...making excellence a habit.™

The British Standards Institution
Annual report and financial statements 2011

BSI equips its clients with the means to turn standards into habits of best practice.

Standards impact the lives of everyone. They help businesses to mitigate risk and grow in a sustainable way, while giving customers the assurance that they are receiving products and services of the highest quality. BSI is the expert body in the world of standards and, since its formation in 1901, has been working hard to help organizations achieve excellence in everything they do.

Our products and services create value and deliver real business improvement.

A global reputation

We are recognized worldwide for providing independent, objective guidance and assessments that people can trust. We are the market-leading certification body in the UK and the US and have more than 70,000 active client sites in 147 countries.

57
offices worldwide

More information: www.bsigroup.com



We believe organizations need an external, independent expert to help them make excellence a habit.

• Providing expertise
In the world of standards we always have been, and always will be, the expert body.

• Delivering independence
With our ownership structure we are free to be completely objective.

• Creating value
While we are proud of our independence and expertise, the thing we value most is creating value and delivering real business improvement.

Our customers
A champion of excellence, BSI has a client base that extends across a myriad of sectors including:

- Construction
- Healthcare
- Aerospace and automotive
- Commerce and finance
- Education
- Agriculture
- Mining and materials
- Information technology and communication

64,000+ customers

30,000+ current standards

2,600 standards published annually

Performance and operations

Our growth trajectory is underpinned by products and services that continue to meet global market needs.

Healthy performance in challenging markets

- Record levels of revenue and profit
- Solid growth in each of our three geographical regions
- Business stream management across the organization

Total revenue

£244.9m
+4%

Underlying operating profit

£28.7m
+5%

Net asset value

£43.0m
+8%

Total cash

£39.7m
-4%

How we operate

The day-to-day business of BSI is managed from our three geographical regions, Europe, Middle East and Africa, the Americas and Asia Pacific, implementing global strategies locally.

Global management is in place in each of our three business streams and their sub-divisions to develop global strategy and solutions to meet the needs of our global client base.

Our business structure

We deliver our portfolio of services across three geographical regions through three key business streams

Read more about each in our business review on pages 8–14

In this report the 'Company' refers to The British Standards Institution, a Royal Charter Company, which is the parent company for the purposes of the financial statements. 'BSI', 'BSI Group' or 'Group' means the Company and its subsidiaries. The BSI logo, 'Kitemark', the Kitemark device and 'Entropy' are registered trademarks of The British Standards Institution in the UK and are registered, or in the process of registration, in other jurisdictions.

Throughout this report the word 'underlying' is defined as 'before exceptional items and excluding the effect of disposals'.

Knowledge

The core of our business centres on the knowledge that we create and impart to our clients. In the standards arena we continue to build our reputation as the expert body, gathering the relevant contributors from industry to set standards at local, regional and international levels.

Assurance

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

Compliance

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

Europe, Middle East and Africa

This region comprises our UK Standards business, headquartered in Chiswick, UK, and our EMEA trading region, headquartered in Milton Keynes, UK. Outside the UK we have offices in eight other European countries and four more in the Middle East.

Americas

Our Americas region is headquartered near Washington DC, US. We have a large trading business in the US and other significant operations, with offices in Canada, Brazil and Mexico.

Asia Pacific

Our Asia Pacific management team is based in Singapore. Our two largest trading operations in this region are Japan and China and we have offices in nine other countries, stretching from India to Australia.

A unique proposition

BSI's offering is built upon encouraging excellence. Key to this is its delivery by expert people.

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

Our services align with the steps our customers need to take as they instil this habit of excellence in their own organization.

2 Publish the standards

BSI is at the forefront of the drive to bring excellence to companies, enabling dynamic sharing and integration of digital standards content.

Excellence at the click of a button.

Set

Publish

1 Set the standards

BSI works in partnership with industry experts, government bodies, trade associations and consumer groups to set the definitive standards of excellence for the pressing issues of the day.

Setting the standard of excellence

As the first national standards body, BSI is responsible for originating many of the most used and implemented management systems standards worldwide.

"Setting the standards for excellence is an essential element of my role. As Content Developer I work with the committee members to deliver standards of the highest quality."

Sophie
Content Developer, UK

Delivering excellence

In 2011, BSI launched Eurocodes PLUS+, a revolutionary information product that allows businesses to use and implement Eurocodes construction standards quickly and efficiently.

"Innovation is at the heart of my job, developing the cutting-edge publishing platforms that give BSI's clients user-friendly access to standards."

Jonathan
Product Manager, UK

Teaching the habits of excellence

With a client satisfaction rate of 93%, BSI is one of the industry leaders in providing authoritative training to implement standards.

"My industry and auditing background provides clients with authoritative training to pursue excellence in their business operations."

Jingli
Principal Trainer, China

4 Check and test against the standards

Once companies have embedded the use of a standard, BSI audits the organization or tests its product ensuring that it performs to a higher level of excellence, habitually. BSI supports its clients in promoting their excellence through the consumer trusted Kitemark® and globally recognized certification marks.

Maintaining excellence

BSI clients have reduced their management systems implementation time on average by 50% by using faster, smarter work tools.

"As Entropy Product Manager, I support clients to remain compliant with excellence by reducing risks and cost, improving control, assurance and accountability, and protecting and enhancing brand value and reputation."

Raj
Product Manager, US

Train

Check and test

Provide tools

Achieving excellence

As the number one certification body in the largest markets, clients certified by BSI show higher performance levels than other businesses.

"I am proud to be part of BSI's network of experienced auditors, working with clients to ensure their products and services achieve excellence."

Germano
Client Manager, Brazil

3 Train how to get the most from standards

BSI's expert trainers provide organizations with a comprehensive understanding of how to implement and operate the standards of excellence.

5 Provide tools to keep the standards

As a standards expert BSI makes it easier for clients to drive continuous improvement and deliver long-term excellence through its proprietary compliance tools and software.

Chairman's statement

"With such an uncertain and challenging backdrop it gives me great pleasure to report yet another year of increased revenue and profit at BSI."

Sir David John KCMG
Chairman

Summary of statement

- Increased revenue and profit despite an uncertain and challenging economic backdrop
- BSI continues to apply the principles of the UK Corporate Governance Code where applicable
- Board strengthened by new appointments
- Sir David John to retire in 2012 and to be succeeded by Sir David Brown
- In the future BSI aims to grow organically in line with its defined strategy

A year ago I wrote that 2010 was like 'being out at sea in a storm'. Sadly, for the world's economy as a whole, 2011 did not bring the calmer waters for which we had all hoped. Sovereign debt continued to increase in many major countries, some significant players in Euro-zone approached the brink of bankruptcy and, to cap it all, a serious earthquake and subsequent tsunami brought turmoil to Japan and other markets, which had hitherto been some of the more stable around the globe.

With such an uncertain and challenging backdrop it gives me great pleasure to report yet another year of increased revenue and profit at BSI. The Group continued to be cash generative while maintaining significant investments in systems, products and people. Once again this demonstrates the robust nature of our business and the value that our clients place on our diverse products and services in these difficult times.

As a Royal Charter Company, BSI is not subject to the oversight by investors as is found in joint-stock companies. BSI nevertheless applies the principles of the UK Corporate Governance Code where applicable and has established internal governance procedures that reflect best practice. Our focus on governance begins with the Board, which has a majority of non-executive directors and is able to draw on the experience of individuals of recognized stature from many areas of business. The Board is supported by formal Audit, Remuneration and Nominations Committees, on which the Non-executive Directors are the primary participants, as well as by the Standards Policy and Strategy Committee and the recently established Social Responsibility Committee. Underpinning the frameworks of internal control and financial management and their related monitoring and compliance systems is the BSI Code of Business Ethics, which sets the ethical values and high standards of integrity that we insist are upheld in every aspect of the way we do business.

According to the Board's policy, during 2011 the triennial formal Board evaluation process was undertaken by an external facilitator. Work continued on the adoption of ISO 26000 to embed social responsibility firmly into our activities and operations. We again reinforced our core values and continued to strengthen our management of risk.

As BSI progresses it is important that the governance provided by its Board develops with it. To this end, and to ensure strong succession planning for the future, we have brought two advisors to the Board into the business during 2011. Pat Chapman-Pincher has board level experience in both international public and private technology companies and has extensive knowledge in new company start-ups, mergers and acquisitions. Lucinda Riches worked for over 20 years at UBS Investment Bank and is now Non-executive Director of, amongst others, UK Financial Investments Limited which manages the UK Government's investments in financial institutions. Craig Smith joined BSI as Group Finance Director in August 2011, succeeding

Revenue

£244.9m

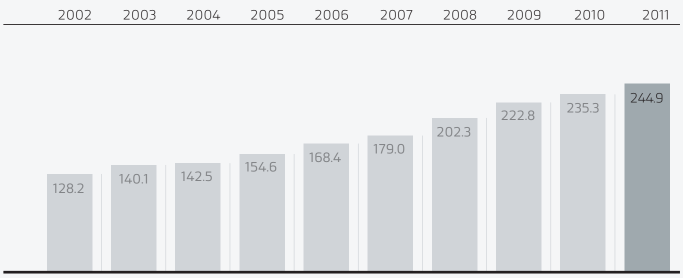
2010: £235.3m

Underlying operating profit

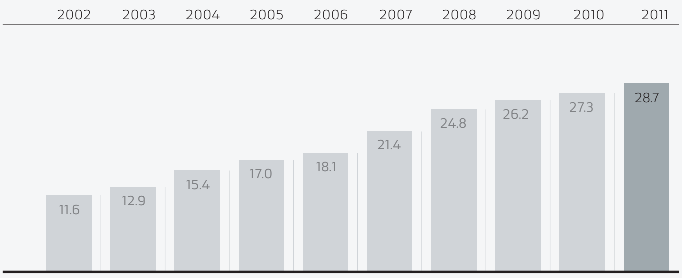
£28.7m

2010: £27.3m

Revenue £m



Underlying operating profit £m



Martin Hannah and bringing with him many years of experience in similar roles with FTSE listed companies. All underwent tailored induction processes. I would like to welcome them to our Company; they have much to offer BSI and will, no doubt, be instrumental in the shaping of our future strategy and its implementation.

Later this year Mike Low, Director, BSI Standards, will be retiring. Mike has made a huge contribution to BSI during his nine years with the Group and I would like to thank him for all his hard work and commitment. His crowning achievement was being instrumental in the appointment of Terry Hill as President-elect of ISO, the first Briton to hold this position in 55 years. Mike will be handing over to Dr Scott Steedman CBE who will bring a great deal of varied experience to BSI and, I am sure, will build on the foundation already laid.

I shall be retiring as Chairman of BSI on 30 March 2012, after almost ten years at the helm. My successor will be Sir David Brown. Sir David joined the Board as a Non-executive Director in May 2010. A Chartered Engineer by training and a Fellow of the Royal Academy of Engineering, Sir David was, from 2003 to 2004, President of the Institution of Electrical Engineers and, from 1999 to 2000, President of the Federation of the Electronics Industry. He was the founding President of the Chartered Quality Institute, during which time it secured Royal Charter status. I could not wish for a better successor.

As a result of my retirement the Board has agreed that Lucinda Riches will be appointed as a Non-executive Director at the forthcoming Annual General Meeting of the Company on 17 May 2012.

In the future, BSI aims to continue to grow organically in line with our defined strategy in the UK and identified international markets in spite of the continuing economic uncertainty. I believe that I am leaving the business in a prominent leadership position in its chosen markets, working closely with the UK Government, the European Commission and businesses around the world to promote and deliver the benefits and value of standardization and its related products of certification, training and compliance. I have thoroughly enjoyed my tenure at BSI and would like to thank my colleagues, past and present, for their support during this time. I wish BSI continued success in the future.

Sir David John KCMG
Chairman
22 March 2012

Chief Executive's review

"'Making Excellence a Habit' is an ambition for everything we do in our business and the promise we make to our clients when they do business with us."

Howard Kerr
Chief Executive

Summary of review

- Both revenue and operating profit showed solid increases on 2010
- We ended the year with no external debt and almost £40m of cash
- We opened a new head office for our EMEA region and announced new premises for our Product Certification business
- We continued to focus on specialized industry sectors
- The outlook is for continued growth and investment in our core businesses as we implement our strategic plan

I am sure that you will have noticed that the 2011 Annual Report of BSI looks different from its predecessors. In fact it is the first time you may have seen a document with the new branding of BSI and with our new credo, 'Making Excellence a Habit' taking centre stage. 'Making Excellence a Habit' is an ambition for everything we do in our business and the promise we make to our clients when they do business with us. It is what our clients will achieve by buying and implementing the standards we write, having these standards certified by our assurance teams, having their staff instructed in their management by our trainers and having their business leaders reassured by our compliance tools.

The new branding and credo will be embedded in the business during 2012 and are just the latest steps in the journey that began three years ago with the creation of 'One BSI' and the development of the matrix structure of management that it relied upon for its success. This is now nearing completion and I am pleased to report that we now have global strategies for our business streams implemented by our regional management, an integrated organizational and product offering delivered by committed people, enviable systems and a new brand identity to take to market.

Given the difficult macro-economic conditions prevalent across the globe during 2011, our performance was healthy with both revenue and operating profit showing solid increases on 2010. Overall, revenue rose by 4% and underlying operating profit by 5%. New sales fared even better, being 13% above their 2010 level. This augurs well for the longer-term development of our business as they will convert to revenue in 2012 and beyond. We also increased the number of clients we work with by over 3%. Our balance sheet ended the year with no external debt and almost £40m of cash after a contribution to our pension fund of £17m during the year. In view of the world economy we concentrated on organic growth during the year, making no acquisitions, but invested heavily in improved operating systems and new business applications, a new head office for our EMEA region in Milton Keynes and in the ongoing recruitment of key individuals to drive future growth. Late in the year we announced a realignment of our UK Product Certification business into new premises in the UK from its current base in Hemel Hempstead.

One of our particular successes in 2011 was our approach to industry, which has seen us focus on particular sectors such as healthcare, aerospace and the built environment. Our clients derive great benefits from our expertise in specialized areas and we continue to develop new centres of excellence as part of our strategy. A key achievement was the launch of our Information Products Platform (IPP) upon which we have initially released our Eurocodes library. This represents the first stage in our transition from being a publisher and distributor of standards documents to being a provider of sophisticated, professional information tools with standards content at the core. Further products will be available on this platform in 2012 and beyond.

Cash

£39.7m

2010: £41.4m

Debt

£0.0m

2010: £0.0m

We have also completed a statutory restructuring in the UK which will permit us to provide professional services in our major markets without conflicting with other parts of our business.

Every business faces demands from its stakeholders and BSI is no exception to this. We find ourselves increasingly working together in partnership with clients, suppliers, regulators, local communities and society as a whole as each strives to improve sustainability, manage its risk and improve its performance. These become more important still in sluggish economies where there is less to go around. Our continued growth demonstrates our success in gaining the confidence of our partners and building long-term relationships with them for mutual benefit.

It would be wrong to discuss 2011 performance without a word about our Japanese business. On 11 March 2011 an earthquake and tsunami hit the north-eastern coastline of Japan. In the aftermath the economy slowed considerably and our team faced a great deal of uncertainty. They worked alongside the rest of their countrymen as they rebuilt their economy and their business. By the second half of 2011 BSI Japan was back to similar run-rates as those it had enjoyed six months previously. I commend them for their efforts.

Of course, as always we recognize that our talented global workforce provides the expertise that differentiates BSI from our competitors. It is largely due to the knowledge, skills and integrity of over 2,500 people servicing clients in 147 countries that those clients come to us and keep coming back to us. For this reason our global talent management programme remains a high priority for BSI. We invest heavily in people development, providing a range of training and support tools to help individuals develop meaningful careers within BSI. I would like to take this opportunity to thank every member of the BSI team for their dedication and diligence during 2011.

Sir David John will retire as Chairman of BSI on 30 March 2012. The ten years during which he has held this position have been a prolonged era of successful growth for the business. Indeed, on a like-for-like basis, both revenue and profit have increased during every single year of his chairmanship, despite some challenging economic conditions in more recent times. His dedication to governance, with the emphasis on risk management, transparency and compliance, will leave behind a legacy of a world-class international business with a healthy balance sheet and a clear strategy for the future. BSI owes a great debt of gratitude to Sir David and we all wish him well in his retirement.

The outlook for 2012 and beyond is for continued growth and investment in our core businesses as we implement the strategic plan approved by the Board during 2011. Each business stream has its own plans to expand geographically and in terms of its product and service offering. Investment in our IT systems infrastructure will increase as we underpin this growth. In particular we expect to expand our smallest business stream, Compliance, by investing more in our Training infrastructure and our Governance, Risk and Compliance software packages.

The continued tribulations of the world economy during 2012 will mean that life is not easy for many businesses. However, BSI is well hedged across geographies, industry sectors and business streams that will allow us to take advantage of pockets of strength. Our exposure to the Euro-zone is far smaller than that of many of our major competitors and we have strong, mature businesses particularly in the UK and the US, whose economies appear to be holding.

Of course BSI, as a business, has some counter-cyclical traits. Adherence to standards provides businesses, and their suppliers and clients, with the confidence that products and services will consistently meet requirements. This can be a real competitive advantage, particularly in markets where demand is being squeezed. Indeed the vast majority of our clients see benefits from our services, including increased revenue, cost savings, new customers and improved employee morale. We really can help in 'Making Excellence a Habit'.

I believe that BSI now has the right business model and strength in our major geographies and business streams. Our strategy is beginning to bear fruit and I look forward to 2012 with the confidence that we are well positioned to see progress and growth.

Howard Kerr
Chief Executive
22 March 2012

A full BSI Standards review is given on pages 15 to 17

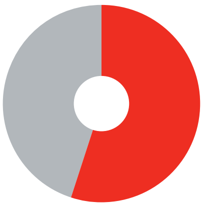
Operational review

Performance by geography

"One of our particular successes in 2011 was our approach to industry, which has seen us focus on particular sectors such as healthcare, aerospace and the built environment."

Europe, Middle East and Africa

55% of total; 3% growth



Revenue

£134.9m

2010: £130.4m

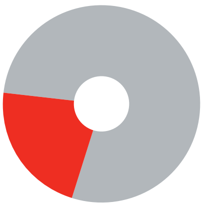
1,375 employees (including at Head Office) (2010: 1,339 employees)

Offices in the UK, the Netherlands, France, Spain, Italy, Germany, Turkey, Poland, Russia, Dubai, Abu Dhabi, Qatar and Saudi Arabia.

- In a period of economic uncertainty and, in some Euro-zone territories, major economic downturn, the region showed revenue growth of 3% on 2010.
- New business sales across the majority of the portfolio of products were strong, especially in the UK but also in markets affected by the Euro-zone crisis. Sales of our Standards products were down slightly on 2010 levels.
- Satisfaction levels and client loyalty increased in the majority of our markets.

Americas

22% of total; 3% growth



Revenue

£54.3m

2010: £52.5m

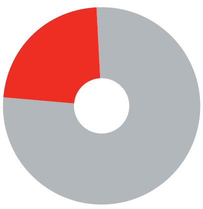
552 employees (2010: 493 employees)

Offices in the US, Canada, Mexico and Brazil.

- As anticipated going into the year, the challenging economic climate seen throughout 2010 continued into 2011 across the region and, indeed, worsened somewhat in Mexico and the US.
- Despite this backdrop the region delivered revenue growth of over 3% with stronger performance towards the end of 2011 as our structural and commercial initiatives began to gain momentum in the market.

Asia Pacific

23% of total; 6% growth



Revenue

£55.7m

2010: £52.4m

803 employees (2010: 759 employees)

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

- The business performed well in 2011, with revenue increasing on prior year by over 6%. This was despite the tragic earthquake and tsunami in Japan in March and the flooding in Bangkok later in the year which adversely affected the results.
- Our Japanese business is the largest in the Asia Pacific region and effectively 'lost' several weeks of business as the country recovered from the tragedy. It was extremely encouraging to see run-rates in the second half of 2011 back to similar levels to those enjoyed in the second half of 2010.

Laurent

Enterprise Architect, UK

2011 saw the delivery of the first application, Eurocodes PLUS+, on our Information Products Platform (IPP).

