Sharing best practice

The British Standards Institution

Annual Report and Financial Statements 2008

raising standards worldwide™

BSi®

CONTENTS

Highlights of the Year

Operating Highlights

- 1,831 new standards published with key developments in carbon management (PAS 2050), risk management (BS 31100) and information governance (BS 10008).
- Significant increases in demand for download standards through our enhanced e-shop capability.
- Strong sales growth in assessment, certification and training activity globally.
- Continued growth of our Healthcare capability and extension of Kitemark into the automotive aftermarket.
- Major technical assistance contracts won in Eastern Europe, Asia Pacific and Central America.
- Further dissemination of best practice in the innovation arena, with standards published in nanotechnology, regenerative medicine and life cycle costing.

Financial Highlights

Total Group revenue

£202.3m

2007: £179.0m
Up 13.0%
(6% at constant exchange rates)

Operating profit before exceptionals

£24.8m

2007: £21.4m
Up 15.9%

Cash generated from operations before pension payments (see page 24)

£28.2m

2007: £24.7m
Up 14.2%

Cash generated from operations

£11.2m

2007: £12.7m
Down 11.8%

Net assets

£16.4m

2007: £2.9m

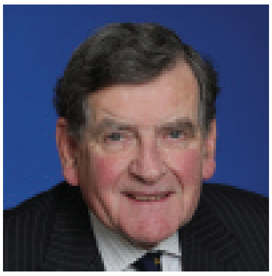
Net assets (before pension liability[1])

£71.0m

2007: £60.2m

[1] Net of deferred tax

Chairman's Report



Sir David John KCMG
Chairman

"Our work in business continuity, operational risk management, customer satisfaction, energy management, supply chain management and sustainability is increasingly critical during these turbulent market conditions."

I am delighted to report that in 2008, BSI Group has again posted very strong results with revenue growth and continued improvements in underlying profit and cash generation. These results illustrate the continued progress that we have achieved since we instigated our strategic review in 2002.

This excellent performance reflects the realisation of the benefits of our strategy to develop a premium portfolio of standards-based solutions; enhance our human resources and skill base; extend our global infrastructure; and embrace new web-based technologies to deliver a customer focused organisation, delivering value added services across an extensive customer base of some 80,000 clients.

Our core brand attributes of integrity, independence and innovation remain our key focus as we continue to develop added value solutions to address the key issues confronting any boardroom. Our work in the areas of business continuity, operational risk management, customer satisfaction, energy management, supply chain management and sustainability is increasingly critical during these turbulent market conditions.

Our output of 1,831 new and revised standards for the year was a strong performance when set against the continuing reduced output from both the European and international standards communities. We continue to support UK government policy in the delivery of its Innovation agenda, through the work delivered in nanotechnology, biometrics and regenerative medicine. Our partnership with Defra and the Carbon Trust for the development of PAS 2050 – for the assessment of the life cycle greenhouse gas emissions of goods and services – was a key event for promoting the relevance of standards in the sustainability arena.

We have extended our relationship with government through not only the Department for Innovation, Universities & Skills (DIUS) and the Department for Environment, Food and Rural Affairs (Defra) but also the Ministry of Defence (MOD), the Home Office, the Department of Health, the Department for Children, Schools and Families (DCSF), the Department for Culture, Media and Sport (DCMS), UK Trade & Investment (UKTI) and the Department for Business, Enterprise and Regulatory Reform (BERR).

We also continue to work closely with the European Commission and our counterparts in Europe to improve the role and impact of standards in the European market and beyond.

We continue to invest extensively in new web-based technologies across all our businesses to improve our customer interaction and efficiency of delivery. The growth of standards' sales in our e-shop and the enhancements of our online subscription service in BSI British Standards are clear illustrations of the benefits that are generated by such a focus. Developments in BSI's Entropy Software™ within the area of supply chain compliance highlight our ability now to service BSI Management Systems' global clients beyond their certification requirements.

The roll-out of the new BSI Learning LMS (Learning Management System) platform will also provide a significant opportunity in meeting the increasing requirements for our customers to enhance their knowledge, in an increasingly complex and competitive market place.

Our investments in Healthcare within BSI Product Services in the medical devices sector have also increased our ability to develop innovative fast to market solutions for our customers. Developing the Kitemark within the service sector has also seen continued penetration of the automotive aftermarket which clearly recognises the benefits of Kitemark to its customers.

Our relationship with China took a further positive step when I visited Beijing in April 2008 to launch the China-UK standards portal providing essential standards information to both the UK and Chinese business communities.

We continue to broaden our global reach across Eastern Europe, Asia Pacific and Latin America to benefit UK export activity. My visits to the UAE in March and October, to attend the ISO conference, also reflect our intent to develop a significant presence in the Middle East.

The Board

It was with regret that the Board accepted the resignation of Stevan Breeze in July 2008 as Chief Executive of BSI Group.

Stevan was instrumental in changing the profile and financial status of the Group during his tenure which started in 2002. I take this opportunity of thanking him for the significant contribution he made during this critical period of BSI's evolvement into a world leading professional services provider.

Following Stevan's resignation, I acted as Executive Chairman for the Group until the end of the year and in November we welcomed Howard Kerr as the new Chief Executive for BSI with effect from 5 January 2009. With his extensive international experience both within Inchcape plc and Calor Gas/SHV Holdings NV, Howard will provide the leadership and drive to take BSI Group to the next level of customer service, innovative product development and e-commerce capability.

BSI Pension Fund

The BSI Board continues to be committed to addressing the Fund's significant deficit and in 2008 the Company contributed an additional £15.0 million (2007: £10.0 million) towards its deficit.

In 2008 the Trustee of the BSI Retirement Benefits Plan agreed a new schedule of contributions. Further details are contained in the Summary Financial Review on pages 23 to 25 and in Note 23b.

Staff

The quality and calibre of our staff continues to be of paramount importance in a business where people are the primary asset.

We continue to invest in new skills and competencies across all levels throughout the world. Ensuring that we continue to excel not only in technical proficiencies but also commercial drive remains a key priority, through the development of both in-house capabilities as well as incorporating new additional skills from outside the business when necessary.

Future Developments

The strategic roadmap established for the Group in 2002 remains firmly in place. We continue to focus our efforts toward new innovative standards-based solutions delivered through a global footprint with a dynamic technology-based delivery platform to meet the increasing demands of our customers.

"The quality and calibre of our staff continues to be of paramount importance in a business where people are the primary asset."

With a service delivery through 54 offices and 129 countries, we manage the Group's risks associated with fluctuating exchange rates, regulatory compliance and social and economic responsibility through the maintenance of a robust, flexible organisational framework, able to adapt quickly to the dynamics of such external drivers.

We continue to be committed to ensuring best practice in managing our health, safety and environmental obligations to our staff, customers and stakeholders, and maintain sustainable practices within our local communities.

With a global market recession that is both turbulent and challenging, our commitment to deliver a highly proficient service that exceeds the expectations of our customers and stakeholders is as steadfast as ever. BSI will also continue its broader role of supporting UK inward investment and overseas trade. For example BSI has published a paper to advise small businesses on managing through the recession. Through the harnessing of knowledge management, new technologies and an unrivalled commitment to customer service, BSI will provide a portfolio of standards-based, best practice solutions which customers will not only demand, but find irresistible.

Sir David John KCMG
Chairman
20 March 2009

Chief Executive's Report

Howard Kerr
Chief Executive

"2008 delivered another successful year for BSI Group with growth in revenue to £202.3 million up 13.0% on the previous year"

2008 delivered another successful year for BSI Group with growth in revenue to £202.3 million up 13.0% on the previous year (2007: £179.0 million). Since the strategic refocusing of the Group, which started in 2002, the average growth rate of 7.9% from continuing operations represents a strong achievement in the markets in which we operate.

Profit before tax of £19.2 million (2007: £18.8 million) reflects an excellent performance during a period which has seen significant demands for funding for our delivery platforms across all our businesses, and providing for the pension fund, whilst also managing our operational and corporate costs effectively. The cash position at year end of £28.9 million (2007: £25.6 million) reflects a robust management approach balancing our demands for investment in e-business capability with improvements in operational efficiency and cash collections.

The implementation of our strategy continues to concentrate on our core activities of standards, training, testing, assessment and certification, with a strong focus on providing unrivalled customer service for our 80,000 customers worldwide, large or small. Understanding the needs of these customers by constantly analysing the dynamics of our markets, improving product segmentation and customer satisfaction to ensure optimum alignment, remains pivotal in our desire to develop innovative solutions that deliver genuine added value.

We continue to invest in our IT and web-based systems, whilst enhancing the capability and knowledge base of our staff across all functions.

We have also seen significant progress in establishing renown in key areas of boardroom relevance including management of risk and business continuity; sustainability and carbon management; supply chain compliance; information governance; and support for innovation.

Reducing the impact of the pension deficit remains a key priority and BSI Group made a further significant contribution of £15.0 million (2007: £10.0 million) in 2008. Our pension liability before tax decreased to £75.8 million (2007: £79.0 million) under IAS 19.

BSI British Standards

BSI British Standards had another successful year with the publication of 1,831 standards. It also made significant enhancements to its e-business capability reflected in increased sales through its e-shop and online subscription service. Subscribing membership also saw an increase, the result of increased investment in both sales resource and marketing activity.

2008 saw the publication of more innovative standards in areas of carbon footprinting (PAS 2050), risk management (BS 31100), information governance (BS 10008) and food safety (PAS 220). Many of these involved the establishment of pilot schemes to optimise implementation and the extension of the consultation process during drafting using collaborative online tools.

We continue to work closely with UK government in developing more standards in emerging technologies such as nanotechnology, biometrics, and regenerative medicine and developing a standards portfolio to support the effectiveness and competitiveness of the UK service sector.

Our support for emerging economies through the provision of technical assistance continues to grow rapidly with contracts won in Asia Pacific, Eastern Europe and Latin America.

The ability to deliver innovative impactful standards in a user-friendly online environment with enhanced transactional and search functionalities remains a key strategic imperative in 2009 and beyond.

BSI Management Systems

BSI Management Systems achieved double digit growth in both sales orders and revenue in 2008 together with a strong profit performance reflecting improvements in core delivery and sales processes.

New products such as business continuity management, Entropy Software™ and supply chain management have seen a strong uptake, whilst more traditional products such as quality management continue to deliver double digit global growth, significantly exceeding market growth estimates of 6% by the International Organization for Standardization (ISO). The impact of these new products has also contributed to extending our customer spread beyond manufacturing, engineering, construction and the aerospace/automotive industries to new growth areas in ICT, finance, retail and government sectors.

In the last quarter of 2008 BSI experienced a temporary suspension to its business licence in China. I am pleased to report that this matter was quickly remedied and we have continued to strengthen and enjoy excellent relationships with the relevant Chinese regulatory authorities.

"All operating entities across the world saw accelerated growth, reflecting the strengthening of our sales, marketing and finance capabilities."

The provision of BSI Learning and enterprise software solutions such as Entropy Software™ are a key element of our growth strategy, providing the added value our customers demand beyond conventional assessment.

All operating entities across the world saw accelerated growth, reflecting the strengthening of our sales, marketing and finance capabilities. We also continue to be vigilant in meeting our accreditation requirements and all units successfully met the accreditation to the new ISO/IEC 17021 requirements.

E-business will be pivotal in improving our service to existing and new customers by leveraging web technologies for online marketing and operational effectiveness. This will ensure a close interaction with our client base to deliver solutions that improve their competitiveness, manage their risks and improve their ability to trade more effectively.

BSI Product Services

BSI Product Services saw significant double digit growth in its Healthcare division by establishing a reputation for providing responsive delivery lead-times and high calibre product experts for document reviews for leading medical device manufacturers seeking access to the European market. Significant improvements in workflow and document management have also contributed to a more efficient and customer focused service.

BSI Kitemark continues to extend its appeal with over 200 automotive bodyshops now registered to the Thatcham BSI Kitemark. The benefit of such an approach is now being extended to garage services as the sector seeks extra assurance for its service quality to its customers.

The consolidation of traditional testing and certification activity in such areas as construction, engineering, electrical components and electronics continued through the year to meet both local and global customer needs more effectively and efficiently.

With a key focus on customer satisfaction, BSI Product Services will continue to "digitise" many of its core processes and develop solution-based services providing the level of intimacy and responsiveness that our customers demand as they seek regulatory approval in their markets. Embracing new technologies, enhancing the skill profile and strengthening its international presence will provide the platform upon which BSI Product Services can extend its customer proposition to high added value review and certification services in its targeted markets and sectors.

Outlook

BSI Group is now servicing more than 80,000 customers across 54 offices in 129 countries. Many of these markets are facing challenging and volatile market conditions which will require a strong management focus in 2009 to mitigate and manage such inherent risks. However, standards remain a key tool for customers in a recession. Whilst there are indications of recessionary impact in our activities around the world we are reassured that the vast majority of our customers continue to actively appreciate the value of these services that BSI provides.

"System investments in our delivery platforms and e-business capability are key enablers in this drive to provide our customers with innovative standards-based solutions."

Challenges still remain in harmonising our core processes across our principal activities and understanding our customer needs for a more integrated and seamless service. System investments in our delivery platforms and e-business capability are key enablers in this drive to provide our customers with innovative standards-based solutions.

Continued investment in the competencies and skills of our staff will also be essential to ensure that we sustain our capability as a world leading business services provider delivering confidence and assurance to our customers across the world.

I take this opportunity of congratulating all my colleagues for the delivery of another excellent set of results in 2008.

Howard Kerr
Chief Executive
20 March 2009

Operational Review

Mike Low
Director, BSI British Standards

"1,831 standards were published during the year, including new standards in areas of strategic significance"

BSI British Standards

2008 saw BSI British Standards deliver further improvements in both revenue and operational effectiveness and continues to develop and promote new standards of relevance to UK industry and global markets. This was a significant achievement when set against a background of disruption in the distribution network for standards in the UK market and continued diminishing development work from the international arena of standardisation.

Setting the Standard in the UK

1,831 standards were published during the year, including new standards in areas of strategic significance including carbon management, emerging technologies, information governance, safety, risk management and food.

PAS 2050 developed in conjunction with the Carbon Trust and Defra established a methodology for measuring the embodied greenhouse gas emissions from products and services across their life cycle. Published in June to much acclaim, it involved extensive consultation with two hundred expert stakeholders and a number of pilot schemes involving Tesco, Coca-Cola, Cadbury, British Sugar, Danone Waters and Morphy Richards.

BSI British Standards continues to develop standards as a supporting tool for innovation in close alignment and support to the innovation programme directed by DIUS. A suite of documents (PAS 130 series), fundamental in promoting common understanding and usage of the various terms associated with nanotechnology, were published as well as a glossary of terminology (PAS 84) for use within the regenerative medicine arena.

Our work in the important area of information governance was further extended by the publication of a code of practice for organisations on whistleblowing arrangements (PAS 1998) in July 2008.

To address issues relating to the authenticity and integrity of electronic information, BS 10008 was published in November 2008 to ensure that any electronic information required as evidence of a business transaction is afforded the maximum evidential weight.

In the more traditional areas of standards, BSI British Standards published a new standard (BS 9999) on fire safety in the design, management and use of buildings. Further innovative work in the construction arena was exemplified by the drafting of a responsible sourcing standard for construction products (BS 8902) to promote more effective sustainable practices within the industry. The publication of BS ISO 15686-5 on property life cycle costing was another step towards establishing whole life value and sustainable developments within the design process of new buildings.

Further work also took place in the key area of risk. October 2008 saw the publication of BS 31100 *Risk management code of practice* which highlights the need for organisations to encourage opportunism and implement a risk management framework to cope with uncertainty. Suitable for any type of organisation, this standard contributes to the development of a comprehensive portfolio of standards associated with risk management, including the publication of BS 25999 for business continuity management launched in 2007, which has now generated extensive international interest.

We also continue to play a leading role in the development of energy management standards, through the forthcoming introduction of the European standard BS EN 16001 in 2009, and the collaborative work we are involved in with the US, Brazil and China in developing an international ISO standard for energy management systems.

Continued improvements in the management of food safety are illustrated by the introduction of PAS 220 on food safety for food manufacturing, sponsored by Danone, Kraft, Nestlé and Unilever. This standard supports the effective implementation of the ISO 22000 food safety management system across complex supply chains.

BSI British Standards continues to support no less than 1,278 committees with 8,248 committee members and we extend our thanks to all these members for their continued contribution to help deliver value to UK industry.

