

Inspectorate Investments (Number 2) Limited
Annual report
for the year ended 31 December 2006

FRIDAY



A32

AP42QRL7
27/07/2007
COMPANIES HOUSE

252

Annual report for the year ended 31 December 2006

	Pages
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the financial statements	7 - 12

Inspectorate Investments (Number 2) Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

Principal activities

The principal activity of the company is that of an investment holding company

Review of business and future developments

The directors consider both the financial position at the year end and the result for the year to be satisfactory

The company will continue to act as a holding company for the foreseeable future

Going concern

The financial statements have been prepared on a going concern basis, the validity of which depends on the continued support of other group companies. The company has received a letter from Inspicio plc confirming this support

Directors

The directors of the company who served during the year ended 31 December 2006 are listed below.

N Hopkins

R Bryan

J Luesley (Resigned 18th May 2007)

Dividends

The directors do not recommend the payment of a dividend (2005. Nil)

Inspectorate Investments (Number 2) Limited

Directors' report

for the year ended 31 December 2006 (continued)

Financial risk management

Financial risk management, including the use of financial instruments and the related currency, liquidity, credit and interest rate risks, is dealt with by the central functions of the Inspicio plc group on behalf of the company

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors has confirmed that there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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



Company secretary

5th July 2007

Inspectorate Investments (Number 2) Limited

Independent auditors' report to the members of Inspectorate Investments (Number 2) Limited

We have audited the financial statements of Inspectorate Investments (Number 2) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge 17 July 2007

Inspectorate Investments (Number 2) Limited

Profit and loss account for the year ended 31 December 2006

		2006	2005
		£	£
Net administrative income/(expenses)		168,284	(58,757)
Operating profit/(loss)		168,284	(58,757)
Income from shares in group undertakings		-	84,161
Interest payable and similar charges	5	(970,902)	(788,801)
(Loss)/profit on ordinary activities before taxation		(802,618)	(763,397)
Taxation	6	-	-
(Loss)/profit for the year	12, 13	(802,618)	(763,397)

All income and expenses reported above arise from continuing operations

Inspectorate Investments (Number 2) Limited

Statement of total recognised gains and losses for the year ended 31 December 2006

	2006	2005
	£	£
(Loss)/profit for the financial year	(802,618)	(763,397)
Currency translation differences on foreign currency net investments	(330,119)	285,692
Total gains and losses recognised	<u>(1,132,737)</u>	<u>(477,705)</u>

Inspectorate Investments (Number 2) Limited

Balance sheet at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	7	<u>14,085,796</u>	<u>16,058,202</u>
Current assets			
Debtors	8	972	1,006
Cash at bank		<u>6,003</u>	<u>6,846</u>
		6,975	7,852
Creditors: amounts falling due within one year	9	<u>(1,757,757)</u>	<u>(956,015)</u>
Net current liabilities		<u>(1,750,782)</u>	<u>(948,163)</u>
Total assets less current liabilities		<u>12,335,014</u>	<u>15,110,039</u>
Creditors: amounts falling due after more than one year	10	<u>(11,728,281)</u>	<u>(13,370,569)</u>
Net assets		<u><u>606,733</u></u>	<u><u>1,739,740</u></u>
Capital and reserves			
Called up share capital	11	1,100	1,100
Share premium account	12	2,829,854	2,829,854
Profit and loss account	12	<u>(2,224,221)</u>	<u>(1,091,484)</u>
Shareholders' funds	13	<u><u>606,733</u></u>	<u><u>1,739,740</u></u>

The financial statements on pages 4 to 12 were approved by the board of directors on 5 July 2007 and were signed on its behalf by


R Bryan
Director

Inspectorate Investments (Number 2) Limited

Notes to the financial statements for the year ended 31 December 2006

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and 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 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.

The company and a fellow subsidiary undertaking, Inspectorate Investments Limited, each have a 50% interest in BSI Delaware Holdings, a joint arrangement as defined by Financial Reporting Standard 9 ("Associates and Joint Ventures"). The company's share of the joint arrangement's assets, liabilities, profits and losses is accounted for in these financial statements using proportional consolidation.

The company has taken advantage of the exemption available to it under SI 1993/1820 Regs 4 to 6, which provides that where members of a qualifying partnership prepare and have audited proportionally consolidated accounts, the company does not have to publish a copy of the partnership's latest financial statements.

No group accounts have been prepared as the company is the subsidiary of an undertaking established in England and Wales and is included in the consolidated accounts of the ultimate parent.

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

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.

Inspectorate Investments (Number 2) Limited

1 Principal accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account, except for differences on foreign equity investments, which are dealt with in reserves, and differences on foreign currency borrowings to finance foreign equity investments, which are taken to reserves to the extent of exchange differences arising on those equity investments.