"The IPP has been delivered on the BSI Cloud Platform allowing BSI to host multiple products and to scale up as required. This gives our customers flexibility in product subscriptions through easily accessed content, single sign on and shared features across multiple applications."

- Following a series of client surveys we are more able to quantify the value we bring to our clients, helping us to demonstrate the continuous improvement we bring at every opportunity.
- We completed a major investment project to rationalize and consolidate our regional headquarters and UK-based business streams in a newly refurbished building in Milton Keynes. This will permit us to deliver improved efficiency, service and value to our clients. Further investments into our Product Certification and associated testing laboratories began in late 2011 and will be concluded in 2012, positioning us more strongly in our chosen markets.
- In the Middle East and across Central and Southern Europe, we increased our market presence, working with clients in many different industrial sectors. In particular we strengthened our position as a leading provider of medical device certification globally, linked to our Notified Body status in the UK and Germany.
- The EMEA region includes both the Euro-zone and the Middle East, areas with particular economic and political challenges expected for 2012. BSI has a diverse business across the EMEA region, offering different products and services across the geography and across many industries. As such it is well positioned to take advantage of areas of strength. As a result 2012 is approached with optimism.

- Our Healthcare business had another strong year in the US and we continued to invest in resource for future expansion. Our core businesses of Systems Certification and Training performed well across the region, particularly in Canada and Mexico which both achieved overall double digit revenue growth.
- The Systems Certification business benefited in the US from the transition to the new aerospace certification standard and a fall in attrition rates.
- Our Governance, Risk and Compliance business is based in the US and delivered strong growth on the back of the expansion of the Entropy® footprint across the region and the Supply Chain business in the US, as several Fortune 100 companies implemented its products. We continue to invest heavily in the product.
- Several large companies invested in a new offering by BSI, a bundle of products, including Systems Certification, Training and Entropy®. This approach differentiates us from our competitors and develops customer loyalty. We will build upon this foundation in 2012.
- The momentum built up across the organization in the region throughout 2011 looks set to continue into 2012 and, while the economic climate is not expected to be widely different, there is every reason to be positive and to build on the successes of 2011.

- We launched a product certification and testing business in China. This business is progressing well. In the middle of the year we changed the leadership of our Chinese business, transferring the general manager from our highly successful Taiwanese subsidiary to run this large and strategically important business.
- BSI Indonesia began trading on 1 January 2011 and exceeded our expectations in its first year of operation. Our sustainable palm-oil sector business here and in Malaysia continued to develop and grow, with a dedicated team of in-house experts now in place. We plan further investment through 2012 in this growth sector.
- Several of our business units in the region showed good growth on 2010, with Australia, in particular, of our medium-sized units delivering strong, profitable growth and, Taiwan and Vietnam of our smaller units, worthy of note.
- Internal promotions and succession planning efforts across the region have provided great stability to the leadership team, which, in turn, has enabled the focus on execution and steady growth.
- With these foundations, and the natural disasters of 2011 firmly behind us, we look forward to 2012 to develop the business in line with our growth strategy.

Operational review continued

Performance by business stream

"BSI has some counter-cyclical traits. This can be a real competitive advantage, particularly in markets where demand is being squeezed."

Knowledge

19% of total; -1% growth

Revenue

£45.6m

2010: £46.2m

Standards

- Revenue fell slightly from 2010 to 2011, by just over 1%, resulting from UK Government spending cuts adversely affecting most product lines. Additionally our funding from the UK Government Department for Business, Innovation and Skills (BIS) decreased, but we were able to increase our own investment to compensate and we maintained a full standards development programme.
- Revenue from our international projects department fell and royalties from our distributors were up on 2010. Subscription revenues were maintained as a proportion of revenues with our membership offering continuing to grow year-on-year. We invested in our enhanced British Standards Online (BSOL) product offering and will continue to do so in 2012 and beyond.
- New, innovative standards were published in areas as diverse as the specification for anti-bribery management systems, lifecycle greenhouse gas emissions of goods and services, effective business to business relationships and a compliance framework for regulated financial service firms.
- We increased our geographical focus during 2011, with particular emphasis on our Asia Pacific region.
- In a major systems investment project we created a state-of-the-art publishing platform that moves BSI from a library product supplier to one having the capacity to provide a sophisticated workflow tool and a business enterprise solution. The first product on the platform is 'Eurocodes PLUS+', a workflow tool that embraces the full suite of the European construction codes (Eurocodes) and associated guidance and turns them into a client or supplier design tool. Over the coming years BSI anticipates expanding its portfolio of advanced information products on this platform.
- In a changing world we continue to evolve our offering to suit our clients, investing proactively in new standards, new geographies and new systems to match their requirements. Our content and solutions are increasingly embedded in our clients' workflows making them more effective and BSI a more valued partner.

Mini

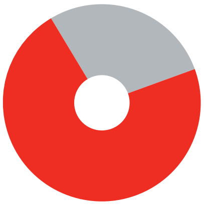
Director of Training, India

BSI's expert, experienced trainers provide clients with industry best practice on implementing standards, helping them drive excellence in their organization.

Mini's team delivers top quality training to organizations of all sizes and every type of activity – from leading multinationals to small, innovative start-ups.

Assurance

72% of total; 5% growth



Revenue

£176.9m

2010: £168.7m

Systems Certification

- Systems Certification grew at over 5% during 2011, with particular successes in our Europe, Middle East and Africa, and Asia Pacific regions.
- Accreditation is a critical requirement of our assurance business. We continue to manage this positively and proactively with accreditation bodies around the world. In 2011 we were the first certification body to gain global accreditation to the new standard for system certification ISO 17021:2011.
- Our sector focus has continued to develop. For example we successfully transitioned to the new aerospace certification standards with both the ANSI-ASQ National Accreditation Board (ANAB) and the United Kingdom Accreditation Service (UKAS), allowing continuity for our clients in this highly regulated market.
- We developed and implemented an innovative programme to encourage our client facing teams to identify with clients the areas where the use of standards and certification would improve their business.

Product Certification

- Revenue from Product Certification decreased slightly in 2011 by 3% as we continued to rationalize our product offering to the market to improve customer focus and profitability.
- We developed and accredited our first centre of excellence for our product certification business stream outside the UK. In China we now have the approval of the Chinese Government and the testing capability for our clients. Certification will be issued through our UK office under UKAS accreditation. This gives us a major opportunity to grow our product certification business in this region.
- Late in 2011 we announced a major transformation of our UK product testing strategy and capability. We will concentrate these activities in two centres of excellence in Hemel Hempstead and one in Loughborough. These will concentrate on testing the built environment, personal safety and appliances and electrical products respectively.

Healthcare

- Revenue from Healthcare increased by 9% in 2011, buoyed by especially strong growth in the US.
- We consolidated our market-leading position in the US market, the largest in the world, and achieved significant growth in the second largest, Germany.
- Our 2009 acquisition in Germany, EUROCAT, was rebranded as BSI Germany. It reported revenue growth in excess of 25% in 2011 and was awarded two new internationally recognized medical device testing accreditations, as a Certification Body Testing Laboratory (CBTL) and as an International Laboratory Accreditation Cooperation (ILAC) accredited test and calibration facility.
- We played an increasingly leading role as a key partner to one of the Kingdom of Saudi Arabia's regulatory teams, the Saudi Food and Drug Authority (SFDA), in establishing a robust market access approval scheme that improves the quality and safety of medical devices utilized in the Kingdom.

Operational review continued

Performance by business stream continued

"I believe that BSI now has the right business model and strength in our major geographies and business streams. Our strategy is beginning to bear fruit and I look forward to 2012 with the confidence that we are well positioned to see progress and growth."

Compliance

9% of total; 10% growth

Revenue

£22.4m

2010: £20.4m

Training

- The Training business showed remarkable resilience during 2011, growing at 7% despite serious economic problems and natural disasters in many of its major markets.
- Core commercial initiatives during the year included the roll-out of optimized web pages and online booking systems, the deployment of electronic events management systems and continued investment in the training team personnel to drive the global business model.
- Our Korean business transitioned to a new business model to service the recently introduced, Government-funded e-learning market.

Governance, Risk and Compliance

- 2011 was a year of growth for our Entropy® software, BSI's integrated risk and compliance management system. We continued to invest in expanding the size and reach of the sales force as well as improving the software to enhance its efficiency, analysis, compliance and knowledge.
- We released Entropy® Version 4.0 during the year, which included significant enhancements to quality management systems capabilities for ISO 9001 and ISO 13485 support.
- As a result total revenue from Entropy® grew by 29% during the year and we have now extended Entropy® into our Asia Pacific and Middle East regions with local sales support. Several large companies purchased the full bundle of systems certification, training and Entropy® for the first time. This is a concept we expect to develop in the future.
- 2011 marked a significant turnaround for our BSI Supply Chain Solutions product with 19% revenue growth. Several Fortune 100 companies subscribed to the product and sales into the US Government expanded, helped by our largest ever sale to the Department of Homeland Security.
- We launched a commercial supply chain intelligence service, SCREEN, which has already landed four significant sales.
- The market for Supply Chain Security services strengthened in 2011 in both the US and EU as the US Customs-Trade Partnership against Terrorism (C-TPAT) programme was launched and the EU Authorized Economic Operator (AEO) programme expanded, extending the commercial appeal of our product significantly.

Business review

BSI Standards review

"BSI has been a prime mover in recent years to drive the European and International Standards bodies to become much more market focused."

Mike Low
Director, BSI Standards

"During 2011 we celebrated 60 years of consumer involvement in BSI with a 'Get Involved' campaign and hosted ISO's annual Consumer Policy Committee meeting in London."

Global standards in 2011

2011 brought with it considerable change to the standards world, both in the UK and internationally. This was necessary as standards have to respond to a turbulent world economy and to the range of opportunities to support global business in an increasingly competitive environment. BSI has been a prime mover in recent years to drive the European and International Standards bodies to become much more market focused, to be more responsive to business needs and to meet public interest. In addition, within Europe the legal framework for standardization was being reviewed and reached a crucial stage during the year.

International activities

In Europe, BSI, following its leadership role in the European Commission's expert panel on the future of European Standardization (EXPRESS), worked closely with the European Parliament, its committee on the Internal Market and Consumer Protection and the European Commission to ensure that the strengths of the current system were protected and that areas for improvement were properly recognized. The fundamental retention of the principle that decision-making in the European standardization system is made at national level has been secured in the draft regulation. BSI has taken leadership of pan-European projects to deliver improvements in access to standards for small and medium-sized enterprises (SMEs) and for groups representing consumers and trade unions, largely based on its own solutions such as online access to the standards development process. The final draft regulations will shortly go to the European Parliament and for the most part would appear to be consistent with our thinking.

As Vice President, Policy for the European Committee for Standardization (CEN) I have been heavily involved in the lobbying process of the European Commission with respect to the legal review, the drive for change in the strategic delivery process and in the governance of the organization in order to improve market relevance and operational efficiency. Holding this position has enabled BSI to run key projects for the European standards organizations and, by doing so, continue to build its reputation as a thought leader in the development of standards.

Our input to the International Organization for Standardization's (ISO) strategic plan, which commenced in 2011, was to achieve a step-change in market focus. This has resulted in the organization reviewing its approach to the market, both directly and through its members. We are seeing far better focus on the work programme and on business relevance, and BSI staff are directly involved in reviewing the standards development process and in a fundamental review of the governance of ISO itself. In the latter case our suggestions for changes have been adopted and, if accepted by the membership this year, will greatly improve the outward perception of ISO and the building of its brand reputation.

After a successful nominations process, BSI achieved, unopposed, the election of a UK President of ISO. The successful candidate is Terry Hill, the former Chairman of Arup, a global professional services firm specialising in the built environment. He will spend 2012 as President-elect and becomes President for the period 2013–2014. His tenure will span the current strategic plan with its focus on raising market awareness of international standards.

BSI Standards review continued

"Through business, government and consumer engagement we have been able to identify and publish a number of new standards."

International activities continued

We continued our strong links with China through our participation in a major European Commission-funded project looking at China's standards infrastructure and compliance with World Trade Organization requirements, as well as a co-operation agreement with the Environmental Development Centre. We also continued the delivery of a major project providing technical assistance in Turkey and delivered other projects in Egypt, Latin America, the western Balkans and the Caribbean. We are now partnering with a number of National Standards Bodies (NSBs) using BSI standards development systems to enable them to become more effective at a national level.

National activities

During 2011 we celebrated 60 years of consumer involvement in BSI with a 'Get Involved' campaign and hosted ISO's annual Consumer Policy Committee (COPOLCO) meeting in London. This event was attended by a record 47 countries, with 13 developing countries directly sponsored by BSI, and was addressed by Edward Davey MP, then the UK Consumer Affairs Minister. Led by Lynn Faulds Wood, chair of BSI's Consumer and Public Interest Network, we achieved extensive UK media coverage.

We have been working closely with the UK Government in its 'Better Regulation' agenda, discussing whether possibilities exist to reduce prescriptive regulation through making wider use of standards. This could have an impact in all sectors and is of particular interest to SMEs, who will certainly play an important role in the UK's recovery from recession. The theme of better regulation also provided the main focus at the annual BSI–UKAS Reception at the House of Lords, where invited senior officials from right across the UK Government heard a keynote speech from the Chief Executive of the Government's Better Regulation Executive on the better regulation challenge.

BSI has been an active participant in the UK Government's 'Innovation Infrastructure' project, in which we have demonstrated how, through the strategic deployment of standards alongside other support systems and our extensive online network, we can reach all business sectors. We are working closely with the National Physical Laboratory (NPL), the Technology Strategy Board (TSB), the National Measurement Office (NMO) and the United Kingdom Accreditation Service (UKAS), and are particularly pleased with the success of our collaboration with Cambridge University's Institute for Manufacturing on the subject of emerging technologies.

BSI is sponsoring the International Electrotechnical Commission's (IEC) 'Young Professionals' programme in the UK to ensure that the next generation of engineers and technicians understands the benefits of standardization. We have also engaged with several universities in the UK, providing support through their curricula, business operations and career development and worked with CEN and the European Committee for Electrotechnical Standardization (CENELEC) to define an education policy for CEN, CENELEC and their national members, including the creation of a model curriculum for the higher education sector on standardization. We are actively involved in European initiatives to create e-learning tools so that consumers, students and SMEs achieve a better understanding of standards and their benefits to business and the public at large.

"In a major systems investment project we created a state-of-the-art publishing platform that moves BSI from a library product supplier to one having the capacity to provide a sophisticated workflow tool and a business enterprise solution."

Jennifer

Principal International Development Manager, UK

As a founding member of ISO, BSI has 110 years' experience to support the development of other national standards bodies and quality institutions worldwide.

Through a competitive process, Jennifer acquires and manages international technical assistance and training projects, funded by donors such as the European Union. Jennifer draws on BSI's expertise and knowledge to instil best practice standardization processes in developing countries and emerging markets.

Groundbreaking standards

Through business, government and consumer engagement we have been able to identify and publish a number of new standards, at this stage unique to the UK, but already attracting international interest. This approach has served British industry well in recent years giving the UK leadership in such issues as risk management, business continuity, sustainability, carbon footprint measurement and energy management. This year was no exception, with the following examples:

Specification for an anti-bribery management system. This standard, BS 10500, helps organizations demonstrate that they have robust anti-bribery policies, practices and systems in place. It provides a rigorous framework to help them demonstrate their commitment to good governance and business ethics. It responds to a growing requirement and interest in an anti-bribery standard, as the recent UK Bribery Act (2010) introduces the offence of 'failure of a commercial organization to prevent bribery'. This was an excellent example of BSI working jointly with business and public bodies in this high-impact area of corporate governance.

Business relationships. This standard, BS 11000-2, defines the path to an effective business-to-business partnership. Major projects involving complex investments are critically dependent on the quality of partnerships in the client supplier chain and the processes established to deliver successful and cost-effective outcomes. This standard has already been recognized as a major benefit to the reduction in costs of infrastructure projects.

Compliance framework for regulated financial services firms. This standard, BS 8453, is the first standard of its kind and will help firms to manage their regulatory risks. The financial services industry has given its support to the publication of a new British Standard, developed in response to calls for greater governance within the finance sector. In the face of mounting pressure, financial services companies need to demonstrate to consumers that they are improving their governance and accountability procedures. This standard will provide a set of agreed measures that will achieve a transparent compliance culture within a firm.

Revised method for assessing the lifecycle greenhouse gas emissions of goods and services. This standard, PAS 2050, is widely used by businesses to calculate the carbon footprint of their goods and services. Working closely with business and following the global experience to date, the standard, sponsored by UK Government, was revised in 2011 to reflect advances in theoretical knowledge and the practical experience of its far-reaching international user community.

Investment in solutions for business

In a major systems investment project we created a state-of-the-art publishing platform that moves BSI from a library product supplier to one having the capacity to provide a sophisticated workflow tool and a business enterprise solution. The first product on the platform is 'Eurocodes PLUS+', a workflow tool which embraces the full suite of the European construction codes (known as the Eurocodes) and turns them into a client or supplier design tool. It allows data sharing and links to referenced documents and past and future projects. As such, it can significantly reduce the information effort in structural design projects. Over the coming years BSI anticipates expanding its portfolio of advanced information products on this platform.

During 2011 we have extended our web tools so that all national and international standards can now be reviewed online. This gives access to the pipeline of new standards in development and enables user input on the value of standards and future requirements and facilitates online involvement in the standards-making process. BSI's 'Standard for standards', BS 0, was updated in a more user-friendly style during 2011, in order to help our many thousands of committee members.

These developments are further supported by BSI's web and marketing developments which target over 100,000 business users in the UK and many more overseas.

I would like to take this opportunity to recognize the valuable advice we have received from our Standards Policy and Strategy Committee across all sectors. This committee has made a major contribution to the future standards strategy of BSI and the standards delivery programme. Finally I would like to thanks those who give their time to contribute to the standards development process in order to ensure that our standards continue to be important tools for business and society.

Mike Low
Director, BSI Standards
22 March 2012

Financial review

"It is testament to the geographical, industrial and cyclical diversity of BSI that we are in a position to report record levels of revenue and profit, as we have every year for the past decade."

Craig Smith FCCA
Group Finance Director

Summary of review

- Revenue increased 4% to £244.9m (2010: £235.3m)
- Underlying operating profit increased 5% to £28.7m (2010: £27.3m)
- Operating profit increased 33% to £26.9m (2010: £20.3m)
- Net cash was £39.7m (2010: £41.4m) following a £17m contribution to the pension scheme
- Net assets increased 8% to £43.0m (2010: £39.7m)

Revenue

£244.9m

2010: £235.3m

Underlying operating profit

£28.7m

2010: £27.3m

Overview

BSI performed strongly in difficult market conditions during 2011. The economic woes of many of our major markets were exacerbated by the aftermath of the tragic earthquake and tsunami in Japan on 11 March, resulting in a trading backdrop as difficult as any in recent memory. It is testament to the geographical, industrial and cyclical diversity of BSI that we are in a position to report record levels of revenue and profit, as we have, on a comparable basis, every year for the past decade. Indeed, since 2002, revenue has increased at a compound annual growth rate (CAGR) of 7.5% per annum and underlying operating profit at a CAGR of 10.6% per annum. Profit margins, at this level, have increased from 9.0% to 11.7% over this period.

Revenue in 2011 was £244.9m, an increase of 4.1% over the £235.3m recorded in 2010. Gross margin declined slightly from 49.5% to 49.3% but a relative reduction in indirect costs meant that margin at underlying operating profit level increased from 11.6% to 11.7%. Underlying operating profit increased by 5.1% from £27.3m in 2010 to £28.7m in 2011.

Exceptional costs were down considerably from last year to £1.8m (2010: £7.0m) meaning that operating profit increased by 32.5% from £20.3m in 2010 to £26.9m in 2011. BSI holds cash and no debt on the balance sheet so the finance costs materially relate to the net interest cost of our defined benefit pension scheme minus the return on its assets. In view of the reduction in the pension fund deficit from £102.7m at the end of 2009 to £58.0m the end of 2010, these fell from £5.6m in 2010 to £2.8m in 2011. Our effective tax rate on profit before tax fell from 41.9% in 2010 to 28.1% in 2011 and the underlying tax rate before financial and exceptional items also fell slightly to 30.0% (2010: 30.2%). The profit for the year increased by 102.3%, from £8.6m in 2010 to £17.4m in 2011.

