Group highlights from continuing operations

Staff by Location

Turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>124.2</td>
</tr>
<tr>
<td>2003</td>
<td>134.8</td>
</tr>
<tr>
<td>2004</td>
<td>136.9</td>
</tr>
<tr>
<td>2005</td>
<td>150.4</td>
</tr>
</tbody>
</table>

Operating profit¹

<table>
<thead>
<tr>
<th>Year</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>10.6</td>
</tr>
<tr>
<td>2003</td>
<td>11.8</td>
</tr>
<tr>
<td>2004</td>
<td>15.2</td>
</tr>
<tr>
<td>2005</td>
<td>17.0</td>
</tr>
</tbody>
</table>

¹ Before exceptional items and goodwill amortisation
Inspiring confidence...

We give businesses confidence in how they operate and in the products and services they sell, and we inspire consumers’ confidence in the things they buy.

Highlights of the Year¹

>>> 1,755 standards published and pioneering work initiated in relationship management, biometrics, nanotechnology and business continuity management

>>> Turnover up 9.9% over the prior year

>>> Operating profit up 11.8% over the prior year

>>> DTI research quantified standards’ contribution to the UK economy as £2.5bn annually of GDP

>>> British Standards for information security and IT service management were fast-tracked to become international standards

>>> BSI Management Systems now operating in 86 countries, with substantial growth in South America and Asia

>>> BSI Management Systems introduced innovative new solutions including BSI BenchMark Health and Safety, Social Accountability and Food Safety Management

>>> BSI Product Services consolidated its leadership position in the US medical devices market

>>> Continued investment in people and leadership resulted in senior appointments in India, Japan, Brazil and Mexico

>>> BSI Management Systems UK became ‘carbon neutral’ as part of a Group commitment to corporate social responsibility

¹ from continuing operations
Chairman’s Statement

“BSI gives our employees, members and customers confidence. We reduce the risks they face and improve the quality of their lives and businesses...”

I am delighted to report that in 2005 the BSI Group posted strong operational results, maintaining the forward momentum we have built up to deliver an efficient and effective global organisation, adding value for all our stakeholders.

All of our efforts in driving the ongoing businesses delivered an excellent performance in 2005, with turnover from continuing operations at £150.4 million (2004: £136.9 million) and operating profit\(^1\) of £17.0 million (2004: £15.2 million), representing sales growth of 9.9 per cent and operating profit growth of 11.8 per cent respectively.

Our work in 2005 is summarised in the theme of this year’s report, “inspiring confidence”. We bring reliability through the publication of world class standards, with work initiated on risk management and business continuity to name only two of 1,755 projects in 2005. We bring reassurance through our assessment of best practice in management systems, now including assessments of social accountability and benchmarked health and safety. We bring trust through the Kitemark, which in 2005 diversified to deliver confidence in the services sector. BSI gives our employees, Members and customers confidence. We reduce the risks they face and improve the quality of their lives and businesses. Furthermore, through the adoption of standards, we help reduce the burden on industry of regulation.

In 2005, BSI continued to play a lead role on the international stage. The Group extended its presence and influence through the continued development of capabilities, customers and relationships the world over. We fielded over 120 experts on international assistance projects, consolidated our physical presence in major markets, held secretariats in over 200 international committees and now service 11,000 customers in Asia alone.

BSI has continued to invest in its intellectual knowledge base – the professional skills and sectoral expertise that forms the bedrock of our delivery capability. We have strengthened our capabilities in an increasing number of high-technology areas such as IT, electronics, medical devices, stem-cell science, regenerative medicine and biometrics.

The Group maintained its strong tradition of innovation by developing the world’s first standard in relationship management and assisting in the development of the only internationally recognised food safety management standard. Our pioneering information security standard BS 7799 and IT service management standard BS 15000 were both fast-tracked to become internationally recognised ISO standards in 2005. Our achievement in gaining the Chair and Secretariat for the ISO Technical Committee for Nanotechnologies is a further indication of our focus in this arena.

While the Group has continued its acquisitions strategy in accordance with its stated policy, it successfully disposed of the Inspectorate business for £52 million in cash in October 2005.

Engagement with business, government and society

Our continuing involvement in the National Standardization Strategic Framework (NSSF) saw a step-change in 2005, with the results of a major DTI study\(^2\) concluding that the BSI...

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\(^1\) Before discontinued operations, exceptional items and goodwill amortisation

\(^2\) The Empirical Economics of Standards, June 2005
portfolio of standards is annually responsible for £2.5 billion of UK GDP, accounting for 13 per cent of annual labour productivity over the period covered by the study.

To strengthen BSI’s investment in the People’s Republic of China, in November 2005 the Board met in Beijing and were guests of the Standards Administration of China.

In addition, I visited Japan, Ireland, Hungary, the USA and Brazil, holding meetings with their respective standards bodies, local management and key customers.

The Board

David Kendall and Wayne Booker retired from the Board last year after the AGM, having served five and two years respectively. Notwithstanding, Wayne Booker will remain a consultant to the Board, enabling BSI to continue to benefit from his vast experience with Ford in Latin America and Asia. Meanwhile I would like to thank David Kendall for his contributions and to welcome Richard Catt as Secretary to the Board, having joined BSI in the year as Group Director of Legal Affairs and Company Secretary.

BSI Pension Fund

In 2005 the Group fully adopted FRS17 – ‘Post Retirement Benefits’ in its financial statements. As detailed in the Summary Financial Review on Page 20, in common with a great number of UK companies with a pension fund deficit and due to the bases and methodology required by FRS 17, this has had a marked effect on the Group’s balance sheet as at 31st December 2005, which now shows negative net assets, it is believed, for the first time in the Group’s history.

The Board is committed to reducing the Fund’s deficit and is working with trustees to seek ways to achieve this. In 2005 alone the Company contributed £12.2 million to the Fund.

BSI in the Community

This year we have accelerated our involvement in the community and increased our efforts on a number of fronts. I am pleased to say that for the first time this year we have dedicated a full page of this Review to these efforts, and I invite you to read about our initiatives on page 19.

Staff

Our staff are our business. As a professional services organisation in an increasingly competitive and technologically advanced world, we recognise the need to continually invest in new skills and capabilities. To this end, in 2005, we made a significant investment to maintain the technical expertise of our client managers with 3,647 training days undertaken in the year.

The Group’s Graduate Management Training programme deservedly has a very high reputation. This year the scheme attracted a record number of applicants from the USA, China, Germany, India, Hong Kong, Russia and the UK. Currently, a significant proportion of our managers around the world have passed through the programme.

In partnership with the Henley Management College, we also continued to accelerate the development of staff from around the Group who have been identified in our succession planning.

Following the sale of Inspectorate, we now have more than 2,100 staff operating in nearly 90 countries worldwide. Forty-nine per cent of our staff are based outside the UK, with 17 per cent in the Americas, 26 per cent in Asia, and 6 per cent in mainland Europe. I thank them all for their efforts.

