The British Standards Institution

Annual Report and Financial Statements

2009

Making the world
a better place

raising standards worldwide™

BSi

The British Standards Institution

Annual Report and Financial Statements

2009

Highlights of the Year

Financial Highlights

Total Group revenue

£222.8m

2008: £202.3m
Up 10.1% (2.2% at constant exchange rates)

Operating profit

£22.5m

2008: £20.8m
Up 8.2%

Cash & cash equivalents

£35.2m

2008: £28.9m
Up 21.8%

Cash generated from operations before pension payments

£34.7m

2008: £28.2m
Up 23%

Net assets

£5.1m

2008: £16.4m

Net assets (before pension liability[1])

£79.0m

2008: £71.0m

Operating Highlights

BSI Group has again grown both revenue and operating profit despite a challenging global economic climate. Cash generation has remained strong reflecting BSI Group's commitment to sound financial management.

Three acquisitions completed in Germany, USA and Italy covering healthcare, supply chain security, and assessment and certification.

BSI Group has reshaped its organisation to promote closer proximity to markets and global customers.

2,182 new standards published including innovative work in risk management and data protection.

BSI Group leadership maintained in sustainability arena with solutions to help organisations manage their energy usage including standards, assessment and certification, and training. We also started developing a standard for verifying carbon neutrality.

Certification sales growth remained strong in the Americas and Asia Pacific. BSI Group also awarded our first-ever energy management systems certification in India.

Sales growth gain in Healthcare. Seven of the world's top ten orthopaedics manufacturers are now using BSI Group as their Notified Body.

BSI Group was awarded Superbrand status in the UK for the fifth consecutive year.

Kitemark.com consumer website successfully launched for UK market.

Leading global brands including Levi Strauss and Kellogg adopted our governance, risk and compliance solution, Entropy™ Software.

BSI Group now operates in 147 countries.

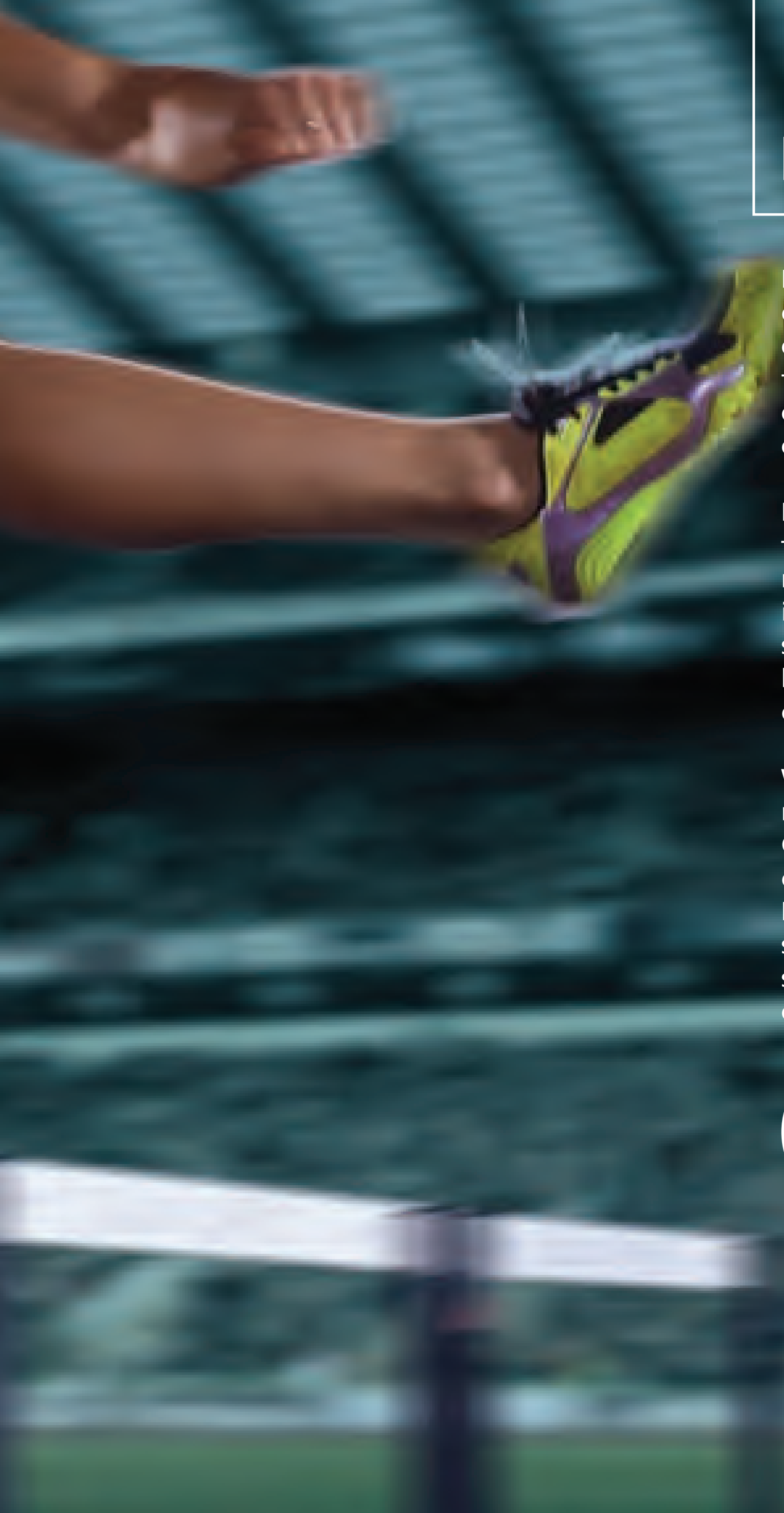
[1] Net of deferred tax

Stationery giant moves quality forward
The Spanish arm of one of the world's largest office retail chains – Office Depot – became the first company to receive certification from BSI to the updated ISO 9001:2008 quality standard. The certification covers everything from stock and distribution, to planning and strategy. The early certification confirmed Office Depot's commitment to maintain continuous improvements across its operations.

Mining the best performance in South America
A specialist in mining and metallurgy, Votorantim Metais continued to invest in performance management with BSI. The company extended its contract with BSI Brazil to ten sites, and BSI trained more than 100 auditors. Votorantim also began using BSI BenchMark to further improve the performance of its integrated management systems under PAS 99. Votorantim Metais is part of the international Votorantim Group which ranks among Brazil's top 20 companies.

Performance

2009



Improving performance

Performance matters – in sport, in business, in life. When organisations strive to be the best they create satisfied customers and a strong reputation, as well as a platform for innovation, long term stability and profit. They create competitive advantage, personal pride and a culture of excellence.

BSI Group can help ensure that our customers become the best they can. Through our portfolio of management excellence standards we help them to interrogate and organise their systems, processes and structures. We use our decades of expertise and knowledge to strip out inefficiencies until the organisation is a sleek, powerfully efficient machine.

We are as demanding as our customers in searching out new approaches to embed excellence. So in 2009 BSI Group took another step forward with the publication of our version of ISO 9004:2009. This focuses on taking ISO 9000 to the next level – managing for the sustained success of an organisation. Our customers continue to seek the best tools to improve performance, so we continue to deliver.

vigilance

Dialling in continuity
Working with BSI Group, Vodafone UK became the world's first mobile operator to achieve certification to the industry-leading standard for business continuity management systems (BS 25999) for its 3G, voice and broadband services. The certification confirms the robust processes Vodafone has put in place to ensure continuity of service for enterprise and consumer customers in the event of unexpected incidents, such as power failures or natural disasters.

Building a secure information platform
Japan's leading engineering and construction firm, Chiyoda Corporation, was certified by BSI Group to ISO/IEC 27001 for information security management. Chiyoda provides engineering, procurement and construction services to oil refineries, gas processors, and other industrial plant projects around the globe. The certification provides an objective evaluation of Chiyoda's information security, thus improving client and stakeholder confidence and its ability to compete for contracts and execute projects.

Risk 2009

Managing risk for reward

To operate any organisation is to incur risk – and the best managers know this. The key is to manage risk effectively: to protect and defend by anticipating the future well, to balance exposure with opportunity without stifling the ambition to move forward.

At BSI Group we understand risk and produce the tools to mitigate it. We have developed standards to reduce the risk of accidents at work and to contain food safety risks. Vitally, we help our customers and their clients have confidence in the safety of medical devices. We have led the world in producing highly successful standards on information security and business continuity management – standards which have set the global agenda for risk management solutions.

In 2009 BSI Group continued to help our customers manage risk proactively. We published important new standards on food safety, ICT continuity and data protection. We believe in managing risk not just to minimise it, but also to yield tangible rewards – and help make the world a safer place.

Energy matters in India
BSI Group awarded Asia-Pacific’s first energy management standard certification to LG in India, part of one of the world’s largest electronics companies. BSI Group training enabled LG to develop and implement an energy policy, identify significant areas of consumption and implement efficiency initiatives across its Indian operation. The standard will play an important role in LG’s drive to reduce greenhouse gas emissions and tackle existing environmental impacts.

The journey to zero in China
Fuji Xerox's integrated recycling centre in China, Fuji Xerox Eco-Manufacturing (Suzhou), achieved certification to environmental management, quality management, and occupational health and safety management standards through BSI Group. The company handles recycling of all Fuji Xerox’s multi-function devices, printers and cartridges in China, aiming to achieve zero landfill, zero pollution and zero illegal disposal. Certification to the three standards will play a major part in enabling these goals.

protect

Sustainability
2009

Enabling sustainability

Our planet is under pressure from economic development, but as corporate citizens we can help to sustain it. BSI Group creates the tools which help make that possible.

We published the world's first environmental management standard and the world's first sustainability standard. We help our customers to manage environmental impacts, measure and reduce greenhouse gas emissions, reduce the detrimental impact of events, build using sustainable materials and demonstrate social and environmental accountability. We help our customers to know the carbon footprints of their products and services, and to become carbon neutral. These tools do not only benefit the planet; they enable all our clients to demonstrate to stakeholders and regulators that they are making a contribution.

In 2009 BSI Group introduced a new standard to help organisations manage energy effectively so that they can lower energy costs and reduce greenhouse gas emissions. The standard – BS EN 16001 – is likely to make a significant impact on energy consumption around the world. We believe we must all start saving tomorrow, today.

access

Marked market confidence
Independent Glass Limited is one of the UK's largest suppliers of toughened and laminated safety glass, in particular for the rail industry. The company attributes its on-going growth and success – in part, at least – to the investment made in Kitemark® certification for all of its major products. It finds that Kitemark® delivers a distinct market advantage as the most widely recognised and respected product quality mark available.

A flowing success
Aeon International designs and manufactures some of the world's most technically advanced valves for water and gas networks, and supplies some of the world's leading utilities. It uses Kitemark® to provide a powerful marketing tool and market access both in the UK and its key overseas markets in China and Europe. The Kitemark® process has also improved the efficiency and smooth running of its operations, yielding significant benefits.

Testing

2009

Reassuring the market

Untested products and services can hurt people and impact organisations' reputations. They can disappoint customers and harm a brand. At worst, some products that are unfit for purpose quite simply have the power to cause fatalities.

For this reason BSI Group has invested in dedicated testing facilities for fifty years – pioneering such ideas as crash test dummies and flammability testing. Today's testing work is more sophisticated but just as exacting – we test products so that our customers can access markets with confidence, and so that their customers are protected.

The work is exemplified by the BSI Kitemark® – one of the world's oldest and most well-recognised product quality marks – and typified by our CE marking work which certifies products for sale within Europe. From vehicle bodywork repairs to fire extinguishers, from industrial valves to the environmental testing of streetlights – BSI Group works hard to ensure the success of thousands of products and services, and the safety of millions of people.

trust

Merit chooses upgrade to BSI Group
Merit Medical Systems is a leading manufacturer of medical devices used in radiology procedures, and diagnostic and interventional cardiology. It sought a Notified Body that could meet their customers' needs better and in 2009 transferred to BSI Healthcare. Merit felt the transition was achieved with outstanding professionalism, against tight deadlines and well within regulatory requirements.

SynCardia saves lives with BSI Group's help
SynCardia Systems, Inc. manufactures the SynCardia temporary CardioWest™ Total Artificial Heart, a bridge to human heart transplant for people dying from biventricular failure. The company relies on the thoroughness and high standards of BSI. It turned to us for reviews of both its Companion and Freedom™ driver systems which are critical because they power its Total Artificial Heart. Working with BSI, both drivers gained CE marks in a timely manner.

Healthcare

2009

Saving time, money and lives

Health is fundamental to human wellbeing. Safe healthcare delivery and patient safety are paramount, so medical devices cannot be allowed to fail. To help ensure that they do not, BSI Group delivers stringent regulatory and quality management reviews, and product certification for medical device manufacturers around the world.

The 2009 acquisition of EUROCAT in Germany – the world's second largest medical devices market – has further enhanced BSI Group's reach and reputation in this exacting work. We now provide our clients with market-entry certifications across Europe, the United States, Australia, Japan, Taiwan, Canada and China. We also have the knowledge to specialise in the complex, high-risk end of the medical devices spectrum: from vascular and active implantable devices, to sterilisation validation and ophthalmic devices.

As a result, 23 of the world's top 25 global medical device manufacturers now choose BSI Healthcare as their Notified Body for CE marking certification. They do so because of the exceptional thoroughness and integrity of our reviews and because we provide a transparent, predictable and timely service. Where lives really can depend on a standard, BSI Group is at the leading-edge of ensuring patient safety.

The right option for GSK

GlaxoSmithKline initially chose Entropy™ Software to compile, collate and analyse environmental and health and safety standards data. It was so impressed it soon added Entropy™ Audit and Compliance Management for gap analysis – a business-critical function in this sector. Entropy™ Software was also part of a wider GSK initiative to collect corporate responsibility data. This application has now been extended to incorporate incident reporting, and audit and risk assessments at over 200 sites.

A CRS solution for Coca-Cola Hellenic Bottling Co.

Coca-Cola Hellenic Bottling Company selected Entropy™ Software to help manage its corporate social responsibility (CSR) and sustainability commitments throughout its 28 countries of operation. The company has a strong reputation for environmental responsibility and works with more than 200 organisations in pursuing sustainability goals. Entropy™ Software will help with the data collection, collation, management and reporting of KPIs to improve these processes across the company's 80 sites.

confidence

GRC

2009

Turning management systems data into value

For the best-managed organisations, governance, risk and compliance (GRC) represent an opportunity, not mere procedure. Good governance creates stable, coherent companies; risk is there to be managed *and* exploited; and demonstrable compliance can yield competitive advantage. For this reason, BSI Group uses all its intimate understanding of the key GRC disciplines – health and safety, environment, quality and risk – to provide our clients with a market-leading GRC toolkit – the Entropy™ Software solution.

The strength of Entropy™ Software is that it gives a uniquely complete view of the entire enterprise. It identifies inter-relationships and interdependencies no matter how distributed the organisation. It transforms raw data into actionable information and releases managers to manage with confidence.