We ended the year with no debt and cash of £39.7m (2010: £41.4m). However, this was following an additional contribution to the UK defined benefits pension scheme during the year of £17.0m (2010: £15.0m). According to the agreed schedule of contributions, £7.0m of this was not due until March 2012, but early payment was beneficial to us for tax reasons as the contribution is tax deductible and the UK corporation tax rate will be lower in 2012 than in 2011.

Exchange rates

We translate our balance sheets into Sterling at year-end exchange rates. For our profit and loss accounts we use a weighted average rate so the figures in the table below are an approximation. For our major currencies this table shows the rates used for 2010 and 2011.

Overall, exchange rates do not make a material difference to the 2011 results when compared to the 2010 results so all numbers in this report are at prevailing rates.

	Year ended 2011	Year ended 2010	Average 2011	Average 2010
Euro	1.20	1.17	1.19	1.16
US Dollar	1.56	1.54	1.61	1.55
Japanese Yen	121.51	126.58	121.47	134.00

Revenue and operating profit

Revenue for 2011 was £244.9m, which was a 4.1% increase on 2010 when £235.3m was reported. This revenue increase was fairly evenly spread across our regions, with EMEA, in total, recording a 3% increase, with the Standards business slightly down on 2010, the Americas a 3% increase and Asia Pacific a 6% increase. The increase in Asia Pacific would undoubtedly have been higher had it not been for the aftermath of the Japanese earthquake and tsunami, when business slowed almost to a standstill for several weeks.

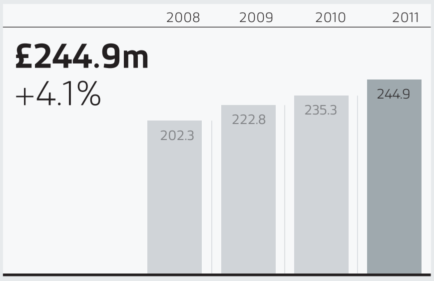
Our Knowledge business stream recorded sales just 1% below 2010, while the mature Assurance grew by a creditable 5% and our fledgling Compliance business by 10%, with our two software products, Supply Chain Solutions and Entropy®, growing by 19% and 29% respectively.

Gross profit margin for the year was 49.3%, just 0.2 percentage points below the corresponding figure for 2010. Across such a geographically diverse and varied business product mix can have an effect on the overall total. Selling and distribution expenses increased by 6% and administrative expenses increased by just 2%.

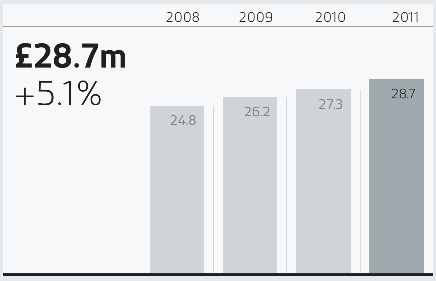
Underlying operating profit was £28.7m in 2011, an increase of £1.4m or 5.1% over 2010 when £27.3m was reported. This implies an underlying operating profit margin of 11.7%, which is an improvement of 0.1 percentage points over last year. After exceptional costs, financial items and taxation are taken into consideration, the profit for the year more than doubled from £8.6m in 2010 to £17.4m in 2011.

Financial KPIs

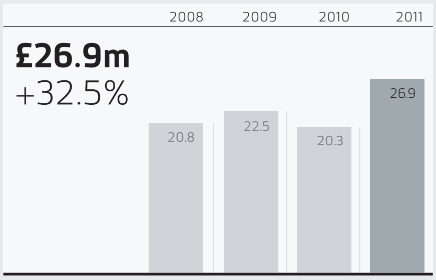
Revenue £m



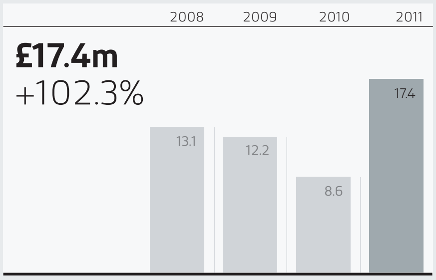
Underlying operating profit £m



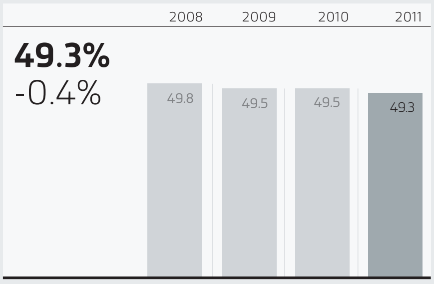
Operating profit £m



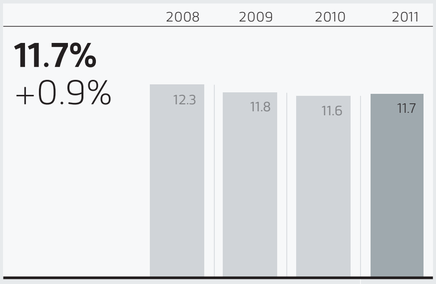
Profit for the year £m



Gross profit margin %



Underlying operating profit margin %



Financial review continued

"BSI has no debt and, consequently, no finance costs related to borrowings. It makes a small income on the investment of its cash."

Exceptional costs

Exceptional costs during 2011 amounted to £1.8m compared to £7.0m during 2010. During 2010 we rationalized our UK operating sites outside of our Chiswick global headquarters. This culminated in the opening of our new EMEA headquarters in Milton Keynes during the summer of 2011. While the majority of the cost of this project (£5.2m) was spent during 2010, there was a sum of £0.2m which overflowed into 2011.

Late in 2011 we announced a major transformation of our UK product testing strategy and capability. We will concentrate these activities in three centres of excellence in Hemel Hempstead and Loughborough. These will concentrate on testing the built environment, personal safety and appliances and electrical products respectively. A provision for 2012 costs was taken in the 2011 financial statements. This amounted to £1.6m and is split £0.8m for site costs and asset write-downs and £0.8m for staff severance costs.

Finance income and costs

BSI has no debt and, consequently, no finance costs related to borrowings. It makes a small income on the investment of its cash. The finance cost shown on the face of the profit and loss account materially relates to the net pension scheme interest cost less the return on the pension scheme assets. The 2011 cost of £2.9m is significantly lower than the corresponding figure for 2010 (2010: £5.6m) because the pension fund deficit at the beginning of 2011, as calculated under IAS 19 rules, was £58.0m, £44.7m or 43.5% lower than a year previously.

Taxation

The Group effective tax rate (ETR) in 2011 was 28.1% (2010: 41.9%). Eliminating the prior year adjustments the ETR was 31.4% compared to 35.8% last year. The 2011 prior year items relate predominantly to the deferred tax impact of decreasing UK corporation tax rates.

Of course the ETR at this level does not adjust for the exceptional costs and finance income and costs so the ETR on underlying operating profit is a better indicator of the tax management of our operating businesses. Adjusting for exceptional costs and finance income and costs the ETR on underlying operating profit in 2011 was 30.0% (2010: 30.2%). The corresponding figures for 2008 and 2009 were 32.9% and 32.0% respectively, showing the downward trend. The mix of the differing tax rates between the countries in which we make the operating profit can create small fluctuations in the overall rates.

Cash flow

The Group remained cash generative during 2011. Cash generated from operations before additional contributions to the defined benefit pension fund was £29.7m (2010: £35.1m). Cash generated from operations was £12.7m (2010: £20.1m). The principal explanation for the reduction in the cash generated was an increase in trade receivables of £3.1m, due to the 4% increase in revenue and a small increase in total debtor days from 51.7 days in 2010 to 54.4 days in 2011. We are finding that some larger clients are demanding longer credit terms and some of our newer countries customarily trade with longer terms than our main markets, but it is important to note that only £0.4m (2010: £0.5m) of receivables were written off during 2011 as uncollectable.

Our purchases of property, plant and equipment and intangible assets (predominantly computer software) increased to £11.8m in 2011 (2010: £6.0m) as we continued to invest heavily in our information technology and communication (ITC) systems. For example, we delivered a full range of ITC services to our new EMEA Head office in Milton Keynes, we upgraded our Group-wide SAP enterprise resource planning (ERP) system and we launched our Information Products Platform (IPP), the 'cloud computing' platform that can host the full range of our online products.

Our year-end cash position was £39.7m. This was £1.7m lower than at the end of 2010, although additional contributions to the pension fund were £2.0m higher. There was no debt (2010: £nil).

Balance sheet

Our balance sheet strengthened during 2011 with net assets increasing by 8.3% to £43.0m. This was despite an increase in the defined benefit pension fund deficit of £1.1m during the year, even though the Group contributed £17m into this fund during 2011.

Net asset value

£43.0m

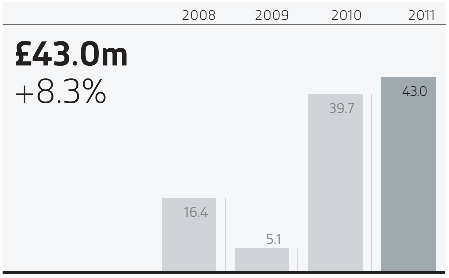
2010: £39.7m

Cash

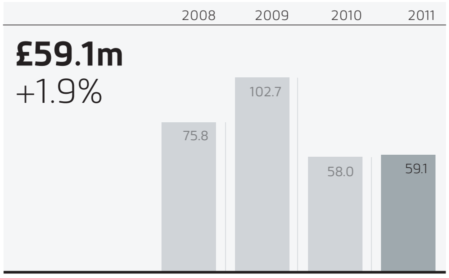
£39.7m

2010: £41.4m

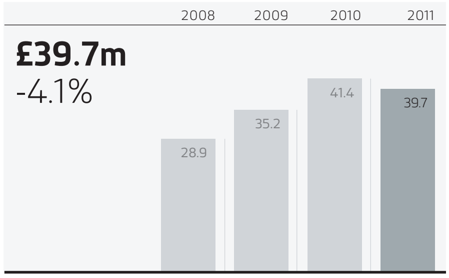
Net asset value £m



Defined benefit pension fund deficit £m



Cash £m



The Group remained cash generative and ended 2011 with zero debt and a cash balance of £39.7m. This cash balance was £1.7 down on 2010 due mainly to the higher level of capital expenditure during the year and the contribution to the pension fund.

Debtor days eased slightly from 51.7 days in 2010 to 54.4 days in 2011. This is due predominantly to the geographical distribution of our revenue and the customary terms of trade met in different countries. There is also, occasionally, a push from clients to receive longer payment terms. However there were no significant bad debts during 2011 or significant change in the relative ageing of outstanding client monies.

Pensions

The Group's UK final salary pension fund deficit increased from £58.0m to £59.1m during 2011. The factors behind this increase are as follows:

- a further contribution of £17.0m into the pension scheme;
- a reduction in scheme assets of £0.7m primarily due to market performance; and
- an increase in scheme liabilities of £17.4m. The discount rate used when calculating the liability is determined by reference to market yields on high quality corporate bonds. The discount rate used was 4.85% in 2011 compared to 5.40% in 2010.

BSI seeks to be close to the midpoint in the range of possible assumptions in the valuation of the assets and liabilities of the pension fund and confirms this with its external advisors each year.

The Group remains committed to reducing the deficit and works closely with the Pension Trustee Board to do so. The triennial valuation of the scheme was finalized in June 2011 and a new schedule of contributions agreed that is expected to eliminate the shortfall by 31 December 2019. This schedule promised contributions of £10m by 31 March 2011 and a further £10m by 31 March 2012. During 2011 the Group contributed £17m to the fund and so a further £3m will be forthcoming before 31 March 2012.

Treasury

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

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

The Group held cash of £39.7m at 31 December 2011, down slightly from £41.4m at the end of 2010, although this figure is distorted slightly by a contribution to the pension fund of £7.0m, not due until March 2012, made before the end of the year for tax reasons. Although the Group is debt free, it recognizes the occasional need for external funding and held overdraft bank facilities of £4.5m, on an unsecured basis, at the end of 2011, although none were utilized. The Group maintains regular contact with its main banks and is confident of being able to secure debt facilities should these be required. Counterparty credit risk with banks exists but the Group considers this to be minimal.

The Group has significant operations outside the UK and so has exposure to currency fluctuations. Note 3 shows the exposure that the Group would suffer should any of the major currencies in which it trades move by 10% against Sterling. If all currencies in which the Group has exposure moved in the same direction against Sterling the impact to operating profit would be around £0.6m.

Accounting policies

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

By Order of the Board

Craig Smith
Group Finance Director
22 March 2012

Principal risks and uncertainties

"We have a continuous and dynamic process for identifying, evaluating and managing the business risks we face."

Risk management

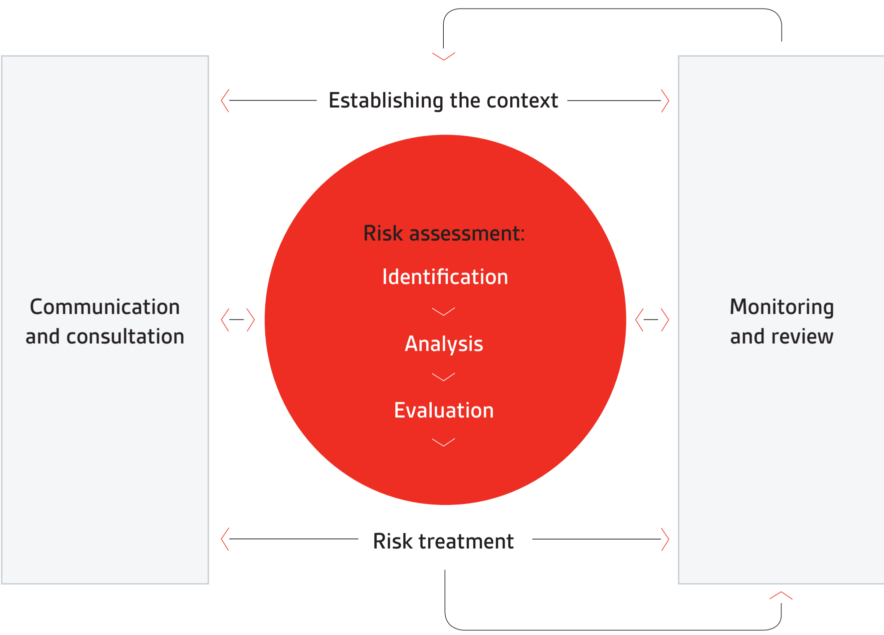
The Board of BSI understands that risk has to be weighed against return as an inherent part of the business process.

The identification, evaluation, mitigation and management of risk are integrated in to the key business processes such as strategic planning, investment appraisal, performance management, health, safety and environmental management.

We have a continuous and dynamic process for identifying, evaluating and managing the business risks we face. This is based on the ISO 31000 standard, 'Risk Management, Principles and Guidelines'. This risk management process promotes both a bottom-up and a top-down assessment of key risks. All risks are logged on risk registers within all business streams, countries and regions. Above this sits the Group risk register.

Our management is accountable for managing risks that arise within their areas of responsibility. Risk management is a standing item on the agendas of key management meetings. Our Risk and Compliance team ensures that regular reviews are undertaken at all levels of the business and the Board receives and reviews a risk management report at every Board meeting. The Board also formally reviews the risk management process and health and safety issues every year with the Risk and Compliance team.

Risk management process



Risk

Brand and reputation

Failure to protect or maximize the core identity associated with BSI would result in a deterioration in our reputation with potential loss of business.

Macro-economic environment

The current challenging economic environment means that the risk in the execution of strategic plans is more complex to manage, with less certainty of success.

Business continuity

Natural disasters, political, social and economic unrest, acts of terror or major pandemic events could jeopardize the markets in which we operate.

Competitor action

Any major consolidation amongst our competitors, large new entrant to the market or other competitive activities may threaten our market position in our business streams or geographic regions.

Government intervention

Much of the work undertaken by BSI is in regulated space or influenced by governments around the world and changes to government policy could affect our trading.

Financial, tax and legal compliance

There is an ongoing risk in any organization of our size and complexity for irregularities to occur due to human error or fraud which could impact our financial results.

Pension fund

Increases in the ongoing deficit associated with the UK defined benefit scheme would adversely affect the strength of our balance sheet.

Mitigating actions

We continue to reinforce our values, rules, policies and processes, taking robust action where necessary to protect our brand and reputation.

Brand enhancement forms a key part of our strategic plan.

Our strategic plan takes into consideration the economic uncertainty and its financial targets are mindful of the external environment. Performance against budget is closely monitored.

Our diverse business activity means that there is relatively low concentration of risk.

We have business continuity plans in place for all our locations. These are reviewed and updated regularly.

We continue to monitor and analyse activity in our competitive landscape at local, regional and global levels, with responses put into action as appropriate.

A regulatory compliance framework is in place along with a compliance audit programme. We continue our discussions with governments to ensure our voice is heard during policy debates.

We have strong reporting lines in place throughout our organization, both regionally and functionally. In addition we have Internal Audit and Group Risk and Compliance audit teams who regularly visit all locations. There is also an annual external audit of our financial results undertaken by PricewaterhouseCoopers.

The scheme is now closed to new entrants and future accruals and we hold regular meetings with the trustee to review the investment policy, our funding requirements and any opportunities to insure against this risk.

Health and safety

The Board recognizes 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 of BSI.

The certification activities of BSI are accredited to ISO 17021, which includes accreditation compliance to ISO 9001 for all our offices worldwide. Certification bodies, such as BSI, are not permitted to be certified for their management system activities but we continue our compliance programmes for OHSAS 18001 and work towards ISO 14001 in all our major operations worldwide. Our BSI Standards business, which is not subject to this restriction, is certified to all of these standards.

Significant progress continues to be made across the Group in the development and implementation of our Health and Safety management systems. We have continued to focus on our UK-wide Wellbeing programme during 2011 and 62 managers have now completed the training.

It is good to be able to report that there was a decrease in the total number of lost time accidents in our business from six in 2010 to four in 2011. There were no fatalities or serious injuries. The number of days lost fell from 25 in 2010 to 13.5 in 2011. The number of minor accidents also declined from 51 in 2010 to 18 in 2011.

Insurance

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

Tony Wales
Company Secretary
and Director of Legal Affairs
22 March 2012

Social responsibility

BSI's community

"Social responsibility is an integral part of best practice and is extremely important to us. In line with our Brand Credo, Group Compliance Framework and Code of Business Ethics, we have demonstrated a strong commitment to embedding sustainable business practices in all areas of our organization."

Summary of review

- The Social Responsibility Committee is responsible for enhancing our focus on social responsibility
- During 2011 we rolled out anti-bribery and corruption training to all staff globally
- We continuously improve our internal learning programme and performance management system
- We have a Group objective to comply with ISO 14001 in all our major operations worldwide
- We are fortunate that our business allows us to shape the way the world handles social responsibility issues

Our strategy

BSI has a long history of striving for excellence. We are proud of our role as leaders and promoters of standardization, compliance and best practice. Social responsibility is an integral part of best practice and is extremely important to us. In line with our Brand Credo, Group Compliance Framework and Code of Business Ethics, we have demonstrated a strong commitment to embedding sustainable business practices in all areas of our organization.

Our strategy is shaped by our Social Responsibility Committee. The committee is responsible for enhancing our focus on social responsibility and driving an implementation programme toward the guidelines of the ISO 26000 standard 'Guidance on Social Responsibility'. The Committee comprises four Non-executive Directors, Dr Tom Gorrie, who acts as Chairman, Sir David John, Sir David Brown and John Regazzi, as well as Howard Kerr, the Chief Executive. To support the Committee, a Social Responsibility Project Team has also been established to assist with the implementation of the Strategy, highlighting the current activities and identifying and implementing future projects. The Project Team regularly updates and advises the Executive Board and there is a bi-annual review to ensure that its activities are transparent and accountable.

