

Bureau Veritas Quality International Limited
Registered Number: 2244967

Report and Financial Statements
For the year ended 31 December 2003



Bureau Veritas Quality International Limited

Report and Financial Statements For the year ended 31 December 2003

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Bureau Veritas Quality International Limited

Directors and advisers

Directors

O J Guize

A Cooke (appointed 2 August 2004)

N Overton (resigned 16 August 2004)

M M Fotheringham (appointed 30 April 2004, resigned 2 August 2004)

Secretary and registered office

A Cooke

Tower Bridge Court

224-226 Tower Bridge Road

London

SE1 2TX

Registered Auditors

PricewaterhouseCoopers LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

Bankers

National Westminster Bank

London Bridge Branch

PO Box No 35

10 Southwark Street

London

SE1 1TT

Solicitors

Kidd Rapinet

14&15 Craven Street

London

WC2N 5AD

Bureau Veritas Quality International Limited

Report of the Directors for the year ended 31 December 2003

The directors present their report and the audited financial statements of Bureau Veritas Quality International Limited ("BVQI Limited") for the year ended 31 December 2003.

Principal activities and review of the business

Certification activities for quality management systems have continued as the mainstream activity of BVQI Limited. Certification activity is also continuing in the fields of environmental certification and CE marking of medical devices and gas appliances. The directors consider the ongoing trading levels to be satisfactory.

Results and dividends

The company's profit for the financial year is £145,971 (2002: £99,941). The directors do not recommend payment of a dividend (2002: £nil).

Directors

The directors who held office during the entire period under review is as follows:

O J Guize

A Cooke (appointed 2 August 2004)

N Overton (resigned 16 August 2004)

M M Fotheringham (appointed 30 April 2004, resigned 2 August 2004)

Directors' interest

None of the directors has any shareholding requiring disclosure in these financial statements.

Employees

The company is committed to the development of employee consultation, and thereby, to employees' greater involvement in its operations. The company holds periodic meetings between local management and employees to discuss matters likely to affect employees' interests and to allow a free flow of information.

The company recognises its obligation towards disabled employees and endeavours to provide as much employment as the demands of the company's operations and the ability of the disabled person allows. The company endeavours to ensure that disabled employees benefit from training and career development programmes in common with all employees.

Bureau Veritas Quality International Limited

Report of the Directors (Continued)

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 financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

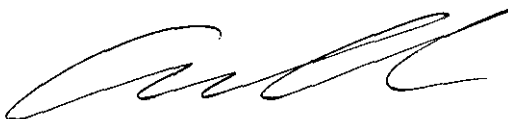
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have 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.

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



A Cooke
Director

27 October 2004

Bureau Veritas Quality International Limited

Independent Auditors' Report to the Members of Bureau Veritas Quality International Limited

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 our 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 the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

27 October 2004

Bureau Veritas Quality International Limited

Profit and loss account for the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	2	3,421,585	3,406,366
Operating expenses	3	(3,311,490)	(3,229,515)
Operating profit	4	110,095	176,851
Interest payable	7	(39,622)	(34,214)
Profit on ordinary activities before taxation		70,473	142,637
Taxation	8	75,498	(43,146)
Retained profit for the year	14	145,971	99,491

The profit for the year arises wholly from the company's continuing operations.

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

Statement of total recognised gains and losses

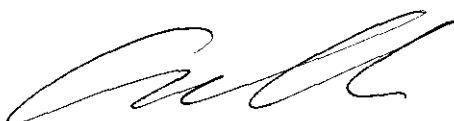
	2003 £	2002 £
Retained profit for the financial year	145,971	99,491
Total recognised gains/(losses) relating to the year	145,971	99,491
Prior year adjustment – deferred tax	-	7,147
Total recognised gains since the last annual report	145,971	106,638

Bureau Veritas Quality International Limited

Balance sheet at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	9	37,664	56,707
Current assets			
Debtors	10	1,229,933	1,287,193
Cash at bank and in hand		4,005	90,471
		1,233,938	1,377,664
Creditors: amounts falling due within one year	11	(1,046,686)	(1,355,426)
Net current assets		187,252	22,238
Net assets		224,916	78,945
Capital and reserves			
Called-up share capital	12	100,000	100,000
Profit and loss account	14	124,916	(21,055)
Equity shareholders' funds	15	224,916	78,945

The financial statements on pages 5 to 19 were approved by the board of directors on 27 October 2004, and were signed on their behalf by:



A Cooke

Director

Bureau Veritas Quality International Limited

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.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention.

