

BSI Inspectorate Holdings PLC
Annual report
for the year ended 31 December 2003



BSI Inspectorate Holdings PLC

Annual report

for the year ended 31 December 2003

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BSI Inspectorate Holdings PLC

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the company have historically arisen from inspection and testing services over a range of commodities. In 2002 the company continued to collect limited amounts of revenue arising from work performed in prior years. It now acts primarily as a holding company for other group companies.

Review of business and future developments

The directors consider both the year-end position and the profit for the year to be satisfactory. The company is expected to continue to act as a holding company for the foreseeable future.

The directors do not propose a final dividend for 2003.

Directors

The directors of the company who served during the year ended 31 December 2003 are listed below:

R Mort

S Williams

A L J Thomas (resigned 12th September 2003)

C V Fenton (appointed 18th December 2003)

Directors' interests

No directors had any interests in the ordinary shares of the company at 31 December 2003.

Creditor payment policy

The company does not follow any particular code or standard on payment practice, although the company endeavours to agree the terms of payment with individual suppliers and to abide by those terms of payment. At 31 December 2003 and 31 December 2002 the company did not have any trade creditors.

BSI Inspectorate Holdings PLC

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

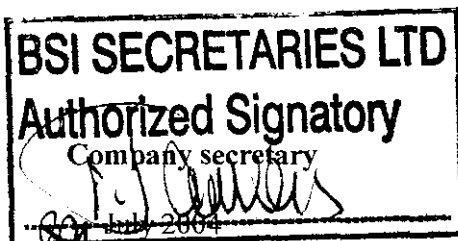
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the board



01 227 47932 02
phone 02 227 47932

BSI Inspectorate Holdings PLC

Independent auditors' report to the members of Inspectorate PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 July 2004

BSI Inspectorate Holdings PLC

Profit and loss account for the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	1	-	10,782
Cost of sales		-	-
Gross profit		-	10,782
Net administrative (costs)/income		(96,921)	1,800,847
Operating (loss)/profit		(96,921)	1,811,629
Interest receivable and similar income	2	1,125,123	1,732,292
Profit on ordinary activities before taxation	4	1,028,202	3,543,921
Taxation on ordinary activities	5	(261,770)	(240,819)
Profit for the year	11, 12	766,432	3,303,102

All income and expenses above relate to continuing operations.

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

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Statement of total recognised gains and losses for the year ended 31 December 2003

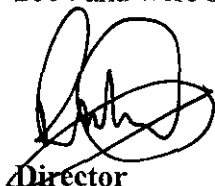
	2003 £	2002 £
Profit for the financial year	766,432	3,303,102
Currency translation differences on foreign currency net investments	(296,538)	-
	<hr/>	<hr/>
Total gains and losses recognised	469,894	3,303,102
	<hr/>	<hr/>

BSI Inspectorate Holdings PLC

Balance sheet at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Investments	6	<u>8,410,224</u>	<u>8,410,224</u>
Current assets			
Debtors: amounts falling due after one year	7	29,641,041	30,576,019
Debtors: amounts falling due within one year	7	5,770,558	4,580,164
Cash at bank and in hand		-	3,550,358
		<u>35,411,599</u>	<u>38,706,541</u>
Current liabilities			
Creditors: amounts falling due within one year	8	(23,342,870)	(25,599,757)
		<u>(23,342,870)</u>	<u>(25,599,757)</u>
Net current assets		<u>12,068,729</u>	<u>13,106,784</u>
Total assets less current liabilities		<u>20,478,953</u>	<u>21,517,008</u>
Creditors: amounts falling due after more than one year	9	(3,562,500)	(5,070,449)
Net assets		<u><u>16,916,453</u></u>	<u><u>16,446,559</u></u>
Capital and reserves			
Called up share capital	10	11,250,000	11,250,000
Profit and loss account	11	<u>5,666,453</u>	<u>5,196,559</u>
Equity shareholders' funds	12	<u><u>16,916,453</u></u>	<u><u>16,446,559</u></u>

The financial statements on pages 4 to 12 were approved by the board of directors on 29 July 2004 and were signed on its behalf by:


Director

BSI Inspectorate Holdings PLC

Notes to the financial statements for the year ended 31 December 2003

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

In accordance with Financial reporting standard ('FRS') 18, "Accounting Policies", the directors confirm that the accounting policies used by the company are the most appropriate, consistently applied and adequately disclosed.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

No group accounts have been prepared as the company is a subsidiary in a group headed by an undertaking established in England and Wales and is included in the consolidated accounts of that undertaking.

The company has taken advantage of the exemption available to it under FRS 1, which provides that where a company is a member of a group and the holding company produces a consolidated cash flow statement, the company does not have to prepare a cash flow statement.

Turnover

Turnover, which all arose from the company's activity of offering inspection and testing services, and which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Turnover, profit before taxation and net assets

These accounts do not contain an analysis of turnover, profits before taxation or net assets by geographical area, as the directors believe that this information would be seriously prejudicial to the interests of the company.

Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 8 ("Related Party Transactions") not to provide details of transactions with other group companies.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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Operating lease income is accounted for on a straight-line basis with any rental increases recognised during the period to which they relate.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, where forward cover contracts have been arranged, at the contractual rates. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or at the contractual rate if applicable and the gains or losses on translation are included in the profit and loss account.

Exchange differences on foreign currency borrowings to finance foreign investments have been taken to reserves to the extent of exchange differences arising on those investments, including loan balances included within debtors which are as permanent as equity. Exchange gains or losses on transactions used to hedge foreign equity investments are treated in the same way as gains or losses on the items being hedged. Exchange gains or losses on forward contracts taken out for reasons other than hedging foreign equity investments are recorded in the profit and loss account.

