest growing businesses, an extensive research programme has identified a number of major new projects that will be launched in 2008 and beyond. As we move into a more complex environment there are major opportunities to help simplify and protect data and data processes across a wide variety of traditional and new service industry applications. BSI Product Services intends to be at the forefront of providing such value to its customers.

The transferable equity of the Kitemark® was identified as a key business benefit through its ability to help a company stand out from its competitors. To help our new and established Kitemark® licensees to make the most from their Kitemark® status a Kitemark® Tool Kit was introduced to encourage licensees to add value to their corporate and promotional material. The success of this was shown in the significant increase in media coverage by Kitemark® licensees.

2008 will see further activities being undertaken to increase awareness and understanding of the Kitemark® among the general public. This will be beneficial to both the consumer and the Kitemark® licensees.

“...today we provide market access across the world using our vast network of contacts and expertise to facilitate product placement.”

### **International**

In response to rapid globalisation BSI Product Services has also developed its capability internationally. We have expanded our operations both in Asia and the Americas to provide a global reach and stay as close to our customers as possible. Our customers may be, for example, based in the USA, manufacture in China and want to sell in Europe. This is where we can help by simplifying the certification process to help customers obtain the relevant approvals required to sell in the targeted countries, contributing to shorter and more predictable product launch cycles.

Whether they are small start-up companies or truly global corporations, our customers tell us they want simplified, fast, predictable processes and above all, a true partnership with us to access worldwide markets.

### **Regulatory**

Regulations are very much part of the business world and will no doubt become increasingly challenging and complex. Indeed accreditation bodies such as the MHRA and UKAS have indicated that they aim to “raise the bar” for future accreditation. BSI Product Services welcomes this as it will reinforce the integrity and independence for which we are renowned as well as provide assurance for all our customers, now and in the future.

BSI Product Services is working with regulators across the globe to help them develop robust systems. In that respect BSI Product Services is delighted to become the first ever Notified Body in Hong Kong, leading the way for their local regulations to be implemented.

### **Future developments**

2007 was a year of structural change that has established BSI Product Services on a solid platform which allows us to better focus on our customers.

“Leveraging the unrivalled awareness of the BSI Kitemark® presents a unique opportunity to extend its application into service related sectors...”

Changes in the Medical Device Directive and new regulations being developed worldwide means our marketplace is expanding rapidly, underlining the need for BSI Product Services to be at the forefront of change and ensuring our customers benefit from the added value we can deliver through certification.

Leveraging the unrivalled awareness of the BSI Kitemark® presents a unique opportunity to extend its application into service related sectors, building on the successes already achieved in the automotive and product installation sectors.

Harnessing and utilising new technologies to streamline and optimise our internal and external processes, as well as developing our own internal expertise across all parts of the business, will be key to our success in the coming years and BSI Product Services is now well on its way to achieving this.

## Summary Financial Review

### Introduction

The BSI Group always strives to put itself at the forefront of best practice and as such these financial statements have been presented under International Financial Reporting Standards. Growth in the year has continued to be strong in all of the BSI Group's core business segments and there has continued to be a strong focus on the control of discretionary costs. This strong financial performance is expected to continue in 2008.

The results for the year show a significant improvement in a number of areas:

- Operating profit before exceptional costs has risen to £21.4 million (2006: £18.1 million) being a return on sales of 12.0% (2006: 10.7%)
- The operating profit has risen 30.3% to £18.9 million (2006: £14.5 million)
- The net profit for the year has risen 26.9% to £11.8 million (2006: £9.3 million)
- Revenue for the Group has increased 6.3% to £179.0 million (2006: £168.4 million)
- Net cash generated from operating activities has increased 55.0% to £12.4 million (2006: £8.0 million).

As a counterbalance to these improvements the Group's UK final salary pension fund deficit has grown to a liability of £79.0 million (2006: £63.7 million) under IAS 19.

### Segmental Review

Note 5 to the Group financial statements analyses the performance of the Group by its principle segments. Within this analysis BSI British Standards delivered sales growth and significant improvements in operational delivery with revenue of £43.9 million (2006: £42.9 million) and a contribution of £9.4 million (2006: £7.6 million).

The BSI Management Systems revenue of £113.3 million (2006: £105.4 million) and contribution of £11.7 million (2006: £10.0 million) represents a very successful year with continued improvements in operational effectiveness and customer satisfaction.

The BSI Product Services revenue of £21.8 million (2006: £20.1 million) and contribution of £0.5 million (2006: £0.4 million) comes on the back of significant progress in streamlining its core business processes and growing its Healthcare and Kitemark® Services businesses whilst strengthening its international profile.

### Exceptional Items

As part of the transition process to IFRS the BSI Board has reviewed its Australian operations and has impaired by £1.6 million the goodwill that had been created as a result of the 2006 acquisition. The prospects for growth in this business remain strong however. This impairment recognises that the integration of the Australian operations into the Group have taken longer than originally projected.

In addition a high level strategic review of the constraints and opportunities facing the Group was carried out to ensure its long term sustainability resulting in a charge of £0.9 million.

Exceptional items in 2006 amounted to £3.6 million being £3.0 million in respect of restructuring and reorganisation costs, £0.6 million relating to goodwill impairment in the Group's Canadian operations. Full details are disclosed under Note 7 to the Group financial statements.