Our business

In our day-to-day business, our global network of trusted sustainability and social responsibility experts work together with governments, organizations and industry to develop innovative standards that help our clients to implement a sound social responsibility framework. We continue to increase the number and range of standards, publications and training courses that help businesses, government and the wider community embed sustainability, as this is the most impactful way we can influence social responsibility in society. During 2011, we collaborated with, amongst others, the World Wildlife Fund, The UK Government's Green Deal, Safe Supply of Affordable Food Everywhere (SSAFE), the British Film Industry and the London 2012 Inspire Programme to help them make a difference in the world today.

Our people

We pride ourselves on our ethical approach to all our undertakings. Our Code of Business Ethics underpins this and is a key part of our induction programme for all new employees. During 2011, we rolled out anti-bribery and corruption training to all staff globally as part of our programme to ensure ethical business practices. We continue to embed our Code of Business Ethics by including it as part of our Group Risk and Compliance audit programme. We also have a confidential whistle-blowing process that allows our employees to report anonymously any behaviour they feel to fall short of the appropriate standard.

We recognize that the most important asset in our business is our people. Through our biennial employee engagement survey, we identify the business activities our people would like to be involved with. We understand the importance of education and personal development so we continuously improve our MyCareer service which, at its heart, holds our internal learning programme and performance management system. We also have wellbeing programmes operating globally. Activities include discounted gym memberships, running clubs, social clubs and free health and wellbeing advice.

Vanessa

Social Responsibility Project Team Chair

Vanessa heads BSI's Social Responsibility Project Team which is responsible for developing and implementing Group social responsibility strategy.

The Social Responsibility Project Team comprises experts from across the business with the common objective of ensuring that corporate social responsibility is an integral part of our corporate ethos and will contribute towards our reputation as a good global corporate citizen.

Our contribution

We recognize the importance of good environmental stewardship and wish to minimize our impact on the environment and society and also contribute to their preservation. We have a Group objective to comply with ISO 14001 in all of our major operations worldwide and, while accreditation rules prevent us from being certified, we operate a compliance audit programme undertaken by a trained lead assessor. Across the whole of the Group, we have many local initiatives ranging from energy saving, through waste minimization and recycling, to the use of renewable energy. We are very proud of our new flagship EMEA Headquarters in Milton Keynes which has recently been awarded with a BREEAM 'very good' certificate for sustainability, the highest possible recognition for such a building. It has also been given an Energy Performance Asset Rating of 'B', an improvement from our previous office.

Each of our local offices globally contributes towards our sustainability initiatives in their own way. BSI Turkey plants a new tree for every new client it receives. In the UK our alliance with Paper Planet has meant that not only do we recycle all our waste paper but we also plant new trees. In Japan, after the earthquake and tsunami in March 2011, BSI Japan took the initiative to reduce its electricity consumption by 10.3% to help address the issue of electricity shortages. BSI Japan also supports the ECOCAP movement which promotes the three themes of resource recycling, reduction of carbon dioxide emissions and providing vaccines to children in developing countries through recycling bottle caps. As a Group we also supported the Red Cross Japan Earthquake Appeal where we matched employees' donations.

We understand the importance of giving back to our local communities and encourage our employees, and network of offices globally, to play a positive and proactive role in the wider community. Our people make contributions by supporting charities, giving their time and expertise through a range of fundraising, volunteering and pro bono activities. For example, at our Group Headquarters in the UK, as part of our support for worthy charities, we are providing free office space to the music charity Musequality, which supports music education projects for disadvantaged children in developing countries.

During 2011 we gave almost £34,000 in charitable donations (2010: £4,090), including nearly £22,000 to charities supporting the relief effort following the Japanese earthquake and tsunami.

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

Thomas M. Gorrie

Dr Tom Gorrie
Chairman of the Social Responsibility Committee
22 March 2012

Board of directors

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1. Sir David John KCMG
Chairman *(A, R, Chairman N, SP, SR)*

Sir David John KCMG was elected Chairman in July 2002 after joining the Board two months previously as a Non-executive Director. He was Chairman of the BOC Group until 2002, Chairman of Balfour Beatty until 2008 and Chairman of Premier Oil until 2009. He is Chairman of the Royal Society for Asian Affairs, a member of the Advisory Council of the Institute of Business Ethics, a member of the International Advisory Council of Asia House and was a member of the CBI International Advisory Board from 2002 to 2010. He will retire as Chairman of BSI on 30 March 2012.

4. Craig Smith FCCA
Group Finance Director

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

2. Sir David Brown
Deputy Chairman and Chairman Designate *(N, SP, SR)*

Sir David Brown joined the Board as Non-Executive Director in May 2010 and became Deputy Chairman on 1 December 2011. He will become Chairman on 31 March 2012. He was Chairman of Motorola Ltd from 1997 to 2008 and was also Motorola's Global Governance Advisor. A Fellow of the Royal Academy of Engineering, he was President of the Federation of the Electronics Industry and President of the Institution of Electrical Engineers. He was the first President of the Chartered Quality Institute, during which time it secured its Royal Charter status. He is Chairman of DRS Data & Research Services PLC and non-executive director of three other companies.

5. Mike Low
Director, BSI Standards *(SP)*

Mike Low joined the Board as Director, BSI Standards, in November 2003. Prior to this he was Director of Group Strategy and Performance for Amey PLC and Managing Director of Amey Rail. Until 2000 he was Managing Director of British Energy PLC's UK Generation division. He has also served as Director of Health, Safety and Environment for Nuclear Electric. He is Fellow of the Royal Academy of Engineering and of the Chartered Quality Institute, where he is also on the Board of Trustees. In January 2011 he was appointed Vice President, Policy for CEN, the European Committee for Standardization.

3. Howard Kerr
Chief Executive *(N, SP, SR)*

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

6. Anthony Lea
Senior Non-executive Director *(Chairman A, R, N)*

Anthony Lea joined the Board as Non-executive Director in July 2007 and became Senior Non-executive Director on 21 May 2008. Previously he served as a board member of the Anglo American Group and as Finance Director of Anglo American PLC until his retirement in 2005. He has extensive international operational experience in the UK, South Africa and North America. He is Chairman of Blackrock World Mining Trust PLC and the Emerging Africa Infrastructure Fund. In 2008 he was appointed Non-executive Director of the Office of Fair Trading and is also a Trustee of the Royal Air Force Benevolent Fund.

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

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7. Keith Clarke CBE
Non-executive Director *(A, Chairman R, N)*

Keith Clarke joined the Board as Non-executive Director in December 2010 and was formerly Chief Executive of WS Atkins PLC. A qualified architect, he previously held the roles of Chief Executive of Skanska UK and Chief Executive, Construction at Kvaerner Construction Group and, prior to these, management positions at Trafalgar House and Olympia and York. He has been Chairman of the Construction Industry Council Health and Safety Committee and its Constructing Excellence High Level Steering Group. He is a patron of the Environmental Industries Commission, advisory board member of Imperial College and Non-executive Director of Forum for the Future and Engineering UK.

10. Dr Tom Gorrie
Non-executive Director *(N, Chairman SR)*

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

8. Dr John Regazzi
Non-executive Director *(R, N, SR)*

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

11. Tony Wales
Company Secretary

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

Board advisors

9. Pat Chapman-Pincher
Board Advisor *(A, R)*

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

12. Lucinda Riches
Board Advisor *(A)*

Lucinda Riches was appointed advisor to the Board in May 2011. She was an investment banker for over 20 years at SG Warburg and its successor firms, ultimately as Global Head of Equity Capital Markets and a Board Member at UBS Investment Bank. She is Non-executive Director of UK Financial Investments Limited, established in 2008 to manage the UK Government's investments in financial institutions. She is also Non-executive Director of the Diverse Income Trust PLC and the Graphite Enterprise Trust PLC and a Trustee of Sue Ryder.

Executive team

1. Howard Kerr
Chief Executive

2. Craig Smith
Group Finance Director

3. Tony Wales
Director of Legal Affairs

4. Jim Newell
Group HR Director

5. David Brown
Director, Corporate Development

6. Mike Low
Director, BSI Standards

7. Rob Wallis
Managing Director, BSI EMEA

8. Todd VanderVen
President, BSI Americas

9. Mark Basham
Managing Director, BSI Asia Pacific

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Corporate governance report

Governance framework

The Board of The British Standards Institution is committed to the highest standards of corporate governance which it considers fundamental to the success of the business. The Company is incorporated by Royal Charter and, as such, is not required to apply FRC Codes of Governance. Nevertheless, the Board has complied throughout the accounting period with the FRC UK Corporate Governance Code 2010 on Corporate Governance ('the Code') wherever relevant and practical. In particular the provisions of the Code relating to institutional shareholders are not applicable to the Company (E.1 of the Code).

The Board

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

In 2011 the Board comprised the Chairman, Sir David John KCMG; the Chief Executive, Howard Kerr; two further executive directors, responsible for finance and standards; and five independent non-executive directors.

On 1 June 2011 Martin Hannah resigned as Finance Director and Craig Smith was appointed to that role with effect from 15 August 2011. Sir David John KCMG is to retire from the Board on 30 March 2012 and the Board has agreed that Sir David Brown will succeed him as chairman on 31 March 2012. Until that time, and with effect from 1 December 2011, Sir David Brown has been appointed as Deputy Chairman. On 19 May 2011 Pat Chapman-Pincher and Lucinda Riches were appointed as advisors to contribute additional expertise to the proceedings of the Board and its committees. The Board has agreed that Lucinda Riches is to be appointed as a director on 17 May 2012 and she will be standing for re-election at the Annual General Meeting of the Company on that day.

The Board has agreed that when John Regazzi's six-year term as a non-executive director expires in June 2012 his directorship will be extended for a further three-year period. This decision was made having subjected the intended extension to a particularly rigorous review where it was considered that his expertise continued to be of essential value to the Group.

The current directors of the Company and their roles are given in their biographical details on pages 26 and 27.

There is a clear division of responsibilities at the head of the organization. The Chairman is responsible for the leadership of the Board, ensuring that the directors receive the information they require for their roles and facilitating the contribution of the non-executive directors as a key part of the Board including constructively challenging and helping to develop proposals on strategy. The Chief Executive is responsible for the day-to-day management of the business and the leadership of an effective executive team to deliver the business objectives of the organization.

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

Board balance and independence

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

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

During the year the Chairman met with the non-executive directors without the executive directors being present. Anthony Lea is the Senior Independent Director and met with the non-executive directors without the Chairman being present.

Rotation of directors

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

Corporate governance report continued

Board meetings

There were six meetings of the Board during the year ended 31 December 2011. The directors' and advisors' attendance at Board as well as Audit, Remuneration and Nominations Committee meetings is indicated in the table below:

Attendance	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings:	6	3	5	4
Sir David John KCMG	5/6	3/3	3/5	4/4
Howard Kerr	6/6	3*	3*	4/4
Craig Smith	2/2	1*	—	—
Martin Hannah	3/3	1*	—	—
Mike Low	4/6	—	—	—
Sir David Brown	6/6	—	3*	4/4
Keith Clarke	6/6	3/3	4/4	3/3+
Tom Gorrie	6/6	—	3*	3/3+
Anthony Lea	6/6	3/3	4/5	3/3+
John Regazzi	6/6	—	4/5	3/3+
Pat Chapman-Pincher	4/4	—/1	3/3	2*
Lucinda Riches	4/4	2/2	1*	2*

* Attended by invitation

+ Also attended one meeting by invitation, prior to joining the Committee on 17 March 2011

The directors are supplied with the best available information in a form and of a quality to support them in the decision-making process. The Board is regularly briefed on financial performance as well as risks, uncertainties and future prospects.

Evaluation, training and support

An evaluation process is carried out annually and is being developed to support continuing improvement in Board effectiveness. During 2011 a formal Board evaluation process was carried out, led by an external facilitator. This evaluation covered an extensive range of topics including the competence and effectiveness of the Board, its committees and individual directors. The exercise was constructive and, where changes or improvements were identified, they are being implemented. Training in matters relevant to their role on the Board is available to all directors. When appointed, new directors were provided with a full and tailored induction in order to introduce them to the business and management of the Company. The Board is supported by the Company Secretary who is available to give ongoing advice to all directors on Board procedures and corporate governance. There is a procedure for directors to have access, if required, to independent professional advice, paid for by the Company.

Board committees

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

Audit Committee

The Audit Committee is responsible for, inter alia, recommending the appointment of auditors, reviewing the annual financial results, considering matters raised by the auditors and overseeing the internal control system operated by the BSI Group. A report by the Audit Committee, including details of its membership, is set out on page 33.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the terms and conditions of employment of executive directors including the provision of incentives and performance related benefits. The Remuneration Report, which includes details of the Remuneration Committee's membership, is set out on pages 34 to 36.

Nominations Committee

The Nominations Committee is responsible for the selection and recommending the appointment of all directors to the Board. A report by the Nominations Committee, including details of its membership, is set out on page 37.

Standards Policy and Strategy Committee

The principal objective of the Standards Policy and Strategy Committee is to bring together the views of those interested in British Standards' formal consensus standards activities in order to develop the strategic policy of the organization in the national, European and international standards arenas. The Committee is chaired by Mike Nichols and its members include Howard Kerr, Chief Executive, and Mike Low, Director of Standards, who gives details of standards activities in his report on pages 15 to 17.

Social Responsibility Committee

The Social Responsibility Committee is responsible for enhancing the attention of the BSI Group to social responsibility and for driving an implementation programme following the guidelines of ISO 26000. The Social Responsibility report, which includes details of the Committee's membership, is set out on pages 24 and 25.

Internal control

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

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

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

The BSI Group has established a Risk and Compliance function which monitors compliance with the Group Compliance Framework on behalf of the Board. The Risk and Compliance function provides a risk report to each scheduled meeting of the Board. This assists the Board in its review of significant business risks throughout the year as well as its consideration of the scope and effectiveness of the organization's system of internal control. This review involves the identification of actual or potential risks to the BSI Group which may impact on its objectives, together with the controls and reporting procedures designed to address and mitigate those risks. These controls are reviewed, applied and updated whenever appropriate throughout the year. The report on principal risks and uncertainties is set out on pages 22 and 23.

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

As part of the internal control environment there is a comprehensive financial management, financial control and governance framework and effective structures are in place to ensure and maintain compliance. Quarterly financial and operational reviews are undertaken throughout the BSI Group by the Chief Executive and Group Finance Director and the Board reviews a full financial report and commentary every month.

The BSI Group's internal audit function is responsible for auditing and monitoring the application of financial procedures and practices throughout the BSI Group. The Head of Internal Audit reports functionally to the Group Finance Director but has full and open access to BSI's Audit Committee.

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

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

By Order of the Board

Sir David John KCMG
Chairman
22 March 2012

Statement of directors' responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Royal Charter and Bye-laws of The British Standards Institution. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In accordance with Section 418, the Directors' report shall include a statement, in the case of each director in office at the date the Directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he 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

Tony Wales
Company Secretary
22 March 2012

Report of the audit committee

The Audit Committee ('the Committee') is established by the Board under terms of reference that were most recently updated in July 2011.

Membership

During the year ended 31 December 2011 the Committee comprised:

Chairman: Anthony Lea

Members: Sir David John KCMG; Keith Clarke (from 20 January 2011); Pat Chapman-Pincher, advisor (from 21 July 2011); Lucinda Riches, advisor (from 19 May 2011).

Anthony Lea was previously Finance Director at Anglo American PLC, is a Trustee of the RAF Benevolent Fund and is also Chairman of the Audit Committee at the Office of Fair Trading (OFT) and is considered to have recent and relevant financial experience.

Meetings

The Committee met three times in the year ended 31 December 2011. When appropriate, the Chief Executive, Group Finance Director, Group Financial Controller and Head of Internal Audit along with the external auditors are invited by the Committee to attend its meetings. The Committee is able to consider items of business without other parties being present.

Main activities of the Committee

The role of the Committee includes:

- monitoring the integrity of the financial statements of the Company and the BSI Group including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- meeting with the auditors, in advance of the annual audit, to consider and discuss the nature and scope of the audit;
- monitoring the effectiveness of the internal audit function;
- reviewing the 'whistle-blowing' procedure;
- overseeing the relationship with the external auditors, including making recommendations for the appointment, re-appointment and removal of the external auditors; and
- meeting with the auditors without executive directors present.

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

Auditors

The Committee reviews the level of fees and type of non-audit work carried out by the auditors. It was considered in the best interest of the Company to retain PricewaterhouseCoopers LLP for certain non-audit work due to their relevant expertise and knowledge of the Company.

The Committee further safeguards the auditors' objectivity by reviewing the measures they take to maintain their independence and manage any conflicts of interest. PricewaterhouseCoopers LLP have been the BSI Group's auditors for more than ten years.

There are no contractual obligations restricting BSI's choice of auditor. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work. The Committee has recommended to the Board that the auditors be re-appointed.

By Order of the Board

A. D. Lea

Anthony Lea
Chairman of the Audit Committee
22 March 2012

Report of the remuneration committee

The Remuneration Committee ('the Committee') is established by the Board under terms of reference that were most recently updated in July 2011.

Membership

During the year ended 31 December 2011 the Committee comprised:

Chairman:	Anthony Lea (until 16 February 2011); Keith Clarke (from 16 February 2011)
Members:	Sir David John KCMG; John Regazzi; Keith Clarke; Anthony Lea; Pat Chapman-Pincher, advisor (from 21 July 2011)

Meetings and advice

The Committee met five times in 2011. The Committee has access to specialist executive reward consultants to ensure it receives independent advice. When required, advisors are appointed by the Committee for specific work. In 2011 no external advice was provided to the Company on remuneration matters.

Executive remuneration policy

The Committee's objective is to ensure that the levels of remuneration for executive directors, the Chairman and other senior executives are sufficient to attract, retain and motivate individuals of the quality required to best further the interests of the organization. The Committee aims to align rewards and incentives with the performance of BSI and the achievement of its strategic aims as well as ensuring that the directors' total compensation is competitive with that of comparable organizations.

Base salaries and benefits

Base salaries are determined by the Committee based on the responsibility and performance of each executive director. Due consideration is given to the rewards payable by comparable organizations. Benefits in kind principally include, where appropriate, the provision of a company car and fuel as well as medical and life insurance.

Annual incentive payments

The 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. These targets are established annually and amended if necessary.

Long-term incentives

In 2006 BSI introduced a Long Term Incentive Plan (LTIP) for directors, executives and senior managers of the BSI Group, based upon demanding growth criteria linked to the BSI Group's strategic plan. Participation is solely at the invitation of the Remuneration Committee, based upon the recommendation of the Chief Executive.

Directors' remuneration

	Salaries and fees		Termination payments		Bonus		Other benefits		LTIPs		Total		Pensions[1]	
	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000
Executives														
Howard Kerr	341.8	313.1	—	—	187.5	313.7	22.3	22.8	—	—	551.6	649.6	28.6	56.4
Craig Smith[2]	100.9	—	—	—	48.5	—	0.9	—	—	—	150.3	—	12.5	—
Martin Hannah[3]	132.7	260.9	358.0[4]	—	—	193.4	2.1	2.1	105.0	122.5	597.8	578.9	15.1	29.7
Mike Low[5]	245.1	277.4	—	—	85.9	182.2	9.0	9.1	95.0	128.3	435.0	597.0	—	—
	820.5	851.4	358.0	—	321.9	689.3	34.3	34.0	200.0	250.8	1,734.7	1,825.5	56.2	86.1
Non-executives														
Sir David John KCMG	145.0	145.0	—	—	—	—	—	—	—	—	145.0	145.0	—	—
Sir David Brown	34.6	14.9	—	—	—	—	—	—	—	—	34.6	14.9	—	—
Keith Clarke	36.7	1.7	—	—	—	—	—	—	—	—	36.7	1.7	—	—
Tom Gorrie	37.4	25.0	—	—	—	—	—	—	—	—	37.4	25.0	—	—
Anthony Lea	39.1	30.0	—	—	—	—	—	—	—	—	39.1	30.0	—	—
John Regazzi	31.7	25.0	—	—	—	—	—	—	—	—	31.7	25.0	—	—
	324.5	241.6	—	—	—	—	—	—	—	—	324.5	241.6	—	—
Advisors														
Pat Chapman-Pincher[6]	21.6	—	—	—	—	—	—	—	—	—	21.6	—	—	—
Lucinda Riches[6]	21.6	—	—	—	—	—	—	—	—	—	21.6	—	—	—
	43.2	—	—	—	—	—	—	—	—	—	43.2	—	—	—
Total	1,188.2	1,093.0	358.0	—	321.9	689.3	34.3	34.0	200.0	250.8	2,102.4	2,067.1	56.2	86.1

(1) Contributions made by the Company outside of salary sacrifice arrangements

(2) Appointed as a director on 15 August 2011

(3) Resigned as a director on 1 June 2011

(4) Comprising pay in lieu of contractual notice, unused holiday entitlement and £198,200 compensation for loss of office

(5) Includes £34,187 (2010: £34,438) supplement in lieu of pension contribution

(6) Joined as an advisor on 19 May 2011

Salaries and fees shown above are before any reduction in respect of salary sacrificed pension contributions made by the Company. None of the directors waived emoluments in respect of the year ended 31 December 2011 (2010: £nil). Comparatives for 2010 have been restated to exclude former directors.