We acknowledge the significant contributions made by Executive Health, Safety and Environment (HS&E) representatives and HS&E Managers and Coordinators in achieving further improvement in both divisional and Group HS&E performance.

Outlook

We are well on the way to delivering results in line with the strategic road-map established three years ago. We have maintained high levels of investment to consolidate our skills and capabilities, both broadening our geographical coverage and range of products and services, as well as deepening our expertise in key sectors to continue our strong tradition of innovation and thought leadership.

Our core aim is to continue building a professional services organisation which inspires confidence in our customers: we want to deliver higher value-added solutions and to be our customers’ preferred partners. We have achieved a great deal so far, and while there is still some way to go, I believe we now have a foundation of which we can all be proud, and one we look forward to developing further.

Sir David John KCMG
Chairman
5 April 2006

The 2005 Graduate Management intake
Left to right: Hannah Han, Steve Corney, Ian Hawkes, Lucy Luo and Tom Carr
Chief Executive’s Report

“...turnover from continuing operations...up 9.9 per cent on last year... and operating profit\(^3\) 11.8 per cent higher than last year...”

Review of the Year

During 2005 we continued the radical refocusing of the Group which began three years ago, with turnover from continuing operations at £150.4 million, up 9.9 per cent on last year (2004: £136.9 million), and operating profit\(^3\) 11.8 per cent higher than last year at £17.0 million (2004: £15.2 million) – growing the business significantly ahead of inflation. This was a very creditable result across the Group at a time of continuing substantial investments in people and systems.

We successfully sold the Inspectorate business for a consideration of £52 million, enabling us to focus all our resources on the many opportunities available to our growing businesses of Standards, Management Systems and Product Services. The exit from commodity inspection activities resulted in exceptional losses of £11.2 million in the year but left the Group with a healthy net funds position at year-end of £25.8 million. These exceptional losses and related tax of £7.5 million on the legal restructuring to facilitate the sale of Inspectorate, led to the Group recording a retained loss for the year of £17.9 million (2004: retained profit £1.6 million).

Like many companies we continue to face a pensions’ deficit. Last year we decided to take steps to address it, and made a significant contribution to the Fund. I am pleased to say that this year we have made total payments to the Fund of £12.2 million (2004: £6.7 million). In the future we envisage that we will continue to take steps towards eliminating the shortfall.

The more detailed commentary on our financial results appears on page 20.

Our refocusing strategy continued with further movement of resources and responsibilities from the centre to the businesses closest to the customer. In the process we reduced corporate centre costs by a further 17 per cent. The headcount in the centre has been reduced by 63 per cent to a final total of 62 compared with 167 three years ago. Both senior and middle management was strengthened across the Group, and I would like to welcome three new members to the Executive: Richard Catt as Group Director of Legal Affairs and Company Secretary, John Titmuss as Group Human Resources Director and Alastair Trivett as Managing Director, Global, BSI Product Services.

In line with our strategy to focus on key growth economies and industry sectors we invested in people and skills across the Group, including appointing new Managing Directors in India, Japan, Brazil and Mexico. In sector terms, we made further investments in food safety, medical devices, information security and risk. The Group also invested in value-added services such as training and e-commerce – the latter enabled through a substantial investment in our IT infrastructure.

BSI British Standards again delivered excellent results. It made significant progress in its strategy of delivering not only more innovative consensus standards, but also substantially growing its commissioned standards, project and consultancy work for an increasingly international customer base.

\(^3\) Before discontinued operations, exceptional items and goodwill amortisation

>> FACT FILE

Through a portfolio of services such as ISO 9000, BSI BenchMark and Integrated Management Registration, BSI gives its customers the ability to continually measure and improve business performance, enabling them to create competitive advantage through improved performance.
Investment in Asia has yielded conspicuous success, particularly in Japan where Management Systems has achieved a number one position in ISMS.

The division continued to refocus, with the outsourcing of all its printing operations. Two new committees for risk management and business continuity were established – key issues that have been particularly high on the business agenda this year, and areas where, by encapsulating best practice, we can enhance our customers’ confidence in meeting these challenges in the future.

Our investment in developing standards strategies in emerging areas such as bioprocessing, nanotechnology and regenerative medicine was maintained, ensuring we help our customers stay at the leading edge in these rapidly developing areas.

Internationally, we strengthened our close relationships with other National Standards Bodies, with further senior secondments to the Chinese and Japanese National Standards Bodies, and for the first time the British Standards division established a physical presence in the Americas and Asia Pacific. We continue to work at increasing our influence on the world’s standards stage through our extensive work in international secretariats and projects.

I am confident that British Standards remains one of, if not the leading standards body in the world. We will build on this foundation to drive its development as an international supplier of choice for value-added standards, related business information, services and solutions.

BSI Management Systems had an impressive year, with the division posting strong revenue growth through substantial increases in new business sales, improved operational efficiency and continued regional investment. The division expanded internationally – particularly in Japan, India, Brazil, China, and Mexico. Further investment in developing a range of training services across all regions helped to drive profitability.

One key initiative in 2005 was a renewed emphasis on customer satisfaction, supported by a series of client surveys involving senior management at every stage. This has led to a number of innovations including the development of e-certificates, improved assessment reports and enhanced client communications. All these efforts have been exceptionally well received by customers.

Investment in Asia has yielded conspicuous success, particularly in Japan where Management Systems has achieved a number one position in Information Security Management Systems. This is based on a strong focus in service sector areas such as banking and finance, IT, retail and government, combined with an investment in skills.

Increasingly multi-national clients across all regions are looking for integrated management approaches. In response BSI has developed an innovative integrated management systems registration product alongside a combined audit service to ensure these customers can be confident of consistent performance and compliance across their often widespread operations and supply chains.
Chief Executive’s Report

“Our coherent product and service portfolio – allied to our values of independence, innovation and integrity – represents a business, and a brand, that truly does inspire confidence for all its stakeholders whether in business, society or government.”

BSI Product Services

In order to accelerate its pace of growth, in 2005 we decided to separate Product Services from Management Systems to become a division in its own right, headed on a global basis by Alastair Trivett.

Despite a relatively modest growth in sales over the year, the division nevertheless delivered an excellent profit performance, up 24 per cent on last year. Performance was particularly strong in the construction and medical devices sectors, as a result of investment in technology, service delivery infrastructure and new skills. The creation of Kitemarks for services signalled a concerted strategy to move into this rapidly growing sector.

With Notified Body status spanning 17 EU Directives, Product Services provides a vital gateway to Europe for many customers around the world. It has continued to build on this position by increasing its range in the Pressure Equipment and Explosive Atmospheres Directives as well as by expanding the scope of its Construction Products Directive to include fire detection systems.

Product Services is now well positioned to increase the development of its growing international client base in exciting areas such as medical devices, where it is already a market leader for CE marking.

In December, our offices in Hemel Hempstead were damaged by the Buncefield oil depot explosion. Under our business continuity planning procedures, telephone lines were re-routed to our Chiswick headquarters and IT connections set up on the day of the explosion, a Sunday. This enabled staff to work from home and maintain continuity of contact with clients, despite being unable to return to their desks until the following Thursday. I would like to thank all of our staff who contributed to this excellent response.