We continue to promote the active participation and representation of a wide range of stakeholders in the standards development process. Of particular significance has been the introduction of the online facility to comment on draft standards, which has provided a major improvement in the transparency and reach of our consultation process. We are committed to leveraging this type of technology further in the development process for standards, both in terms of reviewing new work, and enhancing the contribution and participation of all stakeholders during the drafting process.

Our activities within the education sector have also seen further advancements, with the establishment of the GetGreenGo™ initiative promoting sustainability within the primary and secondary education sector. We have also established a partnership with the Erasmus University in the Netherlands to evaluate the tangible organisational benefits that arise through the application and implementation of information security standards.

Our increasing focus in providing standards solutions and applications with the service sector was underlined by the publication in August of a report by UK Government (DIUS and BERR) entitled "Supporting Innovation in Services", which gave prominent recognition for the role of standards in this sector. We continue to develop our standards portfolio in this arena with the publication of further standards relating to customer satisfaction (BS ISO 10000 series) and our involvement in supporting the implementation of the forthcoming European Services Directive.

"BSI British Standards continues to support no less than 1,278 committees with 8,248 committee members"

Delivering Choice to our Customers

2008 was particularly challenging in terms of the delivery of standards through the network of distributors and aggregators that service the UK market. The demise of service providers for standards information within the construction sector in particular, generated a considerable effort to ensure continuity of supply to customers and has been largely successful.

The availability of the full standards portfolio through the e-shop continues to enhance our fulfilment capabilities as well as the continued improvements we have delivered in the functionality of our "British Standards Online" subscribing facility.

We have continued to invest in extra sales resource to ensure a closer and more integral relationship with our customers and have extended our online customer satisfaction monitor across a wider range of customer service activities, as a fundamental framework through which to identify and improve performance.

Such understanding of what our customers require has been augmented by the commissioning of external research and the establishment of a focused new product development framework within the business, embracing all functionalities to develop and deliver a portfolio of products that creates added value for our customers.

This customer focus has already resulted in a number of online products in the areas of business continuity and IT service management, providing additional guidance to our customers in the implementation of these standards to their organisations. Supporting the understanding, application and usage of both established and new standards was provided throughout the year by a comprehensive programme of conferences and seminars.

For the first time in a number of years, our subscribing membership base increased as a result of investment in both sales and marketing activity.

The input of our independent strategic advisory committee (SPSC), representing both standards makers and users, continues to provide a significant contribution in the development of a standards programme reflecting UK priorities.

Maximising Opportunities

BSI British Standards' work in the international arena is an important and integral part of our work as the UK National Standards Body.

We have taken the lead role in Europe in identifying improvements in the access of standards for small and medium-sized enterprises in particular, as well as ensuring closer co-ordination and alignment of the key European standards organisations (CEN/CENELEC) to match the expectations and demands of the customers that we all serve. We continue to work closely with the European Commission and our counterparts across the community to ensure that the role of standards remains pivotal in facilitating trade across the region and beyond, and supporting innovation to deliver competitive advantage for UK and European businesses.

"We have taken the lead role in Europe in identifying improvements in the access of standards for small and medium-sized enterprises"

Our strategic relationship with the national standards organisation in China was further reinforced by the establishment of a China-UK standards portal launched in April 2008, providing essential standards information to the UK and Chinese business communities.

Our work in the emerging economies saw further provision of technical assistance in Eastern Europe including the Balkans, Tajikistan and Uzbekistan as well as projects in China, Vietnam and other Asean countries covering such diverse subjects as greenhouse gas measurement, chemical safety and medical device harmonisation. We also established a foothold in Central America with two projects established in Mexico relating to promoting trade between Mexico and the EU.

Currently we hold 206 international secretariats and continue to review our participation to reflect the priorities for UK development and areas of UK strength; and meet new market needs in traditional sectors, as well as the development of standards in new sectors and technologies.

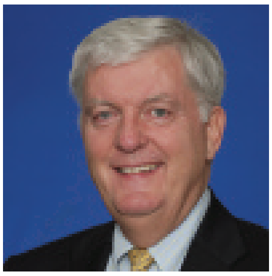
Outlook

BSI British Standards continues to invest in the recruitment of capabilities and expertise in the areas of publishing and e-commerce to develop BSI into a broad-based solutions provider enhancing the benefits of developing standards and related information. New formats and delivery platforms which use the technological opportunities provided by the internet will help us to reach our customers more effectively and efficiently, enriching their experience of using standards to deliver added value.

We continue to establish a closer relationship with our customers through more investment in sales and marketing resource and elevate our engagement with senior businessmen and government representatives to help resolve key issues prevalent in the boardroom as well as in the establishment of governmental policies both in the UK and within Europe.

We remain alert to the challenges of a turbulent economy and are focusing our efforts to support the challenges that face our customers and stakeholders during this period, through the development of high impact new standards and access to critical standards-based information.

Operational Review



Flemming Norklit
Managing Director,
BSI Management Systems

BSI Management Systems

2008 was a successful year for BSI Management Systems, which delivered double digit growth in sales and revenue, together with strong profit performance. This has been achieved by focusing on our customers, our market and our people and with the benefit of favourable exchange rate movements.

Driving customer focus at all levels in the organisation has been a mainstay of our successful strategy in 2008. By measuring and acting on customer satisfaction results, analysing market requirements and improving product segmentation, the business has ensured optimum alignment with its customers' needs.

Great attention has been given to ensuring that staff in all functions around the world are well trained in understanding customer requirements and able to apply our solutions to meet these needs. Applying a deep focus on productivity, cost actions and the use of systems and technology, has further enabled us to optimise market coverage and deliver against customer requirements profitably.

Operational Improvements

Operational productivity improved significantly in 2008. Much work has been done to raise professional competence of staff at all levels and ensure compliance with accreditation requirements. Every business unit successfully met accreditation to the new ISO/IEC 17021 requirements in advance of the deadline date but the programme of increasing knowledge and skills goes on at all levels aided by some innovative e-learning tools.

To meet local market requirements, BSI Management Systems currently holds a number of accreditations with national accreditation bodies around the world. In 2008, BSI launched a programme to find a global accreditation partner to provide a single global accreditation for all major products, for all scopes, for all major offices around the world. ANAB, the ANSI-ASQ national accreditation body of the USA, is BSI's chosen partner and has now granted the global accreditation that BSI sought. This will facilitate giving major international clients a single accreditation for all sites around the world and aid BSI's continued growth around the globe.

"Driving customer focus at all levels in the organisation has been a mainstay of our successful strategy in 2008."

Products and Services Portfolio

The traditional 'core' products, which include ISO 9001, (and its quality management derivatives in aerospace and automotive), ISO 14001 (environmental management) and OHSAS 18001 (health and safety management) delivered strong sales and robust revenue streams in 2008. The markets for these products are mature and, according to the International Organization for Standardization (ISO), are showing only relatively modest growth of around 6% globally. However, BSI Management Systems achieved double digit growth in ISO 9001 certifications in 2008, significantly exceeding ISO estimates.

BSI Management Systems has driven the new BS 25999 product for business continuity management (BCM) aggressively. BS 25999 has been adopted by many international blue-chip clients around the world and is widely recognised as the global standard in BCM.

The Entropy Software™ solution has also gained significant traction during the last 12 months as a web-based audit and compliance solution for companies to manage and mitigate supply chain compliance risks.

United Kingdom

The BSI Management Systems UK business has been protected from the economic downturn largely by its diverse industry focus and broad client portfolio. It has maintained its majority share of ISO 9001 certifications and has achieved solid market growth in ISO 14001, OHSAS 18001, ISO/IEC 27001 and BS 25999.

Through its BSI Learning team, significant growth has been achieved in Six Sigma training services, underpinning the business improvement agenda for clients.

Client satisfaction was not only maintained at a high level, but materially improved. Retaining clients by improving the quality and value of BSI's services to those clients remains a crucial priority – especially given the economic uncertainty in the UK.

Americas

2008 was a year of growth for the Americas region as the organisation delivered on its goals for accelerated expansion. It achieved double digit growth in sales over the previous year, led by a strong performance in training.

Canada delivered growth in sales and strong growth in revenue and is now one of the leading training organisations in the Canadian certification market. In Latin America: Mexico and Brazil, healthy year on year revenue growth and expanded their capabilities to address more complex certification schemes and training.

The outlook for 2009 remains positive. BSI Americas has sharpened its focus on the service sector, including financial services, healthcare, IT and government, and re-aligned its offerings to be more solutions-focused. Although the economic downturn is likely to impact the existing manufacturing customer base, there are new opportunities as manufacturing companies show growing interest in Entropy Software™ and supply chain management as ways to mitigate risk.

Continental Europe, Middle East and Africa (CEMEA)

CEMEA succeeded in achieving significant growth in sales and revenue with some strong performances in new business sales in several regions, including Spain, Italy, Russia, Turkey and the Middle East, as a result of introducing new products and focusing on growth sectors.

Countries gained better economies of scale and increased efficiencies as a result of specific growth initiatives and investments in people, offices and skills associated with new products.

The Training business saw impressive revenue growth across the region. The most successful courses focused on the newer products, which saw rapid acceptance across a wide range of customers and market sectors.

Structural changes within regional management enabled sharper focus and support to countries to drive growth potential across this diverse region. Further investment in new offices and people will continue with particular focus on marketing, sales and account management excellence.

"The Asia Pacific business achieved major growth in sales and many countries throughout the region matched or outperformed the market."

Asia Pacific

The Asia Pacific business achieved major growth in sales and many countries throughout the region matched or outperformed the market. Australia benefited from high demand in the resources sector, while India, Vietnam and Indonesia achieved strong growth across several sectors, including manufacturing. More mature countries, such as Korea, Taiwan, Singapore and Hong Kong maintained some growth based on the buoyancy of selected sectors. The Vietnam operation received its full licence to operate and BSI Malaysia was successfully registered as a company in 2008.

Market leadership was maintained in ISO/IEC 20000 and ISO/IEC 27001, particularly in Korea, Taiwan, India and Hong Kong, in spite of aggressive marketing by competitors, and a strong performance was achieved in the BCM segment. Prominent clients in the IT, financial services and manufacturing segment were certified and there was a high level of subscription in BCM training across the region. The BSI Learning business was expanded significantly as we were able to capitalise on good demand for both public and client-specific training services across the region.

China

BSI Management Systems China started strongly in 2008, but several macro-economic events impacted business progress in the second half of the year. Whilst the Beijing Olympic Games helped drive domestic demand and investment in the first six months of the year, it caused business in Beijing and much of the rest of China to slow in July and August. In October, BSI China was subject to a business suspension which temporarily brought to a halt all business progress.

The suspension, due to a local business licence technicality rather than certification activity or competence, was professionally addressed by the local management team who worked closely with the Chinese authorities to resolve the situation in the minimum of time and get the business operating again.

China had strong product successes by maintaining its market leadership position in ISO/IEC 20000 and ISO/IEC 27001. Training revenues were robust, with several new courses being added, including ITIL V3, BPM and Six Sigma.

"The Entropy Software™ solution has gained significant traction during the last 12 months as a web-based audit and compliance solution"

Japan

Whilst the traditionally strong ISO 9001 market slowed, other markets, such as ISO 14001 and ISO/IEC 27001 saw good growth. The global economic downturn significantly impacted the Japanese economy late in the year but BSI Management Systems Japan still managed to grow both revenue and profit over the previous year.

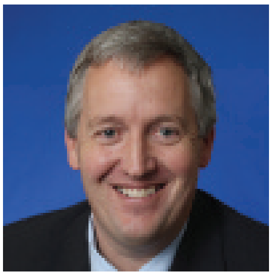
The business maintained a majority share in the ISO/IEC 27001 market while expanding share elsewhere, such as ISO/IEC 20000, and particularly in the BS 25999 market in which BSI holds a strong majority share. The expanding list of clients for BS 25999 includes two of the top Japanese corporations, whilst a third major Japanese company, a thought leader in environmental awareness and corporate social responsibility, partnered with BSI for Sustainability Report Assurance.

Outlook

The current economic uncertainty varies from market to market, but any marked improvement is considered unlikely by most industry commentators, particularly in the first half of 2009.

While this presents a challenge for us, as clients look to cut costs and contract their operations, the profile of our product offering, underpinned by high levels of client satisfaction, can attract new business opportunities. We will continue to ensure that we drive flexibility into the business model to enable us to respond quickly to changing market conditions and capitalise on those opportunities.

Operational Review



David Ford
Managing Director, BSI Product Services

"BSI is committed to providing programmes that combine speed and predictability with experience, integrity, independence and reliability."

BSI Product Services

In 2008, BSI Product Services continued to build on the strategic review that started in 2007. This has given and will continue to give us a firm platform from which to develop our business in meeting customers' demands in areas such as new technology, materials, services and healthcare.

The Executive team has been strengthened in 2008 including the appointment of a new Managing Director in July.

Considerable progress has been made on the digital evolution started during 2007, and we have dedicated time and resources to the development and implementation of a streamlined work-flow and document management tool. This will allow us to deliver a far more consistent, efficient and customer-focused service and image.

Healthcare

The Healthcare division showed significant growth in 2008. With the primary focus on Class III Complex Implantable and Active Implantable Medical Devices, BSI is driving a strong market leading offering. This is particularly the case in the US where the vast majority of the leading manufacturers still reside. For these US manufacturers and others, the key to market access in the vital EU market is CE marking. Increasingly this is recognised in other geographies, either for full market access or as a precursor to an expedited certification (post CE mark) process.

An efficient CE marking process is fundamental to meet the needs of regulators, governments and manufacturers. Regulators and governments are increasingly aware of the balance between the core primary function of a rigorous patient safety-focused system, which also enables patient access to new technology in a timely manner. Manufacturers want the same patient safety focus whilst enabling rapid market access to recover their development costs as soon as possible.

In the Healthcare sector, CE marking is the only element standing between the manufacturer and access to over 400 million citizens in the European market (and beyond). Stakeholders want the CE marking process to be predictable, thorough and as fast as possible. BSI responded to these needs in 2008 with the launch in the US of a new service "CE-45". BSI's responsiveness to the marketplace, allied to the investment in product experts from the industry to help drive this service, has been received enthusiastically by the market.

The new BSI Product Services CE-45 Fast Track Program, for medical devices requiring full CE marking design dossier reviews, completes reviews for European markets in 45 working days. The new service builds on a similar programme launched in 2007 called CE-90, in which dossier reviews are finished within 90 working days. BSI is committed to providing programmes that combine speed and predictability with experience, integrity, independence and reliability. Although BSI does not guarantee a CE marking certificate in 45 or 90 days, the goal is to complete the review process with either a positive or negative recommendation.

Kitemark®

In April 2008, the Kitemark for Child Safety Online was launched by the Home Office. The scheme was developed with Ofcom and the Home Office in order to meet the objective of providing measures of protection from undesirable internet content. The Kitemark will help consumers to identify internet filtering software which has been tested to a high standard and which is both effective and easy to use.

In the development and launch of this particular product we have had to accommodate a number of critical issues to ensure its effectiveness and market fit whilst at the same time, protecting the integrity and expectation that the Kitemark delivers. The Kitemark for Child Safety Online reflects the strategic direction for Kitemark Services in terms of growing our presence in the IT, web-related and communications sectors.

Thatcham BSI Kitemark has grown significantly in both numbers of Kitemark licensed-bodyshops and also in the scheme's mandate by the majority of insurance companies in the UK. The scheme now has well over 200 licensed bodyshops and the Kitemark Vehicle Body Repair is being specified by many police constabularies in the UK. Alongside this the Garage Servicing Kitemark scheme is growing with those garages that have succeeded in recognising and extolling the benefits it brings - both for their business and their customers.

In addition to our traditional business to business certification and testing markets BSI Product Services has a consumer market to address. Here we seek to raise the profile of Kitemark and to educate consumers in the benefits of choosing Kitemark products and services. We have been working with a number of partners here to help us deliver our Kitemark message to consumers across the country. These efforts have yielded considerable television and radio coverage both nationally and regionally. Developing our joint marketing venture with Castrol has also given us greater access to the automotive sector where the two brands share common values and status.

"We seek to raise the profile of Kitemark and to educate consumers in the benefits of choosing Kitemark products and services."