Long term incentive plan

Participants in the Long Term Incentive Plan (LTIP) are awarded Profit Participation Units (PPUs). The Remuneration Committee has approved awards in each year since the inception of the LTIP in 2006, including in 2011. The interests of directors in the LTIP and amounts awarded to the Directors under the LTIP are shown below:

Executive Directors	Notional award b/fwd at 1 January 2011 (PPUs)	Granted in year (PPUs)	Vested in year (PPUs)	Lapsed	Notional award c/fwd at 31 December 2011 (PPUs)	Earliest vesting date of PPUs	Value of PPUs vesting during 2011
Howard Kerr	408,000	210,213	—	—	618,213	1/1/2012	—
Martin Hannah[1]	345,000	124,000	(105,000)	(364,000)	—	—	£105,000
Mike Low[2]	318,750	115,000	(95,000)	(228,750)	110,000	1/1/2012	£95,000

(1) Resigned as a director on 1 June 2011; all options lapsed

(2) Semi-retired in September 2011; LTIPs vesting after March 2012 lapse

In order for a PPU to vest, a threshold level of profit growth must be achieved for the LTIP period. The threshold has been set with reference to the BSI Group's strategic plan and external benchmarks. The LTIP also provides for a 'cap' on any potential payout. As a Royal Charter Company, the use of share related performance measures is not possible.

Report of the remuneration committee continued

Pension and retirement benefits of directors
Howard Kerr has a personal pension arrangement into which the Company has also made contributions. Craig Smith participates in the BSI Stakeholder Plus Pension Plan, into which the Company makes contributions, and Martin Hannah was a participant during his employment. Mike Low receives a salary supplement in lieu of pension equivalent to 15% of basic salary.

Non-executive remuneration
The non-executive directors do not have service contracts. Details of their letters of appointment are as follows:

	Letter dated	Appointment commenced	
Sir David John KCMG	26 March 2002	1 May 2002	as Non-executive Director
		24 July 2002	as Chairman
Sir David Brown	27 May 2010	27 May 2010	
		1 December 2010	as Deputy Chairman
Keith Clarke	8 December 2010	8 December 2010	
Tom Gorrie	22 July 2009	1 September 2009	
Anthony Lea	13 June 2007	1 July 2007	
	8 June 2010	1 July 2010	re-appointed
John Regazzi	24 May 2006	1 June 2006	
	29 May 2009	1 June 2009	re-appointed

Non-executive directors receive a fee for their services to the Company in connection with Board and Board Committee meetings. Their appointment is for three years and is subject to a notice period of one month. The non-executive directors do not receive any pension or other benefits from BSI.

Service contracts, contracts of significance and notice periods
Formal service contracts of the executive directors with the Company are as set out below:

	Service contract dated	Appointment commenced	Notice period provided for
Howard Kerr	21 October 2008	1 December 2008	12 months by either party
Craig Smith	20 July 2011	15 August 2011	6 months by either party
Martin Hannah	11 May 2007	3 September 2007	6 months by either party
Mike Low	30 July 2003	1 November 2003	6 months by either party

No director has contractual rights for compensation on early termination beyond payment of the contractual notice period. Other than set out above, there was no other person who served as an executive director of the Company during the year ended 31 December 2011. Apart from service contracts or non-executive directors' letters of appointment, no contract subsisted during or at the end of the financial year in which a director is or was materially interested and which is or was significant in relation to the BSI Group's business during the period under review.

Audited information
The Remuneration report consists of unaudited information with the exception of the sections entitled directors' remuneration and the details of LTIPs held by directors set out in the tables and accompanying notes on page 35.

By Order of the Board

Keith Clarke CBE
Chairman of the Remuneration Committee
22 March 2012

Corporate governance

Report of the nominations committee

The Nominations Committee ('the Committee') is established by the Board under terms of reference that were most recently updated in July 2011.

Membership

During the year ended 31 December 2011 the Committee comprised:

Chairman:	Sir David John KCMG
Members:	Howard Kerr; Sir David Brown (from 1 January 2011); Keith Clarke (from 17 March 2011); Tom Gorrie (from 17 March 2011); Anthony Lea (from 17 March 2011); John Regazzi (from 17 March 2011)

Meetings

The Committee met four times in the year ended 31 December 2011.

Main activities of the Committee

The role of the Committee includes 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 a continuing assessment of the balance of skills, knowledge, experience and diversity on the Board.

There is a formal, rigorous and transparent procedure for the appointment of new directors.

During 2011 the Committee considered and made recommendations to the Board regarding, among other things, the appointment of Board advisors, the appointment of the new Group Finance Director and the Chairman's succession.

By Order of the Board

Sir David John KCMG
Chairman of the Nominations Committee
22 March 2012

Directors' report

The directors submit their report and audited financial statements for The British Standards Institution and its subsidiaries for the year ended 31 December 2011.

Principal activities and review of business

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

The Chairman's statement, Chief Executive's review, Business review and Financial review form part of this report and incorporate the Board's Operating and Financial review, including disclosure of the key performance indicators used to manage the business.

The Board

The members of the Board at the current time are listed on pages 26 and 27. The directors who served during the year were as follows:

Sir David John KCMG	
Howard Kerr	
Craig Smith	(appointed 15 August 2011)
Martin Hannah	(resigned 1 June 2011)
Mike Low	
Sir David Brown	
Keith Clarke	
Tom Gorrie	
Anthony Lea	
John Regazzi	

The Company Secretary is Tony Wales.

Sir David John KCMG will be retiring from the Board on 30 March 2012. Accordingly he will not be seeking re-election at the meeting. The Company's Bye-law 8 requires directors to submit themselves for re-election at the next Annual General Meeting following their appointment by the Board. As a new director, Craig Smith will be offering himself for re-election at the forthcoming AGM. The Board has agreed that Lucinda Riches is to be appointed a director on 17 May 2012 and she will be standing for re-election in accordance with Bye-law 8 at the AGM on that day. In addition, under Bye-law 9, one-third rounded down of the directors not standing under Bye-law 8 are required to retire by rotation and stand for re-election and, accordingly, Mike Low and Tom Gorrie will also be standing for re-election at the AGM.

Directors and officers' liability

The BSI Group maintains Directors' and Officers' Liability Insurance in respect of the acts or omissions of its directors and executives. Details of the policy are provided to new directors on appointment.

Directors' emoluments

Information on emoluments of the directors is given in the Remuneration report on pages 34 to 36.

Annual general meeting

The 2012 Annual General Meeting will be held at 4.00pm on 17 May 2012 at 389 Chiswick High Road, London W4 4AL. Business to be considered at the meeting is set out in the separate Notice of Meeting.

Independent auditors

The BSI Group's auditors are PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Charitable and political donations

The BSI Group made total charitable donations of £33,896 during 2011 (2010: £4,090) to various charities.

No donations were made during the year for political purposes (2010: £nil).

Employees

The BSI Group had an average of 2,730 employees (2010: 2,591) worldwide during the year of whom 58% (2010: 56%) were based outside the UK.

Employees continued

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

Further details of the BSI Group's engagement with its employees are set out in the 'Our people' section of the Social Responsibility report on page 24.

Equality and diversity

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

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

Health and safety

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

Principal risks and uncertainties

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

Social responsibility

A review of the Group's social responsibility activities during the year is set out on pages 24 and 25.

Suppliers

The BSI Group aims to pay its suppliers promptly and in accordance with its contractual and other legal obligations. The organization'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 2011 the organization had 13 days' purchases outstanding (2010: 13 days) 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 its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the parent company and the Group's financial statements.

By Order of the Board

Tony Wales
Company Secretary
22 March 2012

Independent auditors' report – Group financial statements

to the Board of Directors of The British Standards Institution

We have audited the Group financial statements of The British Standards Institution for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with The British Standards Institution's Royal Charter and Bye-laws and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with paragraph 21 of The British Standards Institution's Royal Charter and Bye-laws and applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with The British Standards Institution's Royal Charter and Bye-laws and the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of The British Standards Institution for the year ended 31 December 2011.

Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2012

Financial statements

BSI Group consolidated income statement

for the year ended 31 December 2011

	Note	2011 £m	2010 £m
Revenue	5, 6	244.9	235.3
Cost of sales		(124.1)	(118.9)
Gross profit		120.8	116.4
Selling and distribution expenses		(32.3)	(30.6)
Administrative expenses		(59.8)	(58.5)
Operating profit before exceptional costs		28.7	27.3
Exceptional operating costs	7	(1.8)	(7.0)
Operating profit		26.9	20.3
Finance income	11	0.2	0.1
Finance costs	11	(2.9)	(5.6)
Profit before income tax		24.2	14.8
Income tax expense	12	(6.8)	(6.2)
Profit for the year	25	17.4	8.6

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

The accompanying notes on pages 45 to 72 form an integral part of the consolidated financial statements.

BSI Group consolidated statement of comprehensive income

for the year ended 31 December 2011

	Note	2011 £m	2010 £m
Profit for the year		17.4	8.6
Other comprehensive income:			
Actuarial (loss)/profit relating to retirement benefit obligations	24	(15.3)	35.5
Movement on deferred tax relating to retirement benefit obligations	16	1.9	(10.9)
Cash flow hedges	25	(0.2)	0.1
Currency translation differences	25	(0.5)	1.3
Other comprehensive (loss)/income for the year		(14.1)	26.0
Total comprehensive income for the year		3.3	34.6

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

The accompanying notes on pages 45 to 72 form an integral part of the consolidated financial statements.

Financial statements

BSI Group consolidated balance sheet

as at 31 December 2011

	Note	2011 £m	2010 £m
Assets			
Non-current assets			
Property, plant and equipment	13	10.4	7.7
Goodwill	14	26.4	26.2
Intangible assets	14	15.2	12.3
Investments	15	—	—
Deferred tax assets	16	19.6	20.9
Total non-current assets		71.6	67.1
Current assets			
Inventories	18	0.2	0.2
Trade and other receivables	19	51.2	46.6
Current tax assets		0.9	1.4
Derivative financial instruments	20	—	0.1
Cash and cash equivalents	21	39.7	41.4
Total current assets		92.0	89.7
Total assets		163.6	156.8
Liabilities			
Non-current liabilities			
Deferred tax liabilities	16	(2.0)	(2.2)
Retirement benefit obligations	24	(59.1)	(58.0)
Provisions for liabilities and charges	23	(2.9)	(2.4)
Trade and other payables	22	(0.6)	(0.2)
Total non-current liabilities		(64.6)	(62.8)
Current liabilities			
Trade and other payables	22	(53.1)	(51.7)
Current tax payables		(1.5)	(1.5)
Derivative financial instruments	20	(0.1)	—
Provisions for liabilities and charges	23	(1.3)	(1.1)
Total current liabilities		(56.0)	(54.3)
Total liabilities		(120.6)	(117.1)
Net assets		43.0	39.7
Reserves			
Retained earnings	25	38.5	34.7
Translation reserve	25	4.5	5.0
Total reserves		43.0	39.7

The accompanying notes on pages 45 to 72 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 41 to 72 were approved by the Board of Directors on 22 March 2012 and were signed on its behalf by:

Craig Smith
Group Finance Director
22 March 2012

BSI Group consolidated statement of cash flows

for the year ended 31 December 2011

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Profit before income tax		24.2	14.8
Adjustments for:			
– Depreciation of property, plant and equipment	7	2.5	2.5
– Amortization of intangible assets	7	3.2	3.0
– Retirement benefit charges	8	—	1.3
– Loss on disposal of property, plant and equipment	7	0.1	0.1
– Impairment of property, plant and equipment	7	0.3	4.4
– Loss on disposal of investment	7	—	0.1
– Provision for impairment of trade receivables	7	0.5	0.6
– Bad debts written off	7	0.3	0.2
– Finance income	11	(0.2)	(0.1)
– Finance costs	11	2.9	5.6
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
– Increase in trade and other receivables		(6.7)	(1.3)
– Increase in trade and other payables		1.9	5.2
– Increase/(decrease) in provisions and other liabilities		0.7	(0.2)
– Retirement benefit payments	24	(17.0)	(16.1)
Cash generated from operations		12.7	20.1
Interest received		0.2	0.1
Income tax paid		(2.9)	(5.6)
Net cash generated from operating activities		10.0	14.6
Cash flows from investing activities			
Acquisition of subsidiary and businesses, net of cash acquired		—	(3.3)
Purchases of property, plant and equipment	13	(5.9)	(2.1)
Purchases of intangible assets	14	(5.9)	(3.9)
Net cash used in investing activities		(11.8)	(9.3)
Net (decrease)/increase in cash and cash equivalents		(1.8)	5.3
Opening cash and cash equivalents		41.4	35.2
Exchange gains on cash and cash equivalents		0.1	0.9
Closing cash and cash equivalents	21	39.7	41.4

The accompanying notes on pages 45 to 72 form an integral part of the consolidated financial statements.

Financial statements

Notes to the consolidated financial statements

for the year ended 31 December 2011

1 Corporate information

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

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

The Group consolidated financial statements were authorized for issue by the Board of Directors on 22 March 2012.

2 Principal accounting policies

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

a Basis of preparation

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

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

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

i New and amended standards adopted by the Group

There were no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on or after 1 January 2011 that had a material impact on the Group.

ii New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The following amendments to the existing standard have been published and are expected to be relevant to the Group:

- IAS 19 "Employee Benefits" was amended in June 2011, effective for periods beginning 1 January 2013. The impact on the Group will be to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. The Group is yet to assess the full impact of the amendments.

The following standards and amendments to existing standards have been published but are not currently anticipated to be relevant to the Group's operations:

- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- IFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

2 Principal accounting policies continued

a Basis of preparation continued

ii New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted continued

- IFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU.

- IFRS 7 "Financial Instruments: Disclosures" amendments arising from the IASB's review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The Group is yet to assess IFRS 7's full impact and intends to adopt IFRS 7 no later than the accounting period beginning on or after 1 January 2013.

- IAS 1 "Financial Statement Presentation". The main change from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group is yet to assess IAS 1's full impact and intends to adopt IAS 1 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

- IAS 29 (revised 2011) "Separate Financial Statements" includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group is yet to assess IAS 29's full impact and intends to adopt IAS 29 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

- IFRS 11 "Joint Arrangements". This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

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

b Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c Segment reporting

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

2 Principal accounting policies continued

d Foreign currency translation

i Functional and presentation currency

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

ii Transactions and balances

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

iii Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- any exchange differences which have arisen from an entity's investment in a foreign subsidiary are recognized as a separate component of equity and are taken to translation reserves.

When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognized in the Income Statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

e Property, plant and equipment

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

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

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

Freehold buildings	20 years
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3–10 years

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

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

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

f Intangible assets

i Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

2 Principal accounting policies continued

f Intangible assets continued

i Goodwill continued

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is held in the functional currency of the acquired entity and is translated at the period end and any gain or loss is taken to equity.

ii Computer software

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

Costs associated with maintaining software programmes are recognized as an expense as incurred. Costs that are directly associated with developments of identifiable software products controlled by the Group are recognized as intangible assets when the following criteria are met:

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

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

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

iii Acquired intangible assets

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

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

g Impairment of non-financial assets

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

h Financial assets

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

i Financial assets at fair value through profit or loss

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

ii Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2l and 2m).

2 **Principal accounting policies** continued

h Financial assets continued

ii Loans and receivables continued

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

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

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

i Offsetting financial instruments

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

j Impairment of financial assets

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

Impairment testing of trade receivables is described in Note 19.

k Derivative financial instruments

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

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

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

2 Principal accounting policies continued

k Derivative financial instruments continued

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. Movements in other comprehensive income are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

i Fair value hedge

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

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

ii Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

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

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

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

l Trade receivables

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

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

m Cash and cash equivalents

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

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

n Trade payables

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

2 Principal accounting policies continued

n Trade payables continued

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

o Current and deferred income tax

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

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

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

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

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

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

p Provision for liabilities and charges

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

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

q Employee benefits

i Termination benefits

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

ii Bonus plans

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

r Retirement benefit obligations

i Defined benefit pension schemes

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

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

The valuation of the Group's net obligation is performed by an independent qualified actuary as determined by the trustees. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

2 Principal accounting policies continued

r Retirement benefit obligations continued

i Defined benefit pension schemes continued

The income statement charge is split between an operating charge and a net finance charge. The operating charge relates to service costs which are £nil as there is no accrual of benefits. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme, based on conditions prevailing at the start of the year.

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

ii Defined contribution pension schemes

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

s Revenue

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

The Group recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

i Sales of goods

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

ii Rendering of services

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

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

iii Copyright and royalty income

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

iv Interest income

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

v Rental income

The Group sublets a number of leased properties in the UK. Rental income is recognized on an accrual basis in accordance with the relevant agreements.

t Exceptional items

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

u Borrowing costs

Borrowing costs are recognized as an expense when incurred.

v Leases

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

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

2 Principal accounting policies continued

v Leases continued

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

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

w Long term incentive plan

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

x Inventories

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

3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group buys or sells currencies forward so as to hedge exchange risk on relevant transactional activities.

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

a Market risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro, Chinese Renminbi and the Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group Treasury's risk management policy is to hedge known key foreign currency transactions and to hedge material balance sheet items that are held in currencies other than the functional currency of the entity concerned.

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

The exposure of the Group's operating profit to movements in foreign currency is expressed below. This analysis considers the impact of an adverse change of 10% in the exchange rate between British Pound Sterling and the most significant foreign currencies used in the Group. The example movement of 10% has been selected in order to demonstrate the level of movement required in order to create a material impact.

Currency	Year-end exchange rate	Exchange movement modelled	Adverse impact on operating profit
US Dollar	1.56	+ 10%	£0.3m
Euro	1.20	+ 10%	—
Chinese Renminbi	9.94	+ 10%	—
Japanese Yen	121.51	+ 10%	£0.1m

A similar movement of 10% in British Pound Sterling against all of the currencies in which the Group has exposure would result in an adverse operating profit impact of £0.6m.

b Credit risk

Credit risk for the Group arises in the form of both the credit risk of banking institutions holding the Group's cash and short-term investment assets and in the form of accounts receivable from customers.

The Group's credit risk from banking institutions is considered to be low. The majority of funds are held in the UK with HSBC and RBS. Furthermore we have a global banking arrangement with HSBC resulting in most overseas funds being held with them.

Group credit risk from accounts receivable is believed to be minimal and, where appropriate, to be provided against.

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

3 Financial risk management continued

c Liquidity risk

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

Surplus cash held by the operating entities over and above the balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest-bearing current accounts, term deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

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

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

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2011	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income	34.3	—	—	—
Derivative financial instruments	0.1	—	—	—

At 31 December 2010	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income	33.0	0.2	—	—

4 Critical accounting estimates and judgements

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

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

i Impairment of goodwill

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

ii Income taxes

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

iii Deferred tax assets

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

4 Critical accounting estimates and judgements continued

iv Retirement benefit obligations

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

The Group's benefit obligation using a discount rate of 4.85% is £306.8m (2010: discount rate of 5.40%; £289.4m). For an increase in the discount rate of 0.25% the liabilities reduce to approximately £294.5m (2010: £277.8m). For a decrease in the discount rate of 0.25% the liabilities will increase to approximately £319.5m (2010: £302.1m). The expected average age of death for a male pensioner presently aged 65 is age 88.4 (2010: 88.3). For an increase of one year in longevity the liability increases from £306.8m to £315.4m (2010: £289.4m to £297.6m).