We know that when organisations can truly understand data and use information effectively it creates significant benefits. Some of the world's best run companies use Entropy™ Software and see a robust return on investment as a result.

entropy™ software

BSi

strength

Making the GRADE for US Customs
BSI Group is providing a custom-built, web-based intelligence repository to the US Customs and Border Protection's *Customs-Trade Partnership Against Terrorism (C-TPAT)* programme. The Global Risk Analysis & Data Evaluation (GRADE) solution will provide comprehensive country query and search functionality to its supply chain security specialists. It will contain up-to-date country risk analysis data, identify terrorism risks, document cargo disruptions and provide extensive travel security data.

Mounting the Summit
BSI Group's supply chain management expertise was underlined when we mounted a Global Supply Chain Summit in Washington DC. Focusing on the increasing importance of cargo security, this hugely successful event attracted the participation of more than 100 heads of government agencies and industry leaders. Keynote speakers included the Directors of the US Customs and Border Protection's C-TPAT Program and Canada's Partners in Protection Program.

Supply Chain Compliance

2009

Securing the supply chain

A chain is only as strong as its weakest link – supply chains are no different. Increasingly, to maintain business continuity, value and integrity, the security of goods and materials in transit must be certified and secured. This is when they are most vulnerable to damage, theft, loss and delay, or to being appropriated by third parties.

Recognising this, BSI Group has extended its supply chain management offering. In 2009 we acquired Supply Chain Security Division, part of US-based First Advantage Corporation. Using our global reach, we now identify risk and reduce delays from product source to final destination, handling and speeding up customers' compliance certifications and using data modelled from 157 countries to analyse and forecast risks.

Our expertise was underlined when we held a Global Supply Chain Summit in the USA which attracted the participation of government officials, academic experts and industry leaders. We deliver a clear ROI to our customers and help bring about a more secure world.

imagine

Addressing carbon neutrality
What does ‘carbon neutral’ really mean in terms of a service or product? To provide a definitive answer, BSI Group is developing PAS 2060 *Specification for the demonstration of carbon neutrality*. This Publicly Available Specification – the first of its kind in the world – will offer a common, transparent and reliable approach to demonstrating carbon neutrality. It will mean that claims can be properly compared, and genuine greenhouse gas reductions can be recognised.

Leading nanotechnology development
Nanotechnology works at a scale 10,000 times smaller than the thickness of a human hair – yet the potential benefits are significant. This technology can lead to energy efficiency, a cleaner environment, more effective medical treatment and improved manufacturing production. To help realise these benefits, BSI Group is playing a leading role in the international development of nanotechnology standards. This will help ensure open, safe and responsible nanotechnology development worldwide.

Innovation

2009

Anticipating tomorrow today

Our world is volatile in many ways. It constantly asks new questions of us and to succeed we need to respond with new solutions. It follows that the ability to innovate is the lifeblood of successful organisations, so innovation sits at the heart of BSI Group's work and always will.

We innovated with the world's first quality management standard and followed with ground-breaking environmental, information security and business continuity management standards. All of these formed the templates for the international management systems standards which followed. We published the world's first sustainability standard and standards which enable the future of leading-edge technologies such as biometrics, nanotechnology and regenerative medicine.

In 2009, BSI Group continued to innovate. We further developed our product delivery, harnessing the power of the web to develop online assessment tools for data protection, business continuity and quality. And we developed new software solutions for governance, risk and compliance (GRC) and supply chain management. Working on our customers' behalf BSI Group continues to define the future for a better world.

Sir David John KCMG
Chairman

"Throughout the year we maintained our focus on aligning our service delivery to meet customer need."

Chairman's Statement

In spite of the toughest economic conditions for more than a generation, I am delighted to report that in 2009 BSI Group delivered strong results. Revenue growth continued, our operating profit remained robust and we maintained a strong cash position, even as we enacted considerable organisational change and continued to invest in key strategies.

Throughout the year we maintained our focus on aligning our service delivery to meet customer need. We took effective measures to drive improvements and growth which led to further improved results.

Summary

As an independent global leader in our chosen businesses we continue to be able to self-finance our expansion. In 2009 we extended our geographic footprint, with new offices in Spain, Russia and UAE, while in Asia Pacific we reinforced our regional office in Singapore. We have also made acquisitions in Italy, Germany and the USA.

We further extended and deepened our engagement with key bodies worldwide in government, accreditation and standardisation including ISO (International Organization for Standardization). This work helps us to determine the most appropriate frameworks for service delivery to our customers.

In March I accompanied UK Prime Minister Gordon Brown on a high-level UK business delegation to São Paulo ahead of the important G20 Summit in London. I was there to promote Anglo-Brazilian trade through standards and build BSI Group's visibility in Brazil.

In the USA, our engagement with the US Government's Department of Homeland Security has led to BSI Group's business continuity management standard being selected as one of three standards recommended to the private sector to improve their preparedness for disasters and emergencies. Meanwhile, our close working relationship with the Chinese Government continued as we hosted in the UK two senior secondments from the Administration of Certification and Accreditation of China (CNCA).

Finally it was with sadness that I learned that former Director-General of BSI, Rear-Admiral Derek Spickernell, passed away in May last year. He will always be known as the 'father' of ISO 9000 after he introduced the Ministry of Defence standard for quality to BSI where it was published as BS 5750, later becoming ISO 9000.

The Board

In September 2009, we welcomed Dr Tom Gorrie to the Board as a Non-executive Director. Having held senior international management positions at Johnson & Johnson for 35 years, Tom will provide invaluable input into the development of our healthcare portfolio.

Tony Wales took up the position of Director of Legal Affairs and Company Secretary in January 2010 in place of Romny Gray. Biographies for each of the Board members are set out on pages 32 and 33.

BSI Pension Fund

The BSI Board continues to be committed to addressing the Fund's significant deficit and in 2009 the Company contributed an additional £10.0 million (2008: £15.0 million) towards the deficit. In addition the Board also continues to be committed to following the schedule of contributions that was agreed with the Trustees in 2007. Further details are contained in the Financial Review on pages 28 and 29 and in Note 24.

Staff

Acknowledging that our staff are the Company's most important asset, we invested significantly in this area with a global employee engagement survey and the launch of our new global employer brand, BSI Careers. Consistent brand-led messaging in our recruitment will ensure that we attract the highest calibre staff; the development needs of staff and the business are now met with the launch of our new e-learning and development systems; and staff retention will be addressed through progressive career development and rewards.

On behalf of the Board, I would like to thank all employees around the world for their commitment to making 2009 a success, despite significant organisational change during unprecedented economic turmoil.

Outlook

The outlook for 2010 appears challenging as the world finally comes out of recession. However, we embark on our new five-year strategy with enthusiasm and a determination to succeed in growing BSI Group at an ever-increasing pace, while remaining mindful of our mission to deliver the solutions that our customers demand – be it helping them improve their business performance, manage their risk, or become more sustainable – we will continue to support them across the world.

By Order of the Board
Sir David John KCMG
Chairman
18 March 2010

Chief Executive's Review

2009 was my first full year in office, and another highly successful one for BSI Group. We prevailed in the toughest economic conditions the world has seen for decades, with growth in revenue to £222.8 million up 10.1% on the previous year (2008: £202.3 million).

Operating profit increased 8.2% to £22.5 million (2008: £20.8 million) reflecting a solid performance during a year which saw increased investment in the business.

We again made a significant contribution into the BSI pension fund and made savings through the reorganisation of the company. Our cash position at year-end of £35.2 million (2008: £28.9 million) reflects continued efforts to maintain a disciplined and robust approach to cash management.

Strategic overview

BSI Group now delivers solutions to customers in 147 countries. We aim to get closer to them and to understand better what they need. We will then more effectively deliver appropriate solutions which help people improve their organisations and lives. To this end, I travelled extensively in 2009 to meet our customers across the globe and was encouraged to learn how much BSI Group's work genuinely delivers them tangible benefits. This also gave me first-hand exposure to many of the 2,500 highly talented and committed people in the BSI Group global organisation.

These encounters underlined the importance of our strategic imperative to continue growing the business to be where we are needed, through innovation, acquisition and organic growth. Our customers also highlighted the value of maintaining our leadership position across all our activities. Therefore in the year we invested in people, systems and products – and specifically built the foundations for accelerated growth in the key strategic areas of healthcare; governance, risk and compliance (GRC); and supply chain management.

Activity

In May we made considerable organisational changes to BSI Group. We abolished our three-divisional structure and replaced it with a matrix structure. The Executive team was strengthened and re-focused, with the emphasis being on customer delivery and strong governance. The creation of three regional entities – Asia Pacific, EMEA and Americas – also embedded more integration between our Standards activity and our global assessment and certification, GRC, healthcare, testing services and training operations. This is central to BSI Group's future success since our work is driven by the standards which underpin everything we do for our customers. The new regions and business streams will work interdependently across the portfolio and will provide closer proximity to the market place. We also took steps to achieve closer integration of our UK operations.

The reorganisation also gave us the opportunity to 'standardise' core processes and functional support activities across the business, while at the same time reducing duplicated overheads. The new structure will now allow all our customers to access our entire portfolio of products and services no matter where they are in the world. And importantly, this structure provides the framework that will enable us to grow the business significantly in the next five years.

BSI Group enjoyed its first full year of global accreditation with ANAB, the national accreditation body of the USA owned jointly by ANSI-ASQ. This accreditation now covers all major products, all relevant scopes and all geographical territories in which BSI Group operates. This strengthening of our relationship with ANAB gives our global clients the assurance of consistent high standards of certification and accreditation, wherever their operations are located.

We strengthened our commitment to developing the National Standards Body activities to support UK business and the UK Government with a step change in improving access to the standards making process using web-based technology. This and other IT investments have enhanced the customer experience, particularly for SMEs.

In 2009 we continued to make acquisitions to supplement organic growth and consolidate our leadership position in strategically important disciplines. In Italy we acquired the business of Certification International Srl, a management systems assessment and certification business. In the USA we acquired the Supply Chain Security Division of First Advantage Corporation; and in Germany we acquired healthcare and testing company EUROCAT.

We underlined our market leading positions in the important arenas of risk, where we published a standard which will help organisations provide a framework for calculating business risk (BS 31100), and in sustainability, delivering a new standard for the responsible sourcing of construction materials (BS 8902).

We continued to make substantial investments in key areas including Entropy™ Software, eBusiness and web-based services, data centre outsourcing, and resource reinforcement. We have embedded a step-

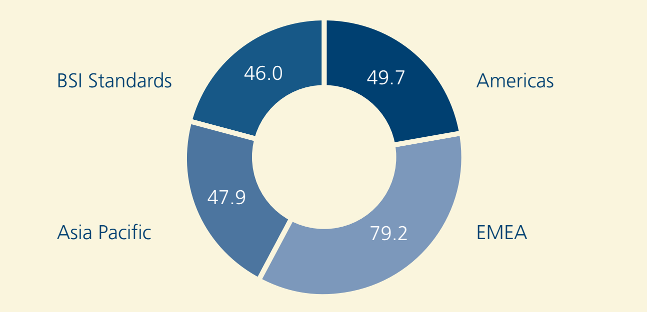
Howard Kerr
Chief Executive

"BSI prevailed in the toughest economic conditions the world has seen for decades."

change in Human Resource management, actively engaging with staff through surveys to determine the key requirements for developing BSI Group's primary asset, and implementing succession planning protocols and enhanced training opportunities. We have taken steps to ensure the management team is actively engaged with our customers and stakeholders to address issues of boardroom significance.

Finally, I am pleased that BSI Group continues to maintain its status as a B2B Business Superbrand in the UK, and that Kitemark® was awarded Superbrand status for the second year running.

Revenue split by region £m



BSI STANDARDS

BSI Standards delivered revenue slightly down on the previous year at £46.0 million (2008: £46.6 million) in a difficult market, especially for the construction sector. We published 2,182 standards, launched a new eShop and completed a major upgrade to British Standards Online (BSOL), significantly enhancing our delivery of standards to customers. Meanwhile, Membership numbers held up despite the tough economic climate.

2009 saw the publication of several important standards in key disciplines such as data protection and energy management systems (EnMS). We were also highly influential in the revision of ISO 9004 for sustained quality management. BSI Standards delivered a step-change in stakeholder engagement work which encompassed all areas from eBusiness to accelerated engagement with the UK Government, consumers and international standards fora.

We won important international project work in the Middle East, Asia and Europe, including a gas and electricity standards harmonisation project in the Caspian region. BSI Standards' performance is reviewed in more detail on pages 26 and 27 of this report.

ASIA PACIFIC

Against a difficult economic background, revenue in Asia Pacific continued to show strong growth, up 25% in the year (3% at constant exchange rates) to £47.9 million (2008: £38.4 million).

During 2009 we have continued to successfully expand the scope of BSI Group's activities in Asia Pacific despite increased customer attrition and general regional price pressure. We expanded our regional office in Singapore which will lead the overall strategic direction and provide support to our operating countries in this region. In all we are now present in 10 countries.

Growth in India was particularly strong and China stabilised as it moved to resolve the prior year accreditation issue which had impacted on both our assessment and training activities. Japan and Taiwan both delivered to expectation during 2009.

The new leadership team in Australia and ASEAN delivered strong profitable growth throughout 2009 and will remain a focused investment market through 2010.

The economic forecast for Asia Pacific is broadly more positive than in other regions but we are not complacent about the outlook which will remain challenging in 2010.

EUROPE, MIDDLE EAST & AFRICA (EMEA)

EMEA delivered steady growth with revenue of £79.2 million (2008: £78.4 million) although growth was flat at constant exchange rates. In the context of extraordinarily difficult trading conditions throughout the region, this represents a marked success, particularly against the background of considerable operational change. New business sales for the region helped to offset increased client attrition caused by liquidations or businesses scaling back their operations.

In the year the UK and CEMEA operations were merged and the integration of Healthcare and Testing Services together with the Assessment, Certification and Training businesses continues.

Two acquisitions were made – EUROCAT in Germany in the Healthcare portfolio and the business of Certification International Srl in Italy. New office locations were opened in Tomsk (Russia), Barcelona (Spain) and Abu Dhabi (UAE). In all we are now present in 10 countries, serving clients in more than 70 countries across the region.

The outlook for 2010 looks robust, and, as operational changes continue to embed themselves, we look forward to another successful year.

AMERICAS

Despite the tough economic climate in the Americas we continued to see very strong growth in 2009 of 28% with revenue at £49.7 million (2008: £38.9 million) (11% at constant exchange rates).