In August 2008, BSI took part in a YouGov survey of UK adults. This revealed that 48% of them look for a Kitemark when buying products or services and 68% of women would prefer to use a Kitemark garage for car servicing. This illustrates that our consumer message is getting through, benefitting manufacturers, retailers and consumers.

During 2008 much work went into building a dedicated web portal for Kitemark – Kitemark.com – which was launched in January 2009. This website offers consumers, businesses and specifiers a single website from which to find out all they need about Kitemark. From historical facts, to user-friendly search functions, where to find Kitemark products or services and online videos of some of our testing activities, Kitemark.com allows Kitemark to communicate directly to its audiences. In 2008, Kitemark was awarded Business Superbrand status in its own right. This combined with the Superbrand status of BSI, strengthens our presence and reputation in all our market sectors.

International

Despite a slowing economy in the second half of 2008, we have been able to maintain and increase specific areas of our business by increasing our presence at international trade events. The Middle East has been particularly successful for us this year with an increase in certification business being generated for fire and construction through events such as Intersec (Fire & Security) and Big 5 (Construction) events in Dubai. At both events BSI Product Services personnel exhibited jointly with other BSI Group representatives to demonstrate our full portfolio to the Middle East market.

In the healthcare sector, we have made significant in-roads into two of the largest markets in the world – China and India. These regions will continue to generate significant opportunities to increase and extend our portfolio of services beyond Healthcare, as a key provider of access to the European market.

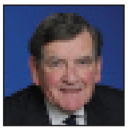
Regulatory

One of BSI Product Services' key strengths is its ability to keep up to date with regulatory changes and understand how they impact our markets and our customers. In 2008, we worked at communicating these changes to our customers and adapting and modifying our schemes to give them the greatest advantage. The changes to BS EN 14351, for example, will bring CE marking into the window fabricator sector and so challenge the provision of Kitemark certification. By adapting the Kitemark scheme to incorporate the CE marking requirements, Kitemark remains the premier and most sought-after certification mark for this sector.

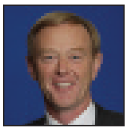
Outlook

Given the recessionary economic outlook, BSI Product Services will be focusing its attentions and resources on the most effective and profitable opportunities prevalent within Healthcare and Kitemark Services whilst consolidating its strong position in the key sectors of automotive, fire, personal protective equipment, fenestration and construction.

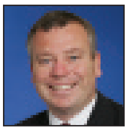
The Board



Sir David John KCMG
Chairman
Sir David John was first elected Chairman in July 2002 after joining the Board in May 2002 as a Non-executive Director. He took up the temporary position of Executive Chairman during 2008 whilst the search for a new CEO was underway. Sir David was Chairman of the BOC Group until January 2002 and Chairman of Balfour Beatty until May 2008. He is currently Chairman of Premier Oil, a member of the CBI International Advisory Board and Chairman of the Royal Society for Asian Affairs. Age 70.



Howard Kerr
Chief Executive
Howard Kerr was appointed to the Board on 3 November 2008 and assumed the position of Chief Executive in January 2009. He previously held key positions at SHV Holdings N.V. and Inchcape Plc. These included CEO, Calor Group Ltd, UK as well as senior commercial and general management positions in Asia and The Middle East. Most recently, he was a member of the Management Board of SHV Gas in The Netherlands. Age 49.

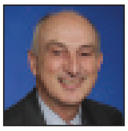


Martin Hannah FCCA
Group Finance Director
Martin Hannah joined BSI as Group Finance Director in September 2007. A Chartered Certified Accountant, he has extensive international financial and commercial experience across a wide variety of sectors including consumer products, power utilities, engineering, manufacturing and services. Originally trained in Unilever, he has held senior Finance Director positions with Powergen International, ESAB, El Paso and was a Divisional Finance Director of Trafalgar House. Age 47.

Mike Low
Director, BSI British Standards
Mike Low joined BSI as Director of BSI British Standards in 2003. Prior to this he was the Director of Group Strategy and Performance for Amey plc and MD of Amey Rail. Until 2000, Mr Low was Managing Director of British Energy plc's UK generation division and also a main board Director. He has also previously served as Director of Health, Safety and Environment for Nuclear Electric and subsequently Technical and Business Development Director. He is a Fellow of the Royal Academy of Engineering and of the Institute of Quality Assurance. He has published widely on power generation, safety and risk management. Age 60.

Michael French FCA
Non-executive Director
Michael French joined the Board as Non-executive Director in January 2005. An Asia specialist who worked for several years in Japan, Mr French is an engineer by training and a Fellow of the Institute of Chartered Accountants. He worked principally with PricewaterhouseCoopers LLP, of whom he became a Partner in 1981. Age 61.

Anthony Lea
Non-executive Director
Anthony Lea joined the BSI Board as Non-executive Director in July 2007. Mr Lea is Chairman of Blackrock World Mining Trust PLC and Emerging Africa Infrastructure Fund. He also took up the position of Non-Executive Director at the Office of Fair Trading (OFT) in April 2008 and is a Trustee of The Royal Air Force Benevolent Fund. Previously Mr Lea served as a board member of the Anglo American Group and as Finance Director of Anglo American plc until 2005. He has extensive international operational experience in the UK, South Africa and North America. Age 60.



Norman Price OBE

Non-executive Director

Norman Price has extensive industrial experience, at Board level in listed and private companies and particularly latterly in SMEs including high technology businesses. Norman Price joined the Board as a Non-executive Director in June 2004. He is currently Chairman of Ecologic, Chairman of a Qinetiq joint venture (ASIP, in sensors), Director of Mercia Fund Management, Alta Innovations, Investbx and a Vice President of the EEF. In the UK West Midlands after being Deputy Chair of the Regional Development Agency, he is now Chairman of the Enterprise Board, the Regional Finance Forum and Birmingham Science City and a Warden of the Birmingham Assay Office. He is a Council Member of Birmingham University. Age 65.

John Regazzi PhD

Non-executive Director

John Regazzi joined the Board as a Non-executive Director in July 2006. He is a US citizen and resident, former Managing Director of Market Development at Elsevier, CEO of Elsevier Inc, and Global Managing Director of Elsevier Electronic Publishing. He was President and CEO of Engineering Information Inc and is also Professor and Dean Emeritus of the College of Information and Computer Science of Long Island University. Age 60.

Company Secretary

Romny Gray

Director of Legal Affairs

Romny Gray joined BSI as Director of Legal Affairs and Company Secretary in March 2009. A qualified Solicitor with significant international experience, she has held various senior legal positions since qualifying with Clifford Chance, including across a number of sectors and jurisdictions with Mitsui & Co UK Plc and most recently as Senior Director and Head of International Corporate Affairs at Symantec Corporation. Age 43.

Directors' Report

The Directors submit their report and audited financial statements for the Group and Parent Company of The British Standards Institution ("BSI") for the year ended 31 December 2008.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related IFRIC interpretations as adopted by the European Union. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. As permitted under the Companies Act the results of the Company are prepared and presented separately under UK GAAP.

The Board

The members of the Board at the current time are listed on pages 18 and 19. Howard Kerr was appointed to the Board on 3 November 2008. Stevan Breeze resigned from the Board on 2 July 2008.

BSI's Bye-laws require one third of all serving Directors to retire by rotation each year at the Company's Annual General Meeting, accordingly Mike Low and John Regazzi will retire from the Board under Bye-law 10 and will be offering themselves for re-election at the upcoming Annual General Meeting. Howard Kerr will also be offering himself for re-election at the upcoming Annual General Meeting in accordance with Bye-law 8(b).

Directors' and Officers' Liability

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

Directors' Emoluments

Information on emoluments of Directors of BSI is given in the report on remuneration on pages 33 and 34 and in Note 9 to the Group financial statements.

Principal Activities

The Group's principal activities are the development and sale of private, national and international standards and supporting information in support of UK interests; second and third-party certification of management systems; testing and certification services both for products and services; provision of performance management software solutions and a range of training services in support of standards implementation and business best practice. The Group operates in some 129 countries worldwide.

Review of Business

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

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

Results

Revenue rose in 2008 to £202.3 million (2007: £179.0 million), a rise of 13.0% over 2007. The 2008 profit before tax is £19.2 million (2007: £18.8 million). The operating profit of the Group of £20.8 million (2007: £18.9 million) represents year on year growth of 10.1%. The retained profit for the year amounted to £13.1 million (2007: £11.8 million). Further details are set out in the Financial Review on pages 23 to 25.

Annual General Meeting

The 2009 Annual General Meeting will be held at 3.30pm on 20 May 2009 at 389 Chiswick High Road, London, W4 4AL.

Independent Auditors

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

Charitable and Political Donations

The Group made total charitable donations of £15,423 during 2008 (2007: £5,216) being a £5,423 donation to Save the Children Fund and a £10,000 donation to the Red Cross Society for China's Earthquake Disaster Appeal. No donations were made during the year for political purposes (2007: £nil).

Employees

The Group had an average of 2,396 employees worldwide during the year of which 51 per cent were based outside the UK.

The Group communicates and consults with its employees on a wide range of subjects, including those which directly affect them using email, websites, intranet (Connect), in-house publications and meetings at business locations.

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

Equality and Diversity

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

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

Health and Safety

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

Principal Risks and Uncertainties

The key business risks are detailed in the Corporate Governance Statement on Pages 26 to 30.

Corporate Social Responsibility

A review of the Group's corporate social responsibility activities during the year is set out on pages 31 and 32.

Suppliers

The Company aims to pay its suppliers promptly and in accordance with its contractual and other legal obligations. The Company's policy is to agree payment terms with its suppliers at the start of any business with them and to endeavour to ensure that they are aware of the terms of payment. At 31 December 2008 the Company had 30 days' purchases outstanding (2007: 30) based on the average daily amount invoiced by suppliers during the year.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's and the Group's financial statements.

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

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

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

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

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

Disclosure of Information to Auditors

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

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

b) each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

Romny Gray
Company Secretary
20 March 2009

Financial Review

Introduction

BSI Group has had a successful year despite the increasingly difficult economic climate. This strong financial performance is expected to continue in 2009.

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

- Operating profit before exceptional costs has risen 15.9% to £24.8 million (2007: £21.4 million) being a return on sales of 12.3% (2007: 12.0%);
- Operating profit has risen 10.1% to £20.8 million (2007: £18.9 million);
- Net profit for the year has risen 11.0% to £13.1 million (2007: £11.8 million);
- Revenue for the Group has increased 13.0% to £202.3 million (2007: £179.0 million); and
- Net cash has increased 12.9% to £28.9 million (2007: £25.6 million).

Exchange Movements

2008 has been a year of considerable turbulence in exchange rates. The pound Sterling has depreciated in value against most other currencies and, as a Group that reports in Sterling, this has had a significant impact on our results. The table below considers the impact of exchange rate movements on the Group's operating profit before exceptional costs by restating the 2007 comparatives using the 2008 exchange rates:

	2008 Total £m	2007 Total £m
Operating profit before exceptional costs	24.8	21.4
Impact of restating 2007 comparatives at 2008 exchange rates	-	1.7
Operating profit before exceptional costs restated	24.8	23.1

This illustrates the impact of exchange rate movements on the Group's operating profit before exceptionals.

Segmental Review

Note 5 to the Group financial statements analyses the performance of the Group by its principal segments. Within this analysis BSI British Standards delivered sales growth and significant improvements in operational delivery with revenue of £46.6 million (2007: £43.9 million) and a contribution of £12.2 million (2007: £9.4 million).

The BSI Management Systems revenue of £131.8 million (2007: £113.3 million) and contribution of £14.2 million (2007: £11.7 million) benefits from favourable exchange rate movements but represents a very successful year with continued improvements in operational effectiveness and customer satisfaction.

The BSI Product Services revenue of £23.9 million (2007: £21.8 million) and contribution of £1.2 million (2007: £0.5 million) comes on the back of significant progress in streamlining its core business processes and growing its Healthcare and Kitemark Services businesses whilst strengthening its international profile.

Exceptional Items

Operating exceptional items amounted to £4.0 million (2007: £2.5 million). £3.4 million of these, as part of the realignment of the Group's management, relate to the costs of restructuring following a major reorganisation in BSI Product Services and changes in senior Group personnel during the year. The remainder of £0.6 million relates to a high level strategic review of the constraints and opportunities facing the Group that was carried out to ensure its long term sustainability.

Exceptional items in 2007 amounted to £2.5 million being £1.6 million in respect of goodwill impairment in the Group's Australian operations, £0.9 million relating to operations restructuring and reorganisation costs.

Full details are disclosed under Note 7 to the Group financial statements on pages 62 and 63.

Cash Flow and Investment in the Business

Operating cashflow has maintained its strong trend and BSI Group continues its investment in the international development of its operations and in the platform infrastructure necessary to support this growth. There continues to be a strong focus on cash collection and working capital management. However the net cash generated from operating activities of £6.0 million (2007: £12.4 million) has been impacted in both years by an additional payment of £15.0 million (2007: £10.0 million) above the ongoing pension service costs. In total we made payments of £17.0 million (2007: £12.0 million) into the UK final salary pension scheme.

The operating cashflow of the Group is significantly impacted by the contributions paid to the pension fund. As illustrated below, cash from operations before pension payments grew 14.2% from £24.7 million to £28.2 million.

	2008 Total £m	2007 Total £m
Cash from operations before pension payments	**28.2**	24.7
Retirement benefit payments	**(17.0)**	(12.0)
Cash generated from operations	11.2	12.7

Taxation

The effective tax rate (ETR) on profits before tax and goodwill impairment for underlying business operations for the year is 31.8% (2007: 34.3%). The ETR at 31.8% comprises the UK Group taxed at a 28.5% statutory tax rate, higher overseas taxes (USA 41%, Japan 41%) combining to increase the ETR by 3.9% and tax non-deductible items and prior year adjustments reducing the ETR by 0.6%.

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

Pensions

The Group's UK final salary pension fund deficit has reduced marginally to a liability of £75.8 million (2007: £79.0 million) under IAS 19. During 2008 the Group made a contribution of £15.0 million above the ongoing funding requirements and this has contributed to the reduction in the deficit. Nevertheless the Scheme's assets fell from £196.3 million to £181.9 million despite this injection, a reduction of £14.4 million. The principal driver of the reduction of the deficit was the reduction of the defined benefit obligations from £275.3 million to £257.7 million, a reduction of £17.6 million. This reduction was driven by changes in the IAS 19 assumptions which in turn are driven by the underlying economic conditions. Principal among these changes is the increase in the discount rate used from 5.6% to 6.0%.

The Directors remain committed to reducing the deficit and are working with the Trustee to do so. Over the past four years BSI Group has injected £45.1 million into the Scheme in deficit funding.

A full breakdown of the movements is shown in Note 23 to the Group financial statements.

Treasury Review

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

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

Liquidity Risk Management

BSI is debt free and the Group's treasury policy is to minimise external debt while recognising the need to occasionally use short-term external funding for operational reasons. Consequently BSI keeps a flexible cost-effective structure of banking facilities. At 31 December 2008, the Group had overdraft bank facilities (excluding loans) of £5.1 million (utilised £nil), and loan facilities of £nil. All loans and overdraft facilities, which total £5.1 million, are on an unsecured basis.

Currency Exposure Risk Management

The Group has significant operations outside of the UK which therefore exposes the Group to a currency risk. The analysis at Note 3a to the Group financial statements demonstrates that a negative currency exchange movement of 10% compared to the year-end exchange rate in each of the US dollar, the Euro, Chinese Renminbi and the Japanese Yen would lead to a negative operating profit impact of £1.7 million. A negative movement of 10% in the value of the UK pound with respect to all of the foreign currencies that the Group is exposed to would result in a negative operating profit impact of £2.9 million.

Credit Risk

The Group has very limited exposure to credit related losses on financial instruments and is subject to normal trading counterparty risks which it considers to be minimal. Our most material credit risk on an ongoing basis is counterparty risk with our banking suppliers which the Group considers to be minimal.

Accounting Policies

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

By Order of the Board

Martin Hannah
Group Finance Director
20 March 2009

Corporate Governance Statement

Governance Framework

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

BSI's governance framework consists of three elements:

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

BSI Organisational Structure and Board Composition

The Board

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

In 2008 the Board comprised the Non-executive Chairman (who temporarily took up the position of Executive Chairman whilst the office of Chief Executive was vacant), the Chief Executive, two further Executive Directors and four Independent Non-executive Directors. The Company's Bye-laws require the Chairman to be elected by the Board annually from the Directors. The Chairman cannot be a member of BSI staff and the total number of Executive Directors may not exceed the total number of Non-executive Directors. Brief biographical details of each of the Directors can be found on pages 18 and 19.