### Cash Flow and Investment in the Business

Operating cashflow has maintained its strong trend and the BSI Group continues its investment in the international development of its operations and in the platform infrastructure necessary to support this growth. There continues to be a strong focus on cash collection and working capital management. However the net cash generated from operating activities of £12.4 million (2006: £8.0 million) has been depressed in both years by an additional payment of £10.0 million (2006: £10.1 million) above the ongoing pension service costs. In total we made payments of £12.0 million (2006: £11.9 million) into the UK final salary pension scheme.

### Taxation

The effective tax rate (ETR) on profits before tax and goodwill impairment for underlying business operations for the year is 34.3% (2006: 32.2%). The ETR at 34.3% comprises the UK Group taxed at

a 30% statutory rate, higher overseas taxes (USA 40%, Japan 42%, Germany 37%) combining to increase the ETR by 1.5% and tax non-deductible items (including tax on the IFRS transitions), prior year adjustments and unrelieved overseas tax losses increasing the ETR by a further 2.8%.

The BSI Group's underlying ETR is targeted to continue at less than 35%, with long-term management towards the UK statutory rate.

### **Pensions**

The gross liability at the end of 2007 stands at £79.0 million (2006: £63.7 million) under IAS 19. This increase has been brought about by a £29.9 million increase in plan liabilities compared to a £14.6 million increase in assets. These changes have resulted in an increase in the liability of £15.3 million. The Directors remain committed to reducing this deficit and are working with the Trustee to do so. Over the past three years the BSI Group has injected £30.1m into the Scheme in deficit funding.

The largest element of the liabilities increase of £29.9 million was an increase of £20.8 million as a result of changes in bond yields and mortality assumption while the largest element of the increase in assets of £14.6 million was employer contributions of £12.0 million. A full breakdown of the movements is shown in Note 24 to the Group financial statements.

A formal valuation of the Scheme under the new Statutory Funding Objective is currently in progress. Despite the draft nature of this valuation the directors have elected to adopt all of the valuation assumptions being used by the independent scheme actuary except where assumptions are mandated by IAS 19.

### **Treasury Review**

The Board has maintained and updated treasury policies for the Group. A Banking Committee ensures that all treasury activities are conducted in accordance with these policies. Regular reports are provided to senior management and treasury operations are subject to periodic independent reviews and audits, both internal and external.

The principal aim of the Group's treasury policies is to manage and monitor the Group's external and internal funding requirements, optimise net interest cost after tax and manage financial risk arising from the international business of the Group, principally interest rate and currency risk. The Group does not hold or issue derivative financial instruments for trading purposes and Group Treasury policy specifically prohibits such activity.

### **Liquidity Risk Management**

Treasury policy is to minimise external debt while recognising the need to occasionally use short-term external funding for operational reasons. Consequently BSI keeps a flexible cost-effective structure of banking facilities. At 31 December 2007, the Group had overdraft bank facilities (excluding loans) of £4.2 million (utilised £nil), and loan facilities of £nil. All loans and overdraft facilities, which total £4.2 million, are on an unsecured basis.

### **Currency Exposure Risk Management**

Treasury policy is to ensure that as far as practicable net monetary assets in currencies other than the functional currency of each subsidiary are matched with borrowing and financial instruments in similar currencies. Matching is arranged on a Group basis so that movements in exchange rates have little overall impact on Group profit and loss on exchange.

The Group does have significant operations outside of the UK and this does expose the Group to a currency risk. The analysis at Note 3a to the Group financial statements demonstrates that a currency exchange movement of 5% compared to the year-end exchange rate in each of the US Dollar, the Euro and the Japanese Yen would lead to an operating profit impact of £0.3 million.

### **Credit Risk**

The Group is exposed to credit related losses on financial instruments in the event of non-performance by counterparties, but it does not expect any counterparties to fail to meet their obligations given the Group's policy of selecting only counterparties with high credit ratings.

## BSI Group Summary Financial Statements

### Summary Consolidated Income Statement for the year ended 31 December 2007

	2007 Total	2006 Total
	£m	£m
Revenue	179.0	168.4
Cost of sales	(89.4)	(81.4)
<b>Gross profit</b>	<b>89.6</b>	<b>87.0</b>
Distribution costs	(22.3)	(21.9)
Administrative expenses	(45.9)	(47.0)
<b>Operating profit before exceptional costs</b>	<b>21.4</b>	<b>18.1</b>
Exceptional operating costs	(2.5)	(3.6)
<b>Operating profit</b>	<b>18.9</b>	<b>14.5</b>
Finance income	1.0	0.7
Finance costs	(1.1)	(1.2)
<b>Profit before income tax</b>	<b>18.8</b>	<b>14.0</b>
Income tax expenses	(7.0)	(4.7)
<b>Profit for the year</b>	<b>11.8</b>	<b>9.3</b>
Attributable to parent company	11.8	9.1
Attributable to minority interests	-	0.2
	<b>11.8</b>	<b>9.3</b>

All amounts in the Summary Consolidated Income Statement relate to continuing operations.