Going concern

At 31 December 2006 the company's current liabilities exceeded its current assets by £1,750,782. The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the Inspicio plc group continuing its support by providing adequate financing facilities. The company has received a letter from Inspicio plc confirming this support.

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.

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 Directors' emoluments and auditors' remuneration

No director of the company received any emoluments in respect of their services to the Company (2005 £Nil).

The fees paid to the company's auditor, PricewaterhouseCoopers LLP, and its associates by the Inspicio plc group for the audit of the company were £3,000 (2005 £3,000). Fees paid to PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the company are not disclosed since the consolidated financial statements of the company's parent, Inspicio plc, are required to disclose non-audit fees on a consolidated basis.

3 Employee information

The average number of persons employed by the company (including directors) during the year was 3 (2005 4). Staff costs were £Nil (2005 £Nil).

Inspectorate Investments (Number 2) Limited

4 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging

	2006 £	2005 £
Foreign exchange gain/(loss)	<u>168,314</u>	<u>(58,547)</u>

5 Interest payable and similar charges

	2006 £	2005 £
Interest payable to group undertakings	(970,896)	(788,801)
Bank interest	(6)	-
	<u>(970,902)</u>	<u>(788,801)</u>

6 Taxation

	2006 £	2005 £
Current tax		
UK corporation tax at 30%	-	25,248
Double tax relief	-	(25,248)
	<u>-</u>	<u>-</u>
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Tax on (loss)/profit on ordinary activities	<u>-</u>	<u>-</u>

The tax assessed for the period differs from the standard rate of UK corporation tax of 30% (2005. 30%). The differences are explained below

	2006 £	2005 £
(Loss)/profit for the year	<u>(802,618)</u>	<u>(763,397)</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	<u>(240,785)</u>	<u>(229,019)</u>
Effects of		
Losses surrendered as group relief for no payment	240,785	254,267
Double tax relief	-	(25,248)
	<u>-</u>	<u>-</u>
Current tax charge for the period	<u>-</u>	<u>-</u>

Inspectorate Investments (Number 2) Limited

7 Investments

Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2006	16,058,202
Exchange movement	(1,972,406)
At 31 December 2006	14,085,796

The company has taken the exemption available under the Companies Act 1985 Section 231 (5) from listing all its direct and indirect holdings

The company is in partnership with Inspectorate Investments Limited, forming Inspectorate Delaware Holdings Inc, a partnership registered in the United States of America. Each partner has a 50% interest. The principal activity of Inspectorate Delaware Holdings Inc is to act as a holding undertaking, the address of its principal place of business is Sunset Hills Road, Suite 140, Reston, Virginia 20190-2131, USA.

8 Debtors

	2006 £	2005 £
Amounts falling due within one year		
Amounts owed by fellow subsidiaries	972	1,006
Other debtors	-	-
	<u>972</u>	<u>1,006</u>

9 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to parent undertakings	1,688,710	878,525
Amounts owed to subsidiaries	69,047	77,490
	<u>1,757,757</u>	<u>956,015</u>

Inspectorate Investments (Number 2) Limited

10 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to parent undertakings	<u>11,728,281</u>	<u>13,370,569</u>

The amounts due to other group undertakings do not have fixed terms of repayment

11 Called up share capital

	2006 £	2005 £
Authorised		
2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid		
1,100 (2005 1,100) ordinary shares of £1 each	<u>1,100</u>	<u>1,100</u>

12 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2006	2,829,854	(1,091,484)
Loss for the year	-	(802,618)
Currency translation differences on foreign currency net investments	-	(330,119)
At 31 December 2006	<u>2,829,854</u>	<u>(2,224,221)</u>

13 Reconciliation of movements in Shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	1,739,470	2,217,175
(Loss)/profit for the year	(802,618)	(763,397)
Currency translation differences on foreign currency net investments	(330,119)	285,692
Closing shareholders' funds	<u>606,733</u>	<u>1,739,470</u>

Inspectorate Investments (Number 2) Limited

14 Related party transactions

During 2005, the company received dividend income from the BSI group of £84,161

The Company has taken advantage of the exemption under FRS 8 "Related party disclosures" not to provide details of transactions with other members of the Inspicio group

15 Immediate and ultimate parent undertaking

The company is a wholly-owned subsidiary of Inspectorate Holdings (US) Limited, a company registered in the United Kingdom

The directors regard Inspicio plc as the ultimate controlling undertaking. The largest and smallest group in which the results of the company are consolidated is that headed by Inspicio plc. The consolidated accounts of this group are available to the public and may be obtained from 10 Buckingham Street, London, WC2N 6DF