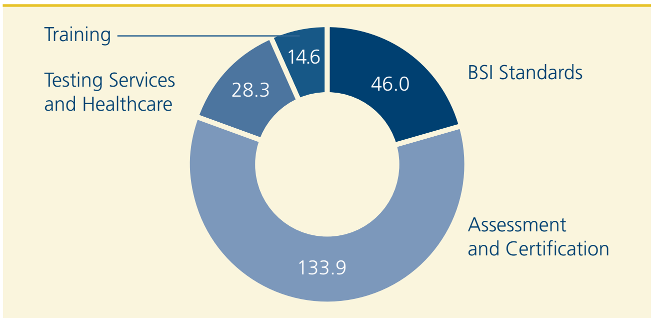
In the year, we addressed the need to increase the diversity of our portfolio to be less reliant on one core activity. Our investment in supply chain security has already borne fruit and significant contracts have been signed with, among others, US Customs and Border Protection.

Additionally, BSI Americas was awarded ANSI accreditation to deliver Greenhouse Gas (GHG) emission verification services (ISO 14065) and this puts BSI Americas on a very short list of accredited verification bodies in the Americas. Moreover, it comes at a time when our customers' demand for emissions verification and management is likely to grow significantly.

During the course of the year we realigned the Americas' organisation, reinforced the management, and have built a focused product management team to identify requirements and launch new solutions. Outside of the USA, Mexico delivered a strong performance. Brazil and Canada are the other countries in the region where BSI is present.

Overall the year delivered a solid trading performance. One of the key outcomes of a challenging 12 months is that the organisation is now much better equipped at every level – people, product portfolio and professionalism. As we move into 2010 the improvements made are firmly embedded. In what will be another demanding year the market opportunities presenting themselves remain strong.

Revenue split by business stream £m



ASSESSMENT AND CERTIFICATION

Through its Assessment and Certification activity BSI Group services its customers across the globe and we will continue to build global customer relationships. In 2009 Assessment and Certification revenue grew 14.7% to £133.9 million (2008: £116.7 million, 3% at constant exchange rates), reflecting a strong performance and resilience in our global markets.

The successful launch of several new products demonstrated that we are meeting market need. These included schemes to help organisations become environmentally sustainable by measuring their embodied greenhouse gas emissions in products and services; to help organisations meet their requirements under data protection law; and running a pilot scheme to help organisations make their events sustainable.

Most significant was the launch of a new certification scheme to help organisations manage their energy usage. This new scheme, based on the new European standard for energy management systems – BS EN 16001 – is timely given the rising price of energy globally and a growing focus on the need to reduce carbon emissions. To support the launch we commissioned global market research and launched extensive marketing activities. With interest from many organisations worldwide there is every indication that the market for this standard will justify our investment. Our first certification went to LG in India, who are looking to achieve a 5.2% reduction in GHG emissions by 2020. Our training enabled LG to develop and implement an energy policy, identify significant areas of energy consumption and target energy reductions with energy efficiency initiatives.

Newer certification products such as business continuity management (BCM) and information security management systems (ISMS) continued to perform well, with strong growth over 2008. Meanwhile, more traditional products such as quality management systems (QMS) and environmental management systems (EMS) continued to deliver stable growth, despite severely adverse economic conditions. The impact of the newer products has been to extend our customer spread beyond the traditional sectors of manufacturing, engineering, construction and the aerospace/automotive industries to new growth areas in ICT, finance, retail and government sectors.

Several major new clients who have realised tangible business benefits are outlined on pages 2 to 17. In addition, the US Department of Homeland Security has announced its intention to adopt BSI Group's BCM standard BS 25999 on a trial basis as one of three standards for use in the Voluntary Private Sector Preparedness Accreditation and Certification Program (PS-Prep).

The outlook for Assessment and Certification in 2010 is encouraging. 2009 showed that our customers have largely continued to recognise and realise the benefits of management systems standards certification. As the world emerges from recession, our diverse and growing portfolio of solutions is likely to retain its relevance and with enhanced appeal.

2009 was a year of consolidation for Entropy™ Software, BSI Group's integrated risk and compliance management solution which sits at the core of our GRC offering. Performance during 2009 has slowed due to economic conditions but Entropy™ Software remains a market leading solution. It continued to be updated and a new version was released. Version 3.8 improves the efficiency, analysis, compliance and knowledge management of Entropy™ Software.

Particular highlights for 2009 include the securing of a deal with retail chain Primark, a subsidiary of Associated British Foods, which has several hundred independent suppliers in China and South Asia. Primark has brought Entropy™ Software on board as part of its commitment to the Ethical Trading Initiative and to track the outcomes of internal audits in order to identify and report on the root cause of issues. The global clothing brand Levi Strauss & Co also selected Entropy™ Software to track the outcomes of audits and collect KPI data at more than 2,000 suppliers, and the global cereal and snack giant Kellogg also selected BSI Group's software solution.

> "the refocusing work to develop our capability in key sectors will continue"

As a result of investments made in 2009, the outlook for our GRC offering in 2010 looks promising.

TRAINING

2009 was a challenging year for Training, reflecting the reduced market demand for spending on discretionary activity and some client attrition due to economic conditions. However, this was mitigated by the adoption of strong route-to-market strategies and the continued growth of our regional training businesses to deliver a credible £14.6 million of revenues (2008: £15.2 million). Customer satisfaction has remained strong reflecting the quality of both the training content and its value to our customers.

Among the stronger performers were the Americas, the Middle East, China, India, Taiwan and the ASEAN region. While globally the dominant products by revenue continued to be QMS and ISMS, EnMS training was launched successfully in Europe and Asia.

In 2009, the global training team embarked on projects to improve operating systems and processes to underpin the business's five-year growth strategy. New product development included a suite of training products to support new standards and targeted eLearning courses. Meanwhile the revision and improvement of core training products continued throughout the year.

With the development of new products in alignment with high value markets, the continued adoption of focused sales and marketing strategies, and the forecast global economic recovery, we look forward to a stronger 2010.

TESTING SERVICES AND HEALTHCARE

2009 Testing Services and Healthcare revenue at £28.3 million (2008: £23.8 million) represents strong growth over 2008, primarily driven by Healthcare. Non-healthcare Testing Services activities have been refocused on key business sectors and we have sought to exit non-profitable schemes.

Testing Services

The refocusing work to develop our capability in key sectors will continue with emphasis on driving growth through developing stronger services in key technology areas. In 2009 BSI Group also increased focus on the Middle East and Asia Pacific.

Extensive work was undertaken in the year to integrate the sales, marketing and finance functions of Testing Services with the UK Assessment and Certification business as part of our strategy to align more closely to customer needs. This offers significant opportunities to address wider markets and enabled BSI Group to offer a wider portfolio of solutions at several important trade exhibitions in the year.

As part of our commitment to improving customer services, the pan-BSI Group Customer Satisfaction Survey system went live to Testing Services' clients in the year. To date this has enabled us to survey more than 900 clients reassuring us that there is much we are getting right, but still leaves room for improvement. Customer Service and Customer Care Training was also piloted in the year and we are on schedule to roll this out across Testing Services in 2010.

Operational highlights in the year include the continuing increased development and take-up of Kitemark® schemes and the successful launch of a consumer-focused website – Kitemark.com – which educates consumers about the Kitemark® and supports our licensees. The site has been very well received by users.

Late in the year we innovated with the launch of two energy management schemes: one for Energy Reduction Verification (in association with BS EN 16001), the other for Microgeneration (solar panels). These schemes will begin revenue generation in 2010.

BSI Testing Services is emerging from a demanding year. As the structural reorganisation and product rationalisation of 2009 become embedded, we will be much better able to deliver what our customers want in 2010.

Healthcare

2009 was a successful year for Healthcare. In the year we established market leadership in the USA, the world's biggest healthcare market. In the important Orthopaedics sector, seven of the top ten manufacturers are now using BSI as their Notified Body. This excellent performance confirmed our strategy to build our presence and competencies in key areas.

To establish a strong competitive presence in the EU we acquired EUROCAT in August. EUROCAT is a Notified Body specialising in active electrical medical devices and associated software certification. The acquisition significantly developed our healthcare offering across Germany – the world's second largest medical devices market – and the rest of Europe, consolidating BSI Group's already strong global presence.

We built-up our Premier In Vitro Diagnostic (IVD) Device Notified Body in order to gain certification under the EU IVD Directive. We recruited an elite team of four specialists with, cumulatively, more than 75 years of medical devices experience. BSI is now applying for accreditation with the Medicines and Healthcare products Regulatory Agency (MHRA).

Healthcare actively attracted significant talent from other leading Notified Bodies which significantly strengthened our industry-leading team. We also unified all of our quality management system services (ISO 13485) into one global Healthcare division as part of BSI Group's wider restructuring strategy.

> "customer satisfaction will continue to be at the forefront of our activities"

In the year we invested in our systems to streamline workflows and increase customer service levels. We also introduced a customer satisfaction survey system which has been well received and which has demonstrated that our service levels are good and improving. Customer satisfaction will continue to be at the forefront of our activities.

The work undertaken to invest in people, presence and systems, and the strong results posted in 2009, allows us to continue to pursue our strategic course of growing the Healthcare capability in 2010.

Outlook

In 2009 the strategic reconfiguration work we completed brought us closer than ever before to our customers. In 2010 we are committed to continuing this work to deliver the services that they will need as the world emerges from recession. We will invest further in our people and systems to drive continuous improvements to operational efficiencies and customer satisfaction. We will continue to extend our global footprint, particularly in the Middle East, Latin America and Asia Pacific. And we will continue to develop innovative products and services to meet evolving market need.

We still have work to do in delivering a more integrated and seamless service across all the regions and countries in which we operate. However, the value of what we offer – constantly innovating standards and standards-based solutions which help make the world a better place to do business and live in – remains as high as ever.
I conclude by taking this opportunity to thank all my colleagues at BSI Group for the energy, integrity and dedication that they contributed in 2009 towards delivering another successful year.

By Order of the Board
Howard Kerr
Chief Executive
18 March 2010

BSI Standards

In 2009, BSI Standards underlined its position as one of the world's foremost National Standards Bodies. We published a large number of important standards aimed at lifting business performance, driving opportunities in new markets, building the understanding of the carbon agenda and supporting better practices in risk management and governance. We further deepened engagement with key stakeholders, took lead roles in new work to develop international standardisation and led the world with the publication of innovative standards in data protection and sustainability.

Raising standards

In 2009 a key development was the extension of standards produced for the services sector. This included working in partnership with the UK's National Health Service to develop an extension to the business continuity management standard including the use of a companion self-assessment tool (SAT). We are also working together to develop a specification for cleanliness in healthcare facilities developed jointly with the National Patient Safety Agency and the UK's Department for Health.

The energy management systems standard, BS EN 16001, was published in June and is already making an impact around the world. Implementation will help organisations to reduce energy consumption, carbon emissions and costs. In the UK, the Department of Energy and Climate Change has co-opted the energy management system to help large UK energy users meet their Carbon Reduction Commitment requirements. Work with the Low Carbon team of UK Trade and Investment (UKTI) led to a BSI case study being included in UKTI's Low Carbon Marketing Strategy, launched by UK Foreign Secretary David Miliband.

Another key publication was the data protection standard, BS 10012, which provides a framework for organisations to maintain and improve their management of personal information in compliance with the UK's Data Protection Act (DPA). With widespread backing from industry, work began on a key standard for the financial service sector which will help reduce the risk of compliance failures. Publication is due in 2010.

BSI Standards also maintained its leadership in sustainability standardisation with the publication of BS 8902 outlining sector certification schemes for the responsible sourcing of construction materials, and the development of PAS 2060 to provide a common, transparent and reliable approach to demonstrating the carbon neutrality of goods or services. With work underway on sustainable procurement, sustainable construction and sustainable communities we are fast building a comprehensive portfolio of guidance to help business and governments play their part in the climate change agenda. It was fitting that the operation of the 2009 United Nations Climate Change Conference in Copenhagen (COP15) was conducted in compliance with the British Standard for sustainable events (BS 8901) and this standard now forms part of London 2012's sustainability guidelines.

The year began with a tight focus on helping customers combat the recession through standards. We published *Faster, Smarter, Better* outlining how standards can help beat recession by providing extra cost savings, new customers, product innovation, reduced risk and market differentiation. We also distributed *Weathering the Storm* to our Members, highlighting the importance of maintaining access to standards in the recession. This was part of a concerted effort to maintain, in a recession, Subscribing Member numbers. In the event the number of Subscribing Members stands at 14,909 (2008: 15,507) in part because we have been able to offset net loss with new Members from a range of non-traditional sectors.

Closer to customers

As part of the Group's strategic focus for 2009, we initiated a raft of work to achieve closer alignment with our customers which included considerable improvements to our eBusiness interfaces. A new eShop was launched and a major upgrade of British Standards Online (BSOL) was completed. This work benefited greatly from extensive user input. BSOL is now more user-friendly and this has resulted in increased usage.

We also improved our website for reviewing draft standards to make it more accessible, and it now has over 10,000 correspondents. We also started a project which will deliver two new standards development websites in 2010; one to allow users to review and comment on proposals for new standards, and the second will be a portal for users to search for standards currently in development and monitor their progress.

We also created themed online sector-led communities which are serviced with regular newsletters and interactive forums, and our online marketing community has now grown to in excess of 100,000 contacts.

Work was undertaken to extend and strengthen our Affiliate scheme which has enabled BSI Standards to access a much wider customer base and saw sales more than double during the year.

An exciting innovation with considerable future potential was the development of online self-assessment tools (SATS) for quality, data protection, business continuity management and energy management standards. These provide an easy to use online facility to assess capability and compliance with a standard.

We continued to recognise the crucial role of small businesses in the UK economy and to support their use of standards. In 2009 BSI led the CEN/CENELEC SME Access study which made a number of recommendations for improving SMEs' visibility of standards and standards information, and access to the process for making standards. With over two million SMEs in Europe, there is a great opportunity to get companies to use and benefit from standards, and BSI will be in a strong position to drive this in the UK.

Consumers remained at the heart of our work, since standards will always affect the public directly or indirectly. BSI's Consumer and Public Interest Unit coordinates consumer participation in standards work. In 2009 its Consumer and Public Interest Network set up a Disabled Experts Reference Group to increase the relevance of standards to disabled people; enabled consumers to feedback into the ISO Strategy 2011-15 work (see below); and published a revised guide to *The Top Ten Standards that matter to consumers*.

Working with the UK Government

In 2009 we made a step-change in our engagement with the UK Government. We forged high-level relationships across a range of departments to communicate about the value of standards and we made almost 40 Departmental and Parliamentary submissions in the year.

BSI Standards maintained its permanent seat on the Measurement Board, an oversight body of the National Measurement System providing supervision of the UK's metrology system. We also collaborated with other bodies within the Department for Business, Innovation and Skills (BIS) to support the UK's innovation agenda. Our close partnership with BIS was enhanced as we continued to help in its understanding of how standards support innovation – in areas such as nanotechnology, biometrics and regenerative medicine – and public policy goals. A particular success has been the continuing choice of strategic standards-related activities to support the development of capability in new technologies, techniques and services.

