

Bureau Veritas Quality International Limited
Registered Number: 2244967

Report and Financial Statements
For the year ended 31 December 2002



Bureau Veritas Quality International Limited

Report and Financial Statements For the year ended 31 December 2002

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Bureau Veritas Quality International Limited

Directors and advisers

Director

O J Guize

Secretary and registered office

M M Fotheringham
Bridewell House
9 Bridewell Place
London
EC4V 6AP

Registered Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Pullig & Co.
Bridewell House
9 Bridewell Place
London
EC4V 6AP

Bankers

National Westminster Bank
London Bridge Branch
PO Box No 35
10 Southwark Street
London
SE1 1TT

Bureau Veritas Quality International Limited

Report of the Directors for the year ended 31 December 2002

The directors present their report and the audited financial statements of Bureau Veritas Quality International Limited ("BVQI Limited") for the year ended 31 December 2002.

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.

Results and dividends

The company's profit for the financial year is £99,941 (2001: Loss of £(180,765) as restated). The directors do not recommend payment of a dividend (2001: £nil).

Directors

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

O J Guize

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)

Supplier payment policy

The company is committed to paying its suppliers in accordance with the terms agreed for each type of transaction. The due dates are mainly in the range of 30 to 60 days following the date of the invoice.

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, with the exception of the changes arising from the adoption of the new accounting standards in the year as explained under note 2. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned as auditors. The directors appointed its successor, PricewaterhouseCoopers LLP, as 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



O J Guize
Director

20 October 2003

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 2002 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

20 October 2003

Bureau Veritas Quality International Limited

Profit and loss account for the year ended 31 December 2002

	Notes	2002 £	Restated 2001 £
Turnover	3	3,406,366	3,757,112
Operating expenses	4	(3,229,515)	(3,899,390)
Operating profit / (loss)	5	176,851	(142,278)
Interest payable	8	(34,214)	(37,390)
Profit / (loss) on ordinary activities before taxation		142,637	(179,668)
Taxation	9	(43,146)	(1,097)
Retained profit / (loss) for the year	16	99,491	(180,765)

The prior year comparatives have been restated to reflect the first time adoption of FRS 19 "Deferred Taxation". The impact is shown in Note 2 to these financial statements.

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

	2002 £	2001 £
Retained profit/(loss) for the financial year	99,491	(180,765)
Total recognised gains/(losses) relating to the year	99,491	(180,765)
Prior year adjustment – deferred tax (note 2)	7,147	
Total recognised gains since the last annual report	106,638	

Bureau Veritas Quality International Limited

Balance sheet at 31 December 2002

	Notes	2002 £	Restated 2001 £
Fixed assets			
Tangible assets	10	<u>56,707</u>	<u>79,378</u>
Current assets			
Debtors	11	1,287,193	1,237,366
Cash at bank and in hand		<u>90,471</u>	<u>750</u>
		<u>1,377,664</u>	<u>1,238,116</u>
Creditors: amounts falling due within one year	12	<u>(1,355,426)</u>	<u>(1,338,040)</u>
Net current assets		<u>22,238</u>	<u>(99,924)</u>
Net assets		<u>78,945</u>	<u>(20,546)</u>
Capital and reserves			
Called-up share capital	13	100,000	100,000
Profit and loss account	16	<u>(21,055)</u>	<u>(120,546)</u>
Equity shareholders' funds	17	<u>78,945</u>	<u>(20,546)</u>

The prior year comparatives have been restated to reflect the first time adoption of FRS 19 "Deferred Taxation". The impact is shown in Note 2 to these financial statements.

The financial statements on pages 5 to 19 were approved by the board of directors on 9 October 2003, and were signed on their behalf by:



O J Guize
Director

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

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, apart from the adoption of FRS 19 "Deferred tax" (see below), 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

The company adopted FRS 19 "Deferred tax" during the year. The adoption of this new standard represents a change in accounting policy.

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.

The prior year comparatives have been stated to reflect deferred tax assets that were not previously recognised (see Note 2).

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

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 20.

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.

2 Restatement of comparatives

The adoption of FRS 19 has required a change to the accounting treatment of the deferred tax assets as at 31 December 2001. The prior year profit and loss account has been restated accordingly.