### Summary Consolidated Statement of Recognised Income and Expense for the year ended 31 December 2007

	2007	2006
	£m	£m
<b>Profit for the year</b>	<b>11.8</b>	<b>9.3</b>
Actuarial (losses) / gains relating to retirement benefit obligations	(22.6)	10.9
Movement on deferred tax	5.0	(3.3)
Currency translation adjustments	0.4	(0.6)
<b>Net (losses) / gains recognised directly in equity</b>	<b>(17.2)</b>	<b>7.0</b>
<b>Total recognised income and expense for the year</b>	<b>(5.4)</b>	<b>16.3</b>
Attributable to parent company	(5.4)	16.1
Attributable to minority interests	-	0.2
	<b>(5.4)</b>	<b>16.3</b>

**Summary Consolidated Balance Sheet  
at 31 December 2007**

	2007	2006
	£m	£m
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	13.7	12.5
Goodwill	22.5	23.4
Intangible assets	5.9	5.2
Deferred tax assets	24.3	20.8
<b>Total non-current assets</b>	<b>66.4</b>	<b>61.9</b>
<b>Current assets</b>		
Inventories	-	0.2
Trade and other receivables	38.3	35.3
Current tax assets	-	2.4
Derivative financial instruments	-	0.3
Cash and short term deposits	25.6	20.3
<b>Total current assets</b>	<b>63.9</b>	<b>58.5</b>
<b>Total assets</b>	<b>130.3</b>	<b>120.4</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Trade and other payables	-	(0.3)
Deferred tax liabilities	(2.6)	(2.6)
Retirement benefit obligations	(79.0)	(63.7)
Provisions for liabilities and charges	(3.0)	(4.1)
<b>Total non-current liabilities</b>	<b>(84.6)</b>	<b>(70.7)</b>
<b>Current liabilities</b>		
Trade and other payables	(39.2)	(39.2)
Borrowings	-	(0.9)
Current tax payables	(2.3)	(0.5)
Provisions for liabilities and charges	(1.3)	(0.8)
<b>Total current liabilities</b>	<b>(42.8)</b>	<b>(41.4)</b>
<b>Total liabilities</b>	<b>(127.4)</b>	<b>(112.1)</b>
<b>Net assets</b>	<b>2.9</b>	<b>8.3</b>
<b>RESERVES</b>		
Retained earnings	3.1	8.9
Translation reserve	(0.2)	(0.6)
<b>Total Reserves</b>	<b>2.9</b>	<b>8.3</b>

The Summary Financial Statements and the amounts disclosed in the Directors' Remuneration Report were approved by the Board of Directors on 17 March 2008 and signed on its behalf by Martin Hannah.

**Martin Hannah**  
Group Finance Director

## Summary Consolidated Cash Flow Statement for the year ended 31 December 2007

	2007	2006
	£m	£m
Profit before income tax	18.8	14.0
Adjustments for:		
Depreciation of property, plant and equipment	2.2	2.0
Amortisation of intangible assets	1.3	0.7
Retirement benefit charges	3.6	3.4
Loss on sale of property, plant and equipment	0.2	0.5
Loss on sale of intangible assets	0.1	-
Movement in contingent consideration	0.2	-
Impairment of goodwill	1.6	0.6
Interest income	(1.0)	(0.7)
Interest expense	1.1	1.2
Decrease in inventories	0.2	0.2
(Increase) / decrease in trade and other receivables	(3.0)	2.4
Decrease / (increase) in derivative financial instruments	0.3	(0.5)
(Decrease) / increase in trade and other payables	(0.3)	0.7
(Decrease) / increase in provisions and other liabilities	(0.6)	(1.0)
Retirement benefit payments	(12.0)	(11.9)
<b>Cash generated from operations</b>	<b>12.7</b>	<b>11.6</b>
Interest received	1.0	0.7
Interest paid	-	(0.1)
Income tax paid	(1.3)	(4.2)
<b>Net cash generated from operating activities</b>	<b>12.4</b>	<b>8.0</b>
<b>Cash flows from investing activities</b>		
Acquisitions of subsidiaries (net of cash acquired)	-	(11.3)
Proceeds from disposal of subsidiaries	-	2.2
Purchases of property, plant and equipment	(4.1)	(3.2)
Purchases of intangible assets	(1.9)	(1.5)
<b>Net cash used in investing activities</b>	<b>(6.0)</b>	<b>(13.8)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(0.9)	(0.7)
Dividends paid to minority interests	-	(0.2)
<b>Net cash flows used in financing activities</b>	<b>(0.9)</b>	<b>(0.9)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5.5</b>	<b>(6.7)</b>
Opening cash and cash equivalents	20.3	27.3
Exchange gains/(losses) on cash and cash equivalents	(0.2)	(0.3)
<b>Closing cash and cash equivalents</b>	<b>25.6</b>	<b>20.3</b>

## **Independent Auditors' Statement to the Board of Directors of The British Standards Institution**

We have examined the Summary Financial Statements which comprise the Summary Consolidated Income Statement, Summary Consolidated Balance Sheet, Summary Consolidated Statement of Recognised Income and Expense and the Summary Consolidated Cash Flow Statement.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Review and Summary Financial Statements 2007. This responsibility includes ensuring that the Summary Financial Statements are consistent with the full Annual Financial Statements.