In accordance with the Code, the roles of the Chairman and the Chief Executive are separate and each has clearly defined responsibilities. The Chairman is primarily responsible for running the Board and the Chief Executive is responsible for running the Company's business. In 2008, we saw the departure of the Chief Executive Stevan Breeze, and the Chairman Sir David John filled this position temporarily by taking a dual role of Executive Chairman for the period 2 July 2008 to 5 January 2009. Following the appointment of Howard Kerr as Chief Executive on 5 January 2009, Sir David John resumed his role as Non-executive Chairman, and in the Board's opinion remains independent for the purposes of the Combined Code. Each of the Non-executive Directors was considered by the Board to be independent during the year.

During the year Anthony Lea was appointed Senior Independent Director.

BSI continually strives to achieve an appropriate balance of skills and experience on the Board.

Role of the Board

The current membership of the Board and its principal Committees is set out below. The Board meets as a minimum eight times a year and, additionally, ad hoc meetings are held as necessary. In 2008 eight meetings were held which were attended by all the Directors.

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

Board Committees

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

Audit Committee

Chairman: Michael French FCA
Members: Sir David John KCMG, Norman Price OBE

The Committee currently comprises the Chairman and two independent Non-executive Directors. The Chief Executive, Group Finance Director, Group Financial Controller, Group Risk Manager, and Head of Internal Audit along with the external auditors are normally invited to attend the Committee Meetings. The Committee meets as a minimum three times a year and, additionally, ad hoc meetings are held as necessary. In 2008 three Committee meetings were held which were attended by all the members.

The key responsibilities of the Audit Committee are to monitor the integrity of the financial statements of the Company; review internal controls and risk management systems; oversee the relationship with the Company's external auditors, including making recommendations for the appointment, re-appointment and removal of the external auditors; monitoring the effectiveness of the internal audit function and reviewing the whistle-blowing procedure. The Committee is also responsible for reviewing the summary financial statements and significant financial returns to regulators.

Remuneration Committee

Chairman: Anthony Lea
Members: Sir David John KCMG, John Regazzi

The Committee currently comprises the Chairman and two independent Non-executive Directors. The Chief Executive is normally invited to attend the Committee's meetings. The Committee meets as a minimum once a year and, additionally, ad hoc meetings are held as necessary. In 2008 seven meetings were held and were attended by all the members.

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

Nominations Committee

Chairman: Sir David John KCMG
Members: Michael French FCA and Howard Kerr

The Committee currently comprises the Chairman, one independent Non-executive Director and the Chief Executive. The Committee meets as and when necessary. In 2008 one Committee meeting was held which all members attended.

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

The Board considers that the membership of the Audit Committee, Remuneration Committee and Nominations Committee and their terms of reference are in line with the Code's recommendations and best practice.

In addition the Board has established the following Committees:

Executive Committee

Chairman: Howard Kerr
Members: David Brown (Director, Corporate Development), Richard Catt (Director of Legal Affairs and Company Secretary, resigned 16.3.09), Romny Gray (Director of Legal Affairs (appointed 16.3.09) and Company Secretary (appointed 18.3.09)), Martin Hannah (Group Finance Director), Mike Low (Director, BSI British Standards), Flemming Norklit (Managing Director, BSI Management Systems), David Ford (Managing Director, BSI Product Services), John Titmuss (Group Human Resources Director, resigned 16.3.09), Jim Newell (Group Human Resources Director, appointed 16.3.09), Frank Post (Group Communications Director).

The Executive Committee is charged with the implementation of agreed strategy and the day to day operation of BSI Group. In addition the Executive Committee regularly assesses and monitors the Group's risk and compliance programmes and provides monthly updates to the BSI Board.

The BSI Board formally reviews the Group risk and compliance programme at least twice a year.

Standards Policy and Strategy Committee

Chairman: Tony Stroud
Members: comprising four BSI personnel, including the Chief Executive; Director, BSI British Standards; Marketing Director, BSI British Standards; Operations Director, BSI British Standards and 10 individuals appointed to the Board on the recommendation of the Director, BSI British Standards and the Chief Executive to represent the interests of organisations interested in BSI British Standards' formal consensus standards development and promulgation activities.

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

BSI Control Framework

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

BSI's Group Rules – a comprehensive set of rules with associated policy and procedures regarding the practical governance of the Group's businesses, to which all Group employees have access on the Group's intranet.

The BSI Statement of Business Values – a statement of BSI's ethical values.

BSI Review and Assurance Processes

Internal Controls

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

For the year ended 31 December 2008, the Company has complied with Principle C.2 of the applicable Combined Code by maintaining a sound system of internal control to safeguard investments and Company assets.

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

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

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

Risk Management

BSI has a continuous process for identifying, evaluating and managing the business risks faced by the Group. This process was in place throughout 2008 and is based on widely accepted risk framework best practice.

This business risk management process has promoted both a bottom-up and a top-down assessment of key risks. The top-down assessment involves the Group Executive reviewing and identifying key Group risks which are communicated to the Divisions. In parallel, the bottom-up assessment is undertaken by a network of Divisional and departmental risk committees. This results in detailed analysis of risks which are incorporated into business risk registers, the mitigation plans for which, are updated continuously by managers throughout the Group and reviewed quarterly by management and annually by the Board.

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

Compliance with all our Group policies is considered to be an integral part of our risk management process. Risk management is a key responsibility of all our people and all our managers have responsibility and accountability for managing risks that arise in their areas of responsibility.

All aspects of the Group's insurance programmes and policies are monitored and new initiatives are introduced as required. The Group maintains a programme of insurance covering all major insurable risks to the Group's business assets and operations.

Health and Safety

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

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

There was an increase in the total number of Lost Time Accidents (21 accidents in 2008 against 10 accidents in 2007). The number of days lost rose (217 days lost in 2008 against 122 days lost in 2007). The number of minor accidents dropped considerably from 50 in 2007 to 19 in 2008. It is believed that the increase in Lost Time Accidents is attributable to the improvements in the accident reporting process that were undertaken during 2007.

Key Business Risks

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

- World recession – Effective internal controls are in place to ensure that the business continues to operate at the maximum efficiency and is able to capitalise on opportunities or address threats as they arise in what is already a difficult economic climate;

- Pension scheme funding requirements – We continue to monitor our pension funding requirements and make adjustments as appropriate;

- Reputational damage from breaches of brand integrity – Our reputation and brand integrity are of the highest importance. The BSI Statement of Business Values and Group Rules are communicated across the business and regular monitoring for compliance is undertaken by the compliance team;

- IT systems – Our IT systems are constantly under review. We have in place effective Business Continuity Management and regularly undertake testing of all aspects of our systems' integrity, security and recovery. Our e-business strategy is critical to our success and as such all projects are assessed for risk at their inception as well as continuously reviewed for their on-going risk profile;

- Management capability and employee engagement – We recognise that our employees are our most important asset and critical to our continued success. We have a programme of employee engagement and invest in developing the skills of all employees;

- International political and governmental action – We constantly review our business model to ensure that we adapt to any material changes in our market; and

- Maintenance of regulatory compliance – We have in place robust internal controls to ensure that we remain compliant with both our accreditation requirements and local legislation in the countries in which we operate.

Compliance

The Group Executive also monitors compliance with the Group's Statement of Business Values and Group Rules. The Executive oversees the handling of any incidents reported via the Group's confidential incident reporting lines. Compliance incidents are reviewed and further action taken as appropriate. The Group maintains a whistleblowing arrangement to enable employees to confidentially report suspected breaches of the Group's Statement of Business Values or Group Rules.

By Order of the Board

Sir David John KCMG
Chairman
20 March 2009

Corporate Social Responsibility Statement

Corporate social responsibility (CSR) is integral to our core brand values of independence, innovation and integrity. BSI continues to promote and embody sustainable practices with our stakeholders, business partners and local communities.

Our Work

The publication of PAS 2050 in June by BSI British Standards for the management of carbon footprinting of products and services, in partnership with the Carbon Trust, has provided a significant contribution to the establishment and promotion of best practice within the carbon management arena.

The development of sectorial derivatives for our sustainability standard (BS 8900) into events management (BS 8901) and the forthcoming responsible sourcing for construction products (BS 8902) reflects our commitment to develop practical tools by which organisations can start to apply sustainable practices to their businesses.

We also continue to be active in representing UK interests in the development of ISO 26000, the standard for guidance on social responsibility, scheduled for publication in 2010.

Our Environment

BSI British Standards and the Corporate Centre based in Chiswick, London, achieved certification to ISO 14001 in 2008 and has delivered significant improvements in reduction of waste (22% decrease) and water usage (26% decrease).

The development of our e-shop for the delivery of standards in pdf downloads saw over 80% of purchases made in this format, significantly reducing the paper and energy required when printing standards and the carbon emissions from transporting these standards as hard copy. In the context of our marketing activities, direct marketing by email increased from 60% in 2007 to 84% in 2008 resulting in a 24% reduction in the print and delivery of direct mail to our customers. All loose leaf standards and marketing collateral is now printed on FSC accredited paper.

BSI Management Systems in the UK continues to reduce its carbon footprint for the fourth consecutive year and has now decreased its overall carbon footprint by over 10% since 2005, a significant achievement when set against the continued increase in delivery of assessor days. As in previous years, BSI Management Systems UK has used the services of the CarbonNeutral Company to offset its carbon emissions attributable to the delivery of its assessment services. The UK offices based in Milton Keynes also continue to promote good environmental practices through the installation of separate switching and movement sensors and the use of recycled materials in all aspects of stationery.

BSI Product Services saw a 20% decrease in its energy consumption and a 19% decrease in water usage compared to the previous year. Our laboratories based in Hemel Hempstead in the UK are also currently working toward certification to ISO 14001.

This drive in enhancing effective sustainable practices particularly with regard to business travel is being extended to all overseas operations in Europe, the Americas and Asia Pacific as a key improvement driver for operational efficiencies.

Our Communities

2008 saw the launch of a brand new education initiative, GetGreenGo™, promoting good practical sustainability practices into the primary and secondary education sector. This competition enabled UK schools to demonstrate their commitment to environmental, social and economic issues and for their pupils to build on their understanding, in a fun way, by encouraging schools to make their local events more sustainable. Nine winning schools received prizes of up to £1,500 each which were presented at an award ceremony.

Our involvement in promoting better understanding of sustainability and good social responsibility practices will continue to increase in 2009 as we make our contribution to making a real difference to the environment through our own locally based initiatives, and the standards based tools we develop for communities across the globe.

By Order of the Board

Sir David John KCMG
Chairman
20 March 2009

Report of the Remuneration Committee

The Board has a Remuneration Committee which consists entirely of Non-executive Directors. Details of the current composition of the Committee can be found on page 27.

Advisers to the Committee

The Committee has access to specialist executive reward consultants to ensure it receives independent advice. Advisers are appointed by the Committee for specific work. In 2008, the independent advice was provided by Deloitte & Touche LLP on remuneration matters.

Executive Remuneration Policy

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

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

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

The granting of Awards under the LTIP is restricted to Executives and Senior Managers. Participation is solely at the invitation of the Remuneration Committee, based upon the recommendation of the Chief Executive. Details of Directors' interests in the LTIP are shown in Note 9.

Directors' Service Contracts

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

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

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

Emoluments

The emoluments of the Executive and Non-executive Directors are shown in Note 9 to the Group financial statements.

Pension and Retirement Benefits of Directors

The former Chief Executive benefitted from participation in the BSI Retirement Plan. This plan provides for accrual of a pension equivalent to 1/30th of 'final salary' for each year of service. This plan was subject to a pensionable salary cap of £117,600 in 2008. The plan is now closed to new entrants.

Mike Low receives a salary supplement in lieu of pension equivalent to 15% of basic salary.

Howard Kerr has a personal pension arrangement into which the Company from 2009 will also make contributions.

Martin Hannah is eligible to participate in the BSI Stakeholder Plus Pension Plan, into which the Company also makes contributions.

Individual Directors' Remuneration

Details of individual remuneration can be found in Note 9 to the Group financial statements on pages 64 to 66.

By Order of the Board

Anthony Lea
Chairman of the Remuneration Committee
20 March 2009

Independent Auditors' Report to the Board of Directors of The British Standards Institution

We have audited the Group and Parent Company financial statements (the "financial statements") of The British Standards Institution for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with the Royal Charter and Bye-laws are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with paragraph 22 of the Royal Charter and Bye-laws and relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's Board of Directors in accordance with the Royal Charter and Bye-laws 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 report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to the Board our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Royal Charter and Bye-laws and, in accordance with the policy of the Board, the Companies Act. We also report to the Board whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operational Review and the Financial Review that is cross referred from the Directors' Report.

In addition we report to the Board if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, "Highlights of the Year", "The Board", the Chairman's Report, the Chief Executive's Report, the Operational Review, the Financial Review, the Corporate Governance Statement, the Corporate Social Responsibility Statement, the Report of the Remuneration Committee and the "Facts and Figures as at 31 December 2008". We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2008;
- the Group and Parent Company financial statements have been properly prepared in accordance with the Royal Charter and Bye-laws and the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 March 2009

BSI Group
Consolidated Income Statement
for the year ended 31 December 2008

	Notes	2008 Total £m	2007 Total £m
Revenue	6	202.3	179.0
Cost of sales		(101.5)	(89.4)
Gross profit		100.8	89.6
Distribution costs		(25.8)	(22.3)
Administrative expenses		(50.2)	(45.9)
Operating profit before exceptional costs	7	24.8	21.4
Exceptional operating costs	7	(4.0)	(2.5)
Operating profit		20.8	18.9
Finance income	11	1.2	1.0
Finance costs	11	(2.8)	(1.1)
Profit before income tax		19.2	18.8
Income tax expense	12	(6.1)	(7.0)
Profit for the year	24	13.1	11.8

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

The accompanying notes on pages 40 to 83 form an integral part of the consolidated financial statements.

BSI Group
Consolidated Statement of Recognised Income and Expense
for the year ended 31 December 2008

	Notes	2008 Total £m	2007 Total £m
Profit for the year		13.1	11.8
Actuarial losses relating to retirement benefit obligations	23	(6.7)	(22.6)
Movement on deferred tax	16	1.9	5.0
Cashflow hedges	19	0.2	-
Currency translation adjustments	24	5.0	0.4
Net gains/(losses) recognised directly in equity		0.4	(17.2)
Total recognised income and expense for the year		13.5	(5.4)

The accompanying notes on pages 40 to 83 form an integral part of the consolidated financial statements.

BSI Group
Consolidated Balance Sheet
at 31 December 2008

	Notes	2008 Total £m	2007 Total £m
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	12.2	13.7
Goodwill	*14*	23.3	22.5
Intangible assets	*14*	8.1	5.9
Investment	*15*	0.1	-
Deferred tax assets	*16*	25.5	24.3
Total non-current assets		69.2	66.4
Current assets			
Trade and other receivables	*18*	47.3	38.3
Current tax assets		0.3	-
Derivative financial instruments	*19*	0.2	-
Cash and short term deposits	*20*	28.9	25.6
Total current assets		76.7	63.9
Total assets		145.9	130.3
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*16*	(2.7)	(2.6)
Retirement benefit obligations	*23*	(75.8)	(79.0)
Provisions for liabilities and charges	*22*	(3.0)	(3.0)
Total non-current liabilities		(81.5)	(84.6)
Current liabilities			
Trade and other payables	*21*	(45.8)	(39.2)
Current tax payables		(1.6)	(2.3)
Provisions for liabilities and charges	*22*	(0.6)	(1.3)
Total current liabilities		(48.0)	(42.8)
Total liabilities		(129.5)	(127.4)
Net assets		16.4	2.9
RESERVES			
Retained earnings	*24*	11.6	3.1
Translation reserve	*24*	4.8	(0.2)
Total reserves		16.4	2.9

The accompanying notes on pages 40 to 83 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 37 to 83 were approved by the Board of Directors on 20 March 2009 and were signed on its behalf by:

Martin Hannah
Group Finance Director
20 March 2009

BSI Group
Consolidated Cash Flow Statement
for the year ended 31 December 2008

	Notes	2008 Total £m	2007 Total £m
Profit before income tax		19.2	18.8
Adjustments for:			
Depreciation of property, plant and equipment	7	3.1	2.2
Amortisation of intangible assets	7	1.4	1.3
Retirement benefit charges	8	4.3	3.6
Loss on disposal of property, plant and equipment	7	0.1	0.2
Loss on sale of intangible assets	7	-	0.1
Movement in contingent consideration	14	-	0.2
Impairment of computer software	7	0.4	-
Impairment of goodwill	7	-	1.6
Interest income	11	(1.2)	(1.0)
Interest expense	11	2.8	1.1
Decrease in inventories		-	0.2
Increase in trade and other receivables		(8.3)	(3.0)
Decrease in derivative financial instruments		-	0.3
Increase / (decrease) in trade and other payables		7.1	(0.3)
Decrease in provisions and other liabilities		(0.7)	(0.6)
Retirement benefit payments	23	(17.0)	(12.0)
Cash generated from operations		11.2	12.7
Interest received		1.2	1.0
Income tax paid		(6.4)	(1.3)
Net cash generated from operating activities		6.0	12.4
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(2.0)	(4.1)
Purchases of intangible assets	14	(3.1)	(1.9)
Net cash used in investing activities		(5.1)	(6.0)
Cash flows from financing activities			
Repayment of borrowings		-	(0.9)
Net cash flows used in financing activities		-	(0.9)
Net increase in cash and cash equivalents		0.9	5.5
Opening cash and cash equivalents	20	25.6	20.3
Exchange gains/(losses) on cash and cash equivalents		2.4	(0.2)
Closing cash and cash equivalents	20	28.9	25.6

The accompanying notes on pages 40 to 83 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

1. Corporate information

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

The principal activities of The British Standards Institution ("the Company") and its subsidiaries (together "the Group") are disclosed in Note 2c and Note 27 respectively.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 20 March 2009.