The Group has used a Retail Prices Index (RPI) inflation assumption of 2.95%. An increase of 0.25% in this increases the liabilities by £4.1m to £310.9m and increases the assets by £0.2m to £247.9m. A reduction of 0.25% in this assumption decreases the liabilities by £4.0m to £302.8m and reduces the assets by £0.2m to £247.5m.

Life expectancy at age 65 for a member currently aged 45 is 24.8 years (men) or 26.0 years (women). Life expectancy for a member currently aged 65 is 23.4 years (men) or 24.5 years (women).

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

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

v Business disposals

In relation to the disposal of businesses, BSI has given warranties and indemnities to the purchasers. In respect of these, the Group has made provisions in respect of the costs of exit from certain operations. In each of these cases the Group has sought appropriate expert advice and has calculated its provisions accordingly. These provisions are shown under 'other provisions' in Note 23.

vi Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by BSI.

5 Segment information

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

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

- Knowledge – standards global business;
- Assurance – assessment and certification of management systems and the provision of testing and certification of healthcare and other products; and
- Compliance – training services on standards, regulatory approval and business improvement and governance, risk and compliance management solutions.

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

Group Governance comprises those functions responsible for directional oversight and policy framework creation and compliance for the Group.

The performance of these operating segments is measured at an adjusted operating profit level and that treatment is reported here. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and expenses for Group-wide projects together with amortization costs for customer relationships and intellectual properties. The measure also excludes Long Term Incentive Plan (LTIP) costs, the financing costs and actuarial adjustments of the defined benefit pension scheme, interest income and tax expenses. Since the management reviews adjusted operating profit, the results of any discontinued operations are not included in the measure of adjusted operating profit.

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

5 Segment information continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2011 is as follows:

	EMEA £m	UK Standards £m	Americas £m	Asia Pacific £m	Group governance £m	Group £m
Total segment revenue	91.9	45.5	54.7	56.6	—	248.7
Inter and intra-segment revenue	(2.1)	(0.4)	(0.4)	(0.9)	—	(3.8)
Revenue from external customers	89.8	45.1	54.3	55.7	—	244.9
Adjusted operating profit	14.1	14.1	3.4	3.0	(4.4)	30.2
Depreciation and amortization	(2.8)	(0.9)	(0.8)	(1.2)	—	(5.7)
Impairment of property, plant and equipment	(0.3)	—	—	—	—	(0.3)
Finance income	—	—	—	—	0.2	0.2
Finance costs	(0.1)	—	—	—	(2.8)	(2.9)
Income tax expense	(2.6)	(2.9)	(1.1)	(0.2)	—	(6.8)
Total assets(3)	45.1	20.2	29.4	32.1	36.3	163.1
Total assets includes: Additions to non-current assets (other than financial instruments and deferred tax assets)	4.2	2.5	2.3	2.8	—	11.8
Total liabilities(1), (3)	(22.3)	(17.4)	(7.1)	(12.9)	(60.4)[2]	(120.1)

(1) The measure of liabilities has been disclosed for each reportable segment and is provided to the Board

(2) Included here is an amount of £59.1m relating to pension liabilities for the Group which have not been allocated to the segments disclosed above

(3) The reconciliation of total assets and liabilities to those shown on the balance sheet is shown on page 57

The segment information provided to the Board for the reportable segments for the year ended 31 December 2010 is as follows:

	EMEA £m	UK Standards £m	Americas £m	Asia Pacific £m	Group governance £m	Group £m
Total segment revenue	87.8	46.2	52.7	53.2	—	239.9
Inter and intra-segment revenue	(3.0)	(0.6)	(0.2)	(0.8)	—	(4.6)
Revenue from external customers	84.8	45.6	52.5	52.4	—	235.3
Adjusted operating profit	10.1	14.0	6.7	4.2	(4.9)	30.1
Depreciation and amortization	(2.5)	(1.0)	(0.8)	(1.2)	—	(5.5)
Impairment of intangible assets	(4.4)	—	—	—	—	(4.4)
Finance income	—	—	—	—	0.1	0.1
Finance costs	—	—	—	—	(5.6)	(5.6)
Income tax expense	(1.2)	(3.3)	(1.6)	(0.1)	—	(6.2)
Total assets(3)	39.4	19.9	21.8	30.9	43.6	155.6
Total assets includes: Additions to non-current assets (other than financial instruments and deferred tax assets)	5.3	1.2	1.2	1.8	—	9.5
Total liabilities(1), (3)	(20.8)	(17.2)	(6.4)	(13.2)	(58.3)[2]	(115.9)

(1) The measure of liabilities has been disclosed for each reportable segment and is provided to the Board

(2) Included here is an amount of £58.0m relating to pension liabilities for the Group which have not been allocated to the segments disclosed above

(3) The reconciliation of total assets and liabilities to those shown on the balance sheet is shown on page 57

5 Segment information continued

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

	2011 £m	2010 £m
Adjusted operating profit for reportable segments	34.6	35.0
Group governance costs – adjusted operating loss	(4.4)	(4.9)
Total segments	30.2	30.1
Amortization of customer relationships and intellectual property	(0.8)	(0.7)
Restructuring costs	(1.6)	(0.3)
Rationalization of UK operating sites	(0.2)	(5.2)
Exceptional legal and related fees	—	(1.5)
LTIP costs	(0.7)	(1.6)
Actuarial adjustments to the defined benefit pension scheme	—	(0.2)
Finance costs	(2.9)	(5.6)
Finance income	0.2	0.1
Other	—	(0.3)
Profit before income tax	24.2	14.8

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

Reportable segment assets are reconciled to total assets as follows:

	2011 £m	2010 £m
Segment assets for reportable segments	126.8	112.0
Group governance assets	36.3	43.6
Reclassifications:		
Current tax	0.9	1.4
Trade and other receivables	(0.4)	(0.2)
Total assets per the balance sheet	163.6	156.8

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

Reportable segment liabilities are reconciled to total liabilities as follows:

	2011 £m	2010 £m
Segment liabilities for reportable segments	59.7	57.6
Group governance liabilities	60.4	58.3
Reclassifications:		
Current tax	0.9	1.4
Trade and other payables	(0.4)	(0.2)
Total liabilities per the balance sheet	120.6	117.1

As mentioned above, revenues from external customers are derived from a few primary business streams. The breakdown of this revenue is as follows:

	2011 £m	2010 £m
Knowledge	45.6	46.2
Assurance	176.9	168.7
Compliance	22.4	20.4
Revenue from external customers	244.9	235.3

Revenue from external customers for 2010 has been restated to align to the business streams of Knowledge, Assurance and Compliance.

Based on where the customer is located the result of revenue from external customers in the UK is £91.8m (2010: £89.3m), and the total of revenue from external customers in other countries is £153.1m (2010: £146.0m). The major components of the total of revenue from external customers from other countries are £42.8m (2010: £41.5m) for the US and £24.0m (2010: £23.1m) for Japan.

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

5 Segment information continued

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the UK is £30.5m (2010: £24.3m) and the total of these non-current assets located in other countries is £21.5m (2010: £24.0m).

As the Group transacts with a large number of diversified customers, there are no cumulative revenue transactions amounting to 10% or more of total external revenue derived from any single external customer (2010: nil).

6 Revenue

Revenue recognized in the income statement is analyzed as follows:

	2011 £m	2010 £m
Sale of goods	11.9	9.8
Rendering of services	220.6	213.1
Copyright and royalty income	12.4	12.4
Total revenue	**244.9**	**235.3**

7 Operating profit

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

	Note	2011 £m	2010 £m
Employee benefit expense	8	114.7	108.4
Depreciation of property, plant and equipment	13	2.5	2.5
Impairment of property, plant and equipment	13	0.3	4.4
Amortization	14	3.2	3.0
Provision for impairment of trade receivables	19	0.5	0.6
Operating lease payments for plant and machinery	10	2.1	0.4
Operating lease payments for land and buildings	10	5.6	6.7
Loss on disposal of property, plant and equipment		0.1	0.1
Loss on disposal of investment	15	—	0.1
Rental income from sublease of properties	10	(0.5)	(1.1)
Bad debts written off		0.3	0.2
Other exchange losses		0.4	0.2
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		0.3	0.2
Fees payable to the Group's auditors and their associates for other services:			
– The audit of the Company's subsidiaries pursuant to legislation		0.1	0.1
– Tax advisory services		0.1	—
– Other advisory services		0.1	0.1

Operating exceptional costs	2011 £m	2010 £m
Rationalization of UK operating sites	0.2	5.2
Restructuring and reorganization costs	1.6	0.3
Exceptional legal costs	—	1.5
Total operating exceptional costs	**1.8**	**7.0**

Operating exceptional items amounted to £1.8m (2010: £7.0m):

- £0.2m in relation to the rationalization of BSI's UK operating sites outside of the London global headquarters; and
- £1.6m in relation to the restructuring of the UK Product Testing laboratories. These costs can be broken down as follows:
  - £0.3m of associated asset write-downs and exit costs;
  - £0.5m provision for demolition and site clearance of the existing Hemel Hempstead site; and
  - £0.8m related to associated redundancies.

7 Operating profit continued

In 2010, operating exceptional costs comprised:

- £5.2m in relation to the rationalization of BSI's UK operating sites outside of the London global headquarters. Exceptional costs of £4.0m arise due to the changing of basis of valuation of the existing Hemel Hempstead site from a value-in-use basis to open market value reflecting the Group's decision to partially vacate the site. The exceptional cost includes £0.4m related to associated redundancies and £0.8m in associated asset write-downs and exit costs;
- £0.3m in relation to restructuring and reorganization including £0.1m in respect of the closure of the UK final salary pension scheme to future accrual and £0.2m in relation to 2010 costs in finalizing the move of the Group from its historical divisional structure to a regional and business stream structure started in 2009; and
- £1.5m in respect of legal and related costs associated with High Court proceedings brought by a distributor of motor vehicle parts in 2009 which were settled without admission of liability by either party.

The corporation tax credit on operating exceptional items amounts to £0.3m (2010: £1.4m).

8 Employee benefit expense

	Note	2011 £m	2010 £m
Wages and salaries (including termination benefits of £2.3m (2010: £1.2m)		97.1	91.2
Social security costs		11.2	10.1
Pension costs – defined benefit plans	24bii	—	1.3
Pension costs – defined contribution plans	24a	6.4	5.8
Employee benefit expense charged in arriving at operating profit	7	114.7	108.4
Net pension finance costs	11, 24bii	2.8	5.6
Total employee benefit expense charged in arriving at profit before income tax		117.5	114.0

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

	2011 Number	2010 Number
Production, assessment, training and laboratory	1,417	1,290
Sales and distribution	448	444
Administration	865	857
Total headcount	2,730	2,591

The headcount above includes external resource of 289 (2010: 224).

9 Directors' emoluments

The emoluments of the executive and non-executive Board members during the year are disclosed on pages 35 and 36.

10 Operating leases

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

The Group leases office properties around the world with two of these leases considered significant. The Group Headquarters office in London is leased under a non-cancellable lease for a term of 15 years from November 2010, with regular rent reviews based on the Retail Prices Index (RPI) with an appropriate cap and collar. The other significant lease relates to a UK regional office in Milton Keynes that has a non-cancellable lease for a term of 15 years from July 2011, which includes a rent-free period from July 2011 to December 2014 and rental increments in line with market.

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

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

	2011			2010		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
No later than 1 year	4.5	1.6	6.1	5.4	1.4	6.8
Later than 1 year and no later than 5 years	14.7	2.6	16.9	14.5	2.4	16.9
Later than 5 years	27.8	—	28.2	30.1	—	30.1
Minimum lease payments	47.0	4.2	51.2	50.0	3.8	53.8

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

10 Operating leases continued

A number of leased properties in the UK have been sublet by the Group. Annual income from subleases in the period was £0.5m (2010: £1.1m). The Group has recognized a provision in respect of any surplus of sublet properties (see Note 23). The future aggregate minimum sublease payments expected to be received under non-cancellable operating subleases at the balance sheet date are as follows:

Land and buildings	2011 £m	2010 £m
No later than 1 year	0.5	0.5
Later than 1 year and no later than 5 years	1.5	1.9
Later than 5 years	—	0.2
Minimum sublease payments	**2.0**	**2.6**

11 Finance income and costs

	2011 £m	2010 £m
Bank interest receivable on cash and short-term deposits	0.2	0.1
Finance income	**0.2**	**0.1**
Pension scheme interest cost less expected return on pension scheme plan assets (see Note 8 and Note 24bii)	(2.8)	(5.6)
Other finance cost	(0.1)	—
Finance costs	**(2.9)**	**(5.6)**

12 Income tax expense

	2011 £m	2010 £m
Current tax		
– UK tax current year	1.0	1.3
– UK tax prior years	—	(0.1)
– Foreign tax current year	2.8	2.8
– Foreign tax prior years	0.1	0.6
Total current tax	**3.9**	**4.6**
Deferred tax (Note 16)		
– Origination and reversal of temporary differences	4.1	1.5
– Prior year deferred tax adjustments	—	0.4
– Impact of change in UK tax rate	(1.2)	(0.3)
Total deferred tax	**2.9**	**1.6**
Total income tax expense	**6.8**	**6.2**

The tax on the Group's profit before tax is higher (2010: higher) than the theoretical amount that would arise using the weighted average UK statutory tax rate of 26.5% (2010: 28.0%) applicable to profits of the consolidated entities as follows:

	2011 £m	2010 £m
Profit before income tax	24.2	14.8
Tax calculated at the weighted average UK statutory tax rate of 26.5% (2010: 28.0%)	6.4	4.1
Effects of:		
– Items not deductible for tax purposes	0.7	0.5
– Higher tax rates on overseas earnings	0.5	0.7
Adjustments to tax charge in respect of previous periods:		
– UK	(0.9)	0.3
– Foreign	0.1	0.6
Total income tax expense	**6.8**	**6.2**

The Group effective tax rate (ETR) on profits before tax and goodwill impairment for the year is 28.1% (2010: 41.9%). The ETR at 28.1% comprises a current year tax charge of 31.4% and a prior year tax credit of 3.3% arising from the impact on corporation and deferred tax of the reductions in the UK corporation tax rate (from 28% to 25%) of 3.5% credit and prior years' underprovided UK and foreign tax of 0.2%.

The ETR for the Group's underlying business operations for the current year is 32.5% (2010: 32.6%), after removing the tax impact on the exceptional costs relating to the Hemel Hempstead business restructure of 1.1% and the prior year tax credit of 3.3%.

12 Income tax expense continued

The ETR at 28.1% is further reconciled from the UK statutory tax rate of 26.5% (a blended tax rate of 28% applicable in the period to 31 March 2011, reduced to 26% through the remaining period to 31 December 2011) by additional higher overseas Group taxes of 1.9% (e.g. US 39%, Japan 42% statutory tax rates), the prior years' tax credit of 3.3% and the net ETR increase of 3.0% for Group tax permanent and temporary differences.

The Group's underlying current period ETR is targeted to continue to reduce with long-term management to the UK statutory rate of 26%.

The Budget announced by the Chancellor in March 2011 ('the March 2011 Budget') included changes to the main rates of tax for UK companies. The main rate of corporation tax decreased from 28% to 26% from 1 April 2011.

Prior to the March 2011 Budget, it had been expected that the rate would fall to 27% on 1 April 2011, as this was the rate enacted in the Finance Act 2010. However, the March 2011 Budget also proposed a further 1% reduction to 25% from 1 April 2012. This amendment is included in the Finance (No. 3) Bill 2010–11 that received its third reading in the House of Commons on 5 July 2011.

Therefore, the decrease in tax rate to 25% was substantively enacted for the purposes of IAS 12 (or FRS 19) on 5 July 2011. As such, these step changes in the UK tax rate from 28% to 26% in April 2011 and then 25% in April 2012 are included in these financial statements.

The proposed reductions of the main rate of corporation tax from 26% in 1 April 2011 by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 26% to 23%, if these applied to the deferred tax balance at 31 December 2011, would be to reduce the net Group deferred tax asset by approximately £1.1m (being £0.2m recognized in 2013, £0.2m recognized in 2014 and £0.7m recognized in 2015 forwards).

13 Property, plant and equipment

	Land and buildings				
	Freehold £m	Short leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2010	8.0	3.8	0.4	16.7	28.9
Additions	—	—	0.9	1.2	2.1
Acquisition of subsidiary and businesses	—	—	—	0.9	0.9
Disposals	—	—	—	(1.7)	(1.7)
Reclassifications	0.1	(0.1)	(0.4)	0.4	—
Reclassifications to computer software (Note 14)	—	—	—	(2.2)	(2.2)
Exchange differences	—	—	—	0.4	0.4
At 31 December 2010	8.1	3.7	0.9	15.7	28.4
Additions	—	0.1	5.2	0.6	5.9
Disposals	(0.2)	(0.9)	—	(3.7)	(4.8)
Reclassifications	—	3.1	(5.6)	2.5	—
Reclassifications to computer software (Note 14)	—	—	(0.2)	—	(0.2)
Exchange differences	—	—	—	(0.2)	(0.2)
At 31 December 2011	7.9	6.0	0.3	14.9	29.1
Accumulated depreciation and impairment					
At 1 January 2010	(2.3)	(1.7)	—	(12.7)	(16.7)
Charge for the year (Note 7)	(0.2)	(0.4)	—	(1.9)	(2.5)
Impairment loss (Note 7)	(4.0)	(0.2)	—	(0.2)	(4.4)
Disposals	—	—	—	1.6	1.6
Reclassifications to computer software (Note 14)	—	—	—	1.6	1.6
Exchange differences	—	—	—	(0.3)	(0.3)
At 31 December 2010	(6.5)	(2.3)	—	(11.9)	(20.7)
Charge for the year (Note 7)	(0.1)	(0.5)	—	(1.9)	(2.5)
Impairment loss (Note 7)	—	—	—	(0.3)	(0.3)
Disposals	0.1	0.8	—	3.8	4.7
Exchange differences	—	—	—	0.1	0.1
At 31 December 2011	(6.5)	(2.0)	—	(10.2)	(18.7)
Net book value at 31 December 2011	1.4	4.0	0.3	4.7	10.4
Net book value at 31 December 2010	1.6	1.4	0.9	3.8	7.7

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

13 Property, plant and equipment continued

Capital commitments in respect of property, plant and equipment

Capital expenditure of £0.5m (2010: £2.5m) has been contracted for but not provided in the financial statements. The 2010 figure relates to a building fit-out contract entered into in relation to the rationalization of BSI's UK operating sites.

14 Intangible assets

	Goodwill £m	Computer software: Externally acquired £m	Computer software: Internally generated £m	Customer relationships and intellectual property £m	Internally generated product development costs £m	Total £m
Cost						
At 1 January 2010	29.8	14.5	4.7	6.6	—	55.6
Additions	—	1.0	2.7	—	0.2	3.9
Acquisition of subsidiary and businesses	2.2	—	—	0.1	—	2.3
Disposal	—	(0.1)	—	—	—	(0.1)
Reduction in earnout payable	—	—	—	(0.2)	—	(0.2)
Reclassifications	—	—	—	(0.8)	0.8	—
Reclassifications from property, plant and equipment (Note 13)	—	1.8	0.4	—	—	2.2
Exchange differences	0.6	—	—	0.3	—	0.9
At 31 December 2010	32.6	17.2	7.8	6.0	1.0	64.6
Additions	—	1.8	3.6	0.3	0.2	5.9
Disposal	—	(8.3)	(0.1)	—	—	(8.4)
Reclassifications	—	—	—	(0.3)	—	(0.3)
Reclassifications from property, plant and equipment (Note 13)	—	0.2	—	—	—	0.2
Exchange differences	0.2	—	—	—	—	0.2
At 31 December 2011	32.8	10.9	11.3	6.0	1.2	62.2
Accumulated amortization and impairment						
At 1 January 2010	(5.9)	(10.6)	(1.3)	(2.9)	—	(20.7)
Charge for the year (Note 7)	—	(1.3)	(0.8)	(0.8)	(0.1)	(3.0)
Disposal	—	0.1	—	—	—	0.1
Reclassification	—	—	—	0.6	(0.6)	—
Reclassifications from property, plant and equipment (Note 13)	—	(1.4)	(0.2)	—	—	(1.6)
Exchange differences	(0.5)	(0.1)	—	(0.3)	—	(0.9)
At 31 December 2010	(6.4)	(13.3)	(2.3)	(3.4)	(0.7)	(26.1)
Charge for the year (Note 7)	—	(1.5)	(0.8)	(0.8)	(0.1)	(3.2)
Disposals	—	8.3	0.1	—	—	8.4
Reclassifications	—	—	—	0.3	—	0.3
At 31 December 2011	(6.4)	(6.5)	(3.0)	(3.9)	(0.8)	(20.6)
Net book value at 31 December 2011	26.4	4.4	8.3	2.1	0.4	41.6
Net book value at 31 December 2010	26.2	3.9	5.5	2.6	0.3	38.5

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

Amortization charges are included within administrative expenses in the income statement. Impairment losses of intangible assets are included in the exceptional operating costs in the income statement.