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 2007 with the full Annual Financial Statements, the Directors' Report and the Directors' Remuneration Report.

We also read the other information contained in the Annual Review and Summary Financial Statements 2007 and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statements.

This statement, including the opinion, has been prepared for and only for the Board of Directors as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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. Our report on the Company's full Annual Financial Statements describes the basis of our audit opinion on those financial statements.

### **Opinion**

In our opinion the Summary Financial Statements are consistent with the full Annual Financial Statements, the Directors' Report and the Directors' Remuneration Report of The British Standards Institution for the year ended 31 December 2007. We have not considered the effects of any events between the date on which we signed our report on the full Annual Financial Statements (17 March 2008) and the date of this statement.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**London**  
**17 April 2008**

### **Notes:**

- (a) The maintenance and integrity of The British Standards Institution web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Full Annual Financial Statements or the Summary Financial Statement since they were initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Summary Directors' Report

### The Board

The members of the Board are listed on pages 30 and 31. Anthony Lea and Martin Hannah were appointed to the Board on 1 July 2007 and 3 September 2007 respectively. Charles McCole resigned from the Board on 5 February 2007.

BSI's Bye-laws require one third of all serving Directors to retire by rotation each year at the Company's Annual General Meeting, accordingly Michael French and Norman Price will retire from the Board under Bye-law 10 and will be offering themselves for re-election at the upcoming Annual General Meeting. Anthony Lea and Martin Hannah will also be offering themselves for re-election at the upcoming Annual General Meeting in accordance with Bye-law 8(c).

### Directors' and officers' liability

BSI maintains Directors' and Officers' Liability Insurance in respect of the acts of its Directors and senior executives.

### Directors' emoluments

Information on emoluments of Directors of BSI is given in the Directors' Remuneration Report.

### Principal activities

The Group's principal activities are the development and sale of private, national and international standards and supporting information; second and third-party certification of management systems; testing and certification services both for products and services; provision of performance management software solutions and a range of training services in support of standards implementation and business best practice. The Group operates in some 124 countries worldwide.

### Review of business

BSI Group is a leading independent professional services organisation which operates globally across all business sectors. It comprises three business units: BSI British Standards (which includes the UK's National Standards Body), BSI Management Systems and BSI Product Services.

The Boards' Operating and Financial Review is set out within the Chairman's Report, the Chief Executive's Report, the Operational Review, the Corporate Governance Statement and the Summary Financial Review.

### Results

Revenue rose in 2007 to £179.0 million (2006: £168.4 million), a rise of 6.3% over 2006. The 2007 profit before tax is £18.8 million (2006: £14.0 million). The operating profit of the Group of £18.9 million (2006: £14.5 million) represents year on year growth of 30.3%. The retained profit for the year amounted to £11.8 million (2006: £9.3 million). Further details are set out in the Summary Financial Review on pages 21 to 22.

### Annual General Meeting

The 2008 Annual General Meeting will be held at 3.30pm on 21 May 2008 at 389 Chiswick High Road, London, W4 4AL.

### Independent auditors

The Company's auditors are PricewaterhouseCoopers LLP. Resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the upcoming AGM.

### Charitable and political donations

The Group made a £5,216 charitable donation to Save the Children Fund during 2007 (2006: £2,000). No donations were made during the year for political purposes (2006: £nil).

### Employees

The Group had an average of 2,360 employees worldwide during the year of which 52.8 per cent were based outside the UK.

The 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 staff of BSI are key, and we work hard to ensure we maintain good relationships with our people through ongoing two way communication and a variety of employee forums around the world.

### **Equality and diversity**

The 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 Group is able to build the strong team it requires to deliver the strategy for its business. The Group uses job-related objective criteria in the selection of candidates and when considering development opportunities.

The Group is committed to providing a work environment free from harassment and discrimination. The Group 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 whilst employed, every effort is made to enable them to continue working either in their original job or some suitable alternative.

The Group operates a graduate management training scheme through which it selects a small cadre of graduates from those countries in which it operates and provides them with a two-year on the job training and work experience programme.

### **Health and safety**

The 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. BSI also recognises that, in addition to its employees, it has responsibilities to all persons on its premises, such as contractors, customers, visitors and members.

### **Principle risks and uncertainties**

The key business risks are detailed in the Summary Corporate Governance Statement on page 33.

### **Corporate Social Responsibility**

A review of the Group's corporate social responsibility activities during the year is set out on page 37.

### **Suppliers**

The Company aims to pay its suppliers promptly and in accordance with its contractual and other legal obligations. The Company's policy is to agree payment terms with its suppliers at the start of any business with them and to endeavour to ensure that they are aware of the terms of payment. At 31 December 2007 the Company had 30 days' purchases outstanding (2006: 37) based on the average daily amount invoiced by suppliers during the year.

### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company and the Group 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 Company's financial statements.

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The Company's Royal Charter requires it to keep true accounts and have them audited annually. The Board has elected to prepare the financial statements of the Group under International Financial Reporting Standards (IFRS) for the year ended 31 December 2007 and has restated the year ending 31 December 2006 under the same basis. The financial statements of the Company have been prepared in accordance with applicable Accounting Standards in the United Kingdom (UK GAAP).