	Debtors	Profit and Loss account
	£	£
As previously reported at 31 December 2001	1,230,219	(127,693)
Adoption of FRS 19 at 31 December 2001	7,147	7,147
At 31 December 2001 as restated	1,237,366	(120,546)

The loss after tax for the year ended 31 December 2001 has been restated to £180,765 (previously reported as £179,668) as a result of the adoption of the new accounting standard.

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

3 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:

	2002 £	2001 £
United Kingdom	3,266,626	3,600,778
Europe	104,998	118,015
Other	34,742	38,319
	3,406,366	3,757,112

4 Operating expenses

	2002 £	2001 £
Staff costs	1,243,603	1,338,034
Depreciation	24,070	30,741
Other operating charges	1,961,842	2,530,615
Administration expenses	3,229,515	3,899,390

5 Operating profit / (loss)

Operating profit is stated after charging:

	2002 £	2001 £
Depreciation charge for the year:		
Owned assets	24,070	30,741
Exchange losses	-	5,872
Operating lease rentals:		
Cars	148,919	115,647
Office equipment	1,679	8,463
Land and buildings	24,059	71,410
Vacant property accrual creation and utilisation	-	(11,672)
Auditors' remuneration - audit services	5,133	15,000
- non-audit services	-	-

6 Directors' emoluments

	2002 £	2001 £
Aggregate emoluments	-	12,444

No retirement benefits are accruing to the director under a defined benefit scheme (2001: nil).

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

7 Employee information

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

	2002 Number	2001 Number
By activity		
Assessors	28	27
Administration	8	8
	36	35

Staff costs (including directors' emoluments):

	2002 £	2001 £
Wages and salaries	1,066,423	1,110,078
Social security costs	98,885	105,508
Other pension costs (see note 20)	78,295	122,448
	1,243,603	1,338,034

8 Interest payable

	2002 £	2001 £
Interest payable on overdrafts and bank loans	683	1,199
Interest payable to group undertakings	33,531	35,635
Other finance costs – unwinding of discount	-	556
	34,214	37,390

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

9 Taxation

Based on the profit for the year:

	2002 £	2001 £
Current tax		
UK Corporation Tax on profits for the year	42,526	-
Total current tax	42,526	-
Deferred tax		
Origination of reversal of timing differences	620	1,097
	43,146	1,097

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

	2002 £	2001 £
Profit on ordinary activities before tax	142,637	(179,688)
Profit on ordinary activities multiplied by the standard rate in the UK (30%)	42,791	(53,906)
Effects of:		
Income / expenses not chargeable to tax	(265)	9,090
Accelerated capital allowances and other timing differences	-	-
Adjustment to tax charge in respect of previous periods	-	441,816
Current tax charge for the year	42,526	0

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

10 Tangible assets

	Office furniture £	Office equipment £	Computer hardware £	Computer software £	Total £
Cost:					
1 January 2002	85,126	38,292	219,660	35,439	378,517
Additions	-	1,399	-	-	1,399
31 December 2002	85,126	39,691	219,660	35,439	379,916
Depreciation					
1 January 2002	49,282	22,179	193,511	34,167	299,139
Charge for year	6,142	4,334	12,322	1,272	24,070
31 December 2002	55,424	26,513	205,833	35,439	323,209
Net book value					
31 December 2002	29,702	13,178	13,827	-	56,707
31 December 2001	35,844	16,113	26,149	1,272	79,378

11 Debtors

	2002 £	Restated 2001 £
Amounts falling due within one year:		
Trade debtors	804,953	791,457
Due from group undertakings	61,724	24,521
Other debtors	19,993	23,786
Prepayments and accrued income	393,996	390,455
Deferred tax (see note 14)	6,527	7,147
	1,287,193	1,237,366

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Overdraft	-	57,372
Trade creditors	12,961	42,279
Amounts due to group undertakings	168,777	855,437
Amounts due to immediate parent company	802,378	120,000
Corporation tax	63,110	20,583
Other taxation and social security	189,530	105,089
Accruals and deferred income	118,670	137,280
	1,335,426	1,338,040

13 Share capital

	2002 £	2001 £
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

14 Deferred taxation

The amounts recognised and not recognised are as follows:

	(Asset) recognised		(Asset) not recognised	
	2002 £	2001 £	2002 £	2001 £
Excess of depreciation over capital allowances	(6,527)	(7,147)	-	-
	(6,527)	(7,147)	-	-

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

	£
As previously reported (asset not recognised)	-
Prior year adjustment	7,147
As restated	7,147
Tax charge in year	(620)
At 31 December 2002	6,527