Outlook

With the successful sale of Inspectorate, and a clear strategy of selective investment in new growth markets and value-added services, we are making great strides towards our long term target of building a strong, capable and highly competitive business. Our coherent product and service portfolio – allied to our values of independence, innovation and integrity – represents a business, and a brand, that truly does inspire confidence for all its stakeholders whether in business, society or government.

I join the Chairman in extending my thanks to all my colleagues for their effort and support in delivering an excellent result for the year. Consequently, we have further strengthened the business, enabling us to accelerate our global growth towards meeting our strategic goals.

Stevan Breeze
Chief Executive
5 April 2006
BSI Group
Annual Review & Summary Financial Statements 2005

BSI Corporate Centre Executive
Seated left to right: Roy Mort, Group Finance Director; Stevan Breeze, Chief Executive; David Brown, Director of Corporate Development. Standing: Richard Catt, Director of Legal Affairs and Company Secretary; John Titmuss, Group Human Resources Director and Filipe Ferreira, Group Chief Information Officer.
BSI British Standards continued to build on its success with an excellent performance in 2005, achieving record revenues and an extended range and reach of products, thanks to the dedication of our staff.

Our theme this year was ‘raising standards worldwide’ – providing business information products and services to a global audience. As well as representing UK interests internationally, we developed a number of high profile initiatives to help build business confidence in the domestic marketplace as well as implementing an extensive outreach programme to build relationships in emerging economies.

Mike Low
Director, BSI British Standards

Operational Review –

British Standards

>> FACT FILE
BSI initiated work on standards for business continuity and risk management in 2005. Following on from PAS 56, these will allow BSI’s customers to provide the consumer confidence which is critical to business survival – enabling them to minimise disruption through effective risk management.
National Grid

National Grid is one of the world’s largest utilities, focused on delivering energy safely, reliably and efficiently. The company own and operate gas and electricity transmission and gas distribution networks in the UK and US and electricity distribution networks in the US.

Following the sale of four of its gas distribution networks last year, National Grid needed to share internal technical standards with new industry players to ensure that a safe and efficient network was maintained. In October 2005, working closely with BSI, the company began work to convert some of these internal standards into Private Standards and develop new certification schemes for the industry. The new standards will also allow companies supplying materials to gas network owners to gain Kitemark certification.

“National Grid chose BSI as a leading national body to manage the task of turning internal company standards into industry wide standards. Working in a safety critical industry, National Grid needed to ensure the project was delivered in an efficient and professional manner.”

David Salisbury
UKD Network Strategy, National Grid

Raising standards in the UK

Further investments were made in the year to support the formal, consensus standards making process both in traditional areas of strength and new technologies. Staff were recruited to develop the market in construction and to lead a new team of Committee Managers working in areas such as stem-cell science and biometrics. Our typesetting and printing operations were successfully outsourced and BS 0, the standard which defines the process by which we produce formal standards, was revised in a comprehensive consultation exercise that received over 700 responses.

We organised an extended engagement programme that included the third Standard Makers’ Forum bringing together over 200 technical committee chairmen and staff to discuss our approach to changing market demands. We also convened substantial sector specific forums in nanotechnology, construction and environment; together with meetings on ITC, management systems standards, services, electronics and regenerative medicine. This strengthened our relationships with key organisations both inside and outside the standards making framework.

Two new technical committees were established this year in the areas of risk management and business continuity management, augmenting our role in helping to create confidence between organisations and their customers through the development of national best practice.
We published 1,755 standards, a number of which attracted unprecedented levels of public interest. Work began on the world’s first relationship management standard to provide a framework for cooperation and integration between outsourced suppliers and internal departments, and a draft standard for estate agencies was developed to help the industry build trust in that sector. A new standard on customer billing, BS 8463, generated extensive interest in the media.

British Standards was again at the heart of international standards development with the fast-track adoption of BS 7799 on information security and BS 15000 on IT service management as ISO/IEC 27001 and ISO/IEC 20000 respectively. We made a major contribution to the development of the only internationally recognised standard for food safety management, ISO 22000, driven by the increase in global trade and customer safety concerns.

On the ‘informal’ commissioned side of our business, we published a wide range of business-related books and CD-ROMs explaining and interpreting business issues and standards, written by qualified experts in all sectors. A total of 110 new titles were published in the year.

In addition we organised a number of commercial conferences and seminars on topics such as intelligent building, web accessibility and employee screening. The Private Security Industry Summit debated that industry’s future and assessed how to take advantage of change.

Our Professional Standards Services continued to grow. We worked with the Disability Rights Commission on a website accessibility Publicly Available Specification (PAS) and with HM Revenue and Customs on a VAT accounting software PAS. Other large projects included work with National Grid plc to convert internal technical product standards into private standards and on new certification schemes for the UK gas distribution industry.

>> FACT FILE

As Chair of the ISO Technical Committee for Nanotechnologies, BSI is at the forefront of developing nano standards around the world. Alongside our work on biometrics and cell-based therapeutics, our ground-breaking work enables innovation and provides confidence to stakeholders who value our independence and integrity.
Energywatch, the independent gas and electricity watchdog, protects and promotes the interests of present and future energy customers in England, Scotland and Wales by providing free and impartial advice. Energywatch is committed to improving the services provided to all gas and electricity consumers, and seeks to minimize customer complaints. With this in mind, Energywatch approached BSI to create a new national standard for customer billing, for development with other industry and consumer groups. BS 8463:2005 aims to give consumers a clearer understanding and greater certainty of billing practice, and improve business efficiency and customer confidence.

“We support this BSI standard because it gives consumers, for the first time, a real prospect of getting an accurate and timely picture of their energy use. The new standard will become the benchmark by which the energy industry is judged.”

Allan Asher
Chief Executive, Energywatch

Working with others to promote standardisation
The National Standardization Strategic Framework underwent a step-change during 2005. Research commissioned by the UK Department of Trade and Industry (DTI) for the first time quantified the contribution of British Standards to the UK economy. The study established that our catalogue of standards is responsible for £2.5 billion each year of GDP, accounting for 13 per cent of annual labour productivity growth.

Using these findings we were able to run a high profile integrated marketing campaign to raise awareness with the critical senior-manager-level audience on how standards can support business in becoming more efficient, productive and innovative.

The year saw closer alignment with the DTI’s innovation agenda. Secondees from the National Physical Laboratory and the Laboratory of the Government Chemist assisted us in developing standards strategies for bio processing and regenerative medicine, providing input on the implications of standardisation for each of the government’s Key Technology Areas.

We developed a new education website for pupils and students aged 7 to 19 and their teachers, linking standards to subjects in the national curriculum. With teachers’ notes, lesson plans and games, this internationally award-winning site increased visitor numbers by 50 per cent to half a million hits.

Backing Britain abroad
British Standards’ focus on international activity intensified during 2005. As well as holding secretariats in 231 international committees and speaking at the main annual assemblies of both ISO and CEN/CENELEC, we established a physical presence in the Americas and Asia Pacific with the recruitment of local staff and furthered relations with the Chinese and Japanese National Standards Bodies through a schedule of secondments.