The directors confirm that in preparing the financial statements of the Company and of the Group, they have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable International Financial Reporting Standards and UK GAAP have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Board also confirms that it keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group. It is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

Each of the persons who is a director of the Company at the date of approval of this report confirms that

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

By Order of the Board  
**Richard Catt**  
Company Secretary  
17 March 2008

## The Board



### **Sir David John KCMG**

#### **Chairman**

Sir David John was first elected Chairman in July 2002 after joining the Board in May 2002 as a Non-executive Director. Sir David was Chairman of the BOC Group until January 2002. He is currently Chairman of Balfour Beatty and Premier Oil and a member of the CBI International Advisory Board. Age 69.



### **Stevan Breeze**

#### **Chief Executive**

Stevan Breeze joined BSI as Chief Executive in February 2002. He was previously a Director of Jarvis Infrastructure Services and a Divisional Managing Director of BTR. Mr Breeze has extensive general management and commercial experience in manufacturing, consumer product marketing and support services across a wide range of international industries. He has held Board positions in quoted groups in the UK and India. Age 56.



### **Martin Hannah FCCA**

#### **Group Finance Director**

Martin Hannah joined BSI as Group Finance Director in September 2007. A Chartered Certified Accountant Mr Hannah has extensive international financial and commercial experience across a wide variety of sectors including consumer products, power utilities, engineering, manufacturing and service. Originally trained in Unilever, he has held senior Finance Director positions with Powergen International, ESAB, El Paso and was a Divisional Finance Director of Trafalgar House. Age 46.



### **Mike Low**

#### **Director, BSI British Standards**

Mike Low joined BSI as Director of BSI British Standards in 2003. Prior to this he was the Director of Group Strategy and Performance for Amey plc and MD of Amey Rail. Until 2000, Mr Low was Managing Director of British Energy plc's UK generation division and also a main board Director. He has also previously served as Director of Health, Safety and Environment for Nuclear Electric and subsequently Technical and Business Development Director. He is a Fellow of the Royal Academy of Engineering and of the Institute of Quality Assurance. He has published widely on power generation, safety and risk management. Age 59.



### **Michael French FCA**

#### **Non-executive Director**

Michael French joined the Board as Non-executive Director in January 2005. An Asia specialist who worked for several years in Japan, Mr French is an engineer by training and a Fellow of the Institute of Chartered Accountants. He worked principally with PricewaterhouseCoopers LLP, of whom he became a Partner in 1981. Age 60



### **Anthony Lea**

#### **Non-executive Director**

Anthony Lea joined the BSI Board as Non-executive Director in July 2007. Mr Lea is Non-executive Chairman of Merrill Lynch World Mining Trust plc, and takes up the position of Non-executive Director at the Office of Fair Trading (OFT) from April 2008. Previously Mr Lea served as a board member of the Anglo American Group and as Finance Director of Anglo American plc until 2005. He has extensive international operational experience in the UK, South Africa and North America. Age 59.



### **Dr Norman Price OBE**

#### **Non-executive Director**

With extensive industrial experience, particularly, latterly in SMEs, Norman Price joined the Board as a Non-executive Director in June 2004. He is currently Chairman of Ecologic, Chairman of a Qinetiq joint venture (ASIP, in sensors), Non-executive Director of Bede Plc, Mercia Fund Management, and Investbx, and a Vice President of the EEF. In the UK West Midlands after being deputy chair of the Regional Development Agency, he is now Chairman of the Enterprise Board, the Regional Finance Forum and Birmingham Science City and a Warden of the Birmingham Assay Office. He is a Council Member of Birmingham University. Age 64.



**John Regazzi PhD**  
**Non-executive Director**

John Regazzi joined the Board as a Non-executive Director in July 2006. He is a US citizen and resident, former Managing Director of Market Development at Elsevier, CEO of Elsevier Inc, and Global Managing Director of Elsevier Electronic Publishing. He was President and CEO of Engineering Information Inc and is also Professor and Dean Emeritus of the College of Information and Computer Science of Long Island University. Age 59.

**Company Secretary**



**Richard Catt**  
**Director of Legal Affairs**

Richard Catt was appointed Director of Legal Affairs and Company Secretary in May 2005. A barrister, he has held a number of senior legal positions in UK listed and private companies, most recently Legal Director and Company Secretary of Securiguard Group and Simon Group. Age 53.

## Summary Directors' Remuneration Report

The Board has a Remuneration Committee which consists entirely of Non-executive Directors. Details of the current composition of the Committee can be found on page 34.

### Advisers to the Committee

The Committee has access to specialist executive reward consultants to ensure it receives independent advice. Advisers are appointed by the Committee for specific work. In 2007, the independent advice was provided by Towers Perrin on remuneration matters.

### Executive Remuneration Policy

The Committee's objective is to ensure that the levels of emoluments for Executive Directors are set to attract, retain and motivate individuals of the quality required to best further the interests of the Group. Due consideration is given to the rewards payable by comparable organisations and their relative performance.

The Remuneration Committee also approves, as appropriate, Executive Directors' annual incentive payments. These are only awarded subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives.