2. Principal accounting policies

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

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related IFRIC interpretations as adopted by the European Union. They have been prepared on a going-concern basis under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. As permitted under the Companies Act 1985 the results of the Company are prepared and presented separately under UK GAAP.

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

The consolidated financial statements are presented in British pounds sterling (£) and all values are rounded to the nearest £100k except when otherwise indicated.

i. Interpretation effective in 2008

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements.

2. Principal accounting policies (continued)

a. Basis of preparation (continued)

ii. Interpretations effective in 2008 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions'; and

- IFRIC 12, 'Service Concession Arrangements'.

iii. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union (EU). The Group will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The standard is still subject to endorsement by the EU. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IFRS 8, 'Operating Segments' (effective from 1 January 2009). The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it is not expected to have any impact on the Group's financial statements.

- IFRS 3 (Revised), 'Business Combinations'. The revised standard is still subject to endorsement by the EU. The Group will apply IFRS 3 (Revised) to any acquisitions made after 1 January 2010.

- IFRS 5 (Amendment), 'Non-Current Assets Held-For-Sale and Discontinued Operations'. The amendment to the standard is still subject to endorsement by the EU. The Group will apply IFRS 5 (Amended) to all partial disposals of subsidiaries from 1 January 2010.

- IAS 27 (Revised), 'Consolidated and Separate Financial Statements'. The revised standard is still subject to endorsement by the EU. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) to transactions with non-controlling interests from 1 January 2010.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

2. Principal accounting policies (continued)

a. Basis of preparation (continued)

iii. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- IAS 28 (Amendment), 'Investment in Associates'. The amendment to the standard is still subject to endorsement by the EU. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply IAS 28 (Amended) to impairment tests related to investments in associates and any related impairment losses from 1 January 2009, but it is currently not applicable to the Group as there are no investments in associates.

- IAS 36 (Amendment), 'Impairment of Assets'. The amendment to the standard is still subject to endorsement by the EU. The Group will apply IAS 36 (Amended) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 38 (Amendment), 'Intangible Assets'. The amendment to the standard is still subject to endorsement by the EU. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply IAS 38 (Amended) from 1 January 2009 but it is currently not applicable to the Group.

- IAS 19 (Amendment), 'Employee Benefits'. The amendment to the standard is still subject to endorsement by the EU. The Group will apply IAS 19 (Amended) to its defined benefit obligations from 1 January 2009.

- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'. The amendment to the standard is still subject to endorsement by the EU. The Group will apply IAS 39 (Amended) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

- IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment to the standard is still subject to endorsement by the EU. The Group will apply IAS 1 (Amended) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

- There are a number of minor amendments to IFRS 7, 'Financial Instruments: Disclosures', IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', IAS 10, 'Events After the Reporting Period' and IAS 18, 'Revenue', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). The amendments to the standards are still subject to endorsement by the EU. These amendments are unlikely to have an impact on the Group's financial statements and have, therefore, not been analysed in detail.

iv. Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- IFRS 1 (Amendment), 'First time adoption of IFRS' (effective from 1 January 2009).

2. Principal accounting policies (continued)

a. Basis of preparation (continued)

iv. Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations (continued)

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).

- IFRIC 15, 'Agreements for Construction of Real Estates' (effective from 1 January 2009).

- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective from 1 October 2008).

- IFRIC 17, 'Distributions of Non-cash Assets to Owners' (effective 1 July 2009).

- Amendments to IAS 32 and IAS 1, 'Puttable financial instruments and obligations arising on liquidation' (amendments applicable from 1 January 2009).

- Amendment to IAS 16, 'Property, plant and equipment' (amendment applicable from 1 January 2009).

- Amendment to IAS 27, 'Consolidated and Separate Financial Statements' (amendment applicable from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial Instruments: Recognition and Measurement', is classified as held for sale under IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

- Amendment to IAS 28, 'Investment in Associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures') (amendments applicable from 1 January 2009). Where an investment in an associate is accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', only certain, rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in an associate to be equity accounted in the Group's consolidated accounts.

- Amendment to IAS 29, 'Financial Reporting in Hyperinflationary Economies' (amendment applicable from 1 January 2009).

- Amendment to IAS 31, 'Investment in Joint Interests' (amendment applicable from 1 January 2009).

- Amendment to IAS 38, 'Intangible Assets' (amendment applicable from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the Group's operations, as all intangible assets (other than goodwill) are amortised using the straight-line method.

- Amendment to IAS 40, 'Investment Property' (amendment applicable from 1 January 2009).

2. Principal accounting policies (continued)

a. Basis of preparation (continued)

iv. Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations (continued)

- Amendment to IAS 41, 'Agriculture' (amendment applicable from 1 January 2009).

- Amendment to IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance' (amendment applicable from 1 January 2009).

- The minor amendments to IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', and IAS 29, 'Financial Reporting in Hyperinflationary Economies', IAS 34, 'Interim Financial Reporting', IAS 40, 'Investment Property', and IAS 41, 'Agriculture', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments will not have an impact on the Group or Company's operations as described above.

b. Basis of consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

c. Segment reporting

For management and internal reporting purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its primary segment information.

BSI British Standards develops and sells standards and standardisation solutions to meet the needs of business and society. It represents UK economic and social interests across all European and international standards organisations, and develops products and services to help organisations implement best practice, manage business-critical decisions and achieve operational excellence.

BSI Management Systems provides assessment and certification of management systems and specialised schemes worldwide. It also offers a range of training services covering information and knowledge on standards, regulatory approval and business improvement, as well as providing software solutions to help organisations improve business efficiency and reduce risk.

BSI Product Services delivers product and services testing and certification for a huge variety of industrial and consumer products such as construction, fire safety, electrical, electronic and engineering products, and medical devices to ensure that vital safety and performance requirements are met.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

2. Principal accounting policies (continued)

d. Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of transaction. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

iii. Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserves. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

e. Property, plant and equipment

All items of property, plant and equipment are initially recorded at historical cost. The historical cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. Subsequent costs are included in the asset's carrying amount or recognised 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, all items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Principal accounting policies (continued)

e. Property, plant and equipment (continued)

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

	%
Freehold buildings	5
Plant, machinery and office equipment	10-33
Computer equipment	20-33

Freehold and leasehold properties are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Short leasehold assets are depreciated over the period of the lease.

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

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

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

f. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets (other than goodwill) are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

i. Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually, or more frequently if events and circumstances indicate that goodwill might be impaired. Impairment losses on goodwill are not reversed.

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

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

2. Principal accounting policies (continued)

f. Intangible assets (continued)

ii. Computer software

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over 3-5 years, or the length of licence as appropriate.

Costs associated with developing or maintaining software programs are recognised as an expense as incurred. Costs that are directly associated with development of identifiable software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

Costs include the software development employee costs and an appropriate portion of relevant overheads. The application and infrastructure development costs of product delivery websites are also capitalised where the same criteria can be met. These assets are amortised on a straight-line basis over 3 years.

iii. Acquired intangible assets

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

Acquired intangibles include customer relationships and intellectual property. These are capitalised based on valuations using discounted cash-flow analysis and amortised on a straight line basis over their estimated useful economic lives. The estimated useful life of these intangible assets is 5-10 years.

g. Impairment of non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Goodwill and assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested at least annually for impairment.

An impairment loss is recognised 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).

2. Principal accounting policies (continued)

g. Impairment of non-financial assets (continued)

Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

h. Financial assets

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

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (Note 2j and 2k).

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2j.

i. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently revised at their fair value. As the Group does not apply hedge accounting to derivatives they are classified as "at fair value through the profit and loss", and changes in the fair value of such derivatives at the end of the financial year are recognised immediately in the income statement.

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

2. Principal accounting policies (continued)

i. Derivative financial instruments (continued)

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

j. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

k. Cash and cash equivalents

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

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

l. Trade payables

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

m. Current and deferred income tax

Current income tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, in respect of temporary differences between the carrying amount of the Group's assets and liabilities and their tax base. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/(loss). Deferred income tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

2. Principal accounting policies (continued)

m. Current and deferred income tax (continued)

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

n. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of economic outflow can be reliably estimated.

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 recognised 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 Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, using an appropriate discount 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 interest expense.

o. Employee benefits

i. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

ii. Bonus plans

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

p. Retirement benefit obligations

i. Defined benefit pension schemes

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

The Group’s net obligation in respect of their defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service to date. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

2. Principal accounting policies (continued)

p. Retirement benefit obligations (continued)

i. Defined benefit pension schemes (continued)
The valuation is performed by an independent qualified actuary as determined by the trustees at intervals of not more than three years, to determine the rates of contribution payable. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. In any intervening years, the actuaries review the continuing appropriateness of the contribution rates.

The income statement charge is split between an operating charge and a net finance charge. The operating charge reflects the service costs which are spread systematically over the working lives of the employees. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme, based on conditions prevailing at the start of the year.

Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the statement of recognised income and expense.

ii. Defined contribution pension schemes
The Group pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts.

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

The Group recognises 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 described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

2. Principal accounting policies (continued)

q. Revenue (continued)

ii. Rendering of services (continued)

Membership, subscriptions and annual management fees provide varying levels of service within the different divisions of BSI, which can include access to BSI information services, access to published standards information, newsletters, advisory services, discounts on products and invitations to events and seminars. Revenue is spread over the life of the arrangement, which is normally 1 year but can vary depending on the level of service and specific agreements with customers.

iii. Copyright and royalty income

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

iv. Interest income

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

r. Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of 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.

s. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

t. Leases

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

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

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

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

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

2. Principal accounting policies (continued)

u. Long term incentive plan

The Group has a long-term incentive plan as referred to in the report of the Remuneration Committee. The costs of the plan have been accrued and charged to the profit and loss account over the period of the plan so as to accrue, on a pro-rata basis, the anticipated incentive payments that may vest.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

a. Market risk

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

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

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

The exposure of the Group's operating profit to movements in foreign currency is expressed below. This analysis considers the impact of an adverse change of 10% in the exchange rate between Sterling and the most significant foreign currencies used in the Group.

Currency	Year-end exchange rate	Exchange rate modelled	Adverse impact on operating profit
US dollar	1.45	1.60	(£0.8m)
Euro	1.03	1.14	(£0.2m)
Chinese Renminbi	9.92	10.91	(£0.2m)
Japanese Yen	130.86	143.90	(£0.5m)
Total			(£1.7m)

A similar movement of 10% in Sterling against all of the currencies in which the Group has exposure would result in an adverse operating profit impact of £2.9m.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

3. Financial risk management (continued)

b. Credit risk

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

The Group's credit risk from banking institutions is considered to be low. The majority of funds are held in the UK with HSBC and Barclays. Furthermore we have a global banking arrangement with HSBC resulting in most overseas funds being held with them. The majority of funds are held with banks with a minimum S&P "AA" rating. Given the limitations of banking facilities in some overseas countries, banks with S&P "BBB" ratings are sometimes used as no S&P "AA" ratings banks are available. In two cases banks with S&P "BB" ratings are used but the Group has minimal exposure to them.

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

c. Liquidity risk

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

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

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2008	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables	45.8	-	-	-

At 31 December 2007	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables	39.2	-	-	-

d. Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to short-term nature of trade receivables and payables.

4. Critical accounting estimates and judgements

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

a. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that could potentially result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

i. Impairment of goodwill

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

ii. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax enquiry issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

iii. Deferred tax assets

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

iv. Pensions

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

4. Critical accounting estimates and judgements (continued)

a. Critical accounting estimates and assumptions (continued)

iv. Pensions (continued)

The liability using a discount rate of 6.0% is £257.7 million (2007: £275.3 million). For an increase in the discount rate of 0.5% the liabilities reduce to approximately £236.9 million (2007: £251.0 million). For a decrease in the discount rate of 0.5% the liabilities will increase to approximately £282.0 million (2007: £301.0 million). The average age of death for a male pensioner presently aged 65 is age 87.3 (2007: 86.8). For an increase of one year in longevity the liability increases from £257.7 million to £264.9 million (2007: £275.3 million to £283.0 million).

The liabilities have been calculated by and the assumptions set on the recommendations of an independent qualified actuary. The demographic assumptions used are consistent with the funding actuarial valuation being carried out by the Trustees of the Scheme.

v. Business disposals

In relation to the disposal of businesses, BSI has given warranties and indemnities to the purchasers. In respect of these, the Group has made provisions in respect of both the costs of exit from certain operations. In each of these cases the Group has sought appropriate expert advice and has calculated its provisions accordingly. These provisions are shown under "Other provisions" in Note 22.

b. Critical judgements in applying the entities' accounting policies

i. Purchase price allocation for acquisitions

The price paid for acquired entities is allocated between the fair values of net assets acquired. Net assets acquired include identifiable assets such as customer relationships and intellectual property. These intangible assets are amortised over their assessed useful economic lives which results in a charge to the income statement. Both the initial value assigned to the intangible assets and the period over which they are amortised have a direct impact on the Group's reported result for the period. If the discount rate used to value identifiable assets such as customer relationships and intellectual property were to increase by 1% then the value of identifiable intangible assets would decrease by £0.1 million (2007: £0.1 million).