The global dimension

BSI Standards confirmed its pre-eminent role in international standardisation as work to develop an international standard in the area of business continuity management got underway, largely based on BS 25999. Additionally 2009 saw the publication of the revised ISO 9004 quality standard on managing for sustained success, to which BSI made a significant contribution. BSI is leading the development of an international standard for sustainable events management using BSI's own pioneering standard on the same subject, BS 8901, as a base document.

Our important international project work continued in the year. We delivered solutions in central Asia, central Europe, China, Mexico, Russia, Egypt, Qatar, the Gulf States and across western Europe. Particularly close and valuable cooperation was achieved with the Administration of Certification and Accreditation of China (see Chairman's Statement); in Mexico; and in the Caspian region through a gas and electricity standards harmonisation project. In the Gulf States we collaborated closely with the GSO (Gulf Standards Organization) and in Egypt with EGAC (Egyptian Accreditation Council) and the MTI (Ministry of Trade and Industry).

Finally, BSI continued to play an influential role in European and international standards bodies, leading and participating in the key fora to ensure those bodies maintain a focus on the needs of their customers. Our contribution was informed by the more than 2,000 BSI customers and key stakeholders who took part in a consultation exercise to develop the UK position on the next ISO Strategy (2011-2015). BSI is actively involved in promoting the UK view in ISO ahead of the Strategy's publication in September 2010.

Additionally, I was appointed to the European Commission's high-level review panel on the future of European standardisation and the proposed revision to the directives governing the European Standardization System (ESS). This review by the Commission poses a chance to build on the highly successful ESS we have built in recent years but equally will be challenged if the Commission presses for a more central approach removing the national delegation principle that has served us so well to date.

Outlook

BSI Standards continued to forge closer and deeper relationships with its customers and stakeholders in 2009, reaching customers more efficiently and effectively and deepening engagement with external bodies which are important to our future success. We are more responsive, more targeted, more robust and more successful as a result.

In 2010 we are committed to continuing this work. We will maintain our key strategic focus on the development of increasingly sophisticated standards-based products which meet market need for integrated workflow solutions. And we will improve our engagement with Committees by making the process tighter, quicker and more seamless. I take this opportunity to add that we are indebted to our volunteer committee members and I thank them warmly for their contribution in 2009.

By Order of the Board
Mike Low
Director, BSI Standards
18 March 2010

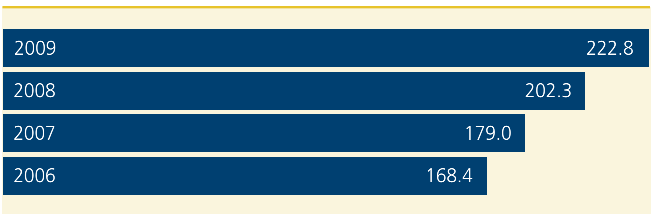
Financial Review

Financial KPIs

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

- **Revenue £222.8 million (2008: £202.3 million) – growth of 10.1% (2.2% at constant exchange rates)**
- **Operating profit of £22.5 million (2008: £20.8 million) – growth of 8.2%**
- **Operating profit margin of 10.1% (2008: 10.3%)**
- **Cash generated from operations of £21.3 million (2008: £11.2 million) – growth of 90%**
- **Cash generated from operations before pension payments of £34.7 million (2008: £28.2 million) – growth of 23%**
- **Cash and cash equivalents of £35.2 million (2008: £28.9 million) – growth of 21.8%.**

Revenue by year £m



Introduction

BSI Group has had another successful year and has continued to grow while investing in initiatives important to the ongoing health of the business. The strong financial performance reflects BSI Group's commitment to, and focus on, sound financial management which continues to underpin the Group's growth. Acquisitions in the year of £1.7 million have not been intended to substantially benefit 2009 but the resulting combinations will benefit 2010 and beyond.

BSI Standards has delivered another strong year with revenues of £46.0 million (2008: £46.6 million) – although marginally down against last year, contribution from online sales and royalty income has been strong reflecting BSI Group's investment in online platforms since 2006 and the programme of direct customer engagement.

2009 has seen a strong recovery in BSI China following the business interruption at the end of 2008. With the exception of BSI Japan the Asia Pacific region has continued to grow (with revenues of £47.9 million against £38.4 million in 2008) and now represents 21.5% (2008: 19.0%) of Group revenues.

The EMEA region continues to account for the largest part of Group revenue with 35.5% of the total (2008: 38.8%) and revenues of £79.2 million (2008: £78.4 million). UK Assessment and Certification has again enjoyed volume growth despite the economic climate and this has compensated for a decline in Training activity. The Middle East has grown considerably and BSI Group has continued to expand its coverage during the year.

Americas' Assessment and Certification growth has remained strong despite increased client attrition and adverse economic conditions and the Americas' performance (with revenues growing to £49.7 million from £38.9 million in 2008) has benefited from contribution growth in healthcare review and Entropy™ Software sales, whilst Training activity has avoided year-on-year erosion. The majority of operating profit arises in the USA but Mexico has also performed strongly.

From a business stream perspective, BSI Group's Testing Services and Healthcare activity has performed strongly with stable performance in its traditional product testing activity and strong growth in Healthcare with overall Testing Services and Healthcare annual revenue growth in excess of 18% and revenues of £28.3 million (2008: £23.8 million).

The Group's Training business has globally contracted by 3.9% in 2009 with revenues of £14.6 million (2008: £15.2 million) following strong growth in 2008. This decline is not unexpected in the current economic climate but we are reassured by the robustness of the business.

Exceptional items

Operating exceptional items amounted to £3.7 million (2008: £4.0 million). £2.4 million relates to the move of the Group from its historical divisional structure to a regional and business stream structure and to final payments in respect of the 2008 restructuring. An impairment charge of £0.6 million has been taken in respect of the Group's business in Thailand. This business has not developed in line with expectations following investment in 2006.
A further £0.6 million has been incurred in respect of legal costs in respect of a legal action that BSI Group is defending. Further details of this are discussed at Note 26. The balance of £0.1 million relates to work undertaken on the UK final salary pension fund where the Trustee Board executed a substantial buy-in arrangement and preparation work for a consultation on a proposal to close the scheme to future accrual in 2010. The pension buy-in executed by the Trustee Board has significantly reduced the risk profile of the scheme.

Full details are disclosed under Note 7 to the Group financial statements on pages 71 and 72.

Cashflow and investment in the business

Operating cashflow has again improved over 2008 reflecting tight working capital management. BSI Group's cash conversion was in excess of 95% (2008: 54%, 78% excluding the impact of £5 million greater pension deficit contributions in 2008). The Group continues with a strong cashflow with cash generated from operations of £21.3 million (2008: £11.2 million). Strong cashflow has enabled us to invest in our strategic online platforms and infrastructure whilst meeting all of our agreed pension obligations. BSI Group's net cash closed the year at £35.2 million (2008: £28.9 million) and BSI Group remains debt free.

Cash generated from operating activities has been impacted in both years by an additional payment of £10.0 million (2008: £15.0 million) above the ongoing pension service costs in accordance with the agreed schedule of contributions. In total we made payments of £13.4 million (2008: £17.0 million) into the UK final salary pension scheme.

As illustrated below, cash from operations before pension payments grew 23% to £34.7 million from £28.2 million.

	2009 Total £m	2008 Total £m
Cash from operations before pension payments	34.7	28.2
Retirement benefit payments	(13.4)	(17.0)
Cash generated from operations	21.3	11.2

Taxation

The Group's effective tax rate (ETR) on profits before tax and goodwill impairment for underlying business operations for the year is 28.3% (2008: 31.8%). The ETR at 28.3% comprises a current year tax charge of 32.7% and a prior year tax credit of 4.4% arising from the 2009 successful resolution of historical tax issues.

The ETR at 28.3% is also reconciled from the UK statutory tax rate of 28%, by additional higher overseas Group taxes of 5.4% (e.g. USA 39%, Japan 41%) and ETR reductions for Group tax permanent differences and prior year adjustments.

The Group's underlying current period ETR is targeted to continue to reduce with long-term management to the UK statutory rate of 28%.

Pensions

The Group's UK final salary pension fund deficit has increased to a liability of £102.7 million (2008: £75.8 million) driven primarily by liability increases as a result of an increase in the inflation assumptions to 3.55% from 3.00% and a reduction in the discount rate to 5.75% from 6.00%. During 2009 the Group made a contribution of £13.4 million and this has mitigated some of the increase in the deficit. The Directors remain committed to reducing the deficit and are working with the Trustee to do so. Over the past five years BSI has injected a total of £55.1 million in deficit funding into the scheme.

A full breakdown of the movements is shown in Note 24 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 Group 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 Group keeps a flexible cost-effective structure of banking facilities. At 31 December 2009, the Group had overdraft bank facilities (excluding loans) of £4.3 million (utilised £nil), and loan facilities of £nil. All loans and overdraft facilities are on an unsecured basis. The Group maintains regular contact with its main banking relationships and is confident of being able to secure substantial appropriate debt facilities should it choose to do so.

Currency exposure risk management

The Group has significant operations outside of the UK and consequently has a material exposure to currency fluctuations. The analysis at Note 3 shows the exposure that the Group would suffer should any of the major currencies that the Group trades in move against Sterling by 10%. A 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 an operating profit impact of around £1.8 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
18 March 2010

Michael French FCA
Non-executive Director

John Regazzi PhD
Non-executive Director

Mike Low
Director, BSI Standards

Norman Price OBE
Non-executive Director

Sir David John KCMG
Chairman

The Board 2009

At the helm

Howard Kerr
Chief Executive

Tom Gorrie PhD
Non-executive Director

Anthony Lea
Non-executive Director

Tony Wales
Company Secretary

Martin Hannah FCCA
Group Finance Director

Sir David John KCMG
Chairman
Sir David John KCMG was first elected Chairman in July 2002 after joining the Board in May 2002 as a Non-executive Director. Sir David was Chairman of the BOC Group until January 2002, Chairman of Balfour Beatty until May 2008 and is the immediate past Chairman of Premier Oil. He continues as a member of the CBI International Advisory Board and is Chairman of the Royal Society for Asian Affairs.

Howard Kerr
Chief Executive
Howard Kerr was appointed to the Board in 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.

Martin Hannah FCCA
Group Finance Director
Martin Hannah joined BSI Group 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.

Mike Low
Director, BSI Standards
Mike Low joined BSI Group as Director of BSI 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, he 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 Chartered Quality Institute (CQI) and he is a member of the Board of Trustees of CQI. He has published widely on power generation, safety and risk management.

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.

Tom Gorrie PhD
Non-executive Director
Tom Gorrie joined the Board on 1 September 2009. Dr Gorrie is a US citizen and resident, and has held numerous senior international management positions at Johnson & Johnson during his 35 years at the corporation. Most recently he served as Corporate Vice President, Government Affairs and Policy until retiring in 2008. He is currently Board Trustee of the Robert Wood Johnson Foundation, New Jersey, USA and a Trustee of Duke University, North Carolina, USA.

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.

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. Mr Price joined the Board as a Non-executive Director in June 2004. He is currently Chairman of Ecologic, and of a QinetiQ joint venture in sensors, Director of Mercia Fund Management, Alta Innovations and Investbx. In the UK West Midlands, after being Deputy Chair of the Regional Development Agency, he is now Chairman of Birmingham Science City and the Regional Finance Forum, and a Warden of the Birmingham Assay Office. He is a Council Member and lead for innovation at Birmingham University.

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.

Company Secretary

Tony Wales
Director of Legal Affairs and Company Secretary
Tony Wales joined BSI Group as Director of Legal Affairs and Company Secretary in January 2010. A qualified solicitor with significant international experience, he has held various senior legal positions, including Group General Counsel & Company Secretary at The Economist Group and General Counsel at AOL International.

Howard Kerr	**Martin Hannah FCCA**	**Jim Newell**	**Tony Wales**	**David Brown**	**Ann Francke**
Chief Executive	Group Finance Director	Group HR Director	Director of Legal Affairs and Company Secretary	Director, Corporate Development	Managing Director, Global Customer and Product Strategy

The Executive 2009

Leading the way

Mike Low

Director,
BSI Standards

David Ford

Managing Director,
Healthcare and
Testing Services

Todd VanderVen

President,
BSI Americas

Rob Wallis

Managing Director,
BSI EMEA

Mark Basham

Managing Director,
BSI Asia Pacific

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 Group 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 2009 the Board comprised the Non-executive Chairman, the Chief Executive, two further Executive Directors and five Independent Non-executive Directors (one of whom took up office on 1 September 2009). 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 32 and 33.

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 the Board's opinion the Chairman and each of the Non-executive Directors were independent during the year for the purposes of the Code. Anthony Lea is 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 principal committees of the Board is set out below. The Board meets as a minimum six times a year and, additionally, ad hoc meetings are held as necessary. In 2009 nine meetings were held, seven of which were attended by all the Directors. Howard Kerr, Anthony Lea, Mike Low and John Regazzi attended eight meetings.

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 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 2009 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 2009 five 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 2009 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: Mark Basham (Managing Director, BSI Asia Pacific, appointed 01.05.09), David Brown (Director, Corporate Development), Ann Francke (Managing Director, Global Customer and Product Strategy, appointed 09.11.09), Romny Gray (Director of Legal Affairs and Company Secretary), Martin Hannah (Group Finance Director), Mike Low (Director, BSI Standards), Flemming Norklit (Managing Director, BSI Management Systems, resigned 01.07.09), David Ford (Managing Director, BSI Healthcare and Testing Services), Jim Newell (Group Human Resources Director), Todd VanderVen (President, BSI Americas, appointed 01.05.09), Rob Wallis (Managing Director, BSI EMEA, appointed 01.05.09).

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 Standards; Marketing Director, BSI Standards; Operations Director, BSI Standards and 10 individuals appointed by the Board on the recommendation of the Director, BSI Standards and the Chief Executive to represent the interests of organisations interested in BSI 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 Standards' formal consensus standards activities in order to develop BSI's strategic policy in the national, European and international standards areas.

BSI Group control framework

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

- BSI Group'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 Group'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 2009, 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 Group has a continuous process for identifying, evaluating and managing the business risks faced by the Group. This process was in place throughout 2009 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 Regions and Business Streams. In parallel, the bottom-up assessment is undertaken by a network of Country, Region and Business 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 Group policies is considered to be an integral part of the Group's risk management process. Risk management is a key responsibility of all staff and all 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 a decrease in the total number of Lost Time Accidents (8 accidents in 2009 against 21 accidents in 2008). There were no fatalities or serious injuries. The number of days lost fell (35 days lost in 2009 against 217 days lost in 2008). The number of minor accidents rose to 38 in 2009 from 19 in 2008.

Key business risks

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

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

- 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 eBusiness 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. During the course of 2009 we have outsourced our data centre responsibility to an external provider. This has provided substantially enhanced disaster recovery and continuity planning based on a dual site solution.