In 2006, the Group introduced a Long Term Incentive Plan (LTIP) for directors and senior executives of the Group, based upon demanding growth criteria linked to the Group Strategic Plan.

The granting of Awards under the LTIP is restricted to Executives and Senior Managers. Participation is solely at the invitation of the Remuneration Committee, based upon the recommendation of the Chief Executive.

### Executive Directors' Service Contracts

Executive Directors have service contracts with the Company with notice periods of no more than twelve months.

### Non-executive Directors

Non-executive Directors are appointed for an initial term of 3 years and provide for a notice period of one month.

The Committee's approach when considering termination payments is to take into account the individual circumstances and contractual obligations, to ensure payments made are fair to the individual, that failure is not rewarded and the duty to mitigate loss is recognised.

By Order of the Board  
Anthony Lea  
Chairman of the Remuneration Committee  
17 March 2008

## Summary Corporate Governance Statement

### Governance framework

BSI is incorporated by Royal Charter and, as such, is not subject to the Companies Acts, nor is it required to comply with the UK Combined Code on Corporate Governance (the "Code"). However, the Board of Directors is committed to embedding within BSI the highest level of corporate governance standards and therefore BSI seeks voluntarily to comply with section 1 of the Code wherever relevant and practical.

BSI's governance framework consists of three elements:

- its organisational structure;
- its internal control framework; and
- its review and assurance process, details of which are provided below.

### BSI organisational structure and Board composition

#### *The Board*

The Board is the governing body of BSI and has the sole management of its income and funds. It is responsible for setting Group strategy and providing leadership within a governance framework.

In 2007 the Board comprised the Non-executive Chairman, the Chief Executive, two further Executive Directors and four Independent Non-executive Directors. The Company's Bye-laws require the Chairman to be elected by the Board annually from the Directors. The Chairman cannot be a member of BSI staff and the total number of Executive Directors may not exceed the total number of Non-executive Directors. Brief biographical details of each of the Directors can be found on pages 30 and 31.

In accordance with the Code, the roles of the Chairman and the Chief Executive are separate and each has clearly defined responsibilities. The Chairman is primarily responsible for running the Board and the Chief Executive is responsible for running the Company's business. Each of the Non-executive Directors was considered by the Board to be independent during the year. BSI does not have a Senior Independent Director as it is felt that its role is to be accessible to shareholders, which BSI as a company incorporated by Royal Charter, does not have. BSI continually strives to achieve an appropriate balance of skills and experience on the Board.

#### *Role of the Board*

The current membership of the Board and its principal Committees is set out below. The Board meets as a minimum six times a year and, additionally, ad hoc meetings are held as necessary. In 2007 seven meetings were held which were attended by all the Directors except John Regazzi who attended six. Anthony Lea attended two out of the three meetings held since his appointment and Martin Hannah attended both meetings held following his appointment.

The Board, is the governing body of the Company and maintains a detailed Schedule of Matters Reserved to it including: ensuring that BSI's Royal Charter and Bye-laws are complied with and that all key operational matters are referred to it.

#### *Board Committees*

In line with best practice, the Board of BSI has established a number of committees, which all have access to independent professional advice, to which it has delegated a number of the Board's functions, including:

##### *Audit Committee*

Chairman: Michael French FCA

Members: Sir David John KCMG, Norman Price

The Committee currently comprises the Chairman and two independent Non-executive Directors. The Chief Executive, the Group Risk and Compliance Manager and the external auditors are normally invited to attend the Committee Meetings. The Committee meets as a minimum twice a year and, additionally, ad hoc meetings are held as necessary. In 2007 three Committee meetings were held which were attended by all the members.

The key responsibilities of the Audit Committee are to monitor the integrity of the financial statements of the Company; review internal controls and risk management systems; oversee the relationship with the Company's external auditors, including making recommendations to the appointment, re-

appointment and removal of the external auditors; monitoring the effectiveness of the internal audit function and reviewing the whistle-blowing procedure. The Committee is also responsible for reviewing the summary financial statements and significant financial returns to regulators.

### ***Remuneration Committee***

Chairman: Anthony Lea

Members: Sir David John KCMG, John Regazzi

The Committee currently comprises the Chairman and two independent Non-executive Directors. The Chief Executive is normally invited to attend the Committee's meetings. The Committee meets as a minimum once a year and, additionally, ad hoc meetings are held as necessary. In 2007 four meetings were held and all four meetings of the Committee were attended by all the members with the exception of John Regazzi who attended three. Anthony Lea was appointed as Committee Chairman in February 2008 replacing Michael French, who took on the role of Committee Chairman in February 2007, following Sir David John's resignation as Committee Chairman.

The Remuneration Committee is responsible for determining and agreeing with the Board the policy on remuneration of the Chief Executive, the Executive Directors and certain senior executives. The Committee also reviews the design of all long term incentive plans for approval by the Board; determines the policy and scope of the pension arrangements for the Executive Directors and senior executives; and reviews the selection criteria, selection, appointments and terms of reference for any remuneration consultants who advise the Committee. No Director or executive is involved in any decisions concerning their own remuneration.

### ***Nominations Committee***

Chairman: Sir David John KCMG

Members: Michael French and Stevan Breeze

The Committee currently comprises the Chairman, one independent Non-executive Director and the Chief Executive. The Committee meets as and when necessary. In 2007 one Committee meeting was held which all members attended.