5. Segment information

Business segments

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Secondary segment information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management and internal reporting purposes, the Group is organised into three operating divisions; BSI British Standards, BSI Management Systems and BSI Product Services. These divisions are the basis on which the Group reports its primary segment information.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

5. Segment information (continued)

The segment results for the year ended 31 December 2008, reconciled to consolidated profit for the year, are as follows:

2008	BSI British Standards £m	BSI Management Systems £m	BSI Product Services £m	Group £m
Total segment revenue	46.9	135.0	24.0	205.9
Inter-segment revenue	(0.3)	(3.2)	(0.1)	(3.6)
Revenue	46.6	131.8	23.9	202.3
Segment result	**12.2**	**14.2**	**1.2**	**27.6**
Unallocated costs				(2.8)
Unallocated exceptional operating costs				(4.0)
Operating profit				20.8
Finance income				1.2
Finance costs				(2.8)
Profit before income tax				19.2
Income tax expense				(6.1)
Profit for the year				**13.1**

Other segment items included in the consolidated income statement are as follows:

2008	BSI British Standards £m	BSI Management Systems £m	BSI Product Services £m	Unallocated £m	Group £m
Depreciation and amortisation (Notes 13 and 14)	1.1	2.4	1.0	-	4.5
Impairment of computer software (Note 14)	0.2	0.1	0.1	-	0.4
(Reversal of provision)/provision for impairment of trade receivables (Note 18)	(0.2)	0.5	0.1	-	0.4

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

5. Segment information (continued)

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

2008	BSI British Standards £m	BSI Management Systems £m	BSI Product Services £m	Unallocated £m	Group £m
Assets	24.3	69.5	13.4	38.7	145.9
Liabilities	(18.2)	(26.1)	(6.0)	(79.2)	(129.5)
Net assets/(liabilities)	**6.1**	**43.4**	**7.4**	**(40.5)**	**16.4**
Capital expenditure	1.2	2.1	1.1	0.5	**4.9**

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

2008	Assets £m	Liabilities £m
Segment assets/(liabilities)	107.1	(50.3)
Unallocated:		
Deferred taxation	22.6	-
Current taxation	3.3	-
Provisions	-	(3.4)
Retirement benefit obligations	-	(75.8)
Cash and cash equivalents	12.9	-
Total	**145.9**	**(129.5)**

5. Segment information (continued)

The segment results for the year ended 31 December 2007, reconciled to consolidated profit for the year, are as follows:

2007	BSI British Standards £m	BSI Management Systems £m	BSI Product Services £m	Group £m
Total segment revenue	44.4	115.5	22.0	181.9
Inter-segment revenue	(0.5)	(2.2)	(0.2)	(2.9)
Revenue	43.9	113.3	21.8	179.0
Segment result	**9.4**	**11.7**	**0.5**	**21.6**
Unallocated central costs				(1.8)
Unallocated exceptional operating costs				(0.9)
Operating profit				18.9
Finance income				1.0
Finance costs				(1.1)
Profit before income tax				18.8
Income tax expense				(7.0)
Profit for the year				**11.8**

Other segment items included in the consolidated income statement are as follows:

2007	BSI British Standards £m	BSI Management Systems £m	BSI Product Services £m	Unallocated £m	Group £m
Depreciation and amortisation (Notes 13 and 14)	0.8	2.0	0.7	-	**3.5**
Impairment of goodwill (Note 14)	-	1.6	-	-	**1.6**
Provision/(reversal of provision) for impairment of trade receivables (Note 18)	0.1	(0.1)	0.1	-	**0.1**

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

5. Segment information (continued)

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

2007	BSI British Standards £m	BSI Management Systems £m	BSI Product Services £m	Unallocated £m	Group £m
Assets	23.5	56.5	12.7	37.6	**130.3**
Liabilities	(17.0)	(22.3)	(5.0)	(83.1)	**(127.4)**
Net assets/(liabilities)	**6.5**	**34.2**	**7.7**	**(45.5)**	**2.9**
Capital expenditure	1.1	2.0	1.1	1.8	**6.0**

Segments assets and liabilities are reconciled to entity assets and liabilities as follows:

2007	Assets £m	Liabilities £m
Segment assets/(liabilities)	92.7	(44.3)
Unallocated:		
Deferred taxation	22.2	-
Current taxation	2.9	-
Provisions	-	(4.1)
Retirement benefit obligations	-	(79.0)
Cash and cash equivalents	12.5	-
Total	130.3	(127.4)

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash and short term deposits. Unallocated assets include deferred taxation.

Segment liabilities comprise primarily trade and other payables and provisions. Unallocated liabilities include current and deferred taxation, central provisions, derivative financial instruments and the Group's retirement benefit obligation.

Capital expenditure comprises additions to property, plant and equipment (Note 13) and intangible assets (Note 14).

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

5. Segment information (continued)

Geographical segments

The Group has offices in 54 countries worldwide, and manages its international operations based on 4 principal geographic regions. These regions are the basis for geographical segment reporting.

As stated in the accounting policies, each geographical segment provide products and services within a particular economic environment that is subject to different risks and returns from the other geographical segments.

Revenue is allocated based on the country in which customer is located and excludes intercompany trading.

	Revenue	
	2008	2007
	£m	£m
United Kingdom	**88.2**	81.0
Continental Europe, Middle East and Africa	**26.3**	22.0
Americas	**44.4**	37.5
Asia	**43.4**	38.5
Total	**202.3**	179.0

Total assets and capital expenditure are allocated based on where the assets are located.

	Total assets		Capital expenditure	
	2008	2007	**2008**	2007
	£m	£m	**£m**	£m
United Kingdom	**91.4**	87.5	**4.2**	4.5
Continental Europe, Middle East and Africa	**12.4**	8.8	**0.1**	0.1
Americas	**16.6**	12.6	**0.3**	0.3
Asia	**25.5**	21.4	**0.3**	1.1
Total	**145.9**	130.3	**4.9**	6.0

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

6. Revenue

Revenue recognised in the income statement is analysed as follows:

	2008 £m	2007 £m
Sale of goods	**10.3**	8.9
Rendering of services	**180.6**	158.1
Copyright and royalty income	**11.4**	12.0
Total	**202.3**	179.0

7. Operating profit

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

	Notes	2008 £m	2007 £m
Employee benefit expense	*8*	**93.9**	82.7
Depreciation	*13*	**3.1**	2.2
Amortisation	*14*	**1.4**	1.3
Provision for impairment of receivables	*18*	**0.4**	0.1
Operating lease payments for plant and machinery		**0.1**	0.4
Operating lease payments for land and buildings		**3.7**	3.5
Loss on disposal of property, plant and equipment		**0.1**	0.2
Loss on sale of intangible assets		**-**	0.1
Impairment of computer software		**0.4**	-
Impairment of goodwill		**-**	1.6
Loss on forward foreign currency contracts		**1.0**	-
Other exchange (gains)/losses		**(0.5)**	(1.2)
Auditors' remuneration:			
Fees payable to the Group's auditors for the Group audit		**0.3**	0.3
Fees payable to the Group's auditors and their associates for			
Audit of subsidiary company accounts pursuant to legislation		**-**	-
Tax advisory services		**-**	0.1
Other advisory services		**0.1**	0.2

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

7. Operating profit (continued)

Operating exceptional costs

	2008 £m	2007 £m
Restructuring and reorganisation costs	**4.0**	0.9
Goodwill impairment – Australia (Note 14)	-	1.6
	4.0	2.5

In 2008 re-structuring and re-organisation costs comprised:

- £3.4m relates to the costs of termination following a major reorganisation in Product Services and includes compensation for loss of office following significant changes in senior management during the year.
- £0.6m relates to further costs of a high level strategic review of the constraints and opportunities facing the Group.

In 2007 re-structuring and re-organisation costs of £0.9 million are related to a high level strategic review of the constraints and opportunities facing the Group. A charge of £1.6 million was also taken in respect of goodwill impairment relating to the 2006 acquisition of the Group's operations in Australia. The prospects for growth in this business remain strong. However this impairment recognised that the integration of the Australian operations into the Group has taken longer than originally projected.

The corporation tax credit on operating exceptional items amounts to £1.1 million (2007: £0.8 million).

8. Employee benefit expense

	Notes	2008 £m	2007 £m
Wages and salaries (include termination benefits of £3.9 million, £3.4 million of which, are further detailed in Note 7 (2007: £Nil million)		**78.3**	69.6
Social security costs		**7.9**	7.3
Pension costs – defined benefit	*23bii*	**4.3**	3.6
Pension costs – defined contribution	*23a*	**3.4**	2.2
Employee benefit expense charged in arriving at operating profit	*7*	**93.9**	82.7
Pension costs finance expense	*11, 23bii*	**2.8**	1.1
Total employee benefit expense charged in arriving at profit before income tax		**96.7**	83.8

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

8. Employee benefit expense (continued)

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

	2008 Number	2007 Number
Production, assessment, training and laboratory	**1,204**	1,339
Sales and distribution	**380**	399
Administration	**812**	622
	2,396	2,360

9. Directors' emoluments

The emoluments of the Executive and Non-executive Board members during the year were as follows:

	Salary and fees £	Benefits £	Bonus £	Compensation for loss of office £	2008 Total £	2007 Total £
Executive						
Howard Kerr (appointed 3 November 2008)	52,500	547	25,000	-	**78,047**	-
Stevan Breeze* (resigned 2 July 2008)	231,587	16,439	-	1,170,000	**1,418,026**	774,274
Charles McCole (resigned 5 February 2007)	-	-	-	-	-	68,564
Mike Low	249,050	20,890	171,600	-	**441,540**	376,121
Martin Hannah (appointed 3 September 2007)	248,673	2,330	188,000	-	**439,003**	131,131
Non-Executive						
Sir David John (Chairman)	**270,000	-	-	-	**270,000**	145,000
Norman Price	25,000	-	-	-	**25,000**	25,000
Michael French	35,000	-	-	-	**35,000**	35,000
John Regazzi	25,000	-	-	-	**25,000**	25,000
Anthony Lea (appointed 1 July 2007)	29,583	-	-	-	**29,583**	12,500
Aggregate emoluments	**1,166,393**	**40,206**	**384,600**	**1,170,000**	**2,761,199**	1,592,590

* Highest paid Director

** Includes £125k of remuneration in respect of temporary assumption of Chief Executive role (July – Dec 2008)

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

9. Directors' emoluments (continued)

Benefits in kind include, where appropriate, the provision of company car, fuel and medical insurance. None of the Board Directors waived emoluments in respect of the two years ended 31 December 2008.

Details of the pension benefits earned under the Group's defined benefit scheme by the Executive Board members during the year are as set out below:

	Stevan Breeze £
Increase in accrued benefits	-
Accrued pension benefit at 2 July 2008 (£ p.a.)	24,374
Transfer value of accrued benefits at 31 December 2008	574,000
Transfer value of accrued benefits at 31 December 2007	455,000
Change in transfer value for the period less Director's contributions	116,000
Increase in pension entitlement earned in the year net of inflation	1,055
Transfer value of increase in accrued benefits less Director's contributions net of inflation	30,800

The accrued pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current period and accrues within a defined benefit scheme.

The increase in the additional pension earned during the year excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. It does not represent a sum payable to individual Directors and it cannot, therefore, be added meaningfully to annual remuneration.

Contributions of £33,925 (2007: £7,000) were made to the BSI Stakeholder Plus Plan for Martin Hannah. In prior year, contributions of £1,667 were made to the BSI Stakeholder Plus Plan for Charles McCole prior to his resignation on 5 February 2007. No contributions were made to the BSI Stakeholder Plus Plan for Mike Low in 2007 and 2008.

Non-executive Directors are not eligible to join the Company's pension arrangements.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

9. Directors' emoluments (continued)

In 2006 a Long Term Incentive Plan (LTIP) for the period of 2006-2008 was introduced for a number of key executives, based upon demanding growth criteria linked to the Group Strategic Plan. The Remuneration Committee has also approved a second (for the period 2007-2009) and third Plan (for the period 2008-2010), based on similar criteria. Interests of Directors in the LTIP are shown below.

Executive Directors	Notional Award b/fwd at 1 January 2008 (PPU[1] Units)	Granted in year (PPU[1] Units)	Lapsed in year (PPU[1] Units)	Vested in year (PPU[1] Units)	Notional Award c/fwd at 31 December 2008 (PPU[1] Units)	Potential interest in awards at 31 December 2008 (£)	Earliest Vesting Date
S Breeze[2]	412,050	247,900[3]	(659,950)	-	-	-	lapsed
M Low	166,000	95,000[3]	-	-	261,000	253,750	1/1/2009
M Hannah	81,667	105,000[3]	-	-	186,667	106,945	1/1/2010

[1] Profit Participation Units
[2] S Breeze left the Company on 2 July 2008, therefore his awards have now lapsed
[3] Granted 1 January 2008

In order for a PPU to vest, a threshold level of profit growth must be achieved for the Plan period. The threshold has been set with reference to the Group Strategic Plan and external benchmarks. The Plan also provides for a 'cap' on any potential payout. As a Royal Charter company the use of 'TSR' or 'EPS' related performance measures is not possible.

10. Operating leases

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

A number of leased properties in the UK have been sublet by the Group. Annual income from subleases in the period was £1.3 million (2007: £1.2 million). The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date is £4.7 million (2007: £2.1 million). The Group has recognised a provision in respect of any surplus or sub-let properties (see Note 22).

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

The Group leases office properties around the world. Overseas leases are typically for 5 years or less.

			2008			2007
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
No later than 1 year	**5.3**	**0.4**	**5.7**	4.8	0.3	5.1
Later than 1 year and no later than 5 years	**16.1**	**0.5**	**16.6**	16.4	2.1	18.5
Later than 5 years	**7.0**	**-**	**7.0**	9.9	-	9.9
	28.4	**0.9**	**29.3**	31.1	2.4	33.5

Significant leases in the UK are no longer than 15 years. Other UK leases are up to 25 years and have less than 10 years to expiry.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

11. Finance income and expense

	2008 £m	2007 £m
Bank interest receivable on cash and short term deposits	1.2	1.0
Finance income	1.2	1.0

	2008 £m	2007 £m
Net pension scheme interest cost less return on pension scheme assets (see Note 8 and Note 23bii)	(2.8)	(1.1)
Finance expense	(2.8)	(1.1)

12. Income tax expense

	2008 £m	2007 £m
Current tax	4.8	5.5
Deferred tax (Note 16)		
Origination and reversal of temporary differences	1.7	1.5
Impact of change in UK tax rate	(0.4)	-
Total income tax expense	6.1	7.0

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

12. Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average UK statutory tax rate of 28.5% (2007: 30%) applicable to profits of the consolidated entities as follows:

	2008 £m	2007 £m
Profit before tax	**19.2**	18.8
Tax calculated at the weighted average UK statutory tax rate of 28.5% (2007: 30%)	**5.5**	5.7
Effects of:		
Items not deductible for tax purposes	**0.3**	1.0
Higher tax rates on overseas earnings	**0.8**	0.3
Unrelieved group tax losses	-	0.2
Adjustments to tax charge in respect of previous periods:		
UK	**(0.4)**	0.1
Foreign	**(0.1)**	(0.3)
Total income tax expense	**6.1**	7.0

With effect from 1 April 2008, the UK corporation tax rate reduced from 30% to 28% so a blended rate of 28.5% applied to the profits for the year to 31 December 2008. The deferred tax balances at 31 December 2008 have been re-measured at the 28% tax rate.

The effective tax rate (ETR) on profits before tax and goodwill impairment for underlying business operations for the year is 31.8% (2007: 34.3%). The ETR at 31.8% comprises the UK Group taxed at a 28.5% statutory tax rate, higher overseas taxes (USA 41%, Japan 41%) combining to increase the ETR by 3.9% and tax non-deductible items and prior year adjustments reducing the ETR by 0.6%.

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

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

13. Property, plant and equipment

	Land and buildings				
	Freehold £m	Short leases/ leaseholds £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2007	7.8	2.3	1.2	21.2	**32.5**
Additions	0.2	0.2	1.8	1.9	**4.1**
Disposals	(0.4)	(0.4)	-	(9.8)	**(10.6)**
Reclassifications	0.3	0.1	(0.6)	0.2	-
Reclassifications to computer software (Note 14)	-	-	(0.4)	-	**(0.4)**
Exchange differences	-	-	-	0.2	**0.2**
At 31 December 2007	7.9	2.2	2.0	13.7	**25.8**
Additions	0.1	0.1	0.8	1.0	**2.0**
Disposals	(0.1)	(0.5)	-	(0.3)	**(0.9)**
Reclassifications	-	1.7	(1.7)	-	-
Reclassifications to computer software (Note 14)	-	-	(0.6)	-	**(0.6)**
Exchange differences	-	-	-	1.3	**1.3**
At 31 December 2008	7.9	3.5	0.5	15.7	**27.6**
Accumulated Depreciation					
At 1 January 2007	(2.1)	(1.3)	-	(16.6)	**(20.0)**
Charge for the year (Note 7)	(0.1)	(0.3)	-	(1.8)	**(2.2)**
Disposals	0.4	0.4	-	9.6	**10.4**
Exchange differences	(0.1)	-	-	(0.2)	**(0.3)**
At 31 December 2007	(1.9)	(1.2)	-	(9.0)	**(12.1)**
Charge for the year (Note 7)	(0.2)	(0.5)	-	(2.4)	**(3.1)**
Disposals	0.1	0.4	-	0.3	**0.8**
Exchange differences	-	-	-	(1.0)	**(1.0)**
At 31 December 2008	(2.0)	(1.3)	-	(12.1)	**(15.4)**
Net book value at 31 December 2008	**5.9**	**2.2**	**0.5**	**3.6**	**12.2**
Net book value at 31 December 2007	6.0	1.0	2.0	4.7	13.7

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

Capital commitments in respect of property, plant and equipment
Capital expenditure of £0.2 million (2007: £nil) has been contracted for but not provided in the financial statements.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

14. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships & intellectual property £m	Total £m
Cost				
At 1 January 2007	26.9	14.0	3.8	**44.7**
Additions	0.3	1.4	0.2	**1.9**
Disposals	-	(2.9)	-	**(2.9)**
Movement in contingent consideration[1]	(0.2)	-	-	**(0.2)**
Reclassifications from property, plant and equipment (Note 13)	-	0.4	-	**0.4**
Exchange differences	0.6	0.1	-	**0.7**
At 31 December 2007	27.6	13.0	4.0	**44.6**
Additions	0.2	2.8	0.1	**3.1**
Disposals	-	(0.5)	-	**(0.5)**
Reclassifications from property, plant and equipment (Note 13)	-	0.6	-	**0.6**
Exchange differences	0.8	0.2	0.6	**1.6**
At 31 December 2008	28.6	16.1	4.7	**49.4**

[1]Management do not consider that the contingent consideration relating to the acquisition of Benchmark Certification Pty Ltd on 1 August 2006 will be payable and have accordingly reduced the associated goodwill by £0.2m.

