

Company No: 07805321

BSI ASSURANCE UK LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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BSI ASSURANCE UK LIMITED

ANNUAL REPORT
for the year ended 31 December 2016

CONTENTS	Pages
Strategic report	1
Directors' report	2 – 3
Independent auditors' report	4 – 5
Income Statement	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9 – 23

BSI ASSURANCE UK LIMITED

Strategic Report for the year ended 31 December 2016

The directors present their strategic report on the Company for the year ended 31 December 2016.

Principal Activity

The principal activity for the Company is to provide assurance on customers' products and systems. The Company will continue these principal activities in the foreseeable future.

Review of the Business

Whilst UK economic growth remained relatively strong at around 2% in the year, the Company's business experienced a particularly strong year with hearty revenue growth of 17% to £113,666,000 (2015: £97,525,000). Price rises during the year varied by product and averaged at 5% as we more closely aligned individual prices with market rates. The remaining growth came from volume with the Company's core business of Systems Certification growing by a substantial 9.5% of which 3% can be attributed to volume. The Company's Product Certification business grew by 10% in 2016 as focus continues to grow this business outside of the UK as well as within. The Company's Training business continued to produce year on year double digit growth with an 18% revenue growth in the year.

2016 saw further investments in people with an average increase in the total number of employees of 9% (2016: 891, compared to 2015: 814) to manage both current year growth and drive future growth into 2017 and beyond. Despite this increase in headcount, overall gross profit margin increased by 1 percentage point from 42% to 43% primarily as a result of the impact of the price increase; in absolute terms this represents an increase in gross profit of £8m. Therefore, despite a 13% increase in distribution costs and a 7% increase in administration costs, operating profit increased by 43% from £12,975,000 to £18,546,000.

The Company's balance sheet has strengthened with a 48.3% increase in net assets to £14,224,000 (2016: £9,586,000) despite a capital distribution in form of dividends amounting to £9,500,000.

The directors of The British Standards Institution (BSI), the Company's ultimate parent company, manage the Group's operations at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that an analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. Nevertheless, the development, performance and position of the Assurance business stream of the Group, which includes the Company, are disclosed on page 23 of the BSI Group Annual Report and Financial Statements 2016, which does not form part of this report.

No political donations were made during the year.

Employees

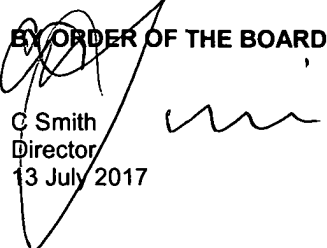
As mentioned above, the investment in the Company's employees continued and results are positive with further improvements in our recent employee engagement survey across all areas.

The Company invests consistently in people development, providing a range of training and support tools to help individuals develop meaningful careers which is not limited to within the Company but extends across into the BSI Group. These include the Sales Excellence Academy and Assessor Academy which are now part of the framework at BSI Group and support the delivery of strong results and stronger people into the workforce. The Company built upon their status as an 'Investor in People' during 2016 and gained the Silver Investor in People award.

Principal risks and uncertainties

The directors of BSI manage the Group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of BSI Assurance UK Limited's business. The principal risks, uncertainties and financial risk management of BSI Group, which include those of the Company, are disclosed on pages 26 and 27 of the BSI Group Annual Report and Financial Statements 2016, which does not form part of this report.

BY ORDER OF THE BOARD


C Smith
Director
13 July 2017

BSI ASSURANCE UK LIMITED

Directors' report for the year ended 31 December 2016

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

Dividends

An interim dividend of £4,750,000 per ordinary share (2015: £3,550,000), amounting to £9,500,000 (2015: £7,100,000) was recommended by the directors on 1 December 2016 and settled on 31 December 2016.

Directors

The directors of the Company, who served during the year, and for the subsequent year up to the date of approving the financial statements, together with their dates of appointment and resignation, where appropriate, are as shown below:

H Kerr
C Smith

Directors' qualifying third party indemnity provisions

Under the provisions of its Articles of Association, the Company grants an indemnity to its directors in respect of proceedings brought by third parties. The indemnity applied throughout the financial year and remains in force.

Post balance sheet events

There are no post balance sheet events requiring disclosure.