The Committee is responsible for reviewing the size, structure and composition of the Board and making recommendations to the Board on these matters and to put in place succession plans for Directors including the Chairman and Chief Executive. This involves an ongoing assessment of the balance of skills, knowledge and experience on the Board. There is a formal, rigorous and transparent procedure for the appointment of new directors.

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.

In addition the Board has established the following Committees:

### ***Executive Committee***

The Executive Committee is charged with the implementation of agreed strategy and the day to day operation of the BSI Group.

### ***Group Risk and Compliance Committee***

The Committee is responsible for monitoring compliance with the Group's Statement of Business Values, Group Rules and related documents; for the investigation of incidences of non-compliance and to monitor the Group's risk and compliance programmes.

### ***Standards Policy and Strategy Committee***

The principal objective of the Committee is to bring together the views of those interested in BSI British Standards' formal consensus standards activities in order to develop BSI's strategic policy in the national, European and international standards areas.

## **BSI control framework**

BSI's internal control framework is laid down in various framework documents, namely:

- The BSI Group Rules – a comprehensive set of rules with associated policy and procedures regarding the practical governance of the Group's businesses, to which all Group employees have access on the Group's intranet.
- The BSI Statement of Business Values – a statement of BSI's ethical values.

## **BSI review and assurance processes**

### ***Internal Controls***

BSI is committed to the highest standards of corporate governance and has adopted, where considered relevant and practical, the UK Combined Code on Corporate Governance requirements published by the Financial Reporting Council.

For the year ended 31 December 2007, the Company has complied with Principle C.2 of the applicable Combined Code by maintaining a sound system of internal control to safeguard investments and Company assets.

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Company's system of internal control and in compliance with Provision C.2.1 of the Code, has undertaken reviews of financial, operational and compliance internal controls throughout the reporting year.

BSI has established and regularly updates its Group Rules which are designed to provide a level of assurance that adequate financial and other controls exist.

The Board operates an internal audit function responsible for auditing and monitoring the application of financial procedures and practices throughout the Group.

### ***Risk Management***

There is a continuous process for identifying, evaluating and managing the significant business risks faced by the Group. This process was in place throughout 2007. The process is based on the US recognised control framework COSO Enterprise Risk Management.

The business risk management process adopted has promoted both a bottom-up and a top-down assessment of key risks. The top-down assessment involves the Group Risk and Compliance Committee, which operates under written terms of reference, in identifying key Group risks which are communicated to the Divisions.

The bottom-up assessment is undertaken by a network of Divisional and departmental risk committees. This results in detailed analysis of risks which are incorporated into risk registers, the mitigation plans for which, are updated continuously by managers throughout the Group and reviewed quarterly by management and by the Board annually.

The Board regards risk management to be essential to good business practice. The identification, evaluation and management of risk are integrated into the key business processes including strategic planning, investment appraisal, performance management, health, safety and environmental management.

The Group Risk and Compliance Committee also monitors compliance with the Group's Statement of Business Values, Group Rules and oversees the handling of any incidents reported via the Group's confidential incident reporting lines. Compliance incidents are reviewed and further action taken as appropriate. The Group maintains a whistle blowing arrangement to enable employees to confidentially report suspected breaches of the Group's Statement of Business Values or Group Rules. All aspects of the Group's insurance risk programmes and policies are monitored and new initiatives are introduced as required. The Group maintains a programme of insurance covering all major insurable risks to the Group's business assets and operations.

### **Health and Safety**

The Board recognises that the protection of the health and safety of staff, contractors, visitors and others, and of the environment is a vital and integral part of business performance and corporate governance and a prime responsibility of management at every level.

Significant progress continues to be made across the Group in the development and implementation of OHSAS 18001 management systems, training materials and programmes and the improvement of preventative and precautionary measures to meet its strategic objectives.

There was a slight increase in the total number of Lost Time Accidents (10 accidents in 2007 against 9 accidents in 2006). The average number of days lost per accident rose (12.2 days lost per accident in 2007 against 10.6 days lost per accident in 2006). The number of minor accidents rose from 46 in 2006 to 50 in 2007. The increase in accidents may be attributable to the improvements in the accident reporting process that were undertaken during 2007.

### **Key business risks**

The most significant risk and uncertainty factors we have identified relate to:

- commercial risk (including acquisitions and joint ventures);
- reputational damage from breaches of brand integrity;
- IT systems;
- maintenance of regulatory compliance;
- pension scheme funding requirements;
- recruitment & retention of key staff;
- sustainability of the current standards business model;
- changes in tax rates and accounting standards; and
- political and/or governmental action.

By Order of the Board  
Sir David John KCMG  
Chairman  
17 March 2008

## Corporate Social Responsibility Statement

The Group's approach to corporate social responsibility (CSR) is integral within our core brand values of independence, innovation and integrity.

BSI continues to promote and embody sustainable practices with our stakeholders, business partners and local communities. Many initiatives relating to CSR work are undertaken across our offices globally and brief overviews of some of the key areas of activity in 2007 are detailed below.