	Goodwill £m	Computer software £m	Customer relationships & intellectual property £m	Total £m
Accumulated Amortisation and Impairment				
At 1 January 2007	(3.5)	(12.3)	(0.3)	**(16.1)**
Charge for the year (Note 7)	-	(0.7)	(0.6)	**(1.3)**
Impairment (Note 7)	(1.6)	-	-	**(1.6)**
Disposals	-	2.8	-	**2.8**
At 31 December 2007	(5.1)	(10.2)	(0.9)	**(16.2)**
Charge for the year (Note 7)	-	(0.8)	(0.6)	**(1.4)**
Impairment loss (Note 7)	-	(0.4)	-	**(0.4)**
Disposals	-	0.5	-	**0.5**
Exchange differences	(0.2)	(0.1)	(0.2)	**(0.5)**
At 31 December 2008	(5.3)	(11.0)	(1.7)	**(18.0)**
Carrying amount at 31 December 2008	**23.3**	**5.1**	**3.0**	**31.4**
Carrying amount at 31 December 2007	22.5	2.8	3.1	28.4

Customer relationships and intellectual property consist of intangible assets acquired through business combinations and capitalised training course development costs.

Amortisation charges are included within administrative expenses in the income statement. Impairment losses of goodwill are included in the exceptional operating costs in the income statement.

Capital commitments in respect of computer software
Capital expenditure of £0.1 million (2007: £nil) has been contracted for but not provided in the financial statements.

14. Intangible assets (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

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

	BSI British Standards £m	BSI Management Systems £m	BSI Product Services £m	**Total £m**
2008	**5.3**	**18.0**	-	**23.3**
2007	5.3	17.2	-	22.5

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering 3 years, based on financial budgets and strategic plans approved by the Board. Cash flows beyond the 3-year period are extrapolated using estimates of long term growth rates for the countries in which the cash generating units operate. These range between 2.67% and 10.62% (2007: 2.67% and 10.62%). Discount rates applied to the cash flow forecasts are derived using the capital asset pricing model and vary from 6.5% to 12.5% (2007: 11% to 17%) across the CGUs.

15. Investments

	£m
Cost at 1 January 2008	-
Exchange	**0.1**
Cost at 31 December 2008	**0.1**

The Group holds 28.5% of the equity in Globe S.r.l., a certification company incorporated in Italy. The investment cost of £46,000 at 1 January 2008 increased due to exchange to £63,000 at 31 December 2008.

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

16. Deferred tax

	2008 £m	2007 £m
Deferred tax assets:		
to be recovered after more than 12 months	**22.7**	19.9
to be recovered within 12 months	**2.8**	4.4
	25.5	24.3
Deferred tax liabilities:		
to be recovered after more than 12 months	**(2.1)**	(2.1)
to be recovered within 12 months	**(0.6)**	(0.5)
	(2.7)	(2.6)
Net deferred tax assets	**22.8**	21.7

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

16. Deferred tax (continued)

Gross movement on the deferred tax account

	2008 £m	2007 £m
Beginning of the year	21.7	18.2
Income statement tax charged (Note 12)	(1.3)	(1.5)
Tax credited to equity	1.9	5.0
Utilised/(released)	0.2	-
Exchange differences	0.3	-
End of year	22.8	21.7

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

Deferred tax liabilities

	Temporary differences £m	Total £m
At 1 January 2007 and 1 January 2008	(2.6)	(2.6)
Charged to the income statement	(0.1)	(0.1)
At 31 December 2008	(2.7)	(2.7)

Deferred tax assets

	Accelerated capital allowances £m	Pension £m	Losses £m	Other temporary differences £m	Total £m
At 1 January 2007	-	19.1	0.7	1.0	20.8
Credited to the income statement	0.3	0.7	-	0.3	1.3
Charged directly to equity	-	5.0	-	-	5.0
(Utilised)/released	-	(3.0)	(0.2)	0.4	(2.8)
Exchange differences	-	(0.1)	-	0.1	-
At 31 December 2007	0.3	21.7	0.5	1.8	24.3
Credited / (charged) to the income statement	0.1	(2.4)	0.3	0.8	(1.2)
Charged directly to equity	-	1.9	-	-	1.9
Released	-	-	0.2	-	0.2
Exchange differences	0.1	0.1	-	0.1	0.3
At 31 December 2008	0.5	21.3	1.0	2.7	25.5

The deferred tax credited directly to equity during the period was £1.9 million (2007: £5.0 million), which related to the retirement benefit obligation.

Deferred tax assets are recognised for tax carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. In prior years, the Group did not recognise deferred tax assets of £0.2 million in respect of losses amounting to £0.7 million that can be carried forward against future taxable income. Losses recognised for deferred tax may be carried forward indefinitely.

17. Financial instruments

a. Financial instruments by category

At 31 December 2008

	Loans and receivables £m	Derivatives used for hedging £m	**Total £m**
Assets as per balance sheet			
Trade and other receivables	47.3	-	47.3
Cash and cash equivalents	28.9	-	28.9
Derivative financial instruments	-	0.2	0.2
Total	76.2	0.2	**76.4**

	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	**Total £m**
Liabilities as per balance sheet			
Trade and other payables	-	45.8	45.8
Total	-	45.8	**45.8**

At 31 December 2007

	Loans and receivables £m	Assets at fair value through profit or loss £m	**Total £m**
Assets as per balance sheet			
Trade and other receivables	38.3	-	38.3
Cash and cash equivalents	25.6	-	25.6
Total	63.9	-	**63.9**

	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	**Total £m**
Liabilities as per balance sheet			
Trade and other payables	-	39.2	39.2
Total	-	39.2	**39.2**

b. Credit quality of financial assets

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

18. Trade and other receivables

	2008 Group £m	2007 Group £m
Trade receivables	34.1	26.8
Less: Provision for impairment of trade receivables	(0.6)	(0.6)
Trade receivables – net	33.5	26.2
Other receivables	3.2	2.1
Prepayments and accrued income	10.6	10.0
	47.3	38.3

Trade receivables are non-interest bearing and are generally on 30 - 60 days' (2007: 30 - 60 days') terms. Other receivables are non-interest bearing and are generally on 30 - 60 days' (2007: 30 - 60 days') terms.

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

The provision for impairment is against all receivables overdue by 1 year, and specific items over 3 months overdue. As of 31 December 2008, trade receivables of £8.2 million (2007: £9.5 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these overdue trade receivables is as follows:

	2008 £m	2007 £m
< 1 month	5.2	7.0
1 – 3 months	2.2	2.1
3 – 5 months	0.5	0.3
> 5 months	0.3	0.1
	8.2	9.5

As of 31 December 2008, trade receivables of £0.6 million (2007: £0.6 million) were impaired and fully provided for. The individually impaired receivables mainly relate to customers in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	2008 £m	2007 £m
< 1 month	-	-
1 – 3 months	0.1	0.1
3 – 5 months	0.1	0.1
> 5 months	0.4	0.4
	0.6	0.6

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

18. Trade and other receivables (continued)

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

	2008 £m	2007 £m
British pounds sterling	**22.4**	22.6
US dollars	**7.0**	3.9
Euros	**5.1**	3.1
Japanese yen	**3.4**	2.1
Chinese renminbi	**1.4**	1.1
Other currencies	**8.0**	5.5
	47.3	38.3

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

	2008 £m	2007 £m
At 1 January	**0.6**	0.7
Provision for impaired receivables	**0.6**	0.1
Receivables written off during the year as uncollectible	**(0.4)**	(0.2)
Unused amounts reversed	**(0.2)**	-
At 31 December	**0.6**	0.6

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

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

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

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

19. Derivative financial instruments

	2008 Group £m	2007 Group £m
Current assets		
Forward foreign exchange contracts – cash flow hedge	0.2	-
Current liabilities		
Forward foreign exchange contracts	-	-
	0.2	-

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2008 were £1.5 million (2007: £2.2 million).

The fair value of forward foreign currency contracts is determined using forward foreign exchange market rates at the balance sheet date.

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

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

20. Cash and short term deposits

	2008 Group £m	2007 Group £m
Cash at bank and in hand	17.7	8.6
Short term bank deposits	11.2	17.0
Cash and cash equivalents	28.9	25.6

No bank overdraft facilities were in use at 31 December 2008 (2007: none). The balance above corresponds to cash and cash equivalents for the purposes of the cash flow statement.

The fair value of cash and short term deposits is £28.9 million (2007: £25.6 million). The maximum exposure to credit risk at the reporting date is the fair value of cash and short term deposits mentioned above.

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

			2008			2007
	Floating rate £m	Non-interest bearing £m	Total £m	Floating rate £m	Non-interest bearing £m	Total £m
Currency						
British pounds sterling	16.7	2.3	19.0	16.6	1.6	18.2
US dollar	0.2	1.5	1.7	-	0.8	0.8
Euros	0.4	3.1	3.5	1.4	0.6	2.0
Japanese yen	0.5	-	0.5	1.5	-	1.5
Chinese renminbi	-	2.1	2.1	-	1.3	1.3
Other currencies	0.8	1.3	2.1	0.7	1.1	1.8
Total	18.6	10.3	28.9	20.2	5.4	25.6

21. Trade and other payables

	2008 Group £m	2007 Group £m
Trade payables	**4.6**	3.1
VAT and sales taxes	**2.2**	1.9
Other taxes and social security	**2.3**	1.9
Other payables	**2.2**	2.2
Deferred income	**15.4**	13.5
Accruals	**19.1**	16.6
	45.8	39.2

All the trade and other payables shown above are current.

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

	2008 £m	2007 £m
British pounds sterling	**33.0**	30.4
US dollars	**1.6**	1.1
Euros	**2.2**	1.4
Japanese yen	**3.2**	2.0
Chinese renminbi	**1.7**	1.0
Other currencies	**4.1**	3.3
	45.8	39.2

Trade payables are non-interest bearing and are generally on 30 - 60 days' (2007: 30 - 60 days') terms. Other payables are non-interest bearing and are generally on 30 - 90 days' (2007: 30 - 90 days') terms.

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

22. Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2007	0.8	4.1	**4.9**
Charge to income statement	0.8	0.2	**1.0**
Utilisation	-	(0.5)	**(0.5)**
Released	(0.8)	(0.3)	**(1.1)**
At 31 December 2007	0.8	3.5	**4.3**
Charge to income statement	0.1	0.2	**0.3**
Utilisation	-	(0.6)	**(0.6)**
Released	(0.2)	(0.2)	**(0.4)**
At 31 December 2008	**0.7**	**2.9**	**3.6**

22. Provisions for liabilities and charges (continued)

The property provisions are held against potential property exposures relating to surplus or sub-let properties.

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

Analysis of total provisions:

	2008 Group £m	2007 Group £m
Non-current	**3.0**	3.0
Current	**0.6**	1.3
	3.6	4.3

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

23. Retirement benefit obligations

The Group operates the following retirement benefit schemes:

a. Defined Contribution Scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Group offers a Group Personal Pension plan to all new UK employees. The costs for the period were £2.2 million (2007: £1.3 million).

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the period totalling £1.2 million (2007: £0.9 million).

b. Defined Benefit Scheme

The Group operates a UK contracted-out pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee administered fund. The scheme is closed to new entrants.

A valuation of the final salary scheme was carried out under the Government's Minimum Funding Requirement (MFR) as at 31 March 2004. This revealed a funding level of 80 per cent. The Group subsequently agreed a schedule of contributions with the Trustee which was put in place in December 2004. It required contributions of 15.4 per cent of salary until 6 April 2005 and 10.5 per cent of annual salary thereafter. This reflected changes to the benefit structure. In addition, in order to improve the funding level of the scheme, the Group also agreed to pay additional contributions of at least £8.7 million per annum until December 2014.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

23. Retirement benefit obligations (continued)

b. Defined Benefit Scheme (continued)

A new schedule of contributions was put in place on 30 March 2007 to allow for the new Salary Exchange arrangements. From 1 April 2007 the Group's contribution to meet future benefit accrual changed to 15.5 per cent of Reference Pay in respect of Salary Exchange members and 10.5 per cent of Basic Salary in respect of Salary Exchange Opt Out members. A formal valuation of the Scheme under the new Statutory Funding Objective is currently in progress.

The Group paid a total of £17.0 million in contributions to the fund during 2008 (2007: £12.0 million).

i. Balance sheet

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

	2008 £m	2007 £m
Present value of defined benefit obligations	(257.7)	(275.3)
Fair value of plan assets	181.9	196.3
Net liability in the balance sheet	**(75.8)**	(79.0)

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

	2008 £m	2007 £m
Opening defined benefit obligation	275.3	245.4
Current service cost	4.3	3.6
Interest cost	15.4	12.7
Contributions by plan participants	0.2	0.3
Actuarial (gains)/losses	(28.3)	20.8
Benefits paid	(9.2)	(7.5)
Curtailments	-	-
Closing defined benefit obligation	**257.7**	275.3

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

	2008 £m	2007 £m
Opening fair value of plan assets	196.3	181.7
Expected return on plan assets	12.6	11.6
Actuarial gains/(losses)	(35.0)	(1.8)
Contributions by employer	17.0	12.0
Contributions by plan participants	0.2	0.3
Benefits paid	(9.2)	(7.5)
Closing fair value of plan assets	**181.9**	196.3

The actual return on plan assets was £(22.4) million (2007: £9.8 million).

23. Retirement benefit obligations (continued)

b. Defined Benefit Scheme (continued)

ii. Income statement

The amounts recognised in the income statement are as follows:

	2008 £m	2007 £m
Amounts in net operating costs (Note 8)		
Current service cost	4.3	3.6
Past service cost	-	-
	4.3	3.6
Amounts in net finance expenses (Note 8 and Note 11)		
Interest cost	15.4	12.7
Expected return on plan assets	(12.6)	(11.6)
	2.8	1.1
Total amounts charged to the income statement (Note 8)	7.1	4.7

iii. Statement of recognised income and expense

	2008 £m	2007 £m
Net actuarial losses recognised in the year	(6.7)	(22.6)

iv. Assumptions

The principal actuarial assumptions used are as follows:

	2008 %pa	2007 %pa
Rate of general increase in salaries	4.50	4.75
Rate of increase of pensions in payment		
Pre April 1997 and post April 2005 excess over GMP pensions	3.00	3.00
Post April 1997 and pre April 2005 excess over GMP pensions	3.55	3.70
Rate of revaluation of deferred pensions in excess of the GMP	3.00	3.00
Discount rate	6.00	5.60
Inflation assumption	3.00	3.25

Life expectancy at age 65 for a member currently aged 45 is 28.4 years (men) or 31.4 years (women).
Life expectancy at age 65 for a member currently aged 65 is 26.8 years (men) or 29.7 years (women).

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

23. Retirement benefit obligations (continued)

b. Defined Benefit Scheme (continued)

iv. Assumptions (continued)

Plan assets are comprised as follows:

	Long term rate of return expected at 31 Dec 2008	Value at 31 Dec 2008 £m		Long term rate of return expected at 31 Dec 2007	Value at 31 Dec 2007 £m	
Equity	7.3%	96.9	53%	7.9%	126.9	64%
Bonds	4.7%	80.7	45%	5.1%	68.3	35%
Other	2.0%	4.3	2%	4.7%	1.1	1%
Weighted average return	6.1%			6.9%		
Total fair value of plan assets		**181.9**	**100%**		**196.3**	**100%**

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

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
As at 31 December					
Present value of defined benefit obligation	257.7	275.3	245.4	248.8	211.2
Fair value of plan assets	181.9	196.3	181.7	167.1	133.1
Deficit	75.8	79.0	63.7	81.7	78.1
Experience adjustments on plan liabilities	0.3	(10.0)	(1.1)	(7.6)	7.4
Experience adjustments on plan assets	(35.0)	(1.8)	(1.3)	18.4	5.7

Expected contributions to retirement benefit plans for the year ending 31 December 2009 are £13.6 million (2008: £17.0 million).