We were particularly proud to take on the secretariat and chairmanship of new committees for nanotechnology within ISO and CEN, putting the UK at the forefront of a major field of standardisation in emerging technologies. Twenty two delegations attended the inaugural ISO meeting hosted by us in London and opened by Lord Sainsbury, Minister for Science and Innovation.

International projects for technical assistance to emerging economies greatly increased with new projects in China, Bulgaria, Albania, Turkey, North Africa, the Middle East and South East Asia. In all we put 120 experts into the field to share best practice.

Our campaign to promote Eurocodes – the European construction standards – continued in China, India and the United Arab Emirates. Following previous visits, Vietnam, Malaysia and Singapore confirmed their national standards will now be developed based on Eurocodes and in consultation with BSI British Standards.

We organised a major conference in Beijing on environmental protection and energy saving in partnership with the Standardization Administration of China. Delegates included senior representatives from Chinese business and government.

Looking ahead
We are well placed to deliver a programme in 2006 that demonstrates that standards are effective tools for all our customers, whether in business, society or government.

As ever we are indebted to our committee members for their continuing contribution and their commitment to delivering opportunities that provide added value to UK industry.

We will continue to improve our electronic capabilities to deliver optimum functionality and enhanced services, and will proactively support the creation of new products with a particular focus on emerging technologies, as we seek to build on the proud heritage for which British Standards is renowned.

Mike Low
Director, British Standards
5 April 2006
BSI Management Systems showed excellent revenue growth in 2005 through substantial increases in new business sales, combined with a continued emphasis on improved operational efficiency. A feature of the year has been a consistent growth in revenue from training across all regions.

Highlights for 2005 include: a significant improvement in profitability through the implementation of lean management systems and better utilisation of resources; enhanced customer satisfaction following new initiatives to measure and improve our understanding and responses to customers; the successful implementation of global operations and sales systems; a continued expansion in Asia which has delivered major returns in revenue, profit and new business growth; the extension of our presence in the Americas, through investment in Brazil and the expansion of our capabilities in Canada and Mexico; and finally a continued focus on people, both in terms of recruitment and retention.
The UK has also improved its direct communication with clients, instituting quarterly e-newsletters and an improved website with better navigation, content and appearance. Fifteen communication forums were held throughout the UK, allowing clients to talk directly to the UK management.

A focus on new business sales led to the appointment of a new Sales Director and to the creation of a new sales team. This has resulted in a series of new major accounts with large UK retailers and multinationals.

Training continues to be highly successful, including the new course in distance learning – the Diploma in Quality Management.

**UK**

The UK business delivered another strong performance in terms of profit growth due to a number of new initiatives.

We invested in understanding and enhancing customer satisfaction, supported by investment in a series of client surveys. This has led to a number of improvement initiatives including the introduction of e-certificates, through which clients can download their new certificate directly from the web, and improved assessment reports in terms of content, presentation, data analysis and speed of issue, which are also available in e-report format.

**Ricoh**

Ricoh is a global leader in digital office solutions which currently earns over $17 billion in annual sales with 75,000 employees and offices in over 150 countries.

Ricoh first turned to BSI to provide it with global certification to BS 7799 and the ISMS Ver.2 standards in 2004, aiming to enhance its security measures and better protect vital company information, such as customer data. Throughout 2005 work was undertaken to assess up to 400 Ricoh sites worldwide – making this the world’s largest single certification to BS 7799, which in the course of the year became international standard ISO/IEC 27001.

“We chose to work with BSI because of BSI Japan’s strong reputation for delivery of BS 7799 in Japan. We believe ISO/IEC 27001 certification will give us a robust information security platform and global recognition of our excellence in information security.”

Hideaki Takahashi

ISMS Promotion Group Leader, Ricoh CSR Division
Continental Europe, Middle East and Africa (CEMEA)
CEMEA now operates in 30 countries, delivering almost 100 per cent of assessments in local languages through a network of internal and external resources. The region produced a healthy profit despite this challenging geography, with investment in local sales resources one of the key contributors to significant new business growth. New initiatives included the launch of a dedicated training website and a fully operational local language website in all countries where BSI has offices.

Asia
Asia achieved significant growth in both revenue and new business sales, particularly in China and Japan. BSI Management Systems now operates through nearly 30 offices in Asia with 600 people servicing 11,000 customers. The focus for growth remains on China, Japan and India but expansion continues in South East Asia.

Investment continued in terms of people, capability development and systems. This has resulted in increased levels of transparency and significant improvements in terms of customer satisfaction.

The integration of the former KPMG business in the Netherlands, acquired at the end of 2004, was completed successfully – providing an excellent base for further growth. The opening of a dedicated office in Russia, following the divestment of the Inspectorate division with which it used to share offices, provided a valuable platform for one of the most exciting markets in this region.

A substantial increase in assessor utilisation and the completion of the roll-out of the core financial and operating systems in all country offices, enabled more effective and efficient dealings with customers.

>> FACT FILE
Business Sustainability services – which include ISO 14001 (environmental management) and Greenhouse Gas Emissions Verification – allow customers to demonstrate accountability to stakeholders. This way we can help ensure long-term business success by enabling customers to create value through transparent stakeholder engagement.
In 2005, BSI BenchMark was implemented by customers in Korea and China, helping them to measure improvement in their management systems and identify areas for continuous improvement. BS 15000, now ISO/IEC 20000, emerged in Asia to become a significant product for training. In partnership with the IT Service Management Forum, BSI jointly held major IT service management conferences in Singapore, Japan and Korea. Korea also held the first Sustainable Development Forum for business leaders and officials from the Korean Government.

Americas
The primary focus for 2005 has been an improvement in operational efficiency, an increase in top-line sales and an extension of our capability and market presence beyond the USA to Canada, Mexico and Brazil.

Strong sales growth has been fuelled by our customers’ keen interest in our newer products, particularly information security, which has resulted in an accelerated demand for training. BSI in the USA was also the first certification body to gain a contract for the new food safety standard ISO 22000.

Americas has invested significantly in new technology, maximising assessor utilisation rates despite the vast geographies involved. Implementing an e-learning management system which hosts the training activities for both clients and staff has enabled the roll out of webinars for client training as well as a large number of e-learning web-based training programmes. Successful e-marketing campaigns and a series of online communication days complete the innovative approach.

In Brazil a significant investment in infrastructure and people has quadrupled headcount and driven an impressive increase in sales and assessment delivery. Mexico and Canada both now have their own local senior management teams which have strengthened our position and capabilities in these important markets.

Products
2005 saw the successful introduction of new products in risk management, environment, health & safety, information security and food. BSI Management Systems’ new offerings provide organisations with the tools to protect their assets, safeguard their reputations and ensure compliance, demonstrating good all round corporate governance.