Employees

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

Equality and diversity

The Company 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 Company uses job related objective criteria in the selection of candidates and when considering development opportunities. The Company 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.

BSI ASSURANCE UK LIMITED

Directors' report for the year ended 31 December 2016 (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

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

Independent auditors

The Company's auditors were automatically reappointed in accordance with section 487(2) of the Companies Act 2006. The Company's auditors are PricewaterhouseCoopers LLP.

BY ORDER OF THE BOARD



For and on behalf of BSI Secretaries Limited
Company Secretary
13 July 2017

Independent auditors' report to the members of BSI Assurance UK Limited

Report on the financial statements

Our opinion

In our opinion, BSI Assurance UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- Balance Sheet as at 31 December 2016;
- Income Statement for the year then ended;
- Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
13 July 2017

Income Statement
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	5	113,666	97,525
Cost of sales		(64,401)	(56,269)
Gross profit		49,265	41,256
Distribution costs		(8,386)	(7,437)
Administrative expenses		(22,333)	(20,844)
Operating profit	8	18,546	12,975
Interest payable and similar expenses	9	(370)	(384)
Profit before taxation		18,176	12,591
Tax on profit	10	(4,038)	(3,051)
Profit for the financial year		14,138	9,540

The Company has no other comprehensive income other than those included in the results above therefore no separate statement of total comprehensive income has been presented.

There is no difference between the profit on ordinary activities before taxation or the retained profit for the financial year stated above, and their historical costs equivalents.

All results derive from continuing operations.

The notes on pages 9 to 23 form an integral part of these financial statements.

BSI ASSURANCE UK LIMITED

Company No: 07805321

**Balance Sheet
As at 31 December 2016**

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	12	1,738	1,949
Tangible assets	13	8,899	9,169
		10,637	11,118
Current assets			
Inventories	14	53	32
Debtors (including £385,000 (2015: £354,000) due after one year)	15	76,052	62,588
		76,105	62,620
Creditors: amounts falling due within one year	16	(72,099)	(63,808)
Net current assets/(liabilities)		4,006	(1,188)
Total assets less current liabilities		14,643	9,930
Provisions for liabilities	17	(419)	(344)
Net assets		14,224	9,586
Capital and reserves			
Called up share capital	19	-	-
Retained Earnings		14,224	9,586
Total equity		14,224	9,586

The notes on pages 9 to 23 form an integral part of these financial statements.

The financial statements on pages 6 to 23 were approved by the board of directors on 13 July 2017 and signed on its behalf by:



G. Smith
Director
13 July 2017

Statement of changes in equity
For the year ended 31 December 2016

	Called-up share capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2015	-	7,146	7,146
Profit for the financial year and total comprehensive income for the year	-	9,540	9,540
Dividends		(7,100)	(7,100)
At 31 December 2015	-	9,586	9,586
Profit for the financial year and total comprehensive income for the year	-	14,138	14,138
Dividends		(9,500)	(9,500)
At 31 December 2016	-	14,224	14,224

Retained earnings

Retained earnings are used to record the changes in retained profit.

**Notes to the financial statements
for the year ended 31 December 2016****1. General Information**

BSI Assurance UK Limited's ("the Company") principal activities is to provide assurance on customers' products and systems.

The Company is incorporated and domiciled in the UK. The address of its registered office is 389 Chiswick High Road, London W4 4AL.

2. Statement of compliance

The individual financial statements of BSI Assurance UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006

3. Principal accounting policies

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

a. Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions are estimates are significant to the financial statements are disclosed in note 4.

b. Going concern

The Company has a net assets position, therefore the financial statements have been prepared on a going concern basis, which takes into account an undertaking from the ultimate parent to continue to support the Company for the foreseeable future.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions:

- FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that is a qualifying entity and The British Standards Institution, includes the Company's cash flows in its own consolidated financial statements.
- FRS 102 1.12 (e), from disclosing key management personnel compensation in total.

d. Foreign currencies***Functional and presentation currency***

The Company's functional and presentation currency is the pound sterling (£) and all values are rounded to the nearest £1,000 except when otherwise indicated.

**Notes to the financial statements
for the year ended 31 December 2016****3. Principal accounting policies (continued)***Transactions and balances*

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

e. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts allowed by the Company.