(b) Tangible fixed assets

Depreciation is provided on a straight-line basis in order to write down the cost of fixed assets evenly over their estimated useful lives as follows:

Office furniture	10% per annum
Office equipment	15% per annum
Computer hardware	33% per annum
Computer software	50% per annum
Lease improvements	term of the lease

(c) Operating leases

Operating lease payments are charged to the profit and loss account on a straight-line basis over the lease term.

(d) Turnover

Turnover comprises the value of work completed, net of value added tax.

(e) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or less tax in the future has occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore can be recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Bureau Veritas Quality International Limited

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

1 Principal accounting policies (continued)

(f) Pensions

The cost of providing pensions for defined benefit schemes for employees are charged in the profit and loss account over the average working lives of employees in accordance with the recommendations of qualified actuaries. Any funding surplus or deficit, which may arise from time to time, is amortised over the average working life of employees. Further details on the defined benefit scheme are shown in note 18.

The contributions to money purchase schemes are charged in the profit and loss account on an accruals basis.

(g) Foreign Currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

(h) Cash flow statement

The company is a wholly owned subsidiary of Bureau Veritas S.A and its cash flows are included in the consolidated cash flow statement of that company. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Bureau Veritas Quality International Limited

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

2 Turnover and profit on ordinary activities before taxation

The company's turnover and profit before taxation was derived from its principal activity.
An analysis of turnover by geographical market is as follows:

	2003 £	2002 £
United Kingdom	3,302,662	3,266,626
Europe	106,917	104,998
Other	12,006	34,742
	3,421,585	3,406,366

3 Operating expenses

	2003 £	2002 £
Staff costs	1,282,714	1,243,603
Depreciation	19,043	24,070
Other operating charges	2,009,733	1,961,842
Administration expenses	3,311,490	3,229,515

4 Operating profit

Operating profit is stated after charging:

	2003 £	2002 £
Depreciation charge for the year:		
Owned assets	19,043	24,070
Exchange losses	4,488	-
Operating lease rentals:		
Cars	203,211	148,919
Office equipment	3,242	1,679
Land and buildings	18,000	24,059
Auditors' remuneration - audit services	10,800	5,133

5 Directors' emoluments

	2003 £	2002 £
Aggregate emoluments	-	-

No retirement benefits are accruing to the director under a defined benefit scheme (2002: nil).

Bureau Veritas Quality International Limited

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

6 Employee information

The average monthly number of persons employed by the company during the year was:

	2003 Number	2002 Number
By activity		
Assessors	21	28
Administration	13	8
	34	36

Staff costs (including directors' emoluments):

	2003 £	2002 £
Wages and salaries	1,110,066	1,066,423
Social security costs	117,066	98,885
Other pension costs (see note 18)	55,582	78,295
	1,282,714	1,243,603

Costs in respect of funding the deficit in the defined benefit scheme is shown in note 18

7 Interest payable

	2003 £	2002 £
Interest payable on overdrafts and bank loans	488	683
Interest payable to group undertakings	38,648	33,531
Other finance costs	486	-
	39,622	34,214

Bureau Veritas Quality International Limited

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

8 Taxation

Based on the profit for the year:

	2003 £	2002 £
Current tax		
UK Corporation Tax on profits for the year	-	42,526
Over provision in respect of prior years	(63,110)	-
Total current tax	(63,110)	42,526
Deferred tax		
Origination or reversal of timing differences	(12,388)	620
	(75,498)	43,146

The tax assessed for the year 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	70,473	142,637
Profit on ordinary activities multiplied by the standard rate in the UK (30%)	21,142	42,791
Effects of:		
Income / expenses not chargeable to tax	-	355
Depreciation in excess of capital allowances and other timing differences	12,388	(620)
Losses brought forward from previous years	(33,530)	-
Adjustment to tax charge in respect of previous periods	(63,110)	-
Current tax charge/(credit) for the year	(63,110)	42,526