- Regulatory framework – We are working with UK Government, the European Standards Bodies, the European Commission, industry stakeholders, NGOs and others to ensure that the current review of the legal framework for the European Standardization System preserves the significant contribution being made by BSI to support UK business and public interest both nationally and internationally. The risks include threats to the business model, centralisation of structures and damage to our relations with international standards bodies such as the

International Organization for Standardization and the International Electrotechnical Commission.

- 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.

- 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.

- Change management 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.

- 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.

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 whistle-blowing arrangement to enable employees to report confidentially suspected breaches of the Group's Statement of Business Values or Group Rules.

By Order of the Board
Sir David John KCMG
Chairman
18 March 2010

Other Governance and Statutory Disclosures

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 2009.

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 UK 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 32 and 33. Tom Gorrie was appointed to the Board on 1 September 2009. Tony Wales was appointed as Company Secretary on 21 January 2010.

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 Sir David John KCMG and Martin Hannah will retire from the Board under Bye-law 9 and will be offering themselves for re-election at the forthcoming Annual General Meeting. As a new director Tom Gorrie will also be offering himself for re-election at the forthcoming Annual General Meeting in accordance with Bye-law 8(c).

Directors' and Officers' Liability

BSI Group 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 page 43 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 147 countries worldwide.

Review of business

BSI Group is a leading independent business services organisation which operates globally across all business sectors.

The Board's Operating and Financial Review is set out within the Chief Executive's Review, the BSI Standards report, the Financial Review and the Corporate Governance Statement.

Annual General Meeting

The 2010 Annual General Meeting will be held at 4.00pm on 26 May 2010 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 forthcoming AGM.

Charitable and political donations

The Group made total charitable donations of £3,761 during 2009 (2008: £15,423) to various charities.

No donations were made during the year for political purposes (2008: £nil).

Employees

The Group had an average of 2,496 (2008: 2,396) employees worldwide during the year of which 52% (2008: 51%) 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 employees of BSI Group 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. During 2009 we conducted an Employee Engagement Survey, and this was shared in detail across the globe, with subsequent action plans and working groups initiated to address opportunities and improve engagement.

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 Group 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 36 to 39.

Corporate social responsibility

A review of the Group's corporate social responsibility activities during the year is set out on page 42.

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 2009 the Company had 30 days' purchases outstanding (2008: 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 as adopted by the European Union and UK GAAP have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Board also confirms that it keeps adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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
Tony Wales
Company Secretary
18 March 2010

Corporate Social Responsibility Statement

Corporate Social Responsibility (CSR) sits at the heart of BSI Group's ambitions and activities. In 2009 we continued to implement sustainable business practices for ourselves, our stakeholders, and the communities in which we operate. We also continued to create the tools which embed sustainability and responsibility for our customers.

We continued to develop sector derivatives of our sustainability standard (BS 8900) with the publication of BS 8902 for the responsible sourcing of construction products and two further sustainability standards covering procurement and communities. Our previously published standard on sustainable event management (BS 8901) now forms part of London 2012's sustainability guidelines, and is currently being developed into an international standard through ISO.

To encourage increased action on carbon reduction BSI is developing a new standard in collaboration with the UK Government's Department for Energy and Climate Change which enables a consistent and comparable approach to carbon neutrality claims. PAS 2060 will help restore consumer confidence in the credibility of such claims.

Commissioned by the UK's Direct Marketing Association, we published a new standard (PAS 2020) to help marketing campaigns be executed in an environmentally responsible way. The standard and associated certification scheme will help cut waste and environmental damage, and improve this sector's reputation.

We continued to be influential in the development of ISO 26000, the international standard for guidance on social responsibility, which is scheduled for publication at the end of 2010.

Finally, and importantly, we launched BS EN 16001 – the world's first energy management systems standard which will help organisations reduce energy usage and carbon.

Under our ISO 14001 certification, we continued to pursue meaningful environmental improvements at the Chiswick head office. Gas usage was reduced by 8% and our commitment to 100% green electricity saved the environment from 786.66 tonnes of CO_2.

We trialled a new system for waste management whereby all individual bins were removed. Collection points were centralised and all waste segregated into the appropriate receptacle and then recycled where possible. Following the success of the trial, this scheme will be rolled-out across our UK operations in 2010. Meanwhile in 2009 waste was reduced by 24% and we sent nearly 36 tonnes less waste to landfill than in 2008.

Under health and safety we continued the effort to reduce accidents and injuries at work and reduce sickness. We made reductions in slips, trips and falls (66%) and manual handling injuries (100%), and reduced long term sickness absence by 30% in BSI Standards alone. Moreover, our Health, Safety and Environment Awareness Committee helped develop initiatives which benefitted staff, committee members and the local community. Activities included wellbeing awareness days and energy saving initiatives. The latter included staff energy awareness days to educate on reducing energy consumption both at work and at home, improved recycling efforts and car-share initiatives.

Our Assessment and Certification business in the UK retained its carbon neutral status and continued to demonstrate compliance with ISO 14001.

In the past year, to help those less privileged than ourselves we have donated used computer equipment, together with the proceeds from recycling old mobile phones, to an African charity which supports those infected and affected with HIV/AIDS.

In addition to the above there were a number of local initiatives across our global network that have not been individually identified.

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 36.

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 2009, the independent advice was provided by Deloitte 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 Group's objectives. These targets are reviewed periodically and amended if necessary.

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 three 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

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 has also made 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 73 and 74.

By Order of the Board
Anthony Lea
Chairman of the Remuneration Committee
18 March 2010

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 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements in accordance with the Royal Charter and Bye-laws and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with paragraph 22 of the Royal Charter and Bye-laws and applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view of the state of the parent company's affairs as at 31 December;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Royal Charter and Bye-laws and with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Alistair Rose (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 March 2010

Financial Statements

2009

BSI Group Consolidated Income Statement
for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Revenue	*5, 6*	**222.8**	202.3
Cost of sales		**(112.6)**	(101.5)
Gross profit		**110.2**	100.8
Selling and distribution expenses		**(29.2)**	(25.8)
Administrative expenses		**(54.8)**	(50.2)
Operating profit before exceptional costs		**26.2**	24.8
Exceptional operating costs	*7*	**(3.7)**	(4.0)
Operating profit	*7*	**22.5**	20.8
Finance income	*11*	**0.1**	1.2
Finance costs	*11*	**(5.4)**	(2.8)
Profit before income tax		**17.2**	19.2
Income tax expense	*12*	**(5.0)**	(6.1)
Profit for the year	*25*	**12.2**	13.1

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

The accompanying notes on pages 50 to 96 form an integral part of the consolidated financial statements.

BSI Group Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Profit for the year		12.2	13.1
Other comprehensive income:			
Acturial loss relating to retirement benefit obligations	*24*	(30.9)	(6.7)
Movement on deferred tax relating to retirement benefit obligations	*16*	8.7	1.9
Cashflow hedges	*20*	(0.2)	0.2
Currency translation differences	*25*	(1.1)	5.0
Other comprehensive (loss)/income for the year, net of tax		(23.5)	0.4
Total comprehensive (loss)/income for the year		(11.3)	13.5

No separate Statement of Changes in Equity has been presented in these financial statements as there are no changes in equity other than those disclosed in the Consolidated Statement of Comprehensive Income above.

The accompanying notes on pages 50 to 96 form an integral part of the consolidated financial statements.

BSI Group Consolidated Balance Sheet
at 31 December 2009

	Note	2009 £m	2008 £m
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**12.2**	12.2
Goodwill	*14*	**23.9**	23.3
Intangible assets	*14*	**11.0**	8.1
Investments	*15*	**0.1**	0.1
Deferred tax assets	*16*	**32.7**	25.5
Total non-current assets		**79.9**	69.2
Current assets			
Inventories	*18*	**0.1**	-
Trade and other receivables	*19*	**45.5**	47.3
Current tax assets		**0.3**	0.3
Derivative financial instruments	*20*	**-**	0.2
Cash and short term deposits	*21*	**35.2**	28.9
Total current assets		**81.1**	76.7
Total assets		**161.0**	**145.9**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*16*	**(1.8)**	(2.7)
Retirement benefit obligations	*24*	**(102.7)**	(75.8)
Provisions for liabilities and charges	*23*	**(3.4)**	(3.0)
Trade and other payables	*22*	**(0.5)**	-
Total non-current liabilities		**(108.4)**	(81.5)
Current liabilities			
Trade and other payables	*22*	**(45.2)**	(45.8)
Current tax payables		**(2.0)**	(1.6)
Provisions for liabilities and charges	*23*	**(0.3)**	(0.6)
Total current liabilities		**(47.5)**	(48.0)
Total liabilities		**(155.9)**	(129.5)
Net assets		**5.1**	16.4
RESERVES			
Retained earnings	*25*	**1.4**	11.6
Translation reserve	*25*	**3.7**	4.8
Total reserves		**5.1**	16.4

The accompanying notes on pages 50 to 96 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 46 to 96 were approved by the Board of Directors on 18 March 2010 and were signed on its behalf by:

Martin Hannah
Group Finance Director
18 March 2010

BSI Group Consolidated Statement of Cash Flows

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Cash flows from operating activities			
Profit before income tax		17.2	19.2
Adjustments for:			
- Depreciation of property, plant and equipment	7	2.7	3.1
- Amortisation of intangible assets	7	2.5	1.4
- Retirement benefit charges	8	4.0	4.3
- Loss on disposal of property, plant and equipment	7	0.1	0.1
- Provision for impairment of trade receivables	7	1.0	-
- Bad debts written off	7	0.1	-
- Impairment of computer software	7	-	0.4
- Impairment of goodwill	7	0.3	-
- Impairment of intangible assets	7	0.3	-
- Interest income	11	(0.1)	(1.2)
- Interest expense	11	5.4	2.8
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
- Increase in inventories		(0.1)	-
- Decrease/(increase) in trade and other receivables		2.2	(8.3)
- (Decrease)/increase in trade and other payables		(1.0)	7.1
- Increase/(decrease) in provisions and other liabilities		0.1	(0.7)
- Retirement benefit payments	24	(13.4)	(17.0)
Cash generated from operations		21.3	11.2
Interest received		0.1	1.2
Income tax paid		(3.4)	(6.4)
Net cash generated from operating activities		18.0	6.0
Cash flows from investing activities			
Acquisition of subsidiary and businesses, net of cash acquired	14	(1.7)	-
Proceeds from disposal of property, plant and equipment		0.2	-
Purchases of property, plant and equipment	13	(2.4)	(2.0)
Purchases of intangible assets	14	(4.7)	(3.1)
Net cash used in investing activities		(8.6)	(5.1)
Net increase in cash and cash equivalents		9.4	0.9
Opening cash and cash equivalents	21	28.9	25.6
Exchange (losses)/gains on cash and cash equivalents		(3.1)	2.4
Closing cash and cash equivalents	21	35.2	28.9

The accompanying notes on pages 50 to 96 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2009

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 28. During the year, the Group acquired:

The business of Supply Chain Security Division ("SCSD"), a provider of customised supply chain security services, operating in the US;

The business of Certification Institute S.r.I. ("CI"), which provides certification, operating in Italy; and

100% of the share capital of EUROCAT Institute for Certification and Testing GmbH ("EUROCAT"), a healthcare systems and product certification company, operating in Germany.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 18 March 2010.

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 2006 the results of the Company are prepared and presented separately under UK GAAP.

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

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

2. Principal accounting policies (continued)

i. New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

- IFRS 8 'Operating segments' – effective 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Together with the Group's internal reorganisation at the end of April 2009, this has resulted in a change in the type of reportable segments presented. Reportable segments are now geographically based as opposed to product type based as reported in the previous financial year. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 have been restated.

ii. Amended standards effective in 2009 but not relevant

The following amended standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Group's operations:

- IFRS 2 (amendment), 'Share-based payment'; and

- IAS 23 (amendment), 'Borrowing Costs'.

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

The followings standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). 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) prospectively to transactions with non-controlling interests from 1 January 2010.

2. Principal accounting policies (continued)

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

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

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

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

2. Principal accounting policies (continued)

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

- IFRS 2 (amendments), 'Group cash-settled share-based payment transaction' (effective from 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

b. Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement (Note 2f).

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

c. Segment reporting

Included in these financial statements are the results of the business segmented in line with the principal geographic regions in which it trades together with the principal business streams consistent with the management information provided internally to the Board and the Executive Committee.

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.

2. Principal accounting policies (continued)

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

iii. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary 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 stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

2. Principal accounting policies (continued)

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

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

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

f. Intangible assets

i. Goodwill

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

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

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

ii. Computer software

Acquired computer software and licences are 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.

2. Principal accounting policies (continued)

ii. Computer software (continued)

Costs include the software development employee costs. 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.

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

iii. Acquired intangible assets

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

Acquired intangibles include customer relationships and intellectual property. These are 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

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h. Financial assets

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

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also 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 end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (*Notes 2l* and *2m*).

2. Principal accounting policies (continued)

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 or 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 at fair value through profit or loss' category are presented in the Income Statement in the period in which they arise.

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

i. Offsetting financial instruments

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

j. Impairment of financial assets

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

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

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

  i. adverse changes in the payment status of borrowers in the portfolio; and

  ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2. Principal accounting policies (continued)

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

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

k. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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.

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

l. Trade receivables

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

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

m. Cash and cash equivalents

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

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

2. Principal accounting policies (continued)

n. Trade payables

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

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

o. Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

p. 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 resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

2. Principal accounting policies (continued)

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.

q. Employee benefits

i. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group 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.

r. Retirement benefit obligations

i. Defined benefit pension schemes

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

The Group's net obligation in respect of its 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.

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 charged or credited to equity in other comprehensive income in the period in which they arise.

2. Principal accounting policies (continued)

ii. Defined contribution pension schemes

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

s. Revenue

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

The Group 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.

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

2. Principal accounting policies (continued)

t. Exceptional items

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

u. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

v. Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are 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.

w. Long term incentive plan

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

x. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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 buys or sells currencies forwards so as to hedge exchange risk on relevant transactional activities.

a. Market risk

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.

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 movement modelled	Adverse impact on operating profit
US dollar	1.60	+ 10%	(£0.8m)
Euro	1.11	+ 10%	(£0.2m)
Chinese renminbi	10.93	+ 10%	(£0.2m)
Japanese yen	146.70	+ 10%	(£0.4m)

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 £1.6 million.

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.

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

3. Financial risk management (continued)

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 2009	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	45.2	0.2	0.3	-

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	-	-	-

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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4. Critical accounting estimates and judgments (continued)

i. Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2g. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require management to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details 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. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

iii.Deferred tax assets

Deferred tax assets are 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.

The liability using a discount rate of 5.75% is £305.5 million (2008: £257.7 million). For an increase in the discount rate of 0.5% the liabilities reduce to approximately £278.7 million (2008: £236.9 million). For a decrease in the discount rate of 0.5% the liabilities will increase to approximately £332.5 million (2008: £282.0 million). The average age of death for a male pensioner presently aged 65 is age 87.3 (2008: 87.3). For an increase of one year in longevity the liability increases from £305.5 million to £312.9 million (2008: £257.7 million to £264.9 million).