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

24. Reconciliation of movements in reserves

	Retained earnings £m	Translation reserve £m	Total £m
At 1 January 2007	8.9	(0.6)	**8.3**
Retained profit for the year	11.8	-	**11.8**
Actuarial losses related to retirement benefit obligations	(17.6)	-	**(17.6)**
Translation of overseas entities	-	0.4	**0.4**
At 31 December 2007	**3.1**	**(0.2)**	2.9
Retained profit for the year	13.1	-	**13.1**
Actuarial losses related to retirement benefit obligations	(4.8)	-	**(4.8)**
Cash flow hedges	0.2	-	**0.2**
Translation of overseas entities	-	5.0	**5.0**
At 31 December 2008	**11.6**	**4.8**	**16.4**

Retained earnings

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

Translation reserve

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

25. Contingent liabilities

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

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

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

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

26. Related party transactions

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

a. Pension scheme trustee

Transactions with the pension scheme trustee are disclosed in Note 23 Retirement Benefit Obligations.

b. Key management

The key management of the Group are the Executive and Non-executive Directors. Directors' emoluments and related transactions are disclosed in Note 9.

The Group has no other transactions with related parties.

27. Interests in Group undertakings

Interests in principal and other functional subsidiaries

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

All the above subsidiaries are controlled by the Group and are accounted for through acquisition accounting.
* Percentage of ordinary share capital

Facts and Figures as at 31 December 2008

	2008	2007
Subscribing Members	**15,507**	14,742
Committee Members	**8,248**	7,673
UK Technical Committees and subcommittees	**1,278**	1,247
Number of new standards published during the year	**1,831**	1,997
Current British Standards	**31,438**	30,211
UK secretariats of ISO technical/subcommittees	**82**	87
UK secretariats of IEC technical/subcommittees	**20**	21
UK secretariats of CEN technical committees	**71**	76
UK secretariats of CENELEC committees	**28**	28
Business locations registered by BSI	**68,000**	64,441
Notified Body status (under European Directives)	**17**	17
Number of BSI staff worldwide	**2,445**	2,301
Number of operating countries	**129**	124

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

The British Standards Institution Parent Company Financial Statements

Balance Sheet
at 31 December 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Intangible assets	*2*	0.5	0.5
Tangible assets	*3*	11.0	10.4
Investments	*4*	40.3	40.4
		51.8	51.3
Current assets			
Debtors	*5*	25.0	26.0
Short term investments		11.0	16.8
Cash at bank and in hand		10.6	2.6
		46.6	45.4
Creditors:			
Amounts falling due within one year	*6*	(33.7)	(30.6)
Net current assets		12.9	14.8
Total assets less current liabilities		64.7	66.1
Provisions for liabilities and charges	*7*	(0.9)	(1.2)
Net assets excluding defined benefit pension scheme liability		63.8	64.9
Pension liability, net of tax	*8, 10*	(54.6)	(57.3)
Net assets		9.2	7.6
Retained earnings	*11*	9.2	7.6

The accompanying notes on pages 86 to 96 form an integral part of the Parent Company financial statements.

The financial statements on pages 85 to 96 were approved by the Board of Directors on 20 March 2009 and were signed on its behalf by:

Martin Hannah
Group Finance Director
20 March 2009

The British Standards Institution Notes to the Parent Company Financial Statements for the year ended 31 December 2008

1. Principal accounting policies

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

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

a. Basis of preparation

These financial statements have been prepared on a going-concern basis and in accordance with applicable Accounting Standards in the United Kingdom (UK GAAP). They have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 1985.

The Company's financial statements are presented in British pounds sterling (£) and all values are rounded to the nearest £100k except when otherwise indicated.

Retained profit/(loss) for the year

In accordance with the concession granted under Section 230(1) of the Companies Act 1985, the profit and loss account of The British Standards Institution has not been separately presented in these financial statements. The retained profit for the year is shown in Note 11.

Cash flow statement

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

b. Turnover and cost of sales

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

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

c. Interest income

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

d. Dividend income

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

e. Foreign currencies

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year-end, are taken to the profit and loss account.

The British Standards Institution
Notes to the Parent Company Financial Statements for the year ended 31 December 2008

1. Principal accounting policies (continued)

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

Instruments accounted for as hedges are structured so as to reduce the market risk associated with the underlying transaction being hedged and are designated as a hedge at the inception of the contract. If the underlying transaction to a hedge ceases to exist, the hedge is terminated and the gain or loss is recognised immediately. If the hedge transaction is terminated and the underlying derivative remains in place, the profit or loss is held in the balance sheet and amortised over the life of the original underlying transaction.

Foreign currency borrowings are valued at the lower of closing rates of exchange or market value at the balance sheet date. Gains or losses in respect of the hedging of overseas subsidiaries are taken to reserves. Gains or losses arising from foreign exchange contracts are taken to the profit and loss account in line with the transactions which they are hedging.

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

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

i. Tangible fixed assets
The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated on a straight line basis so as to write off the cost of tangible fixed assets less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	5
Plant, machinery and office equipment	10-33
Computer equipment	20-33

Freehold and leasehold improvements are depreciated over periods of 5 to 50 years. Freehold land is not depreciated. Short leasehold assets are depreciated over the period of the lease.

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

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

1. Principal accounting policies (continued)

k. Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Where liabilities are expected to be discharged over a number of years, the provisions have been discounted using an appropriate risk free rate.

l. Contingent liabilities

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

m. Retirement benefits

i. Defined benefit pension schemes

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

ii. Defined contribution pension schemes

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

n. Deferred taxation

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

The British Standards Institution
Notes to the Parent Company Financial Statements for the year ended 31 December 2008

2. Intangible assets

	Goodwill £m	Intellectual property £m	Total £m
Cost			
At 1 January 2008	0.5	-	**0.5**
Additions	-	0.1	**0.1**
At 31 December 2008	**0.5**	**0.1**	**0.6**
Amortisation			
At 1 January 2008	-	-	-
Charge for the year	0.1	-	**0.1**
At 31 December 2008	**0.1**	-	**0.1**
Net book value at 31 December 2008	**0.4**	**0.1**	**0.5**
Net book value at 31 December 2007	0.5	-	0.5

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

3. Tangible assets

	Land and buildings			
	Freehold £m	Short leases/ leaseholds £m	Plant, machinery and office equipment £m	Total £m
Cost:				
At 1 January 2008	3.8	2.0	24.1	**29.9**
Additions	0.1	-	3.8	**3.9**
Reclassification	-	1.6	(1.6)	-
Disposals	(0.1)	(0.5)	(0.5)	**(1.1)**
At 31 December 2008	**3.8**	**3.1**	**25.8**	**32.7**
Depreciation:				
At 1 January 2008	(1.9)	(1.2)	(16.4)	**(19.5)**
Charge in the year	(0.2)	(0.4)	(2.3)	**(2.9)**
Impairment loss on computer software	-	-	(0.4)	**(0.4)**
Disposals	0.1	0.5	0.5	**1.1**
At 31 December 2008	**(2.0)**	**(1.1)**	**(18.6)**	**(21.7)**
Net book value at 31 December 2008	**1.8**	**2.0**	**7.2**	**11.0**
Net book value at 31 December 2007	1.9	0.8	7.7	10.4

The net book value of freehold land not depreciated is £0.3 million (2007: £0.3 million).

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4. Investments

	£m
Cost at 1 January 2008	40.4
Transfer to subsidiary undertakings	(0.1)
Cost at 31 December 2008	**40.3**

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

A list of subsidiaries is provided in Note 27 to the Group financial statements.

5. Debtors

	2008 £m	2007 £m
Amounts falling due within one year		
Trade debtors	16.5	15.3
Other debtors	0.9	0.7
Amounts due from subsidiary undertakings	-	2.2
Corporation tax receivable	-	-
Prepayments and accrued income	6.2	7.2
*Deferred taxation (Note 9)	1.4	0.6
	25.0	26.0

* excludes deferred tax asset on the pension liability (Note 9)

Amounts due from subsidiary undertakings include trade and finance amounts. Trade debtors are non interest bearing and are generally on 30-60 days' terms. Finance amounts are interest bearing and the rates range between 5-6%.

6. Creditors: Amounts falling due within one year

	2008 £m	2007 £m
Trade creditors	2.6	1.8
Corporation tax payable	0.1	0.4
VAT	1.4	1.4
Social security and PAYE	1.4	1.3
Other creditors	0.6	1.3
Amounts due to subsidiary undertakings	0.8	-
Deferred income	12.6	11.8
Accruals	14.2	12.6
	33.7	30.6

7. Provisions for liabilities and charges

	Property provision £m	Other provisions £m	Total £m
At 1 January 2008	0.8	0.4	1.2
Charged to profit and loss account	0.1	-	0.1
Utilisation	-	(0.2)	(0.2)
Released	(0.2)	-	(0.2)
At 31 December 2008	0.7	0.2	0.9

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

Details of the deferred taxation and pension provisions are set out in Notes 8, 9 and 10 below.

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

8. Defined benefit scheme pensions liability (net of deferred tax)

	Pension provision £m	Deferred taxation £m	Total £m
At 1 January 2008	79.0	(21.7)	57.3
Charge / (release) to profit and loss account	7.1	(1.8)	5.3
Charge to current year reserves	6.7	(1.9)	4.8
Contributions	(17.0)	4.2	(12.8)
At 31 December 2008	75.8	(21.2)	54.6

9. Deferred taxation

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

	2008 £m	2007 £m
Provision for deferred tax comprises:		
Accelerated capital allowances	0.1	0.2
Short term timing differences	1.3	0.4
Tax losses	-	-
Deferred tax asset on pension provision	21.2	21.7
Net deferred tax asset	22.6	22.3

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10. Pension obligations

The Company operates the following retirement benefit schemes:

a. Defined Contribution Scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Company offers a Group Personal Pension plan to all new UK employees. The costs for the period were £2.2 million (2007: £1.3 million).

b. Defined Benefit Scheme

The Company operates a UK contracted-out pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee administered fund. The scheme is closed to new entrants.

A valuation of the final salary scheme was carried out under the Government's Minimum Funding Requirement (MFR) as at 31 March 2004. This revealed a funding level of 80 per cent. The Company subsequently agreed a schedule of contributions with the Trustee which was put into place in December 2004. It required contributions of 15.4 per cent of salary until 6 April 2005 and 10.5 per cent of annual salary thereafter. This reflected changes to the benefit structure. In addition, in order to improve the funding level of the scheme, the Company also agreed to pay additional contributions of at least £8.7 million per annum until December 2014.

A new schedule of contributions was put in place on 30 March 2007 to allow for the new Salary Exchange arrangements. From 1 April 2007 the Company's contribution to meet future benefit accrual changed to 15.5 per cent of Reference Pay in respect of Salary Exchange members and 10.5 per cent of Basic Salary in respect of Salary Exchange Opt Out members. A formal valuation of the Scheme under the new Statutory Funding Objective is currently in progress.

The Company paid a total of £17.0 million in contributions to the fund during 2008 (2007: £12.0 million).

FRS 17 Retirement Benefits

The major assumptions used for the updated actuarial valuation were:

	2008 %pa	2007 %pa	2006 %pa
Rate of general increase in salaries	**4.50**	4.75	4.00
Rate of increase in pensions in payment			
Pension earned before 6 April 1997	**3.00**	3.00	3.00
Pension earned from 6 April 1997	**3.55**	3.70	3.60
Discount rate	**6.00**	5.60	5.20
Inflation assumption	**3.00**	3.25	3.00

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10. Pension obligations (continued)

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

	Long term rate of return expected at 31 Dec 2008 %	Value at 31 Dec 2008 £m	Long term rate of return expected at 31 Dec 2007 %	Value at 31 Dec 2007 £m	Long term rate of return expected at 31 Dec 2006 %	Value at 31 Dec 2006 £m
Equities	7.3	96.9	7.9	126.9	7.7	128.8
Bonds	4.7	80.7	5.1	68.3	4.7	51.5
Cash	2.0	4.3	4.7	1.1	4.5	1.7
Total fair value of assets		181.9		196.3		182.0
Present value of scheme liabilities		(257.7)		(275.3)		(245.4)
Deficit in the scheme		(75.8)		(79.0)		(63.4)
Related deferred tax asset		21.2		21.7		19.0
Net pension liability		(54.6)		(57.3)		(44.4)

Analysis of the charge to operating profit

	2008 £m	2007 £m
Current service cost	5.3	4.7
Past service cost	-	-
Total operating charge	5.3	4.7

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

	2008 £m	2007 £m
Interest on pension scheme liabilities	(15.4)	(12.7)
Expected return on pension scheme assets	13.6	12.5
Net charge	(1.8)	(0.2)

Analysis of amount recognised in the statement of total recognised gains and losses

	2008 £m	2007 £m
Actual return less expected return on pension scheme assets	(35.0)	(1.9)
Experience gains and losses arising on the scheme liabilities	(0.3)	(10.0)
Changes in assumptions underlying the present value of the scheme liabilities	28.6	(10.8)
Actuarial (loss) recognised in the statement of recognised gains and losses	(6.7)	(22.7)

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10. Pension obligations (continued)

Movement in deficit during the year

	2008 £m	2007 £m
Deficit in the scheme at beginning of the period	**(79.0)**	(63.4)
Movement in period		
Current service cost	**(5.3)**	(4.7)
Employer contributions	**17.0**	12.0
Past service costs	**-**	-
Other finance costs	**(1.8)**	(0.2)
Actuarial loss recognised in statement of recognised gains and losses	**(6.7)**	(22.7)
Deficit in scheme at end of year	**(75.8)**	(79.0)

History of experience gains and losses

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Difference between expected and actual return on scheme assets					
Amount	**(35.0)**	(1.9)	(0.9)	18.4	5.7
Percentage of scheme assets at year end	**(19.2%)**	(1.0%)	(0.5%)	11.0%	4.3%
Experience gains and losses on scheme liabilities					
Amount	**(0.3)**	(10.1)	(1.1)	(7.6)	7.4
Percentage of scheme liabilities at year end	**0.1%**	3.6%	0.4%	3.1%	(3.5%)
Total amount recognised in statement of total recognised gains and losses					
Amount	**(6.7)**	(22.7)	11.3	(10.1)	(9.7)
Percentage of scheme liabilities at year end	**2.6%**	8.2%	(4.6%)	4.1%	4.6%

11. Reconciliation of movements in retained earnings

	2008 £m	2007 £m
At 1 January	**7.6**	21.8
Retained profit for the year	**6.4**	3.4
Movement in actuarial valuation of defined benefit pension scheme	**(4.8)**	(17.6)
At 31 December	**9.2**	7.6

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12. Employees

	2008 £m	2007 £m
Wages and salaries	42.8	41.4
Social security costs	4.4	4.3
Pension costs	4.3	3.3
	51.5	49.0

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

	2008 Number	2007 Number
Production, inspection and laboratory	396	307
Sales and distribution	130	165
Administration	583	632
	1,109	1,104

Disclosures in respect of Directors' emoluments can be found in Note 9 to the Group financial statements.

13. Capital commitments

	2008 £m	2007 £m
Capital expenditure that has been contracted for but not provided for in the financial statements	0.3	0.1

14. Financial commitments

At 31 December 2008, annual commitments under non-cancellable operating leases were as follows:

	2008		2007	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring within one year	-	-	-	-
Expiring within two and five years	-	0.1	-	0.1
Expiring in over five years	3.4	-	3.5	-
	3.4	0.1	3.5	0.1

As at 31 December 2008, the Company held foreign exchange contracts to the value of £0.2 million (2007: £2.2 million) all expiring within one year.

15. Related party transactions

The Directors of The British Standards Institution had no material transactions with the Company during the year. Details of the Directors' remuneration are disclosed in Note 9 in the Group financial statements. The Company has taken advantage of the exemption available under FRS 8 (Related Party Transactions) not to provide details of transactions with other Group companies.

16. Contingent liabilities

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

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

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

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

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