Four innovative new products were introduced
– BSI BenchMark Health and Safety – developed directly with a key UK retailer, enables a company to numerically score its health and safety performance.
– Integrated Management Systems Registration – facilitates one single management system that complies with two or more management systems standards.
– RC14001 Responsible Care® for the chemicals industry. The American Chemical Council has developed RC14001 as part of their Responsible Care programme.
– Social Accountability (SA 8000): opening a significant market and predominantly focused on supply chain management.

Outlook
We intend to continue our aggressive investment in our global reach, especially in Asia; to accelerate growth in fast developing markets such as India, Brazil, Mexico, Russia and China and to optimise our sales and delivery coverage through continuous improvement in our operational systems and processes. We will continue to listen to our customers to drive improvement in our assessment capabilities and the services we offer to manage their risks, optimise their business processes and increase their competitiveness and operational efficiencies.

Business priorities
Our focus is to continue meeting the challenging needs of international and strategic accounts; to develop our fast growing training business with new products and offers; and to continue our investment in people and building partnerships with our customers.

Flemming Norklit
Managing Director, BSI Management Systems
5 April 2006

Alcoa
Alcoa is the world's leading producer of primary aluminium, fabricated aluminium and alumina. It has 129,000 employees in 42 different countries and last year posted revenues of $26 billion. Aerospace, automotive, packaging, construction and commercial transportation are just some of the markets Alcoa serves.

In 2002, Alcoa consolidated its third-party certification partners, selecting BSI to provide assessment services to Alcoa worldwide for ISO 9000, AS 9100, OHSAS 18001, SA 8000, TS 16949 and ISO 14001. BSI now provides Alcoa with a consistent approach across the globe, with real-time access to all aspects of the assessment schedule, results and analysis, thus providing Alcoa management with additional assurance and early warning of any problems.

“BSI Management Systems has successfully become an extension of Alcoa's Corporate Quality office by providing objective and unbiased feedback on the adequacy and effectiveness of our Quality Management Systems. Their services remain an essential aspect of our corporate risk mitigation strategy and continue to be another path through which improvement focus is provided to our QMS registered plant locations.”

Lloyd O Barker
Director of Corporate Quality, Alcoa
In 2005, BSI Product Services separated from Management Systems to become a stand-alone division, and posted a significantly improved profit performance, up 24 per cent on 2004.

The year saw especially strong contributions from the construction and medical devices businesses, justifying the significant investment made in technology platforms and service delivery infrastructures. Our scope within the Construction Products Directive was broadened and now includes Fire Detection Systems. And using our extensive staff knowledge-base, we were able to expand the range of products assessed within the Pressure Equipment and Explosive Atmospheres Directives.

Product Services’ wealth of experience and professionalism in conformity certification positions it as the ideal partner for new quality mark initiatives on behalf of trade bodies and regulatory authorities. Our extensive range of globally recognised accreditations has been further extended by achieving UK Building Regulations “Competent Persons” status and providing an efficient compliance notification service for window installers.

Operational Review – Product Services

>> FACT FILE
BSI Product Services is the UK’s leading Notified Body for CE marking under 17 EU directives from Active Implanted Medical Devices and Construction Products to Electromagnetic Compatibility and Telecommunications Terminal Equipment. Consequently we are one of the world’s most comprehensive gateways to Europe.
The year’s restructuring of our marketing activities to better align them with our business objectives enabled us to focus more effectively on the diverse range of testing and certification products within the existing product portfolio. Additionally, e-marketing newsletters and the upgraded functionality of the Product Services’ website continued to drive improved proximity to customers, keeping them updated with new and enhanced product offerings and facilitating online sign-up for our services. This resulted in significant growth in website activity in 2005 – by December over 70 per cent of new business enquiries were received via the website.

Finally, our commitment to health and safety was confirmed by the achievement of registration to OHSAS 18001.

Kitemark
The Kitemark, an acknowledged mark of integrity and trust, continued to go from strength to strength in the year. Following investment in new marketing initiatives and brand development, the Kitemark was successfully launched in the services industry. This signalled our ability to provide added-value for the growing service sector market. Three major schemes were launched: for the automotive repair industry, for electricians and for window installers. The Kitemark will allow services meeting the new standards to benefit from the Kitemark’s intrinsic values of trust, quality and integrity, as well as mitigating consumer risk.

Bioplate Inc.
Bioplate Inc designs and manufactures cranio-maxillofacial plates, mesh, and screws made of titanium and its alloys, designed to cover complex defects as a result of trauma. The flexibility of the product on offer allows for the production of parts to custom specification.

Since the inception of Bioplate Inc in 1995, BSI has provided a high level of quality and regulatory services including certification to ISO 13485:2003, CE Quality Assurance marking, and CE Design Examination. The certifications enabled Bioplate Inc to access the EU market of approximately 450 million people.

The innovative Restriction of Hazardous Substances “RoHS Trusted” Kitemark was launched and has been heralded as a major landmark, supporting product and component suppliers wishing to protect against hazardous substances entering the electronics supply chain. Our extensive knowledge and experience in electronic technology positions Product Services as a market leader in this sector.

In November we granted the first Kitemark licences for glass reinforced polymeric (GRP) pipe products to one of the world’s leading pipeline manufacturers based in Dubai, further underlining BSI’s reputation for technical expertise in this region.

“There are many examples of the business partnership that Bioplate has had with BSI over the years helping us build our business, particularly in the early years. Our relationship is such that staff request to be assessed by BSI staff as they believe they will be able to improve their best practices by doing so.”

Carole E Jones
President, Bioplate Inc
International

We are taking strategic action to develop our global footprint of testing laboratories, and working alongside customers to develop our product offerings and to align them with their requirements.

Medical devices made significant progress in Asia. We were recognised by the Japanese Ministry of Health, Labour and Welfare as a third party to conduct quality systems assessments and review submissions for class II devices. In Taiwan we enabled clients to fast track their products to their respective markets through rigorous assessment of documentation.

In the USA, BSI is currently the leader for CE marking and ISO 13485 services to the medical device industry. Our pre-eminence in coronary medical devices was underlined by the acquisition of prestigious new clients and the delivery to them of ground-breaking CE marks for leading edge technologies.

Enhancing our global presence, we opened a new facility in Iceland in January 2005 to offer the full range of BSI services, including management systems certifications, training and distribution of standards. The operation received accreditation from the Icelandic accreditation authority, Neytendastofa, and is accredited under the Lift Directive, and for performing mandatory play area inspections.

Outlook

BSI Product Services is now positioned for accelerated growth and innovation across each of its five global businesses: Construction, Electrical & Electronic, Engineering, Kitemark Services and Medical Devices. Our focus is on meeting our customers’ needs through accelerating the development of a global one-stop-shop for regulatory issues around the world. We believe 2006 will be a year of substantial change and growth, particularly in the medical devices sector. This is an exciting time for Product Services as we leverage the advantages of being part of a larger Group while remaining customer focused and acting responsively to their needs.

Alastair Trivett
Managing Director, Global, BSI Product Services
5 April 2006

Medtronic Inc

Medtronic, headquartered in Minneapolis, Minnesota, USA, is the global leader in medical technology. Each year, 5 million patients benefit from Medtronic’s technology, used to treat conditions such as diabetes, heart and vascular disease, neurological disorders and spinal disease. Revenue during the last fiscal year was US $10.055 billion.