Life expectancy at age 65 for a member currently aged 45 is 23.8 years (men) or 26.8 years (women). Life expectancy for a member currently aged 65 is 22.3 years (men) or 25.2 years (women).

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 last funding actuarial valuation being carried out by the Trustees of the Scheme.

4. Critical accounting estimates and judgments (continued)

v. Business disposals

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

5. Segment information

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

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

- Assessment and certification being the assessment and certification of management systems and specialised schemes worldwide including the GRC business.

- Healthcare and Testing being the provision of testing and certification of healthcare and other products.

- Training being the provision of training services on standards, regulatory approval and business improvement.

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

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

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

5. Segment information (continued)

The segment information provided to the Board and the Executive Committee for the reportable segments for the year ended 31 December 2009 is as follows:

	EMEA £m	Americas £m	Asia Pacific £m	Standards £m	Group Governance £m	Group £m
Total segment revenue	82.6	49.9	48.9	46.4	-	227.8
Inter & intra-segment revenue	(3.4)	(0.2)	(1.0)	(0.4)	-	(5.0)
Revenue from external customers	79.2	49.7	47.9	46.0	-	222.8
Operating profit	9.0	5.9	4.0	13.3	(4.5)	27.7
Depreciation and amortisation	(2.2)	(0.8)	(1.2)	(1.0)	-	(5.2)
Impairment of goodwill	-	-	(0.3)	-	-	(0.3)
Impairment of intangible assets	-	-	(0.3)	-	-	(0.3)
Interest income	-	-	-	-	0.1	0.1
Interest expense	-	-	-	-	(5.4)	(5.4)
Income tax expense	(1.1)	(1.0)	(0.2)	(2.7)	-	(5.0)
Total assets	**43.4**	**19.7**	**30.3**	**22.4**	**43.4**	**159.2**
Total assets includes: Additions to non-current assets (other than financial instruments and deferred tax assets)	4.5	2.1	1.7	1.3	-	9.6
Total liabilities[1]	**(19.1)**	**(4.2)**	**(11.0)**	**(16.5)**	**(103.3)[2]**	**(154.1)**

[1] The measure of liabilities has been disclosed for each reportable segment and is provided to the Board and the Executive Committee.

[2] Included here is an amount of £102.7 million relating to pension liabilities for the Group which have not been allocated to the segments disclosed above.

5. Segment information (continued)

The segment information provided to the Board and the Executive Committee for the reportable segments for the year ended 31 December 2008 is as follows:

	EMEA £m	Americas £m	Asia Pacific £m	Standards £m	Group Governance £m	Group £m
Total segment revenue	81.1	39.1	38.8	46.9	-	205.9
Inter & intra-segment revenue	(2.7)	(0.2)	(0.4)	(0.3)	-	(3.6)
Revenue from external customers	78.4	38.9	38.4	46.6	-	202.3
Operating profit	10.5	4.9	3.2	13.8	(4.3)	28.1
Depreciation and amortisation	(2.1)	(0.6)	(1.0)	(0.8)	-	(4.5)
Impairment of computer software	-	-	-	(0.4)	-	(0.4)
Interest income	0.4	-	-	0.5	0.3	1.2
Interest expense	-	-	-	-	(2.8)	(2.8)
Income tax expense	(1.1)	(1.1)	(0.7)	(3.2)	-	(6.1)
Total assets	**41.0**	**17.5**	**26.2**	**24.1**	**35.5**	**144.3**
Total assets includes: Additions to non-current assets (other than financial instruments and deferred tax assets)	2.6	0.6	0.7	1.2	-	5.1
Total liabilities[1]	**(20.0)**	**(3.9)**	**(10.3)**	**(17.8)**	**(75.9)[2]**	**(127.9)**

[1] The measure of liabilities has been disclosed for each reportable segment and is provided to the Board and the Executive Committee.

[2] Included here is an amount of £75.8 million relating to pension liabilities for the Group which have not been allocated to the segments disclosed above.

IFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief executive decision maker. The amendment is effective for periods beginning on or after 1 January 2010.

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

5. Segment information (continued)

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

	2009 £m	2008 £m
Operating profit for reportable segments	32.2	32.4
Group Governance costs – operating loss	(4.5)	(4.3)
Total segments	27.7	28.1
Amortisation	(0.8)	(0.6)
Impairment of goodwill and intangible assets	(0.6)	-
Restructuring costs	(2.4)	(3.4)
One-off expenses for Group projects	(0.1)	(0.6)
Exceptional legal fees	(0.6)	-
LTIP costs	(0.2)	(0.2)
Financing costs and actuarial adjustments of the defined benefit pension scheme	(6.1)	(5.1)
Interest income	0.1	1.2
Other	0.2	(0.2)
Profit before tax	17.2	19.2

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

Reportable segment assets are reconciled to total assets as follows:

	2009 £m	2008 £m
Segment assets for reportable segments	115.8	108.7
Group Governance assets	43.4	35.6
Reclassifications:		
Deferred tax	0.7	0.4
Current tax	0.3	0.3
Trade and other receivables	0.8	0.9
Total assets per the balance sheet	161.0	145.9

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

5. Segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	2009 £m	2008 £m
Segment assets for reportable segments	50.8	52.0
Group Governance liabilities	103.3	75.9
Reclassifications:		
Deferred tax	0.7	0.4
Current tax	0.3	0.3
Trade and other payables	0.8	0.9
Total assets per the balance sheet	155.9	129.5

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

	2009 £m	2008 £m
Standards	46.0	46.6
Assessment and certification	133.9	116.7
Healthcare and Testing	28.3	23.8
Training	14.6	15.2
Revenue from external customers	222.8	202.3

Revenue from external customers is allocated based on the country in which the customer is located. The result of revenue from external customers in the UK is £88.9 million (2008: £88.2 million), and the total of revenue from external customers from other countries is £133.9 million (2008: £114.1 million). The major components of the total of revenue from external customers from other countries are £41.7 million (2008: £32.7 million) for United States of America and £21.4 million (2008: £17.3 million) for Japan.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the UK is £24.1 million (2008: £21.9 million), and the total of these non-current assets located in other countries is £23.1 million (2008: £21.8 million).

As the Group transacts with a large number of diversified customers, there are no cumulative revenue transactions amounting to 10% or more of total external revenue derived from any single external customer (2008: Nil).

6. Revenue

Revenue recognised in the Income Statement is analysed as follows:

	2009 £m	2008 £m
Sale of goods	**10.0**	10.3
Rendering of services	**201.3**	180.6
Copyright and royalty income	**11.5**	11.4
Total	**222.8**	202.3

7. Operating profit

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

	Note	2009 £m	2008 £m
Employee benefit expense	*8*	**104.5**	93.9
Depreciation	*13*	**2.7**	3.1
Amortisation	*14*	**2.5**	1.4
Provision for impairment of trade receivables	*19*	**0.9**	0.6
Operating lease payments for plant and machinery		**0.1**	0.1
Operating lease payments for land and buildings		**4.8**	3.7
Loss on disposal of property, plant and equipment		**0.1**	0.1
Bad debts written off		**0.1**	-
Impairment of computer software	*14*	**-**	0.4
Impairment of goodwill	*14*	**0.3**	-
Impairment of intangible assets	*14*	**0.3**	-
(Gain)/loss on forward foreign currency contracts		**(0.1)**	1.0
Other exchange losses/(gains)		**0.3**	(0.5)
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements		**0.3**	0.3
Fees payable to the Group's auditors and their associates for other services:			
- The audit of company's subsidiaries pursuant to legislation		**-**	-
- Tax advisory services		**0.1**	-
- Other advisory services		**0.1**	0.1

7. Operating profit (continued)

Operating exceptional costs

	2009 £m	2008 £m
Restructuring and reorganisation costs	**2.5**	4.0
Exceptional legal costs	**0.6**	-
Goodwill impairment (*Note 14*)	**0.3**	-
Intangible assets impairment (*Note 14*)	**0.3**	-
	3.7	4.0

Operating exceptional items amounted to £3.7 million (2008: £4.0 million). £2.4 million relates to the move of the Group from its historical divisional structure to a regional and business stream structure and to final payments in respect of the 2008 restructuring. An impairment charge of £0.6 million has been taken in respect of the Group's business in Thailand. This business has not developed in line with expectations following investment in 2006. A further £0.6 million has been incurred in respect of legal costs in respect of a legal action that the BSI Group is defending. Further details of this are discussed at Note 26. The balance of £0.1 million relates to work undertaken on the UK final salary pension fund where the Trustee Board executed a substantial buy-in arrangement and preparation work for a consultation on a proposal to close the scheme to future accrual in 2010. The pension buy-in executed by the Trustee Board has significantly reduced the risk profile of the scheme.

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

- £3.4 million 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; and

- £0.6 million relates to further costs of a high level strategic review of the constraints and opportunities facing the Group.

The corporation tax credit on operating exceptional items amounts to £1.0 million (2008: £1.1 million).

8. Employee benefit expense

	Note	2009 £m	2008 £m
Wages and salaries (including termination benefits of £2.3 million, 2008: £3.9 million)		**87.2**	78.3
Social security costs		**9.1**	7.9
Pension costs – defined benefit plans	*24bii*	**4.0**	4.3
Pension costs – defined contribution plans	*24a*	**4.2**	3.4
Employee benefit expense charged in arriving at operating profit	*7*	**104.5**	93.9
Pension costs finance expense	*11, 24bii*	**5.4**	2.8
Total employee benefit expense charged in arriving at profit before income tax		**109.9**	96.7

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

	2009 Number	2008 Number
Production, assessment, training and laboratory	**1,193**	1,204
Sales and distribution	**420**	380
Administration	**883**	812
	2,496	2,396

9. Directors' emoluments

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

	Salary & fees £	Benefits £	Relocation £	Bonus £	LTIP £	**2009 Total £**	2008 Total £
Executive							
Howard Kerr[1] (appointed 3 November 2008)	315,833	16,294	215,000	200,725	-	**747,852**	78,047
Stevan Breeze (resigned 2 July 2008)	-	-	-	-	-	-	1,418,026
Mike Low	270,222[2]	6,707	-	159,365	120,750	**557,044**	441,540
Martin Hannah	256,713	1,968	-	124,460	-	**383,141**	439,003
Non-executive							
Sir David John KCMG (Chairman)	145,000	-	-	-	-	**145,000**	270,000[3]
Norman Price	25,000	-	-	-	-	**25,000**	25,000
Michael French	30,000	-	-	-	-	**30,000**	35,000
John Regazzi	25,000	-	-	-	-	**25,000**	25,000
Anthony Lea	30,000	-	-	-	-	**30,000**	29,583
Tom Gorrie (appointed 1 September 2009)	8,333	-	-	-	-	**8,333**	-
Aggregate emoluments	**1,106,101**	**24,969**	**215,000**	**484,550**	**120,750**	**1,951,370**	2,761,199

[1] Highest paid Director
[2] Includes £33,937 salary supplement in lieu of pension
[3] Includes £125,000 remuneration in respect of temporary assumption of Chief Executive role (July – Dec 2008)

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 2009.

Contributions of £29,200 (2008: £33,925) for Martin Hannah were made to the BSI Stakeholder Plus Plan and contributions of £49,917 (2008: £nil) for Howard Kerr were made to a pension plan. No contributions were made to the BSI Stakeholder Plus Plan for Mike Low in 2008 and 2009.

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

9. Directors' emoluments (continued)

In 2006 a Long Term Incentive Plan (LTIP) for the period 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), a third (for the period 2008-2010) and a fourth Plan (for the period 2009-2011), based on similar criteria. Interests of Directors in the LTIP are shown below:

Executive Directors	Notional Award b/fwd at 1 January 2009 (PPU[1] Units)	Granted in year (PPU[1] Units)	Vested in year (PPU[1] Units)	Notional Award c/fwd at 31 December 2009 (PPU[1] Units)	Expected interest in awards at 31 December 2009 (£)	Earliest Vesting Date
H Kerr	-	201,000[2]	-	201,000	201,000	1/1/2012
M Low	261,000	110,000[2]	(80,500)	290,500	238,250	1/1/2010
M Hannah	186,667	117,500[2]	-	304,167	240,000	1/1/2010

[1] Profit Participation Units
[2] Granted 1 January 2009

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 £1.2 million (2008: £1.3 million). The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date is £3.9 million (2008: £4.7 million). The Group has recognised a provision in respect of any surplus of sub-let properties (see Note 23).

The future aggregate minimum lease payments under non-cancellable operating leases ending no later than after:

	Land and buildings £m	Other £m	2009 Total £m	Land and buildings £m	Other £m	2008 Total £m
1 year	**5.2**	**1.2**	**6.4**	5.3	0.4	5.7
1 year and no later than 5 years	**16.4**	**1.6**	**18.0**	16.1	0.5	16.6
5 years	**3.2**	**-**	**3.2**	7.0	-	7.0
	24.8	**2.8**	**27.6**	28.4	0.9	29.3

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

11. Finance income and expense

	2009 £m	2008 £m
Bank interest receivable on cash and short term deposits	**0.1**	1.2
Finance income	**0.1**	1.2
Net pension scheme interest cost less return on pension scheme assets (see *Note 8* and *Note 24bii*)	**(5.4)**	(2.8)
Finance expense	**(5.4)**	(2.8)

12. Income tax expense

	2009 £m	2008 £m
Current tax	**4.2**	4.8
Deferred tax (*Note 16*)		
- Origination and reversal of temporary differences	**0.8**	1.7
- Impact of change in UK tax rate	-	(0.4)
Total income tax expense	**5.0**	6.1

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% (2008: 28.5%) applicable to profits of the consolidated entities as follows:

	2009 £m	2008 £m
Profit before tax	**17.2**	19.2
Tax calculated at the weighted average UK statutory tax rate of 28% (2008: 28.5%)	**4.8**	5.5
Effects of:		
- Items not deductible for tax purposes	**0.1**	0.3
- Higher tax rates on overseas earnings	**1.0**	0.8
- Unrelieved group tax losses	-	-
Adjustments to tax charge in respect of previous periods:		
- UK	**(0.8)**	(0.4)
- Foreign	**(0.1)**	(0.1)
Total income tax expense	**5.0**	6.1

The Group's effective tax rate (ETR) on profits before tax and goodwill impairment for underlying business operations for the year is 28.3% (2008: 31.8%). The ETR at 28.3% comprises a current year tax charge of 32.7% and a prior year tax credit of 4.4% arising from the 2009 resolution of historical tax issues.

The ETR at 28.3% is also reconciled from the UK statutory tax rate of 28%, by additional higher overseas Group taxes of 5.4% (e.g. USA 39%, Japan 41%) and ETR reductions for Group tax permanent differences and prior year adjustments.