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

16 Profit and loss account

	2002 £	2001 £
At 1 January 2002 as originally reported	(127,693)	51,975
Prior year adjustment – deferred tax	7,147	8,244
At 1 January 2002 as restated	(120,546)	60,219
Profit for the year	99,491	(180,765)
31 December 2002	(21,055)	(120,546)

17 Reconciliation of movement in equity shareholders' funds

	2002 £	2001 £
Opening shareholders funds as originally reported	(27,693)	151,975
Prior year adjustment – deferred tax	7,147	8,244
Opening shareholders' funds as restated	(20,546)	160,219
Profit for the financial year	99,491	(180,765)
Closing shareholders' funds	78,945	(20,546)

18 Commitments under operating leases

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002 £	2001 £
Cars:		
Expiring within one year	-	-
Expiring between two and five years	85,800	110,000
Land and buildings:		
Expiring between two and five years	-	-
Expiring over five years	18,000	18,000
	103,800	128,000

19 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 2002

20 Pension commitments

a) SSAP 24

The company 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 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 deficit is to be spread over the remaining service lives of the continuing members.

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 £78,295 (2001: £122,448).

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 in the UK.

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 2002. Scheme assets are stated at their market value at December 2002.

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

20 Pension commitments (continued)

The principal assumptions used by the scheme actuaries were:

	2002	2001
	%	%
Rate of increase in salaries*	2.5	3.0
Rate of increase in pension	2.4	2.6
Discount rate	5.4	5.8
Inflation rate	2.4	2.6

* statutory increases as scheme discontinued

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

	31 December 2002		31 December 2001	
	Long term rate of return	Value £	Long term rate of return	Value £
	%		%	
Equity	8.0	2,400,000	8.0	6,009,000
Bonds	4.5	348,000	5.0	756,000
Annuities	5.4	3,098,000	5.8	642,000
Other	5.5	728,000	5.0	1,041,000
Total Market Value		6,574,000		8,448,000
Present value of scheme liabilities		(9,515,000)		(9,073,000)
Surplus/(deficit) in scheme		(2,941,000)		(625,000)
Related deferred tax assets		882,300		187,500
Net pension liabilities		(2,058,700)		(437,500)

If FRS 17 had been adopted in the financial statements, the company's net liabilities and profit and loss reserve at 31 December 2002 would be as follows:

	2002	Restated 2001
	£	£
Net assets/ (liabilities) excluding pension liability	78,945	(20,546)
Pension liability	(2,058,700)	(437,500)
	(1,979,755)	(458,046)
Profit and loss reserve excluding pension liability	(21,055)	(120,546)
Pension reserve	(2,058,700)	(437,500)
Profit and loss reserve	(2,079,755)	(558,046)

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

20 Pension commitments (continued)

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS 17.

Analysis of the amount charged to operating profit

	2002 £
Current service cost	82,000
Past service cost	-
Total operating charge	82,000

Analysis of the amount credited to other finance income

	2002 £
Expected return on pension scheme assets	513,000
Interest on pension scheme liabilities	(502,000)
Net return	11,000

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

20 Pension commitments (continued)

Statement of total recognised gains and losses (STRGL)

	£
Actual return less expected return on pension scheme assets	(1,569,000)
Experience gains and losses arising on the scheme liabilities	78,000
Changes in assumptions underlying the present value of the scheme liabilities	(377,000)
Actuarial loss recognised in STRGL	(1,868,000)
	£
Deficit in scheme at beginning of the year	(625,000)
Current service cost	(82,000)
Contributions	104,000
Interest cost	(502,000)
Loss on curtailments	(481,000)
Expected return on assets	513,000
Actuarial loss	(1,868,000)
Deficit in scheme at end of the year	(2,941,000)

Details of experience gains and losses for the year to 31 December 2002

	£
Difference between the expected and actual return on scheme assets:	
Amount	(1,569,000)
Percentage of scheme assets	(23.9%)
Experience gains and losses on scheme liabilities:	
Amount	76,000
Percentage of the present value of the scheme liabilities	0.8%
Total amount recognised in statement of total recognised gains and losses:	
Amount	(1,868,000)
Percentage of the present value of the scheme liabilities	(100.0%)

Bureau Veritas Quality International Limited

Notes to the financial statements for the year ended 31 December 2002

21 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.

22 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.