The Company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rendering of Services

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

f. Intangible assets*Goodwill*

Goodwill recognized on the acquisition of a business represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill arising on acquisitions is capitalized and amortized over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Computer Software

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

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

**Notes to the financial statements
for the year ended 31 December 2016**

3. Principal accounting policies

f. Intangible assets (continued)

- 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.

Acquired intangible assets

On acquisition of a business, 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.

g. Tangible fixed assets

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

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

Depreciation on 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 and improvements	5 – 25 years
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3 – 10 years

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

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

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Notes to the financial statements
for the year ended 31 December 2016****3. Principal accounting policies (continued)*****h. Provisions for liabilities and charges***

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

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

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

i. Contingent liabilities

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

j. Financial Instruments

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

Financial assets

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

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

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

Financial liabilities

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as currently liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measure at amortised cost using the effective interest method.

The company does not hold or issue any other financial instruments for trading purposes.

k. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Net realisable 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 inventories.

**Notes to the financial statements
for the year ended 31 December 2016****3. Principal accounting policies (continued)*****l. Employee Benefits******Defined benefit pension schemes***

The Company's ultimate parent company ('BSI') operates a funded defined benefit scheme in the UK, administered by independent trustees. The scheme provides benefits based on final pensionable salary and service up to 30 April 2010 (the date the scheme closed to the accrual of benefits).

Defined contribution pension schemes

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

m. Operating leases

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

Lease incentives

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

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

The Company does not have any finance leases.

n. Current tax

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

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

o. Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in the financial statements.

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

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

p. Related party transactions

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

**Notes to the financial statements
for the year ended 31 December 2016**

3. Principal accounting policies (continued)

q. Exceptional items

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

4. Critical accounting judgments and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions.

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

a. Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimate useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property, plant and equipment and note 3g for the useful economic lives for each class.

b. Useful economic life of intangible assets

The useful life used to amortize intangible assets relates to the expected future performance of the assets acquired and management's estimate of the period over which the economic benefit will be derived from the asset. See note 12 for the carrying amount of the intangible assets and note 3f for the useful life of these intangible assets.

c. Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience and current trends. See note 15 for the net carrying amount of the debtors and associated impairment provision.

d. 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 the company. Provisions are shown under 'Other provisions' in note 17.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

5. Revenue

	2016 £'000	2015 £'000
Rendering of services		
UK	75,262	68,239
Europe, Middle East and Africa (non-UK)	11,563	8,478
Americas	20,659	15,054
Asia Pacific	6,182	5,754
	113,666	97,525

6. Directors' emoluments

The emoluments of the directors are paid by the ultimate parent company. The directors services to this Company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the ultimate parent company, accordingly these directors received no remuneration for the services to the Company (2015: nil).

7. Employee information

The average monthly number of persons (including directors) employed by the Company was:

	2016 Number	2015 Number
By activity		
Production, assessment, training and laboratory	538	464
Sales and distribution	73	76
Administration	280	274
	891	814

	2016 £'000	2015 £'000
Staff costs		
Wages and salaries	36,662	34,413
Social security costs	4,394	4,085
Other pension costs	3,848	3,694
	44,904	42,192

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £3,848,000 (2015: £3,694,000). There were no outstanding or prepaid contributions (2015: £nil).

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

8. Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging/(crediting):		
Staff costs (Note 7)	44,904	42,192
Other exchange (gains)/losses	(265)	15
Bad debts written off	212	261
Depreciation of owned tangible fixed assets (Note 13)	1,316	1,319
Amortisation of owned intangible assets (Note 12)	230	280
Loss/(Profit) on disposal of tangible fixed assets	3	(18)
Auditors' remuneration for audit of the Company financial statements	9	9
Operating lease charges:		
- Plant and machinery	1,871	1,629
- Other	906	873

9. Interest payable and similar expenses

	2016 £'000	2015 £'000
Interest payable on group loans	370	384

10. Income tax**a) Tax expense included in income statement**

	2016 £'000	2015 £'000
Current tax:		
- UK corporation tax on profits for the year	4,069	2,893
Total current tax	4,069	2,893
Deferred tax: (Note 11)		
- Origination and reversal of timing differences	(31)	158
Total deferred tax	(31)	158
Tax on profit on ordinary activities	4,038	3,051