The Group's underlying current period ETR is targeted to continue to reduce with long-term management to the UK statutory rate of 28%.

13. Property, plant and equipment

	Land and buildings			Plant,	
		Short	Assets	machinery	
		leases/	under	and office	
	Freehold	leaseholds	construction	equipment	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2008	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**
Additions	0.1	0.2	0.1	2.0	**2.4**
Acquisition of subsidiary and businesses (*Note 14*)	-	-	-	0.1	**0.1**
Disposals	-	(0.1)	-	(1.8)	**(1.9)**
Reclassifications	-	0.2	(0.2)	-	**-**
Reclassifications from computer software (*Note 14*)	-	-	-	0.9	**0.9**
Exchange differences	-	-	-	(0.2)	**(0.2)**
At 31 December 2009	8.0	3.8	0.4	16.7	**28.9**

	Land and buildings			Plant,	
		Short	Assets	machinery	
		leases/	under	and office	
	Freehold	leaseholds	construction	equipment	Total
	£m	£m	£m	£m	£m
Accumulated Depreciation					
At 1 January 2008	(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)**
Charge for the year (*Note 7*)	(0.3)	(0.5)	-	(1.9)	**(2.7)**
Disposals	-	0.1	-	1.5	**1.6**
Reclassifications from computer software (*Note 14*)	-	-	-	(0.4)	**(0.4)**
Exchange differences	-	-	-	0.2	**0.2**
At 31 December 2009	(2.3)	(1.7)	-	(12.7)	**(16.7)**
Net book value at 31 December 2009	**5.7**	**2.1**	**0.4**	**4.0**	**12.2**
Net book value at 31 December 2008	5.9	2.2	0.5	3.6	12.2

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 £0.3 million (2008: £0.2 million) has been contracted for but not provided in the financial statements.

14. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships & intellectual property £m	Total £m
Cost				
At 1 January 2008	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**
Additions	-	4.4	0.3	**4.7**
Acquisition of subsidiary and businesses	0.9	-	1.6	**2.5**
Write off	-	(0.4)	-	**(0.4)**
Reclassifications to property, plant and equipment (*Note 13*)	-	(0.9)	-	**(0.9)**
Exchange differences	0.3	-	-	**0.3**
At 31 December 2009	29.8	19.2	6.6	**55.6**

14. Intangible assets (continued)

	Goodwill £m	Computer software £m	Customer relationships & intellectual property £m	Total £m
Accumulated Amortisation and Impairment				
At 1 January 2008	(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)**
Charge for the year (*Note 7*)	-	(1.7)	(0.8)	**(2.5)**
Impairment loss (*Note 7*)	(0.3)	-	(0.3)	**(0.6)**
Write back	-	0.4	-	**0.4**
Reclassifications to property, plant and equipment (*Note 13*)	-	0.4	-	**0.4**
Exchange differences	(0.3)	-	(0.1)	**(0.4)**
At 31 December 2009	(5.9)	(11.9)	(2.9)	**(20.7)**
Carrying amount at 31 December 2009	**23.9**	**7.3**	**3.7**	**34.9**
Carrying amount at 31 December 2008	23.3	5.1	3.0	31.4

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 (2008: £0.1 million) 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 operating segment.

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

	EMEA £m	Americas £m	Asia Pacific £m	Standards £m	**Total £m**
2009	**5.7**	**4.6**	**8.3**	**5.3**	**23.9**
2008	5.2	4.5	8.3	5.3	23.3

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 1.43% and 9.26% (2008: 2.67% and 10.62%). Discount rates applied to the cash flow forecasts are derived using the capital asset pricing model and vary from 11.1% to 18.5% (2008: 6.5% to 12.5%) across the CGUs.

Business combinations

During the year, the Group made the following acquisitions:

a) On 21 April 2009, the Group acquired the business of Supply Chain Security Division ("SCSD"), a provider of customised supply chain security services and operating in the US.

b) On 12 May 2009, the Group acquired the business of Certification Institute S.r.l. ("CI"), which provides certification and operating in Italy.

c) On 20 August 2009, the Group acquired 100% of EUROCAT Institute for Certification and Testing GmbH ("EUROCAT"), a healthcare systems and product certification company operating in Germany.

The results of the businesses of Supply Chain Security Division and Certification Institute S.r.l have been fully integrated into the existing businesses of BSI Group America Inc and BSI Group Italia S.r.l therefore their results cannot be separated in the post acquisition period nor can the impact on the Group revenue and profit be quantified if the acquisitions occurred on 1 January 2009.

EUROCAT Institute for Certification and Testing GmbH contributed revenue of £0.6 million and losses before interest and tax of £0.1 million in the period from its acquisition date to 31 December 2009. If the acquisition of EUROCAT had occurred on 1 January 2009, Group revenue would have been £224.7 million and earnings before interest and tax would have been £22.8 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of these acquisitions to reflect additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the consequential tax effects.

Details of the net assets acquired and goodwill are as follows:

	Total £m
Total cash paid for acquisitions	**1.7**
Deferred cash consideration	**0.9**
Direct costs relating to the acquisitions, settled in cash	**0.1**
Total purchase consideration	**2.7**

14. Intangible assets (continued)

The assets and liabilities of the acquired businesses at the acquisition dates are as follows:

	Total £m	Total £m
	Fair value of acquired net assets	Acquiree's carrying amount
Cash and cash equivalents	0.1	0.1
Property, plant and equipment (*Note 13*)	0.1	0.1
Contractual customer relationships	0.8	0.8
Intellectual property	0.8	0.8
Trade receivables and other receivables	0.4	0.4
Trade and other payables	(0.4)	(0.4)
Fair value of net assets acquired	1.8	1.8
Goodwill	0.9	

Included in the £0.9 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. The goodwill acquired is attributable to market penetration and expected future profits and sales synergies from integration with BSI Group activities.

	2009 £m
Purchase consideration settled in cash	1.8
Cash and cash equivalents in businesses and subsidiary acquired	(0.1)
Total cash outflow on acquisitions	**1.7**

There were no acquisitions in the year ended 31 December 2008.

15. Investments

	2009 £m	2008 £m
Cost at 1 January	0.1	-
Exchange	-	0.1
Cost at 31 December	0.1	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 £63,000 at 1 January 2009 decreased due to exchange to £58,000 at 31 December 2009.

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

16. Deferred tax

	2009 £m	2008 £m
Deferred tax assets:		
- to be recovered after more than 12 months	28.3	22.7
- to be recovered within 12 months	4.4	2.8
	32.7	25.5
Deferred tax liabilities:		
- to be recovered after more than 12 months	(1.7)	(2.1)
- to be recovered within 12 months	(0.1)	(0.6)
	(1.8)	(2.7)
Net deferred tax assets	30.9	22.8

Gross movement on the deferred tax account

	2009 £m	2008 £m
At 1 January	22.8	21.7
Income statement tax charged (*Note 12*)	(0.8)	(1.3)
Tax credited to equity	8.7	1.9
Utilised/(released)	-	0.2
Exchange differences	0.2	0.3
At 31 December	30.9	22.8

16. Deferred tax (continued)

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 2008	(2.6)	**(2.6)**
Charged to the income statement	(0.1)	**(0.1)**
At 31 December 2008	(2.7)	**(2.7)**
Credited to the income statement	0.9	**0.9**
At 31 December 2009	**(1.8)**	**(1.8)**

Deferred tax assets

	Accelerated capital allowances £m	Pension £m	Losses £m	Other temporary differences £m	**Total £m**
At 1 January 2008	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**
Credited / (charged) to the income statement	-	(1.2)	0.5	(1.0)	**(1.7)**
Charged directly to equity	-	8.7	-	-	**8.7**
Exchange differences	-	-	0.4	(0.2)	**0.2**
At 31 December 2009	**0.5**	**28.8**	**1.9**	**1.5**	**32.7**

The deferred tax credited directly to equity during the period was £8.7 million (2008: £1.9 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.

17. Financial instruments

a. Financial instruments by category

At 31 December 2009

	Loans and receivables £m	Total £m
Assets as per balance sheet		
Trade and other receivables	45.5	**45.5**
Cash and cash equivalents	35.2	**35.2**
Total	**80.7**	**80.7**

	Other financial liabilities £m	Total £m
Liabilities as per balance sheet		
Trade and other payables	45.7	**45.7**
Total	**45.7**	**45.7**

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**

	Other financial liabilities £m	Total £m
Liabilities as per balance sheet		
Trade and other payables	45.8	45.8
Total	45.8	**45.8**

b. Credit Quality of financial assets

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

18. Inventories

	2009 Group £m	2008 Group £m
Consumables	0.1	-

19. Trade and other receivables

	2009 Group £m	2008 Group £m
Trade receivables	33.1	34.1
Less: Provision for impairment of trade receivables	(0.9)	(0.6)
Trade receivables – net	32.2	33.5
Other receivables	3.1	3.2
Prepayments and accrued income	10.2	10.6
	45.5	47.3

Trade receivables are non-interest bearing and are generally on 30 - 60 days' (2008: 30 - 60 days') terms. Other receivables are non-interest bearing and are generally on 30 - 60 days' (2008: 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 2009, trade receivables of £10.1 million (2008: £8.2 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:

	2009 £m	2008 £m
< 1 month	6.7	5.2
1 – 3 months	2.8	2.2
3 – 5 months	0.5	0.5
> 5 months	0.1	0.3
	10.1	8.2

19. Trade and other receivables (continued)

As of 31 December 2009, trade receivables of £0.9 million (2008: £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:

	2009 £m	2008 £m
< 1 month	0.1	-
1 – 3 months	0.1	0.1
3 – 5 months	0.2	0.1
> 5 months	0.5	0.4
	0.9	0.6

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

	2009 £m	2008 £m
British pounds sterling	20.3	22.4
US dollars	6.2	7.0
Euro	6.0	5.1
Japanese yen	3.3	3.4
Chinese renminbi	1.0	1.4
Other currencies	8.7	8.0
	45.5	47.3

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

	2009 £m	2008 £m
At 1 January	0.6	0.6
Provision for impaired receivables	1.1	0.6
Receivables written off during the year as uncollectible	(0.7)	(0.4)
Unused amounts reversed	(0.1)	(0.2)
At 31 December	0.9	0.6

19. Trade and other receivables (continued)

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

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

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

20. Derivative financial instruments

	2009 Group £m	2008 Group £m
Current assets		
Forward foreign exchange contracts – cash flow hedge	-	0.2

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2009 were £1.4 million (2008: £1.5 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.

21. Cash and short term deposits

	2009 Group £m	2008 Group £m
Cash at bank and in hand	24.1	17.7
Short term bank deposits	11.1	11.2
Cash and cash equivalents	35.2	28.9

No bank overdraft facilities were in use at 31 December 2009 (2008: 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 £35.2 million (2008: £28.9 million). The maximum exposure to credit risk at the reporting date is the fair value of cash and short term deposits mentioned above.

21. Cash and short term deposits (continued)

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

	2009				2008		
	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m	Floating rate £m	Non-interest bearing £m	Total £m
Currency							
British pounds sterling	**12.9**	**4.9**	**4.2**	**22.0**	16.7	2.3	19.0
US dollars	-	**1.2**	**1.9**	**3.1**	0.2	1.5	1.7
Euro	**0.2**	**0.9**	**0.8**	**1.9**	0.4	3.1	3.5
Japanese yen	**0.4**	-	**1.8**	**2.2**	0.5	-	0.5
Chinese renminbi	-	**3.4**	-	**3.4**	-	2.1	2.1
Other currencies	**0.5**	**0.1**	**2.0**	**2.6**	0.8	1.3	2.1
Total	**14.0**	**10.5**	**10.7**	**35.2**	18.6	10.3	28.9

22. Trade and other payables

	2009 Group £m	2008 Group £m
Trade payables	**5.3**	4.6
VAT and sales taxes	**1.8**	2.2
Other taxes and social security	**2.3**	2.3
Other payables	**2.9**	2.2
Deferred income	**14.7**	15.4
Accruals	**18.7**	19.1
	45.7	45.8
Less non-current portion: Deferred consideration payable for acquisitions	**(0.5)**	-
Current portion	**45.2**	45.8

22. Trade and other payables (continued)

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

	2009 £m	2008 £m
British pounds sterling	**29.2**	33.0
US dollars	**2.5**	1.6
Euro	**3.4**	2.2
Japanese yen	**3.6**	3.2
Chinese renminbi	**1.7**	1.7
Other currencies	**5.3**	4.1
	45.7	45.8

Trade payables are non-interest bearing and are generally on 30 - 60 days' (2008: 30 - 60 days') terms. Other payables are non-interest bearing and are generally on 30 - 90 days' (2008: 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.

23. Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2008	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**
Charge to income statement	0.3	0.1	**0.4**
Utilisation	-	-	-
Released	(0.1)	(0.2)	**(0.3)**
At 31 December 2009	**0.9**	**2.8**	**3.7**

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

23. Provisions for liabilities and charges (continued)

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:

	2009 Group £m	2008 Group £m
Non-current	3.4	3.0
Current	0.3	0.6
	3.7	3.6

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.

24. Retirement benefit obligations

The Group operates the following retirement benefit schemes:

a. Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Group offers a Group Personal Pension plan to all new UK employees. The costs for the period were £2.7 million (2008: £2.2 million).

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the period totalling £1.5 million (2008: £1.2 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 Statutory Funding Objective as at 31 March 2007. This revealed an ongoing funding level of 66%. The Group subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2007. It required contributions of 15.5% of salary less members' contributions until 31 December 2008 and 27.9% of annual salary less members' contributions thereafter. In addition, in order to improve the funding level of the scheme and to cover the expenses of running the scheme, the Group agreed to pay additional contributions of £137.4 million over the period to December 2018.

The schedule of contributions allows for the Salary Exchange arrangements.

The Group paid a total of £13.4 million in contributions to the fund during 2009 (2008: £17.0 million).

24. Retirement benefit obligations (continued)

i.Balance sheet

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

	2009 £m	2008 £m
Present value of defined benefit obligations	**(305.5)**	(257.7)
Fair value of plan assets	**202.8**	181.9
Net liability in the balance sheet	**(102.7)**	(75.8)

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

	2009 £m	2008 £m
Opening defined benefit obligation	**257.7**	275.3
Current service cost	**4.0**	4.3
Interest cost	**15.2**	15.4
Contributions by plan participants	**0.1**	0.2
Actuarial losses/(gains)	**37.7**	(28.3)
Benefits paid	**(9.2)**	(9.2)
Closing defined benefit obligation	**305.5**	257.7

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

	2009 £m	2008 £m
Opening fair value of plan assets	**181.9**	196.3
Expected return on plan assets	**9.8**	12.6
Actuarial gains/(losses)	**6.8**	(35.0)
Contributions by employer	**13.4**	17.0
Contributions by plan participants	**0.1**	0.2
Benefits paid	**(9.2)**	(9.2)
Closing fair value of plan assets	**202.8**	181.9

The actual return on plan assets was £16.6 million (2008: (£22.4) million).