Capital commitments in respect of computer software

Capital expenditure of £0.4m (2010: £0.2m) has been contracted but not provided for in the financial statements.

Impairment tests for goodwill

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

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

	EMEA £m	Americas £m	Asia Pacific £m	Standards £m	Total £m
2011	7.7	4.6	8.8	5.3	26.4
2010	7.6	4.6	8.7	5.3	26.2

14 Intangible assets continued

Impairment tests for goodwill continued

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering five years, based on financial budgets and strategic plans approved by the Board unless more specific and recent projections exist. Cash flows beyond the five year period are extrapolated using average growth rates of the past ten years for the countries in which the CGUs operate. These growth rates are obtained from the International Monetary Fund's World Economic Outlook Database and the average growth rates range between 0.2% and 10.1% (2010: 0.5% and 9.9%). Applying a zero growth rate on the cash flows beyond the five year period would not result in any impairment on the Group's CGUs (2010: £nil).

Discount rates applied to the cash flow forecasts are pre-tax and derived using the capital asset pricing model and vary from 9.1% to 20.0% (2010: 9.6% to 17.6%) across the CGUs. The pre-tax discount rates would need to increase by 1.5% (2010: 6.5%) before any of the Group's CGUs suffer any impairment. If the pre-tax discount rates were 2.5% higher, the Group would have an impairment against intangible assets of £0.2m.

15 Investments

	2011 £m	2010 £m
Cost at 1 January	–	0.1
Disposal	–	(0.1)
Cost at 31 December	–	–

The Group disposed of its investment in Globe S.r.l., a certification company incorporated in Italy, in September 2010 for a loss of £0.1m.

16 Deferred tax

	2011 £m	2010 £m
Deferred tax assets:		
– To be recovered after more than 12 months	17.4	17.2
– To be recovered within 12 months	2.2	3.7
Total deferred tax assets	19.6	20.9
Deferred tax liabilities:		
– To be incurred after more than 12 months	(1.7)	(2.0)
– To be incurred within 12 months	(0.3)	(0.2)
Total deferred tax liabilities	(2.0)	(2.2)
Net deferred tax assets	17.6	18.7

Gross movement on the deferred tax account

	2011 £m	2010 £m
At 1 January	18.7	30.9
income statement tax charged (Note 12)	(2.9)	(1.6)
Tax credited/(charged) to equity relating to retirement benefit obligations	1.9	(10.9)
Exchange differences	(0.1)	0.3
At 31 December	17.6	18.7

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

Deferred tax liabilities	Temporary differences £m	Total £m
At 1 January 2010	(1.8)	(1.8)
Charged to the income statement	(0.2)	(0.2)
Exchange differences	(0.2)	(0.2)
At 31 December 2010	(2.2)	(2.2)
Credited to the income statement	0.2	0.2
At 31 December 2011	(2.0)	(2.0)

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

16 Deferred tax continued

Gross movement on the deferred tax account continued

Deferred tax assets	Accelerated capital allowances £m	Pension £m	Losses £m	Other temporary differences £m	Total £m
At 1 January 2010	0.5	28.8	1.9	1.5	32.7
(Charged)/credited to the income statement	—	(2.2)	(0.2)	1.0	(1.4)
Charged directly to equity	—	(10.9)	—	—	(10.9)
Exchange differences	—	—	0.2	0.3	0.5
At 31 December 2010	0.5	15.7	1.9	2.8	20.9
(Charged)/credited to the income statement	(0.5)	(2.8)	(0.2)	0.4	(3.1)
Credited directly to equity	—	1.9	—	—	1.9
Exchange differences	—	—	—	(0.1)	(0.1)
At 31 December 2011	—	14.8	1.7	3.1	19.6

The deferred tax debited directly to equity during the period was £1.9m (2010: credit of £10.9m), which related to the retirement benefit obligation.

Deferred tax assets are recognized for tax carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. There are no unrecognized deferred tax assets (2010: £nil).

17 Financial instruments

a Financial instruments by category

At 31 December 2011	Cash and receivables £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments	46.8
Cash and cash equivalents	39.7
Total	86.5

At 31 December 2011	Derivatives used for hedging £m	Other financial liabilities £m
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	—	34.3
Derivative financial instruments	0.1	—
Total	0.1	34.3

At 31 December 2010	Derivatives used for hedging £m	Cash and receivables £m
Assets as per balance sheet		
Trade and other receivables excluding prepayments	—	42.4
Cash and cash equivalents	—	41.4
Derivative financial instruments	0.1	—
Total	0.1	83.8

At 31 December 2010	Other financial liabilities £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	33.2
Total	33.2

17 Financial instruments continued

b Credit quality of financial assets

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

18 Inventories

	2011 £m	2010 £m
Work in progress	0.1	0.1
Consumables	0.1	0.1
Total inventories	0.2	0.2

19 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	36.5	33.3
Less: provision for impairment of trade receivables	(1.1)	(1.0)
Trade receivables – net	35.4	32.3
Other receivables	4.3	3.9
Prepayments	4.4	4.2
Accrued income	7.1	6.2
Total trade and other receivables	51.2	46.6

Trade receivables are non-interest bearing and are generally on 30–60 day (2010: 30–60 day) terms. Other receivables are non-interest bearing and are generally on 30–60 day (2010: 30–60 day) terms.

All receivables are due within one year from the balance sheet date. The carrying value of all receivables approximates to fair value.

The provision for impairment is against all receivables overdue by one year and any specific items identified. As of 31 December 2011, trade receivables of £13.1m (2010: £11.8m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of net trade receivables is as follows:

	2011 £m	2010 £m
Current (not due)	22.3	20.5
< 1 month	8.4	7.9
1–3 months	3.4	2.9
3–5 months	0.7	0.6
> 5 months	0.6	0.4
Trade receivables – net	35.4	32.3

As of 31 December 2011, trade receivables of £1.1m (2010: £1.0m) were impaired and fully provided for. The individually impaired receivables mainly relate to customers in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	2011 £m	2010 £m
< 1 month	0.1	—
1–3 months	—	0.1
3–5 months	0.1	0.2
> 5 months	0.9	0.7
Provision for impairment of trade receivables	1.1	1.0

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

	2011 £m	2010 £m
British Pounds Sterling	21.0	19.0
US Dollars	8.5	7.1
Euros	6.4	6.8
Japanese Yen	3.5	3.1
Chinese Renminbi	1.2	1.0
Other currencies	10.6	9.6
Total trade and other receivables	51.2	46.6

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

19 Trade and other receivables continued

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

	2011 £m	2010 £m
At 1 January	1.0	0.9
Provision for impaired receivables	0.8	0.7
Receivables written off during the year as uncollectable	(0.4)	(0.5)
Unused amounts reversed	(0.3)	(0.1)
At 31 December	1.1	1.0

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

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

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

20 Derivative financial instruments

	2011 £m	2010 £m
Current assets		
Forward foreign exchange contracts – cash flow hedges	—	0.1
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	(0.1)	—

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2011 was £2.4m (2010: £1.5m).

The fair value of forward foreign currency contracts is determined using forward foreign exchange market rates at the balance sheet date. The fair value measurement adopted is categorized as Level 2 (2010: Level 2) within the fair value measurement hierarchy set out in IFRS 7.

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

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

21 Cash and short-term deposits

	2011 £m	2010 £m
Cash at bank and in hand	39.7	41.4
Total cash and cash equivalents	39.7	41.4

No bank overdraft facilities were in use at 31 December 2011 (2010: £nil). The balance above corresponds to cash and cash equivalents for the purposes of the cash flow statement.

The fair value of cash and short-term deposits is £39.7m (2010: £41.4m). The maximum exposure to credit risk at the reporting date is the fair value of cash and short-term deposits mentioned above.

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

	2011				2010			
	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Currency								
British Pounds Sterling	19.4	1.3	2.7	23.4	4.0	20.3	5.0	29.3
US Dollars	—	6.7	0.6	7.3	—	0.2	1.8	2.0
Euros	—	0.4	1.2	1.6	1.4	0.2	1.2	2.8
Japanese Yen	0.4	—	0.8	1.2	0.2	—	0.8	1.0
Chinese Renminbi	—	2.0	—	2.0	—	2.4	—	2.4
Other currencies	0.3	1.5	2.4	4.2	0.5	0.8	2.6	3.9
Total	20.1	11.9	7.7	39.7	6.1	23.9	11.4	41.4

22 Trade and other payables

	2011 £m	2010 £m
Trade payables	5.6	4.1
VAT and sales taxes	2.7	2.3
Other taxes and social security	3.1	2.9
Other payables	2.0	3.0
Accruals	20.9	20.9
Deferred income	19.4	18.7
Total trade and other payables	53.7	51.9
Less non-current portion:		
– Deferred consideration payable for acquisitions	—	(0.2)
– Deferred income	(0.6)	—
Current portion of trade and other payables	53.1	51.7

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

	2011 £m	2010 £m
British Pounds Sterling	32.1	31.6
US Dollars	4.2	3.3
Euros	5.1	4.9
Japanese Yen	4.2	3.9
Chinese Renminbi	2.3	2.0
Other currencies	5.8	6.2
Total trade and other payables	53.7	51.9

Trade payables are non-interest bearing and are generally on 30–60 day (2010: 30–60 day) terms. Other payables are non-interest bearing and are generally on 30–90 day (2010: 30–90 day) terms.

The fair values of trade and other payables approximate their carrying value as the impact of discounting is not significant due to the short-term nature of the payables.

23 Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2010	0.9	2.8	3.7
Charged to income statement	—	0.7	0.7
Utilization	—	(0.3)	(0.3)
Released	(0.6)	—	(0.6)
At 31 December 2010	0.3	3.2	3.5
Charged to income statement	1.1	0.8	1.9
Utilization	—	(1.2)	(1.2)
At 31 December 2011	1.4	2.8	4.2

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

Other provisions relate to anticipated costs relating to the Group's liability for discontinued operations and a provision has been made for the Directors' best estimate of associated legal and settlement costs.

Provisions for legal claims, onerous lease and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Group's liability.

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

23 Provisions for liabilities and charges continued

Analysis of total provisions:

	2011 £m	2010 £m
Non-current	2.9	2.4
Current	1.3	1.1
Total provisions for liabilities and charges	4.2	3.5

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

24 Retirement benefit obligations

The Group operates the following retirement benefit schemes:

a Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Group offers a Group personal pension plan to all new UK employees. The costs for the period were £4.7m (2010: £3.9m).

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the period totalling £1.7m (2010: £1.9m).

b Defined benefit scheme

The Group operates a UK pension scheme which provides benefits based on final pensionable salary and service up to 30 April 2010 (the date the scheme closed to the accrual of benefits). The assets of the scheme are held in a separate trustee administered fund. The scheme is closed to new entrants.

A valuation of the final salary scheme was carried out under the Statutory Funding Objective as at 31 March 2010. This revealed an ongoing funding level of 76%. The Group subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2010. It requires contributions from the Group to improve the funding level of the scheme and to cover the expenses of running the scheme. The Group agreed to pay additional contributions of £108.8m over the period 1 April 2010 to 31 December 2019. Contributions in respect of future service benefits ceased on 30 April 2010.

The Group paid a total of £17.0m in contributions to the scheme during 2011 (2010: £16.1m).

i Balance sheet

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

	2011 £m	2010 £m
Present value of defined benefit obligations	(306.8)	(289.4)
Fair value of plan assets	247.7	231.4
Net liability in the balance sheet	(59.1)	(58.0)

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

	2011 £m	2010 £m
Opening defined benefit obligation	289.4	305.5
Current service cost	—	1.3
Interest cost	15.3	17.3
Contributions by plan participants	—	0.1
Actuarial losses/(gains)	12.2	(23.8)
Benefits paid	(10.1)	(11.0)
Closing defined benefit obligation	306.8	289.4

24 Retirement benefit obligations continued

b Defined benefit scheme continued

i Balance sheet continued

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

	2011 £m	2010 £m
Opening fair value of plan assets	231.4	202.8
Expected return on plan assets	12.5	11.7
Actuarial (losses)/gains	(3.1)	11.7
Contributions by employer	17.0	16.1
Contributions by plan participants	—	0.1
Benefits paid	(10.1)	(11.0)
Closing fair value of plan assets	247.7	231.4

The actual return on plan assets was £9.4m (2010: £23.4m).

ii Income statement

The amounts recognized in the income statement are as follows:

	2011 £m	2010 £m
Amounts in net operating costs (Note 8)		
Current service cost	—	1.3
	—	1.3
Amounts in net finance costs (Note 8 and Note 11)		
Interest cost	15.3	17.3
Expected return on plan assets	(12.5)	(11.7)
	2.8	5.6
Total amounts charged to the income statement	2.8	6.9

iii Statement of comprehensive income

	2011 £m	2010 £m
Net actuarial (losses)/gains recognized in the year	(15.3)	35.5

iv Assumptions

The principal actuarial assumptions used are as follows:

	2011 % p.a.	2010 % p.a.
Rate of increase in salaries	3.95	4.40
Rate of increase of pensions in payment:		
– Pre April 1997 and post April 2005 excess over GMP pensions	3.00	3.00
– Post April 1997 and pre April 2005 excess over GMP pensions	3.20	3.75
Rate of revaluation of deferred pensions in excess of the GMP	1.75	2.65
Discount rate	4.85	5.40
Inflation assumption – RPI	2.95	3.40
Inflation assumption – CPI	1.75	2.65

Life expectancy at age 65 for a member currently aged 45 is 24.8 years (men) or 26.0 years (women). Life expectancy for a member currently aged 65 is 23.4 years (men) or 24.5 years (women).

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

24 Retirement benefit obligations continued

b Defined benefit scheme continued

iv Assumptions continued

Plan assets are comprised as follows:

	Long-term rate of return expected at 31 December 2011 %	Value at 31 December 2011 £m		Long-term rate of return expected at 31 December 2010 %	Value at 31 December 2010 £m	
Diversified Growth Fund	6.55	105.7	42%	6.40	108.0	47%
Bonds	4.50	43.9	18%	4.95	34.4	15%
Cash	1.10	9.3	4%	0.90	4.0	2%
MetLife policy	4.85	88.8	36%	5.40	85.0	36%
Weighted average return	5.37			5.72		
Total fair value of plan assets		247.7	100%		231.4	100%

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

As at 31 December	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligation	(306.8)	(289.4)	(305.5)	(257.7)	(275.3)
Fair value of plan assets	247.7	231.4	202.8	181.9	196.3
Deficit	(59.1)	(58.0)	(102.7)	(75.8)	(79.0)
Experience adjustments on plan liabilities	(0.1)	31.4	(2.8)	0.3	(10.0)
Experience adjustments on plan assets	(3.1)	11.7	6.8	(35.0)	(1.8)

Expected contributions to retirement benefit plans for the year ending 31 December 2012 are £3.0m (2011: £17.0m).

25 Reconciliation of movements in reserves

	Retained earnings £m	Translation reserve £m	Total £m
At 1 January 2010	1.4	3.7	5.1
Profit for the year	8.6	—	8.6
Actuarial gains related to retirement benefit obligations (net of deferred tax)	24.6	—	24.6
Cash flow hedges	0.1	—	0.1
Translation of overseas entities	—	1.3	1.3
At 31 December 2010	34.7	5.0	39.7
Profit for the year	17.4	—	17.4
Actuarial losses related to retirement benefit obligations (net of deferred tax)	(13.4)	—	(13.4)
Cash flow hedges	(0.2)	—	(0.2)
Translation of overseas entities	—	(0.5)	(0.5)
At 31 December 2011	38.5	4.5	43.0

Retained earnings

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

Translation reserve

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

26 Contingent liabilities

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

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

In relation to the disposal of businesses the Group has given warranties and indemnities to the purchasers. In the light of local legal and taxation advice, experience to date, availability of insurance, and provisions, the Board does not expect these warranties and indemnities to have a significant impact on the Group. The Board has made provisions where this is appropriate and this is discussed under Note 4 to the Group financial statements.

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

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

27 Related party transactions

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

a Pension scheme trustee

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

b Key management

Key management of the Group includes directors (executive and non-executive) and other members of the Executive Committee. Emoluments of the directors are disclosed on pages 35 and 36. Emoluments paid to other members of the Executive Committee for employee services are shown in the table below:

	2011 £m	2010 £m
Salaries and short-term benefits	2.4	2.8
Terminations	0.1	—
Other long-term benefits	0.1	0.1
Total emoluments	2.6	2.9

Notes to the consolidated financial statements continued

for the year ended 31 December 2011

28 Interests in Group undertakings

Name	Country of incorporation or registration	Proportion held *	Activity
British Standards Institution Group Iberia SAU	Spain	100%	Business services
British Standards (Publishing) Limited	England and Wales	100%	Business services
BSI Advisory Services BV	Netherlands	100%	Business services
BSI America Professional Services Inc	USA	100%	Business services
BSI Assurance UK Limited (incorporated 11 October 2011)	England and Wales	100%	Business services
BSI Brasil	Brazil	100%	Business services
BSI Brasil Sistemas de Gestao Ltda	Brazil	100%	Business services
BSI British Standards Ltd Beijing Representative Office	China	100%	Business services
BSI Certification Services Thailand	Thailand	49%	Business services
BSI Group (Australia and New Zealand) Pty Ltd	Australia	100%	Business services
BSI Group (Thailand) Co., Ltd (formerly BSI Management Systems Thailand Co Ltd)	Thailand	100%	Business services
BSI Group America Inc	USA	100%	Business services
BSI Group Assurance Limited (formerly BSI Management Systems Holdings Ltd)	England and Wales	100%	Holding company
BSI Group Australia Holdings Pty Ltd	Australia	100%	Business services
BSI Group Canada Inc	Canada	100%	Business services
BSI Group Czech Republic s.r.o (dissolved 9 January 2012)	Czech Republic	100%	Business services
BSI Group Eurasia Certification Services Co. Ltd	Turkey	100%	Business services
BSI Group France Sarl	France	98%	Business services
BSI Group Holdings The Netherlands BV	Netherlands	100%	Business services
BSI Group India Private Ltd	India	100%	Business services
BSI Group Italia SRL	Italy	100%	Business services
BSI Group Japan KK	Japan	100%	Business services
BSI Group Korea Ltd	Korea	100%	Business services
BSI Group Learning Beijing Limited	China	100%	Business services
BSI Group Mexico S dr RL de CV	Mexico	100%	Business services
BSI Group Polska Spolka z.o.o.	Poland	100%	Business services
BSI Group Singapore Pte Ltd	Singapore	100%	Business services
BSI Group The Netherlands BV	Netherlands	100%	Business services
BSI Healthcare Saudi Arabia (incorporated 5 February 2011)	Saudi Arabia	100%	Business services
BSI Ltd	England and Wales	100%	Holding company
BSI Management Systems Belgium BVBA	Belgium	100%	Business services
BSI Management Systems Certification (Beijing) Co., Ltd	China	75%	Business services
BSI Management Systems CIS LLC	Russia	100%	Business services
BSI Management Systems Ltd	England and Wales	100%	Business services
BSI Management Systems und Umweltgutachter Deutschland GmbH	Germany	100%	Business services
BSI Pacific Ltd	Hong Kong	100%	Business services
BSI Professional Services EMEA Limited (incorporated 11 October 2011)	England and Wales	100%	Business services
BSI Professional Services Holdings Limited	England and Wales	100%	Holding company
BSI Services Malaysia Sdn. Bhd.	Malaysia	100%	Business services
BSI Standards Limited (incorporated 29 November 2011)	England and Wales	100%	Business services
BSI Vietnam Co., Ltd (formerly BSI Management Systems (Vietnam) Company Ltd)	Vietnam	100%	Business services
Entropy International Canada Inc	Canada	100%	Business services
Entropy International Limited	England and Wales	100%	Business services
EUROCAT Institute for Certification and Testing GmbH	Germany	100%	Business services
PT BSI Group Indonesia	Indonesia	100%	Business services

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

* Percentage of ordinary share capital

Financial statements

Independent auditors' report – parent company financial statements

to the Board of Directors of The British Standards Institution

We have audited the parent company financial statements of The British Standards Institution for the year ended 31 December 2011 which comprise the Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with paragraph 21 of The British Standards Institution's Royal Charter and Bye-laws and applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with The British Standards Institution's Royal Charter and Bye-laws and the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

At the request of the Directors we have also audited the part of the Directors' remuneration report that is described as having been audited. In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of The British Standards Institution for the year ended 31 December 2011.

Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2012

Parent company balance sheet

as at 31 December 2011

	Note	2011 £m	2010 £m
Fixed assets			
Intangible assets	2	4.2	2.4
Tangible assets	3	20.1	13.6
Investment in subsidiaries	4	40.3	40.3
		64.6	56.3
Current assets			
Stock	5	0.2	0.2
Debtors	6	23.1	21.9
Cash at bank and in hand		23.8	30.5
		47.1	52.6
Creditors – amounts falling due within one year	7	(43.8)	(43.3)
Net current assets		3.3	9.3
Total assets less current liabilities		67.9	65.6
Provisions for liabilities	8	(1.9)	(1.2)
Creditors – amounts falling due after more than one year	9	(0.6)	—
Net assets excluding defined benefit pension scheme liability		65.4	64.4
Pension liability, net of tax	10	(44.3)	(42.3)
Net assets		21.1	22.1
Profit and loss account, representing reserves	13	21.1	22.1

The accompanying notes on pages 75 to 84 form an integral part of the parent company financial statements.

The financial statements on pages 74 to 84 were approved by the Board of Directors on 22 March 2012 and were signed on its behalf by:

Craig Smith
Group Finance Director
22 March 2012

Notes to the parent company financial statements
for the year ended 31 December 2011

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

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

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

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

i Profit and loss account
In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account of The British Standards Institution has not been separately presented in these financial statements. The retained profit for the year is shown in Note 13.

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

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

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

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

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

iv Rendering of services
The Company provides a variety of assessment and certification services, consultancy services and training services. Turnover value is recognized as the services are performed.

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

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

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

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

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

Notes to the parent company financial statements continued

for the year ended 31 December 2011

1 Principal accounting policies continued

e Foreign currencies

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

f Financial instruments

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

g Finance and operating leases

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

h Investment in Group undertakings

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

i Tangible fixed assets

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

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

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

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

j Intangible assets

i Goodwill

Goodwill arising on acquisitions is capitalized and amortized over the period which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets with a maximum period of 20 years. The Directors take into account the nature, age and stability of the industry in which the business operates.

The Directors evaluate the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount, and when it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

ii Intellectual property

Intellectual property is capitalized based on acquisition cost and amortized on a straight-line basis over its estimated useful economic life. The estimated useful life of this intangible asset is ten years.

k Provisions

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

1 Principal accounting policies continued

l Contingent liabilities

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

m Retirement benefits

i Defined benefit pension schemes

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

ii Defined contribution pension schemes

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

n Deferred taxation

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

o Stocks

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

2 Intangible assets

	Goodwill £m	Intellectual Property £m	Total £m
Cost			
At 1 January 2011	2.6	—	2.6
Additions	—	1.9	1.9
At 31 December 2011	2.6	1.9	4.5
Accumulated amortization			
At 1 January 2011	(0.2)	—	(0.2)
Charge for the year	—	(0.1)	(0.1)
At 31 December 2011	(0.2)	(0.1)	(0.3)
Net book value at 31 December 2011	2.4	1.8	4.2
Net book value at 31 December 2010	2.4	—	2.4

Goodwill on acquisitions is being amortized on a straight-line basis over 20 years.

On 15 June 2011, the Company was assigned the intellectual property rights of web-based tool software from Entropy International Limited, a wholly owned subsidiary. This is being amortized on a straight-line basis over ten years.

There were no impairments of intangible assets during the year (2010: £nil).

Notes to the parent company financial statements continued

for the year ended 31 December 2011

3 Tangible assets

	Land and buildings		Plant, machinery and office equipment £m	Total £m
	Freehold £m	Short leasehold improvements £m		
Cost				
At 1 January 2011	3.8	3.3	35.1	42.2
Additions	—	—	10.3	10.3
Disposals	—	(0.9)	(11.1)	(12.0)
Reclassifications	—	3.2	(3.2)	—
At 31 December 2011	3.8	5.6	31.1	40.5
Accumulated depreciation and impairment				
At 1 January 2011	(3.7)	(2.1)	(22.8)	(28.6)
Charge in the year	(0.1)	(0.5)	(3.2)	(3.8)
Impairment during the year	—	—	(0.3)	(0.3)
Reversal of prior year impairment	0.3	—	—	0.3
Disposals	—	0.9	11.1	12.0
At 31 December 2011	(3.5)	(1.7)	(15.2)	(20.4)
Net book value at 31 December 2011	0.3	3.9	15.9	20.1
Net book value at 31 December 2010	0.1	1.2	12.3	13.6

The net book value of freehold land not depreciated is £0.3m (2010: £0.1m).

4 Investment in subsidiaries

	£m
Cost at 1 January 2011 and 31 December 2011	40.3

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

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

5 Stock

	2011 £m	2010 £m
Work in progress	0.1	0.1
Consumables	0.1	0.1
Total stock	0.2	0.2

6 Debtors

	2011 £m	2010 £m
Trade debtors	15.4	14.8
Other debtors	1.8	1.3
Prepayments and accrued income	5.6	4.9
Deferred taxation (Note 11)*	0.3	0.9
Total debtors	23.1	21.9

* Excludes deferred tax asset on the pension liability (Note 11)

7 Creditors: amounts falling due within one year

	2011 £m	2010 £m
Trade creditors	3.2	1.8
Corporation tax payable	0.3	0.4
VAT	2.1	1.4
Social security and PAYE	1.9	1.8
Other creditors	0.7	1.0
Amounts owed to subsidiary undertakings	9.2	9.2
Accruals	10.8	11.9
Deferred income	15.6	15.8
Creditors falling due within one year	43.8	43.3

Amounts owed to subsidiary undertakings include trade and finance amounts. Trade creditors are non-interest bearing and are generally on 30–60 day terms. Loans from subsidiary undertakings are interest bearing and the rates range between 3% and 9%.

8 Provisions for liabilities

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2011	0.3	0.9	1.2
Charged to profit and loss account	0.7	0.8	1.5
Utilized during the year	—	(0.8)	(0.8)
At 31 December 2011	1.0	0.9	1.9

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

Details of the pension provisions are set out in Notes 10, 11 and 12 below.

Other provisions include the outstanding commercial claims and a provision has been made for the Directors' best estimate of legal and settlement costs associated with these claims.

9 Creditors: amounts falling due after more than one year

	2011 £m	2010 £m
Deferred income	0.6	—

10 Defined benefit scheme pensions liability (net of deferred tax)

	Pension provision £m	Deferred taxation £m	Total £m
At 1 January 2011	58.0	(15.7)	42.3
Charge/(release) to profit and loss account	2.5	(1.4)	1.1
Charge/(release) to current year reserves	15.6	(1.9)	13.7
Contributions	(17.0)	4.2	(12.8)
At 31 December 2011	59.1	(14.8)	44.3

Notes to the parent company financial statements continued

for the year ended 31 December 2011

11 Deferred taxation

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

	2011 £m	2010 £m
Provision for deferred tax comprises:		
Accelerated capital allowances	(0.2)	0.4
Short-term timing differences	0.5	0.5
Deferred tax asset on pension provision	14.8	15.7
Net deferred tax asset	15.1	16.6

12 Pension obligations

The Company operates the following retirement benefit schemes:

a Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Company offers a Group personal pension plan to all new UK employees. The costs for the period were £4.7m (2010: £3.9m). This includes salary sacrificed contributions.

b Defined benefit scheme

The Company operates a UK pension scheme which provides benefits based on final pensionable salary and service up to 30 April 2010 (the date the scheme closed to the accrual of benefits). The assets of the scheme are held in a separate trustee administered fund. The scheme is closed to new entrants.

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

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

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

The Company paid a total of £17.0m in contributions to the fund during the year (2010: £16.1m).

FRS 17 Retirement benefits

The major assumptions used for the updated actuarial valuation were:

	2011 % p.a.	2010 % p.a.	2009 % p.a.
Rate of general increase in salaries	3.95	4.40	5.05
Rate of increase in pensions in payment			
Pension earned before 6 April 1997	3.00	3.00	3.00
Pension earned from 6 April 1997	3.20	3.75	3.80
Discount rate	4.85	5.40	5.75
Inflation assumption – RPI	2.95	3.40	3.55
Inflation assumption – CPI	1.75	2.65	N/A

Life expectancy at age 65 for a member currently aged 45 is 24.8 years (men) or 26.0 years (women). Life expectancy for a member currently aged 65 is 23.4 years (men) or 24.5 years (women).

12 Pension obligations continued

FRS 17 Retirement benefits continued

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

	Long-term rate of return expected at 31 December 2011 %	Value at 31 December 2011 £m	Long-term rate of return expected at 31 December 2010 %	Value at 31 December 2010 £m	Long-term rate of return expected at 31 December 2009 %	Value at 31 December 2009 £m
Diversified Growth Fund	6.55	105.7	6.40	108.0	6.85	96.3
Bonds	4.50	43.9	4.95	34.4	5.15	25.4
Cash	1.10	9.3	0.90	4.0	0.95	1.3
MetLife policy	4.85	88.8	5.40	85.0	5.75	79.8
Total fair value of assets		247.7		231.4		202.8
Present value of scheme liabilities		(306.8)		(289.4)		(305.5)
Deficit in the scheme		(59.1)		(58.0)		(102.7)
Related deferred tax asset		14.8		15.7		28.8
Net pension liability		(44.3)		(42.3)		(73.9)

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

Analysis of the charge to operating profit

	2011 £m	2010 £m
Current service cost	0.4	2.2

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

	2011 £m	2010 £m
Interest on pension scheme liabilities	15.4	17.3
Expected return on pension scheme assets	(13.3)	(12.6)
Net charge	2.1	4.7

Analysis of amount recognized in reserves

	2011 £m	2010 £m
Actual return less expected return on pension scheme assets	(3.4)	11.7
Experience gains and losses arising on the scheme liabilities	(0.1)	31.4
Changes in assumptions underlying the present value of the scheme liabilities	(12.1)	(7.6)
Actuarial (loss)/gain recognized in reserves	(15.6)	35.5

Notes to the parent company financial statements continued

for the year ended 31 December 2011

12 Pension obligations continued

Analysis of amount recognized in reserves continued

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

	2011 £m	2010 £m
Opening defined benefit obligation	289.4	305.5
Current service cost	0.4	2.2
Interest cost	15.4	17.3
Employee contributions	—	0.1
Actuarial losses/(gains)	12.2	(23.8)
Benefits paid	(10.6)	(11.9)
Closing defined benefit obligation	306.8	289.4

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

	2011 £m	2010 £m
Opening fair value of plan assets	231.4	202.8
Expected return on plan assets	13.3	12.6
Actuarial (losses)/gains	(3.4)	11.7
Contributions by employer	17.0	16.1
Employee contributions	—	0.1
Benefits paid	(10.6)	(11.9)
Closing fair value of plan assets	247.7	231.4

The actual return on plan assets was £9.9m (2010: £24.3m).

History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Defined benefit obligation	(306.8)	(289.4)	(305.5)	(257.7)	(275.3)
Plan assets	247.7	231.4	202.8	181.9	196.3
Deficit	(59.1)	(58.0)	(102.7)	(75.8)	(79.0)
Difference between expected and actual return on scheme assets:					
Amount	(3.4)	11.7	7.5	(35.0)	(1.9)
Percentage of scheme assets at year end	(1.4%)	5.0%	3.7%	(19.2%)	(1.0%)
Experience gains and losses on scheme liabilities:					
Amount	(0.1)	31.4	(3.0)	(0.3)	(10.1)
Percentage of scheme liabilities at year end	0.0%	10.9%	(1.0%)	(0.1%)	(3.6%)
Total amount recognized in reserves:					
Amount	(15.6)	35.5	(30.4)	(6.7)	(22.7)
Percentage of scheme liabilities at year end	(5.1%)	12.2%	(10.0%)	(2.6%)	(8.2%)

Expected contribution to retirement benefit plans for the year ended 31 December 2012 is £3.0m (2011: £17.0m).

13 Reconciliation of movements in profit and loss account

	2011 £m	2010 £m
At 1 January	22.1	(8.9)
Profit for the financial year	12.7	6.4
Movement in actuarial valuation of defined benefit pension scheme (net of deferred tax)	(13.7)	24.6
At 31 December	21.1	22.1

14 Employees

	2011 £m	2010 £m
Wages and salaries	49.3	46.8
Social security costs	5.7	5.1
Pension costs	5.1	6.1
Total employee benefit expense	**60.1**	**58.0**

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

	2011 Number	2010 Number
Production, inspection and laboratory	594	548
Sales and distribution	159	164
Administration	400	421
Total headcount	**1,153**	**1,133**

Disclosures in respect of Directors' emoluments can be found in the Report of the Remuneration Committee on pages 34 to 36.

15 Auditors' remuneration

The amount of remuneration receivable by the Company's auditors in respect of the audit of the parent company financial statements is £0.2m (2010: £0.2m).

16 Capital commitments

	2011 £m	2010 £m
Capital expenditure that has been contracted for but not provided for in the financial statements	0.9	2.5

17 Financial commitments

At 31 December 2011, annual commitments under non-cancellable operating leases were as follows:

	2011		2010	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring within one year	0.1	—	0.1	0.1
Expiring within two and five years	0.5	1.5	0.2	1.2
Expiring in over five years	2.2	—	2.6	—
Total financial commitments	**2.8**	**1.5**	**2.9**	**1.3**

The profit and loss account lease rental charge will not equate to lease payments for those leases having the benefit of lease incentives. In these cases the incentives are released to the profit and loss account over the period of the lease.

As at 31 December 2011, the Company held foreign exchange contracts to the value of £1.7m (2010: £1.5m) all expiring within one year. The mark-to-market value of these contracts was a liability of £0.1m (2010: asset of £0.1m).

18 Related party transactions

The directors of The British Standards Institution had no material transactions with the Company during the year. Details of the directors' remuneration are disclosed in the Report of the Remuneration Committee on pages 34 to 36. The Company has taken advantage of the exemption available under FRS 8 "Related Party Transactions" not to provide details of transactions with other wholly owned Group companies.

All transactions between the Company and non-wholly owned Group companies arise in the ordinary course of business and are on an arm's length basis.

Notes to the parent company financial statements continued

for the year ended 31 December 2011

18 Related party transactions continued

Summary details of transactions and year-end balances with non-wholly owned subsidiaries are set out in the table below:

	2011 £m	2010 £m
Sales of services	0.2	0.2
Purchases of services	0.1	0.1
Management and other charges to related parties	1.2	1.7
Charges from related parties	0.1	0.2
Due from related party companies	1.0	0.9

19 Contingent liabilities

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

In relation to the disposal of businesses the Company has given warranties and indemnities to the purchasers. In the light of local legal and taxation advice, experience to date, availability of insurance, and provisions, the Board does not expect these warranties and indemnities to have a significant impact on the Company. The Board has made provisions where this is appropriate and this is discussed under Note 4 to the Group financial statements.

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

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

20 Post balance sheet event

On 1 January 2012, the business streams and balance sheets of Standards and Assurance, previously accounted for within the Company, were hived down into wholly owned subsidiaries, and a new subsidiary created for the purposes of a Professional Services business stream. This was implemented in order to contain operational risks and to ensure independence between the different business streams.

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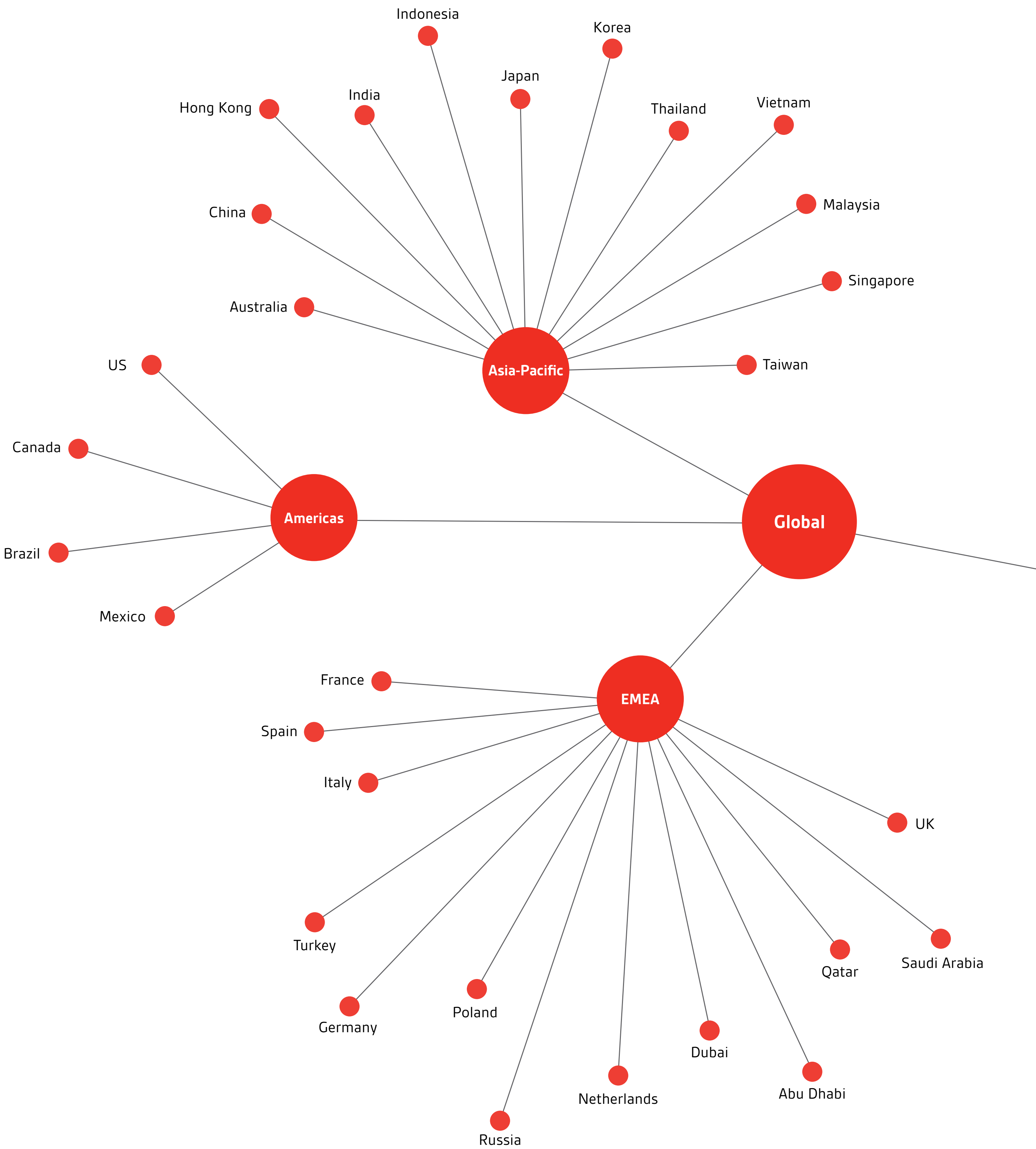

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