**Notes to the financial statements
for the year ended 31 December 2016**

10. Income tax (continued)

b) Reconciliation of tax charge

The tax assessed for the year is higher (2015: higher) than the theoretical amount that would arise using the weighted average UK statutory rate of 20.00% (2015: 20.25%), as shown below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	18,176	12,591
Tax calculated at the weighted average UK statutory tax rate of 20.00% (2015: 20.25%)	3,635	2,550
Effects of:		
- Expenses not deductible for tax purposes	317	129
- Accelerated capital allowances and other timing differences	86	372
Total tax charge for the year	4,038	3,051

c) Tax rate changes

The Budget announced by the Chancellor on 16 March 2016 included further changes to the main rates of corporation tax for UK companies. The main rate of corporation tax will continue to decrease from 20% to 19% from 1 April 2017 as announced previously in the 2015 Summer Budget but the decrease from 19% to 18% from April 2020 also announced in the 2015 Budget will now instead reduce to 17% from 1 April 2020.

These amendments are included in the Finance Bill 2016, which received Royal Assent on 15 September 2016.

Deferred tax liabilities have not been discounted (Note 11).

11. Deferred tax

	2016 £m	2015 £m
Deferred tax assets:		
- To be recovered after more than twelve months	385	354
- To be recovered within twelve months	-	-
Total deferred tax assets	385	354
Deferred tax liabilities:		
- To be incurred after more than twelve months	-	-
- To be incurred within twelve months	-	-
Total deferred tax liabilities	-	-
Net deferred tax assets	385	354

Notes to the financial statements
for the year ended 31 December 2016

11. Deferred tax (continued)

The provision for deferred tax consists of the following deferred tax assets.

Gross movement on the deferred tax account

	2016 £'000	2015 £'000
Movements in Deferred tax		
Accelerated capital allowances, representing total deferred tax	385	354
At start of year	354	512
Deferred tax charged to the income statement (note 10)	31	(158)
At end of year	385	354

12. Intangible assets

	Goodwill £'000	Computer Software £'000	Total £'000
Cost			
At 1 January 2015	2,406	1,242	3,648
Additions	-	46	46
Disposals	-	(55)	(55)
At 31 December 2015	2,406	1,233	3,639
Additions	-	22	22
Disposals	-	(3)	(3)
At 31 December 2016	2,406	1,252	3,658
Accumulated amortisation			
At 1 January 2015	(558)	(852)	(1,410)
Charge for the year	(127)	(153)	(280)
Disposals	-	-	-
At 31 December 2015	(685)	(1,005)	(1,690)
Charge for the year	(127)	(103)	(230)
At 31 December 2016	(812)	(1,108)	(1,920)
Net book amount at 31 December 2016	1,594	144	1,738
Net book amount at 31 December 2015	1,721	228	1,949

Goodwill comprises of £2,035,000 relating to the acquisition of the business and assets of GLCS (a leading gas certification body) and £371,000 relating to the acquisition of the business of Greenall Barnard Associates Ltd., a business specializing in Six Sigma training and implementation. Goodwill is amortised over its estimated useful life.

There were no impairments of intangibles during the year (2015: £nil).

Notes to the financial statements
for the year ended 31 December 2016 (continued)

13. Tangible assets

	Freehold buildings and improvements £'000	Short leasehold improvements £'000	Plant, machinery and office equipment £'000	Total £'000
Cost				
At 1 January 2015	4,243	3,268	4,441	11,952
Additions	95	2	939	1,036
Disposals	-	-	(86)	(86)
Reclassifications	231	-	(231)	-
At 31 December 2015	4,569	3,270	5,063	12,902
Additions	-	-	1,046	1,046
Disposals	-	-	(110)	(110)
Reclassifications	205	92	(297)	-
At 31 December 2016	4,774	3,362	5,702	13,838
Accumulated depreciation				
At 1 January 2015	(229)	(693)	(1,560)	(2,482)
Charge for the year	(307)	(228)	(784)	(1,319)
Disposals	-	-	68	68
At 31 December 2015	(536)	(921)	(2,276)	(3,733)
Charge for the year	(301)	(230)	(785)	(1,316)
Disposals	-	-	110	110
At 31 December 2016	(837)	(1,151)	(2,951)	(4,939)
Net book amount at 31 December 2016	3,937	2,211	2,751	8,899
Net book amount at 31 December 2015	4,033	2,349	2,787	9,169

14. Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	53	32

The replacement cost of inventories does not exceed the balance sheet carrying amount.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

15. Debtors

	2016 £'000	2015 £'000
Trade debtors*	13,673	12,771
Amounts owed by group undertakings**	57,854	45,662
Amount owed by parent undertaking**	-	-
Other debtors	19	565
Deferred tax asset*** (Note 11)	385	354
Prepayments and accrued income	4,121	3,236
	76,052	62,588

*Trade debtors are stated after provisions for impairment of £198,000 (2015: £124,000).