Bureau Veritas Quality International Limited

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

9 Tangible assets

	Office furniture £	Office equipment £	Computer hardware £	Computer software £	Total £
Cost:					
1 January 2003	85,126	39,691	219,660	35,439	379,916
Additions	-	-	-	-	-
31 December 2003	85,126	39,691	219,660	35,439	379,916
Depreciation					
1 January 2003	55,424	26,513	205,833	35,439	323,209
Charge for year	6,143	4,019	8,881	-	19,043
31 December 2003	61,567	30,532	214,714	35,439	342,252
Net book value					
31 December 2003	23,559	9,159	4,946	-	37,664
31 December 2002	29,702	13,178	13,827	-	56,707

10 Debtors

	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	746,779	804,953
Due from group undertakings	35,486	61,724
Other debtors	29,394	19,993
Prepayments and accrued income	399,359	393,996
Deferred tax (see note 13)	18,915	6,527
	1,229,933	1,287,193

Bureau Veritas Quality International Limited

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

11 Creditors: amounts falling due within one year

	2003 £	2002 £
Overdraft	31,205	-
Trade creditors	75,094	12,961
Amounts due to group undertakings	207,705	168,777
Amounts due to immediate parent company	391,026	802,378
Corporation tax	-	63,110
Other taxation and social security	249,542	189,530
Accruals and deferred income	92,114	118,670
	1,046,686	1,335,426

12 Share capital

	2003 £	2002 £
Authorised:		
350,000 ordinary shares of £1 each	350,000	350,000
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000

13 Deferred taxation

The amounts recognised and not recognised are as follows:

	(Asset) recognised		(Asset) not recognised	
	2003 £	2002 £	2003 £	2002 £
Excess of depreciation over capital allowances	(18,915)	(6,527)	-	-
	(18,915)	(6,527)	-	-

The movement in the debtors tax asset can be shown as:

	£
At 1 January 2003	(6,527)
Movement in the current year	(12,388)
At 31 December 2003	(18,915)

Bureau Veritas Quality International Limited

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

14 Profit and loss account

	2003 £	2002 £
At 1 January 2003	(21,055)	(127,693)
Profit for the year	145,971	99,491
31 December 2003	124,916	(21,055)

15 Reconciliation of movement in equity shareholders' funds

	2003 £	2002 £
Opening shareholders funds	78,945	(27,693)
Profit for the financial year	145,971	99,491
Closing shareholders' funds	224,916	78,945

16 Commitments under operating leases

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

	2003 £	2002 £
Cars:		
Expiring within one year		-
Expiring between two and five years	85,800	85,800
Land and buildings:		
Expiring between two and five years		-
Expiring over five years	18,000	18,000
	103,800	103,800

17 Transactions involving directors

There were no transactions in the year involving directors other than on an 'arms-length' basis and in the ordinary course of business.

Bureau Veritas Quality International Limited

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

18 Pension commitments

a) SSAP 24

Defined Benefit Scheme

The company and the UK branch of Bureau Veritas SA (a related entity) participates in the Bureau Veritas defined benefits funded pension scheme, whose assets are held in independent trustee administered funds. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method, the most recent valuation being at 1 July 2001, which showed an excess of asset over liabilities of £857,000 on an on-going basis. The assumptions, which have the most significant effect on the results of the valuation, are the rate at which current salaries and pensions will increase and the return the scheme will earn on its assets.

The key assumptions used in costing the retirement benefits are a rate of investment return of 8-9% per annum, a rate of earning increase of 3.5% per annum to normal retirement date with allowance for promotional salary increases, mortality and withdrawal, and an annual increase in the Retail Price Index of 4%.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £8,071,000 and the actuarial value was sufficient to fully cover the accrued liabilities on an on-going basis.

However, the scheme commenced winding up on 9 May 2002 and therefore the funding basis must be adapted to include an estimate of both the actual costs of winding up the scheme and the actual costs of purchasing annuities for any unsecured pensioners. On this basis an update was prepared at December 2002, which showed a deficit of £2,500,000, although no full actuarial valuation has been performed for SSAP 24 or FRS 17 purposes since July 2001.

In January 2003 the company and the UK branch of Bureau Veritas SA reached an agreement to fund the deficit of £2,500,000 by paying £28,500 per month to the scheme. As the scheme still has significant numbers of members, the funding of the deficit is to be spread over the remaining service lives of the continuing members. The cost has been borne by Bureau Veritas SA branch in the year and there have been no specific recharges.