### Our work

The development work initiated by BSI British Standards for the management of carbon footprinting of products and services (PAS 2050) in partnership with the Carbon Trust will be pivotal in the promotion of effective sustainable practices. We are confident that this standard will be an essential tool in the effective management of embodied greenhouse gases in products and services not only in the UK but internationally.

The publication of the new sustainable events management standard BS 8901 underlines the importance of developing tailored solutions by which good sustainable practices can be developed and implemented. By focusing on one key sector where sustainable practices are challenging, BSI believes that standards can play an important part in the application of practical CSR.

### Our environment

BSI British Standards and the Corporate Centre based in Chiswick, London achieved certification to ISO 14001 in 2007. Through such certification both BSI British Standards and the Corporate Centre continue to identify opportunities to save energy within the building, manage waste more effectively and work closer with our service partners to reduce our environmental impact.

BSI Management Systems in the UK has continued to reduce its carbon footprint for the third consecutive year, a significant achievement when set against record new business and increased delivery of assessor days. A contributing factor to achieving this reduction has been the ability to reduce air travel by 50% during the year. As in previous years, BSI Management Systems in the UK will use the services of the CarbonNeutral Company to offset emissions attributable to the delivery of its assessment services.

This drive in embracing effective sustainable practices through improvements in operational efficiencies is further illustrated by BSI Management Systems' operations in Continental Europe, the Middle East and Africa (CEMEA) which reduced travel by 20% in 2007.

### Our communities

2007 saw the thirteenth anniversary of the BSI Sustainability Design Awards Scheme. The Award has evolved from one for standards in design, into a sustainability award, echoing BSI's concern for sustainability issues.

In 2007, prizes were awarded for an affordable personal wind turbine providing efficient energy production, retrofit folding bicycle handlebars which encourage urban cycling, Carbon Hero™ – a personal carbon footprint calculator, and for "Watering Gourds" which enable rain water to be collected and distributed around the garden.

Carbon Hero™ went on to be a finalist in the European Satellite Navigation Competition 2007.

Our involvement in this increasingly important field of CSR will continue to increase in 2008 as we make our contribution to making a real difference to the environment and communities across the globe.

By Order of the Board  
Sir David John KCMG  
Chairman  
17 March 2008

## Interests in Group Undertakings

## Interests in principal and other functional subsidiaries

Name	Country of incorporation or registration	Proportion held*	Activity
British Standards Institution Espana SA	Spain	100%	Management Systems
British Standards Institution Mexico S de RL de CV	Mexico	100%	Management Systems
BSI (Asia Pacific) Ltd	Hong Kong	100%	Management Systems
BSI Advisory Services BV	Netherlands	100%	Management Systems
BSI Australia Holdings Pty	Australia	100%	Management Systems
BSI Brasil	Brazil	100%	Management Systems
BSI Brasil Sistemas de Gestao Ltda	Brazil	100%	Management Systems
BSI Eurasia Management Systems Certification Ltd Co	Turkey	100%	Management Systems
BSI France Sarl	France	100%	Management Systems
BSI Management Systems India Pvt Ltd	India	100%	Management Systems
BSI Management Systems Japan KK	Japan	100%	Management Systems
BSI Ltd	England & Wales	100%	Holding company
BSI Management Systems America Inc	USA	100%	Management Systems
BSI Management Systems (Australia & New Zealand) Pty Ltd	Australia	100%	Management Systems
BSI Management Systems Singapore Pte Ltd	Singapore	100%	Management Systems
BSI Management Systems BV	Netherlands	100%	Management Systems
BSI Management Systems Canada Inc	Canada	100%	Management Systems
BSI Management Systems Certification (Beijing) Ltd	China	50%	Management Systems
BSI Management Systems CIS LLC	Russia	100%	Management Systems
BSI Management Systems Holdings Ltd	England & Wales	100%	Holding company
BSI Management Systems Italia S.R.L.	Italy	100%	Management Systems
BSI Management Systems Korea Ltd	Korea	100%	Management Systems
BSI Management Systems Malaysia SDN. BHD.	Malaysia	100%	Management Systems
BSI Management Systems Thailand Co. Limited	Thailand	49%	Management Systems
BSI Management Systems Ltd	England & Wales	100%	Management Systems
BSI Pacific Ltd	Hong Kong	100%	Management Systems
Entropy International Limited	England & Wales	100%	Professional Services
Nis Zertifizierungs-und Umweltgutachter GmbH	Germany	100%	Management Systems

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

\* Percentage of ordinary share capital

## Facts and Figures as at 31 December 2007

	2007	2006
Subscribing Members	14,742	14,807
Committee Members	7,673	7,300
UK Technical Committees and subcommittees	1,247	1,294
Number of new standards published during the year	1,997	2,753
Current British Standards	30,211	25,729
UK secretariats of ISO technical/subcommittees	87	89
UK secretariats of IEC technical/subcommittees	21	26
UK secretariats of CEN technical committees	76	77
UK secretariats of CENELEC committees	28	26
Business locations registered by BSI	64,441	54,833
Notified Body status (under European Directives)	17	17
Number of BSI staff worldwide	2,301	2,274
Number of operating countries	124	110

The facts and figures in the table above do not form part of the audited consolidated financial statements.



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