**The amounts owed by the parent and group undertakings include trading and financing balances. All trade balances owed by group entities are to be received within 45 days, financing loans are unsecured and repayable on demand. No interest is charged on loans to the parent or group undertakings.

***Deferred tax assets of £385,000 falling due after more than one year (2015: £354,000).

16. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	1,301	826
Amount owed to group undertakings*	931	768
Amounts owed to parent undertakings*	51,028	44,766
Corporation tax payable	2,066	1,585
VAT and sales tax payable	1,653	1,598
Other taxation and social security	1,208	1,097
Other creditors	797	661
Accruals and deferred income	13,115	12,507
	72,099	63,808

Trade creditors are non-interest bearing and are generally on 30-60 day terms.

* The amount owed to group undertakings includes trading and financing balances. Financing loans from the ultimate parent company are unsecured, repayable on demand and bears interest at LIBOR plus 2.5% (2015: LIBOR plus 2.5%).

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

17. Provisions for liabilities

	Property provision £'000	Total £'000
At 1 January 2016	344	344
Additional provisions during the year	75	75
As 31 December 2016	419	419

The property provisions are held against dilapidations and potential property exposures relating to 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 the Company over the remaining lease periods.

Provisions are recognized at the best estimate of the expenditure required to settle the Company's liability.

18. Financial instruments

	Loans and receivables £000
At 31 December 2016	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	74,842
Total	74,842

	Other financial liabilities at amortized cost £000
At 31 December 2016	
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	58,985
Total	58,985

Notes to the financial statements
for the year ended 31 December 2016

18. Financial instruments (continued)

At 31 December 2015	Loans and receivables £000
Assets as per balance sheet	
Trade and other receivables excluding prepayments	61,853
Total	61,853

At 31 December 2015	Other financial liabilities at amortized cost £000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	57,289
Total	57,289

19. Called up share capital

	2016 £	2015 £
Allotted, issued and fully paid: 2 (2015: 2) ordinary shares of £1 each	2	2

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

20. Dividends

	2016 £'000	2015 £'000
Equity - Ordinary		
Interim settled £4,750,000 (2015: £3,550,000) per ordinary £1 share	9,500	7,100
	9,500	7,100

The Company's profit for the financial year is £14,138,000 (2015: £9,540,000). An interim dividend of £9,500,000 (2015: £7,100,000) was recommended by the Directors on 1 December 2016 and settled on 31 December 2016.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

21. Capital commitments

	2016	2015
	£'000	£'000
Capital expenditure that has been contracted for but not provided for in the financial statements	424	288

Capital commitments relate to laboratory equipment.

22. Contingent liabilities

The Company provides a guarantee and indemnity to the Trustee of the UK pension fund with respect to all obligations and liabilities of the ultimate parent company, the British Standards Institution, to make contributions to the scheme. The Company has no other contingent liabilities.

23. Operating commitments

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

	2016	2015
	£'000	£'000
Land and buildings:		
Expiring within one year	1,196	1,009
Expiring within two and five years	4,644	4,035
Expiring after five years	5,542	5,441
At 31 December	11,382	10,485

24. Related party transactions

The company is exempt from disclosing related party transactions as they are with wholly owned entities within the group.

25. Controlling parties

The immediate parent undertaking is BSI Group Assurance Limited.

The directors regard The British Standards Institution (BSI), a company incorporated in England by Royal Charter, as the ultimate controlling undertaking. The largest and smallest group in which the results of the Company are consolidated is that headed by BSI.

Copies of The British Standards Institution consolidated financial statements can be downloaded from www.bsigroup.com or obtained from the Company Secretary at 389 Chiswick High Road, London, W4 4AL, United Kingdom.