In 2005, Medtronic partnered with BSI to attain CE marking certification for its Endeavor™ drug-eluting coronary stent — a tiny, and highly effective medicine-coated mesh tube used to prop open blocked arteries during surgery.

“Medtronic worked closely with BSI to provide the information needed to obtain CE mark approval and bring Endeavor™ to market.

“We were pleased with the professionalism BSI demonstrated and the strong experience of its employees. They had excellent technical understanding of our products that made them a valuable partner in providing safe and efficacious products to the worldwide marketplace. BSI was very collaborative in its approach, and we look forward to continued partnership to bring high value, revolutionary products to the market.”

Scott Ward
Medtronic Senior Vice President and President of Medtronic Vascular in Santa Rosa, California
Corporate Social Responsibility

BSI Group’s approach to corporate social responsibility (CSR) exemplifies and underlines our commitment to our core values of independence, innovation and integrity.

We strive to maintain sustainable practices and exceed expectations and we believe it is important to share a common understanding of CSR matters with our stakeholders and business partners. There are numerous examples of CSR work undertaken by BSI across the globe; the following is a brief overview of some of the key areas of activity in 2005.

Our Environment
After assessing the emissions created in the certification process, BSI Management Systems UK put measures in place to become carbon neutral in 2005, becoming one of the world’s first certification bodies to do so. To reinforce the project a new initiative, begun in the year, will create a projected annual saving in Client Manager travel of 200,000 miles. The saving has ramifications from a financial, as well as an environmental and health and safety point of view. We hope the measures taken will encourage our clients to act on climate change and provide support to the environmental management systems we offer.

BSI British Standards has become one of the first companies in the UK to print on paper from sustainable sources (FSC managed forests). The paper mill, paper supplier, and printer used in the publication of ‘Managing the Environment the 14001 way’ are all certified to 14001. We are planning to use the same sources for future environment and sustainability publications.

In the UK, acting on the results of an energy review, BSI Product Services implemented a computer controlled energy management system and fitted solar film to the windows. As a result of both measures, there has been a large reduction in energy consumption at our Hemel Hempstead offices.

Our Work
Working alongside the UK Government’s CSR academy, BSI has taken an international lead in promoting the benefits that CSR can bring to business, including the formation of the Socially Responsible and Sustainable Leaders’ forum in Korea. Additionally, seminars were held by BSI in Tokyo and Seoul to promote sustainable development.

BSI and the Standardization Administration of China jointly ran the Environmental Protection, Energy Saving and Standardization Seminar in Beijing in June 2005. This conference was an opportunity for delegates from both countries to share best environmental practice and highlights our commitment to promoting sustainability issues.

Our Communities
In August, BSI America Inc. joined the UN’s Global Compact program. The Compact works to advance ten universal principles in the areas of human rights, labour standards, environment, and anti-corruption. We are required to report back to the UN in two years explaining measures we have taken to support the ten key principles.

2005 saw the 11th anniversary of the BSI Sustainability Design Awards Scheme. The Award has evolved from one for standards in design, into a sustainability award, echoing BSI’s concern for sustainability issues. The first prize was awarded to a high performance water-saving shower that uses 70 per cent less water and 40 per cent less energy than a conventional shower. As well as bringing obvious environmental benefits, the shower could bring considerable consumer cost savings.

The winner of the 2004 BSI Design Award, a safe and secure ‘concrete canvas’ tent for use in disaster regions, went on to be named ‘the world’s top idea’. The invention won the $100,000 first prize in the Saatchi & Saatchi 2005 Award for World Changing Ideas.

Our involvement in the increasingly important field of CSR will continue into 2006 as we do our best to make a real difference to the environment and communities across the globe.
Summary Financial Review

Introduction
The financial results for the year were significantly impacted by the disposal of the Inspectorate business. This disposal forms the overwhelming majority of the discontinued operations shown on the face of the profit and loss statement. The discontinued operations had a retained loss in the year of £6.0 million and exceptional losses of £11.3 million of which £11.2 million related to the disposal of Inspectorate and the exit from overseas government contracts held by the Inspectorate business.

Total turnover for 2005 was £234.8 million (2004: £242.3 million) reflecting an increase over 2004 of £13.5 million on continuing operations, along with a turnover reduction due to the impact of the sale of the Inspectorate business during the year of £21.0 million. Operating profit before exceptional losses on the disposal of discontinued businesses was £10.3 million (2004: £11.1 million). This operating profit includes £3.8 million of operating losses on discontinued activities (2004: £1.9 million). The exceptional losses on exit from commodity inspection activities of £11.2 million along with tax of £7.5 million on the legal restructuring to facilitate the sale of Inspectorate, led to the Group recording a retained loss in the year of £17.9 million (2004: retained profit £1.6 million).

Turnover from continuing operations rose in 2005 to £150.4 million (2004: £136.9 million), a rise of 9.9 per cent over 2004. Correspondingly, operating profit from continuing operations before exceptional items and goodwill amortisation rose by 11.8 per cent over 2004 to £17.0 million (2004: £15.2 million).

Exceptional Items and Goodwill Amortisation
A restructuring of the Group’s printing operations and a downsizing of the Group’s central administrative functions following the sale of Inspectorate resulted in a £1.5 million (2004: £2.0 million) exceptional charge against operating costs. Goodwill amortisation amounted to £2.9 million (2004: £3.1 million).

Cash Flow and Investment in the Business
The cash flow for the Group has been very heavily impacted by the sale of the Inspectorate business resulting in a gross cash inflow of £52.0 million. Inspectorate was sold with cash balances of £4.3 million. Under the terms of the deal £2.3 million of this was repaid to the BSI Group after the year-end. As part of this transaction we took on a level of Inspectorate debt that was then paid down leaving a healthy £25.8 million net funds position at year-end. The Group continues to invest strongly in its asset base with new investment of £7.4 million exceeding depreciation of £5.9 million.

Treasury Review
The Board has established treasury policies for the Group. A Finance Forum ensures that all treasury activities are conducted in accordance with these policies. Regular reports are provided to senior management and treasury operation are subject to periodic independent reviews and audits, both internal and external.

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

Taxation
The effective tax rate (ETR) on continuing business profit before tax for the year has reduced from previous years to 31.9 per cent (2004: 37.7 per cent). The current ETR derives from overseas businesses taxed at rates higher than the UK statutory rate (42.6 per cent) with UK results attracting UK tax at 24 per cent, less than the 30 per cent UK statutory rate through the tax impact of the Inspectorate Group disposal and BSI Group tax losses offset. By 2007, the BSI group underlying ETR (excluding any year-on-year exceptional ETR impact) is targeted to be less than 35 per cent with the BSI group ETR managed longer-term closer to the 30 per cent UK statutory rate.

Of the £13.9 million Group tax charge £1.8 million arose on the Inspectorate group discontinued business and £7.5 million on BSI’s disposal of Inspectorate.