Defined Contribution Scheme

The contributions of the company and its employees have been 16% and 5% respectively over the last three years. The pension charge for the year was £55,582 (2002: £78,295).

b) FRS 17

Following the introduction of Financial Reporting Standard 17 Retirement Benefits (FRS 17), additional disclosure on retirement benefit became mandatory and the disclosures below relate to the defined benefit pension scheme operated by the company and the UK Branch of Bureau Veritas in the UK. Information is disclosed here for the whole scheme, and not just the company's proportion as it is not possible to separately identify the assets and the liabilities of the scheme between the company and the UK branch.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations, as set out above, updated by the scheme actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2003. Scheme assets are stated at their market value at December 2003.

Bureau Veritas Quality International Limited

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

18 Pension commitments (continued)

The principal assumptions used by the scheme actuaries were:

	2003	2002
	%	%
Rate of increase in salaries*	2.9	2.5
Rate of increase in pension	2.9	2.4
Discount rate	5.3	5.4
Inflation rate	2.9	2.4

* statutory increases as scheme discontinued

The assets in the scheme and the expected rates of return were:

	31 December 2003		31 December 2002	
	Long term rate of return	Value £	Long term rate of return	Value £
	%		%	
Equity	8.0	2,273,000	8.0	2,400,000
Bonds	4.8	1,629,000	4.5	348,000
Annuities	5.3	3,444,000	5.4	3,098,000
Other	4.0	239,000	5.5	728,000
Total Market Value		7,585,000		6,574,000
Present value of scheme liabilities		(10,687,000)		(9,515,000)
Surplus/(deficit) in scheme		(3,102,000)		(2,941,000)
Related deferred tax assets		930,600		882,300
Net pension liabilities		(2,171,400)		(2,058,700)

If FRS 17 had been adopted in the financial statements, the company's net liabilities and profit and loss reserve at 31 December 2003 would be as follows:

	2003	2002
	£	£
Net assets excluding pension liability	224,916	78,945
Pension liability	(2,171,400)	(2,058,700)
	(1,946,484)	(1,979,755)
Profit and loss reserve excluding pension liability	124,916	(21,055)
Pension reserve	(2,171,400)	(2,058,700)
Profit and loss reserve	(2,046,484)	(2,079,755)

Bureau Veritas Quality International Limited

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

18 Pension commitments (continued)

The following amounts would have been recognised in the performance statements in the year to 31 December 2003 under the requirements of FRS 17.

Analysis of the amount charged to operating profit

	2003 £
Current service cost	-
Past service cost	-
Total operating charge	-

Analysis of the amount credited to other finance income

	2003 £
Expected return on pension scheme assets	408,000
Interest on pension scheme liabilities	(500,000)
Net return	(92,000)

Bureau Veritas Quality International Limited

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

18 Pension commitments (continued)

Statement of total recognised gains and losses (STRGL)

	£
Actual return less expected return on pension scheme assets	259,000
Experience gains and losses arising on the scheme liabilities	56,000
Changes in assumptions underlying the present value of the scheme liabilities	(718,000)
Actuarial loss recognised in STRGL	(403,000)
Deficit in scheme at beginning of the year	(2,941,000)
Current service cost	-
Contributions	336,000
Interest cost	(500,000)
Loss on curtailments	(2,000)
Expected return on assets	408,000
Actuarial loss	(403,000)
Deficit in scheme at end of the year	(3,102,000)

Details of experience gains and losses for the year to 31 December 2003

	£
Difference between the expected and actual return on scheme assets:	
Amount	259,000
Percentage of scheme assets	3.4%
Experience gains and losses on scheme liabilities:	
Amount	56,000
Percentage of the present value of the scheme liabilities	0.5%
Total amount recognised in statement of total recognised gains and losses:	
Amount	315,000
Percentage of the present value of the scheme liabilities	3.9%

Bureau Veritas Quality International Limited

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

19 Related party transactions

In accordance with Financial Reporting Standard No. 8: Related Party Disclosures, the Company is exempt from disclosing transactions with entities that are part of the group, as it is a more than ninety per cent owned subsidiary undertaking of a parent whose consolidated financial statements are publicly available.

20 Ultimate parent undertaking

The company's immediate parent undertaking is Bureau Veritas Quality International Holding S.A., a company incorporated and registered in France.

The directors regard Bureau Veritas S.A., a company incorporated and registered in France, as the ultimate parent undertaking. Copies of the consolidated financial statements for Bureau Veritas S.A. can be obtained from the Company Secretary, Bureau Veritas S.A., 17 bis, Place des Reflets, La Défense 2, 92400 Courbevoie, France.