24. Retirement benefit obligations (continued)

ii.Income statement

The amounts recognised in the income statement are as follows:

	2009 £m	2008 £m
Amounts in net operating costs (*Note 8*)		
Current service cost	4.0	4.3
Past service cost	-	-
	4.0	4.3
Amounts in net finance expenses (*Note 8* and *Note 11*)		
Interest cost	15.2	15.4
Expected return on plan assets	(9.8)	(12.6)
	5.4	2.8
Total amounts charged to the income statement	9.4	7.1

iii.Statement of recognised income and expense

	2009 £m	2008 £m
Net actuarial losses recognised in the year	(30.9)	(6.7)

iv. Assumptions

The principal actuarial assumptions used are as follows:

	2009 %pa	2008 %pa
Rate of general increase in salaries	5.05	4.50
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	3.80	3.55
Rate of revaluation of deferred pensions in excess of the GMP	3.00	3.00
Discount rate	5.75	6.00
Inflation assumption	3.55	3.00

Life expectancy at age 65 for a member currently aged 45 is 23.8 years (men) or 26.8 years (women). Life expectancy for a member currently aged 65 is 22.3 years (men) or 25.2 years (women).

24. Retirement benefit obligations (continued)

Plan assets are comprised as follows:

	Long term rate of return expected at 31 Dec 2009	Value at 31 Dec 2009 £m		Long term rate of return expected at 31 Dec 2008	Value at 31 Dec 2008 £m	
Equity	n/a	n/a		7.3%	96.9	53%
Diversified Growth Fund	6.85%	96.3	48%	n/a	n/a	
Bonds	5.15%	25.4	13%	4.7%	80.7	45%
Other	0.95%	1.3	0%	2.0%	4.3	2%
Metlife policy	5.75%	79.8	39%	n/a	n/a	
Weighted average return	6.20%			6.1%		
Total fair value of plan assets		202.8	100%		181.9	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.

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
As at 31 December					
Present value of defined benefit obligation	305.5	257.7	275.3	245.4	248.8
Fair value of plan assets	202.8	181.9	196.3	181.7	167.1
Deficit	102.7	75.8	79.0	63.7	81.7
Experience adjustments on plan liabilities	(2.8)	0.3	(10.0)	(1.1)	(7.6)
Experience adjustments on plan assets	6.8	(35.0)	(1.8)	(1.3)	18.4

Expected contributions to retirement benefit plans for the year ending 31 December 2010 are £18.2 million (2009: £13.6 million).

25. Reconciliation of movements in reserves

	Retained earnings £m	Translation reserve £m	**Total £m**
At 1 January 2008	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 profit for the year	12.2	-	**12.2**
Actuarial losses related to retirement benefit obligations	(22.2)	-	**(22.2)**
Cash flow hedges	(0.2)	-	**(0.2)**
Translation of overseas entities	-	(1.1)	**(1.1)**
At 31 December 2009	**1.4**	**3.7**	**5.1**

Retained earnings

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

Translation reserve

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

26. Contingent liabilities

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

A distributor of motor vehicle parts has filed a High Court action against BSI which is being vigorously defended. BSI has applied for the action to be struck out but even if the strike out application is unsuccessful BSI is confident, based on external legal advice, that it has a strong defence and expects to prevail. BSI is expensing legal defence costs as incurred and will pursue full cost recovery.

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

In the normal course of its business, the Group from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its 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. The number of incidents when such leases are believed to survive is small and in the light of experience to date and the availability of provisions, the Board does not expect these leases to have a significant impact on the Group.

27. Related Party Transactions

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

a. Pension scheme trustee

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

28. Interests in Group undertakings

Interests in principal and other functional subsidiaries

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

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

* Percentage of ordinary share capital

Group Facts and Figures
as at 31 December 2009

	2009	2008
Subscribing Members	14,909	15,507
Committee Members	8,925	8,248
UK Technical Committees and subcommittees	1,274	1,278
Number of new standards published during the year	2,182	1,831
Current British Standards	32,980	31,438
UK secretariats of ISO technical/subcommittees	77	82
UK secretariats of IEC technical/subcommittees	19	20
UK secretariats of CEN technical committees	66	71
UK secretariats of CENELEC committees	25	28
Business locations registered by BSI Group	69,536	68,000
Notified Body status (under European Directives)	15	17
Number of BSI Group staff worldwide	2,562	2,445
Number of operating countries	147	129

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

Parent Company Financial Statements Balance Sheet
as at 31 December 2009

	Note	2009 £m	2008 £m
Fixed assets			
Intangible assets	*2*	**0.4**	0.5
Tangible assets	*3*	**13.1**	11.0
Investments	*4*	**40.3**	40.3
		53.8	51.8
Current assets			
Stock	*5*	**0.1**	-
Debtors	*6*	**22.4**	25.0
Short term investments		**12.0**	11.0
Cash at bank and in hand		**11.1**	10.6
		45.6	46.6
Creditors:			
Amounts falling due within one year	*7*	**(33.3)**	(33.7)
Net current assets		**12.3**	12.9
Total assets less current liabilities		**66.1**	64.7
Provisions for liabilities and charges	*8*	**(1.1)**	(0.9)
Net assets excluding defined benefit pension scheme liability		**65.0**	63.8
Pension liability, net of tax	*9, 11*	**(73.9)**	(54.6)
Net (liabilities)/assets		**(8.9)**	9.2
Retained (loss)/earnings	*12*	**(8.9)**	9.2

The accompanying notes on pages 99 to 109 form an integral part of the parent company financial statements.
The financial statements on pages 98 to 109 were approved by the Board of Directors on 18 March 2010 and were signed on its behalf by:

Martin Hannah
Group Finance Director
18 March 2010

Notes to the Parent Company Financial Statements
for the year ended 31 December 2009

1. Principal accounting policies

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

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

a. Basis of preparation

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

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

Retained profit/(loss) for the year

In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account of The British Standards Institution has not been separately presented in these financial statements. The retained profit for the year is shown in Note 12.

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 make 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.

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.

o. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

2. Intangible assets

	Goodwill £m	Intellectual property £m	Total £m
Cost			
At 1 January 2009	0.5	0.1	**0.6**
Written off in the year	-	(0.1)	**(0.1)**
At 31 December 2009	**0.5**	-	**0.5**
Amortisation			
At 1 January 2009	0.1	-	**0.1**
Charge for the year	-	-	-
At 31 December 2009	**0.1**	-	**0.1**
Net book value at 31 December 2009	**0.4**	-	**0.4**
Net book value at 31 December 2008	0.4	0.1	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 2009	3.8	3.1	25.8	**32.7**
Additions	-	0.1	5.4	**5.5**
Reclassification	-	0.2	(0.2)	-
Disposals	-	-	(1.5)	**(1.5)**
At 31 December 2009	**3.8**	**3.4**	**29.5**	**36.7**
Depreciation:				
At 1 January 2009	(2.0)	(1.1)	(18.6)	**(21.7)**
Charge in the year	(0.2)	(0.4)	(2.6)	**(3.2)**
Disposals	-	-	1.3	**1.3**
At 31 December 2009	**(2.2)**	**(1.5)**	**(19.9)**	**(23.6)**
Net book value at 31 December 2009	**1.6**	**1.9**	**9.6**	**13.1**
Net book value at 31 December 2008	1.8	2.0	7.2	11.0

The net book value of freehold land not depreciated is £0.3 million (2008: £0.3 million).

4. Investments

	£m
Cost at 1 January 2009	**40.3**
Transfer to subsidiary undertakings	-
Cost at 31 December 2009	**40.3**

The Directors consider that the fair value of investments is not less than their carrying value.
A list of subsidiaries is provided in Note 28 to the Group financial statements.

5. Stock

	2009	2008
	£m	£m
Consumables	**0.1**	-

6. Debtors

	2009	2008
	£m	£m
Amounts falling due within one year		
Trade debtors	**15.9**	16.5
Other debtors	**0.9**	0.9
Amounts due from subsidiary undertakings	-	-
Corporation tax receivable	-	-
Prepayments and accrued income	**4.8**	6.2
*Deferred taxation (*Note 10*)	**0.8**	1.4
	22.4	25.0

* excludes deferred tax asset on the pension liability (Note 10)

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%.

7. Creditors: Amounts falling due within one year

	2009 £m	2008 £m
Trade creditors	2.9	2.6
Corporation tax payable	0.2	0.1
VAT	1.0	1.4
Social security and PAYE	1.3	1.4
Other creditors	1.3	0.6
Amounts due to subsidiary undertakings	4.0	0.8
Deferred income	12.3	12.6
Accruals	10.3	14.2
	33.3	33.7

8. Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2009	0.7	0.2	0.9
Charged to profit and loss account	0.3	-	0.3
Utilisation	-	-	-
Released	(0.1)	-	(0.1)
At 31 December 2009	0.9	0.2	1.1

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 Group over the remaining lease periods.

Details of the deferred taxation and pension provisions are set out in Notes 9, 10 and 11 below.

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

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

	Pension provision £m	Deferred taxation £m	Total £m
At 1 January 2009	75.8	(21.2)	54.6
Charge / (release) to profit and loss account	9.9	(2.8)	7.1
Charge to current year reserves	30.4	(8.6)	21.8
Contributions	(13.4)	3.8	(9.6)
At 31 December 2009	102.7	(28.8)	73.9

10. Deferred taxation

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

	2009 £m	2008 £m
Provision for deferred tax comprises:		
Accelerated capital allowances	**0.5**	0.1
Short term timing differences	**0.3**	1.3
Deferred tax asset on pension provision	**28.8**	21.2
Net deferred tax asset	**29.6**	22.6

11. 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 £2.7 million (2008: £2.2 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 Statutory Funding Objective as at 31 March 2007. This revealed an ongoing funding level of 66%. The Group subsequently agreed a schedule of contributions with the Trustee which was put in place from 1 April 2007. It required contributions of 15.5% of salary less members' contributions until 31 December 2008 and 27.9% of annual salary less members' contributions thereafter. In addition, in order to improve the funding level of the scheme and to cover the expenses of running the scheme, the Group agreed to pay additional contributions of £137.4 million over the period to December 2018.

The schedule of contributions allows for the Salary Exchange arrangements.

The Company paid a total of £13.4 million in contributions to the fund during 2009 (2008: £17.0 million).

FRS 17 Retirement Benefits

The major assumptions used for the updated actuarial valuation were:

	2009 %pa	2008 %pa	2007 %pa
Rate of general increase in salaries	**5.05**	4.50	4.75
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	**3.80**	3.55	3.70
Discount rate	**5.75**	6.00	5.60
Inflation assumption	**3.55**	3.00	3.25

11. 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 2009 %	Value at 31 Dec 2009 £m	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
Equities	-	-	7.3	96.9	7.9	126.9
Diversified Growth Fund	6.85	96.3	-	-	-	-
Bonds	5.15	25.4	4.7	80.7	5.1	68.3
Cash	0.95	1.3	2.0	4.3	4.7	1.1
Metlife policy	5.75	79.8	-	-	-	-
Total fair value of assets		202.8		181.9		196.3
Present value of scheme liabilities		(305.5)		(257.7)		(275.3)
Deficit in the scheme		(102.7)		(75.8)		(79.0)
Related deferred tax asset		28.8		21.2		21.7
Net pension liability		(73.9)		(54.6)		(57.3)

Analysis of the charge to operating profit

	2009 £m	2008 £m
Current service cost	5.3	5.3
Past service cost	-	-
Total operating charge	5.3	5.3

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

	2009 £m	2008 £m
Interest on pension scheme liabilities	(15.4)	(15.4)
Expected return on pension scheme assets	10.8	13.6
Net Charge	(4.6)	(1.8)

11. Pension obligations (continued)

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

	2009 £m	2008 £m
Actual return less expected return on pension scheme assets	**7.5**	(35.0)
Experience gains and losses arising on the scheme liabilities	**(3.0)**	(0.3)
Changes in assumptions underlying the present value of the scheme liabilities	**(34.9)**	28.6
Actuarial (loss) recognised in the statement of recognised gains and losses	**(30.4)**	(6.7)

Movement in deficit during the year

	2009 £m	2008 £m
Deficit in the scheme at beginning of the period	**(75.8)**	(79.0)
Movement in period		
Current service cost	**(5.3)**	(5.3)
Employer contributions	**13.4**	17.0
Past service costs	**-**	-
Other finance costs	**(4.6)**	(1.8)
Actuarial loss recognised in statement of recognised gains and losses	**(30.4)**	(6.7)
Deficit in scheme at end of year	**(102.7)**	(75.8)

History of Experience Gains and Losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Difference between expected and actual return on scheme assets:					
Amount	**7.5**	(35.0)	(1.9)	(0.9)	18.4
Percentage of scheme assets at year end	**3.7%**	(19.2%)	(1.0%)	(0.5%)	11.0%
Experience gains and losses on scheme liabilities:					
Amount	**(3.0)**	(0.3)	(10.1)	(1.1)	(7.6)
Percentage of scheme liabilities at year end	**(1.0%)**	(0.1%)	(3.6%)	0.4%	3.1%
Total amount recognised in statement of total recognised gains and losses:					
Amount	**(30.4)**	(6.7)	(22.7)	11.3	(10.1)
Percentage of scheme liabilities at year end	**(10.0%)**	(2.6%)	(8.2%)	(4.6%)	4.1%

12. Reconciliation of movements in retained earnings

	2009 £m	2008 £m
At 1 January	9.2	7.6
Retained profit for the year	3.7	6.4
Movement in actuarial valuation of defined benefit pension scheme	(21.8)	(4.8)
At 31 December	(8.9)	9.2

13. Employees

	2009 £m	2008 £m
Wages and salaries	45.5	42.8
Social security costs	4.7	4.4
Pension costs	8.0	4.3
	58.2	51.5

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

	2009 Number	2008 Number
Production, inspection and laboratory	477	396
Sales and distribution	157	130
Administration	465	583
	1,099	1,109

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

14. Capital commitments

	2009 £m	2008 £m
Capital expenditure that has been contracted for but not provided for in the financial statements	0.3	0.3

15. Financial commitments

At 31 December 2009, annual commitments under non-cancellable operating leases were as follows:

	2009		2008	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring within one year	-	0.3	-	-
Expiring within two and five years	0.2	0.7	-	0.1
Expiring in over five years	3.3	-	3.4	-
	3.5	1.0	3.4	0.1

As at 31 December 2009, the Company held foreign exchange contracts to the value of £1.4 million (2008: £0.2 million) all expiring within one year.

16. 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 to 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.

17. 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.

A distributor of motor vehicle parts has filed a High Court action against BSI which is being vigorously defended. BSI has applied for the action to be struck out but even if the strike out application is unsuccessful BSI is confident, based on external legal advice, that it has a strong defence and expects to prevail. BSI is expensing legal defence costs as incurred and will pursue full cost recovery.

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 its 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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