Pensions
In 2005 the Group fully adopted FRS 17 – ‘Post Retirement Benefits’ in its financial statements. In common with a great number of UK companies with a pension fund deficit and due to the bases and methodology required by FRS 17, this has had a marked effect on the Group's balance sheet as at 31st December 2005, which now shows negative net assets. The impact of this implementation has been material and consequently the results and balance sheet for 2004 have been restated.

The net liability at the end of 2005 stands at £57.2 million (2004: £54.7 million). This increase has arisen predominantly as a result of changes in bond yields and despite a cash injection of £12.2 million over 2005. The Directors remain committed to reducing this deficit and are working with the trustees to do so.

A full actuarial valuation was carried out at 31 March 2004 by a qualified independent actuary. A further set of calculations were prepared using updated data available from undertaking a valuation for Pension Protection Fund Section 179 purposes at as 30 September 2005. Approximate FRS 17 calculations were then prepared at 30 September 2005 and rolled forward using actuarial techniques of approximation to 31 December 2005.

A valuation of the final salary scheme carried out under the Government’s Minimum Funding Requirement (MFR) as at 31 December 2005 showed an MFR funding level in the region of 95 per cent (31 March 2004: 80 per cent).

Roy Mort
Group Finance Director
5 April 2006

Summary Financial Statements

Summary Group Balance Sheet
at 31 December 2005

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Goodwill</td>
<td>20.4</td>
<td>48.6</td>
</tr>
<tr>
<td>Tangible assets and investments</td>
<td>8.1</td>
<td>27.7</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>28.5</td>
<td>76.3</td>
</tr>
<tr>
<td>Current assets</td>
<td>69.0</td>
<td>93.7</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(40.7)</td>
<td>(75.0)</td>
</tr>
<tr>
<td>Net current assets</td>
<td>28.3</td>
<td>18.7</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td>56.8</td>
<td>95.0</td>
</tr>
<tr>
<td>Creditors – Amounts falling due after more than one year</td>
<td>-</td>
<td>(17.2)</td>
</tr>
<tr>
<td>Provisions for liabilities and charges</td>
<td>(6.5)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Equity minority interests</td>
<td>(0.3)</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Net assets excluding defined benefit pension scheme liabilities</td>
<td>50.0</td>
<td>72.5</td>
</tr>
<tr>
<td>Pension liability, net of tax</td>
<td>(57.2)</td>
<td>(54.7)</td>
</tr>
<tr>
<td>Net (liabilities)/assets</td>
<td>(7.2)</td>
<td>17.8</td>
</tr>
<tr>
<td>General Fund – reserves</td>
<td>(7.2)</td>
<td>17.8</td>
</tr>
</tbody>
</table>
Summary Financial Statements

Summary Group Profit and Loss Account
for the year ended 31 December 2005

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before exceptional items</td>
<td>Exceptional</td>
</tr>
<tr>
<td></td>
<td>and goodwill items &amp;</td>
<td>items &amp; goodwill</td>
</tr>
<tr>
<td></td>
<td>Continuing Operations</td>
<td>amortisation</td>
</tr>
<tr>
<td></td>
<td>(£m)</td>
<td>(£m)</td>
</tr>
<tr>
<td>Turnover</td>
<td>150.4</td>
<td>84.4</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(75.9)</td>
<td>(58.5)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>74.5</td>
<td>25.9</td>
</tr>
<tr>
<td>Net operating costs</td>
<td>(57.5)</td>
<td>(28.2)</td>
</tr>
</tbody>
</table>

**Operating profit/(loss)**

- continuing operations: 17.0 (2.9) 14.1 15.2 - (2.2) 13.0
- discontinued operations: - (2.3) (1.5) (3.8) - 1.0 (2.9) (1.9)

**Operating profit/(loss)**: 17.0 (2.3) (4.4) 10.3 15.2 1.0 (5.1) 11.1

**Loss on termination of an operation**: - - (3.7) (3.7) - - - -

**Loss on disposal of businesses**: - - (7.6) (7.6) - - - -

**Profit/(loss) on ordinary activities before interest and tax**: 17.0 (2.3) (15.7) (1.0) 15.2 1.0 (5.1) 11.1

**Interest receivable**: 1.9 (1.0) - 0.9 1.5 (0.7) - 0.8

**Interest payable and similar charges**: (2.9) (0.6) - (3.5) (2.9) (0.3) - (3.2)

**Profit/(loss) on ordinary activities before taxation**: 16.0 (3.9) (15.7) (3.6) 13.8 (0.0) (5.1) 8.7

**Tax on profit on ordinary activities**: (5.1) (1.8) (7.0) (13.9) (5.2) (1.9) 0.6 (6.5)

**Profit/(loss) on ordinary activities after taxation**: 10.9 (5.7) (22.7) (17.5) 8.6 (1.9) (4.5) 2.2

**Equity minority interests**: (0.1) (0.3) - (0.4) (0.1) (0.5) - (0.6)

**Retained profit/(loss) for the period**: 10.8 (6.0) (22.7) (17.9) 8.5 (2.4) (4.5) 1.6

Summary Group Statement of Total Recognised Gains and Losses
for the year ended 31 December 2005

<table>
<thead>
<tr>
<th></th>
<th>2005 (restated)</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Retained (loss)/profit for the year</td>
<td>(17.9)</td>
<td>1.6</td>
</tr>
<tr>
<td>Actual return less expected return on pension scheme assets</td>
<td>18.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Experience (losses)/gains arising on pension scheme assets</td>
<td>(7.6)</td>
<td>7.4</td>
</tr>
<tr>
<td>Changes in assumptions underlying the present value of the scheme liabilities</td>
<td>(20.9)</td>
<td>(22.8)</td>
</tr>
<tr>
<td>Deferred tax on pension scheme movements taken through the statement of total recognised gains and losses</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Exchange movements offset in reserves</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Total recognised losses for the year</td>
<td>(25.0)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Prior year adjustment – FRS17</td>
<td>(51.4)</td>
<td></td>
</tr>
<tr>
<td>Total recognised losses since last Annual Review</td>
<td>(76.4)</td>
<td></td>
</tr>
</tbody>
</table>
Summary Financial Statements

Summary Group Cash Flow Statement
for the year ended 31 December 2005

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from operating activities</td>
<td>7.5</td>
<td>19.9</td>
</tr>
<tr>
<td>Returns on investments and servicing of finance</td>
<td>(2.7)</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(14.6)</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(6.9)</td>
<td>(10.5)</td>
</tr>
<tr>
<td>Acquisitions and disposals</td>
<td>45.2</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Cash inflow/outflow before management of liquid resources and financing</td>
<td>28.5</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Management of liquid resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash placed on short term deposit</td>
<td>(2.7)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease)/increase in borrowings</td>
<td>(16.3)</td>
<td>0.9</td>
</tr>
<tr>
<td>Repayment of principal under finances leases</td>
<td>(0.1)</td>
<td>-</td>
</tr>
<tr>
<td>Cash (outflow)/inflow from financing</td>
<td>(16.4)</td>
<td>0.9</td>
</tr>
<tr>
<td>Increase/(decrease) in cash</td>
<td>9.4</td>
<td>(6.8)</td>
</tr>
</tbody>
</table>

Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)
for the year ended 31 December 2005

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase/(decrease) in cash in the year</td>
<td>9.4</td>
<td>(6.8)</td>
</tr>
<tr>
<td>Movement in short term investments</td>
<td>2.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Movement in loans</td>
<td>16.3</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Reduction in lease financing</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>Change in funds resulting from cash flow</td>
<td>28.5</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Movement in net funds/(debt) in the year</td>
<td>28.6</td>
<td>(5.8)</td>
</tr>
<tr>
<td>Net (debt)/funds at beginning of the year</td>
<td>(2.8)</td>
<td>3.0</td>
</tr>
<tr>
<td>Net funds/(debt) at end of the year</td>
<td>25.8</td>
<td>(2.8)</td>
</tr>
</tbody>
</table>

Summary Remuneration Report

During 2005, the aggregate amount of Directors’ emoluments, including benefits and bonus payments, was £1.2m (2004: £1.1m). Full details of directors’ remuneration are contained in the full Report and Accounts for 2005 (page 35). Retirement benefits were accrued under the Company’s defined benefit scheme in respect of two directors (2004: 2) and contributions were made to the BSI Stakeholder Plus Plan for a third director (2004: 1).

The Group’s objective is to ensure that the levels of emoluments for Executive Directors are set to attract, retain and motivate individuals of the quality required to optimise the interests of the Group and its members.

Due consideration is given to the rewards payable in comparable organisations and their relative performance.
Statutory Reports

Independent Auditors’ Statement to the Members of BSI
We have examined the Summary Financial Statements set out on pages 20 to 22.

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

This statement, including the opinion, has been prepared for and only for the Company’s Members as a body in accordance with Section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save any other person to whom this statement is given in the course of the annual general meeting of the Company. This statement includes a basis of opinion and an opinion on the consistency of the Summary Financial Statements with the full Annual Financial Statements and Directors’ Report and their compliance with the relevant requirements of Section 251 of the United Kingdom Companies Act 1985 and the regulations thereunder, as if the same were applicable to BSI.

Basis of Opinion

Opinion
In our opinion the Summary Financial Statements are consistent with the Annual Financial Statements and Directors’ Report for BSI for the year ended 31 December 2005 and comply with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder, as if the same were applicable to BSI.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 April 2006

The Board
Members of the Board are listed on pages 24 and 25. On 1st January Michael French was appointed to the Board. David Kendall and Wayne Booker retired from the Board in May 2005 having served 5 and 2 years respectively. The Board would wish to thank them for their service to BSI.

BSI Bye-laws require that not more than one third of all serving Directors shall retire by rotation each year at the Company’s AGM. Accordingly, Roy Mort and Mike Low will retire from the Board under Bye-law 10 and will both be offering themselves for re-election at the AGM.

Richard Catt
Director of Legal Affairs and Company Secretary
5 April 2006

Full Report and Accounts
In the interests of readability and economy, we follow the common practice of publishing an Annual Review of our operating activities together with Summary Financial Statements. It should be noted that the latter do not contain sufficient information to allow as full an understanding of the Company’s and Group’s results and state of affairs as would be provided by a Full Report and Accounts. Members who would like a copy of the detailed Report and Accounts for 2005, on which the auditors have issued an unqualified report, please contact Deborah Spanton: Email: Deborah.Spanton@bsi-global.com

Annual General Meeting
Details of the AGM to be held on 17th May 2006 at 3.30pm at British Standards House, London, together with the resolutions to be proposed at the meeting are set out separately.
The Board

Chairman
Sir David John KCMG
Sir David John was first elected Chairman in July 2002 after joining the Board in May 2002 as a non-executive Director. He is currently Chairman of Balfour Beatty and Premier Oil. Sir David is the immediate past Chairman of the BOC group. Age 67.

Non-Executive Members
Judith Hanratty OBE
Previously Company Secretary of BP plc, Judith Hanratty joined the Board as a Non-executive Director on 1st July 2003. Miss Hanratty, a barrister by profession, has had extensive experience in the energy and insurance industries and in government/private sector relationships. She is currently Chairman of the Commonwealth Institute, a Council member of Lloyd’s of London and Chairman of the Lloyd’s Market Supervision and Review Committee, a Director of the UK Gas and Electricity Markets Authority and a Director of PartnerRe, a NYSE listed reinsurance Group. She was awarded the OBE in 2001 for services to the oil and gas industry and is a Honorary Fellow of Lucy Cavendish College, Cambridge. Age 62.

Norman Price OBE
With extensive industrial experience, particularly, latterly in SMEs, Norman Price joined the Board as a Non-executive Director on 1 June 2004. He is currently Chairman of Ecologic, Director of Bede Plc and Mercia Fund Management, a Vice President of the EEF and a member of the Confederation of British Industry Enterprise Council and Tax Committee. He is also Deputy Chairman of the West Midlands Regional Development Agency and a senior industrialist in the Department of Trade and Industry. Age 61.

Michael French
Michael French joined the Board as a Non-executive Director on 1 January 2005. An Asian specialist who worked for several years in Japan, Mr French is an engineer by training and a Fellow of the Institute of Chartered Accountants. He worked principally with PricewaterhouseCoopers, for whom he became a Partner in 1981. Age 58.

▲ Member of Nominations committee
✦ Member of Audit committee
■ Member of Remuneration committee
● Member of NSB Governance committee
◆ Member of Risk and Compliance committee
◆ Member of Standards Policy and Strategy committee
Executive Members

**Stevan Breeze Chief Executive**

Stevan Breeze joined BSI as Chief Executive in February 2002. He was previously a Director of Jarvis Infrastructure Services and a Divisional Managing Director at BTR. Mr Breeze has extensive general management and commercial experience in manufacturing and support services across a wide range of international industries. He has held Board positions in quoted groups in the UK and India. Age 54.

**Mike Low Director, British Standards**

Mike Low joined BSI as Director of Standards in 2003. Prior to this he was the Director of Group Strategy and Performance for Amey plc. Until 2000, Mr Low was Managing Director of British Energy plc’s UK generation division and also a main board Director. Previously, he had been Director of Health, Safety and Environment for Nuclear Electric and subsequently Technical and Business Development Director. He is a Fellow of the Royal Academy of Engineering and of the Institute of Quality Assurance. He has published widely on power generation, safety and risk management. Age 57.

**Roy Mort Group Finance Director**

Roy Mort joined the Board in November 2000, having previously been Finance Director of Inspectorate plc. He has previously held senior positions in a number of international companies, and has wide operational experience within the services industry. Age 54.

**Company Secretary**

**Richard Catt Director of Legal Affairs**

Richard Catt was appointed Director of Legal Affairs and Company Secretary in May 2005. A barrister, he has held a number of senior legal positions in UK listed and private companies, most recently Legal Director and Company Secretary of Securiguard Group and Simon Group. Age 51.