Investments

Investments are valued at cost, except where the directors consider that there has been a permanent diminution in value. Provision is made against the cost of an investment to reduce its value where a permanent diminution is considered to have occurred.

Deferred taxation

The company provides for deferred tax in full at the rate of tax expected to apply when timing differences reverse. Deferred tax assets are recognised only to the extent that they are considered recoverable in the future. Deferred tax balances are not discounted.

2 Interest

All interest shown in the profit and loss account is receivable from group undertakings.

3 Directors' emoluments and employee information

No director received any emoluments for their services as directors of the company (2002: £Nil). The average monthly number of persons (including executive directors) employed by the company during the year was 3 (2002: 3).

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4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2003 £	2002 £
Hire of premises – operating leases	-	46,095
Operating lease income	-	(33,554)
Foreign exchange loss/(gain)	<u>50,097</u>	<u>(1,902,186)</u>

Auditors' remuneration of £88,000 was charged in the profit and loss account in 2003, and no amounts were re-charged to other group companies. In 2002, auditor's remuneration was borne by other group companies without specific recharge.

5 Taxation on profit on ordinary activities

	2003 £	2002 £
Current tax:		
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	<u>261,455</u>	<u>149,128</u>
	<u>261,455</u>	<u>149,128</u>
Deferred tax:		
Origination and reversal of timing differences	315	59,293
Adjustments in respect of prior periods	-	32,398
	<u>261,770</u>	<u>240,819</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below;

	2003 £	2002 £
Profit on ordinary activities before tax	1,028,202	3,543,921
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	308,460	1,063,176
Effects of:		
Expenses not allowable for tax purposes	-	(412,536)
Capital allowances for period in excess of depreciation	315	(420)
Effect of short-term timing differences	-	(58,873)
Group relief received for no payment	(219,814)	(591,347)
Impact of exchange movements taken to reserves	(88,961)	-
Adjustments to tax in respect of previous periods	<u>261,455</u>	<u>149,128</u>
Current tax charge for period	<u>261,455</u>	<u>149,128</u>

The Company's future tax charges will be dependent upon the availability of group relief at no cost from other group companies.

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6 Fixed asset investments

	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost or valuation			
At 1 January and 31 December 2003	4,862,224	3,548,000	8,410,224

The company's major subsidiaries at 31 December 2003, which are both holding companies, were:

	Class of shares	% interest	Country of incorporation or registration
Inspectorate (US) Limited	Ordinary	100	England & Wales
Daniel C Griffith Holdings Limited	Ordinary	100	England & Wales

7 Debtors

	2003 £	2002 £
Amounts falling due within one year		
Amounts owed by group companies	5,753,733	4,562,068
Other debtors	5,831	6,787
Deferred tax assets	10,994	11,309
	<u>5,770,558</u>	<u>4,580,164</u>
Amounts falling due after more than one year		
Amount owed by group undertakings	29,641,041	30,576,019
	<u>35,411,599</u>	<u>35,156,183</u>

The company's deferred tax assets comprise:

	2003 £	2002 £
Arising on short term timing differences	(10,048)	(10,048)
Accelerated capital allowances	(946)	(1,261)
	<u>(10,994)</u>	<u>(11,309)</u>

The movement in the company's deferred tax assets is as follows:

	£
At 1 January 2003	11,309
Capital allowances	(315)
At 31 December 2003	<u>10,994</u>

The company has no unrecognised deferred tax.

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8 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	5,370,074	-
Trade creditors	-	-
Amounts owed to group undertakings	17,852,494	25,465,676
Other creditors	3,194	890
Accruals	117,108	133,191
	<u>23,342,870</u>	<u>25,599,757</u>

9 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amounts due to parent undertaking	<u>3,562,500</u>	<u>5,070,449</u>

No security has been given in respect of these loans. The loans do not have fixed repayment dates.

10 Called up share capital

	2003 £	2002 £
Authorised, allotted, called up and fully paid 11,250,000 (2002: 11,250,000) ordinary shares of £1 each	<u>11,250,000</u>	<u>11,250,000</u>

11 Profit and loss account

	£
At 1 January	5,196,559
Profit for the year	766,432
Translation difference on foreign currency	(296,538)
At 31 December 2003	<u>5,666,453</u>

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12 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	766,432	3,303,102
Currency translation difference on foreign currency net investments	(296,538)	-
Opening shareholders' funds	16,446,559	13,143,457
Closing shareholders' funds	16,916,453	16,446,559

13 Financial commitments

At 31 December 2003, the company had annual commitments under a non-cancellable operating lease as follows:

	2003 £	2002 £
Land and buildings		
Expiring in more than five years	46,095	46,095

Along with other group undertakings, the company has guaranteed certain loans of the British Standards Institution, which at 31 December 2003 amounted to £18.3 million (2002: £18.8 million), and the bank overdrafts of certain other group undertakings, which at 31 December 2003 amounted to £nil (2002: £nil).

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14 Immediate and ultimate parent undertaking

The company is a wholly-owned subsidiary of BSI Investments B.V., which is registered in the Netherlands.

The directors regard the British Standards Institution ("BSI") as the ultimate controlling undertaking. The largest and smallest group in which the results of the company are consolidated is that headed by BSI. The consolidated accounts of this group are available to the public and may be obtained from 389 Chiswick High Road, Chiswick, W4 4AL.