

Alfred H. Knight International Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 00900322



Alfred H. Knight International Limited

Company Information

Directors	D J L Knight R K Knight N Golborne
Company secretary	S Sadler
Registered number	00900322
Registered office	Alfred H Knight Group Headquarters (UK) Kings Business Park Kings Drive Prescot L34 1PJ
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

Alfred H. Knight International Limited

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Alfred H. Knight International Limited

Strategic Report For the Year Ended 31 December 2021

Introduction

The Directors present their Strategic Report along with the audited financial statements of the Company for the year ended 31 December 2021.

Principal activities

The principal activity of Alfred H. Knight International Limited ('the Company') during the year remained that of assaying and sampling.

Business review

2021 was the year that the Alfred H Knight Group celebrated its 140-year anniversary. Celebrations were deferred in light of the ongoing COVID pandemic. Some locally imposed COVID restrictions meant advance planning and anticipation of client needs was required to ensure the usual level of service. The Group continued to focus on quality, technological advancement and service delivery as it has done through its long history.

The Group continues to look to expand into complimentary business lines and continues to pursue new opportunities involving recycled materials and new energy materials to support the growth in battery technology. The drive by Governments worldwide to electrify their economies represents a significant opportunity for AHK in these emerging markets.

The Company continues to invest in its people from apprentices to graduates, alongside its management development programme and continues to recruit at all levels.

Total revenue increased by 2.5% to £76,724,560 (2020 - £74,837,553) when compared with the previous year.

At the year end the Company had total shareholder funds of £11,384,198 (2020 - £9,626,134) after the declaration of a £Nil dividend (2020 - £5,000,000). Therefore, the Directors consider the Company's position to be satisfactory.

The Company has no external bank debt and has cash resources on hand of £7,749,326 (2020 - £10,090,274).

Key performance indicators of turnover and profit used by the Company are as follows:

	2021	2020	Definition
Sales trend	2.5%	(3.7)%	Year on year turnover growth expressed as a percentage
Gross margin	36.6%	33.0%	Gross profit expressed as a percentage of turnover
Operating margin	2.4%	9.8%	Operating profit expressed as a percentage of turnover

Alfred H. Knight International Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Strategy

The Company continues to focus on extending its service provision and service quality to its clients to ensure that Alfred H Knight remains their preferred service partner. The Company continues to look to expand into complimentary business lines; either through geographical expansion, extension of technical and analytical capability, or the application of existing knowledge and capability to adjacent market sectors.

As noted above, the Company is actively pursuing new opportunities involving recycled materials, the so called 'circular economy' together with the continued, increased demand for new energy materials to generate commercial opportunities for the Company.

Future developments

Both the level of business and the year-end financial position were satisfactory and remain confident of the long-term prospects for the Company.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of the Group and are not managed separately. The Group has an extensive risk management structure in place which is designed to identify, manage and mitigate business risk.

Non-financial risks

The Directors have assessed the main risks facing the Company and consider that our strategy of widening our service offering, with a particular emphasis upon quality and integrity, combined with the benefit of the wider AHK Group's geographical base, places the Company in an ideal position to service the market opportunities that may arise. Accordingly, the Directors believe that the company will continue to improve operating performance and further consolidate its position as a leader in its markets.

Brexit

In the opinion of the Directors, Brexit has not significantly affected the Company's operations, financial position or cash flows.

COVID-19

The COVID-19 pandemic continues to be closely monitored by the Company's management. As noted above, the Company has adopted measures to mitigate potential further adverse impact on our business, results of operations, financial position and cash flows.

Alfred H. Knight International Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Section 172(1) of the Companies Act 2006

Consequences of any decisions in the long term

Consideration is given to the impact of any decisions in the long term. At the core, this involves promoting the Company's success whilst also having regard to the interests of the Company's stakeholders.

Interests of employees

Consultation with employees and their representatives continues at all levels, with the aim of ensuring that employees' views regarding decisions that are likely to affect their interests are taken into account and that all employees are aware of the financial and economic performance of the business units in which they are employed and of the Company as a whole. Communication with employees continues through newsletters and briefing groups.

Business relationships with suppliers, customers and others and Standards of business conduct

The Company is committed to fair dealings with its suppliers, customers, partners and other stakeholders. In order to achieve this, employees are required and expected to run the Company's business in accordance with its Code of Conduct and are required to complete regular related training and to certify compliance with the Code.

Impact of operations on the community and the environment

The Company is committed to using resources as efficiently as possible and minimising the impact of our operations on the environment. Advancing technologies, analytical techniques and processes are continuously reviewed, so we can actively seek out opportunities to improve our performance. The Company understands the important role of our business in the social and economic development of the communities in which we are based. Supporting our employees to participate in community and fundraising activities is a core business value that benefits everyone involved.

Health, safety and environment

The Company recognises the importance of its environmental responsibilities. In relation to health, safety and environment principles, the Company operates in accordance with group policies. The principles relating to the environment cover the integration of environmental management into business operations, a commitment to the adoption and achievement of best practice wherever this is practicable, a commitment to prevent pollution, compliance with local environmental legislation, a commitment to strive for continual improvement and a commitment to ensure proper communication with employees on environmental matters.

Alfred H. Knight International Limited

Strategic Report (continued)
For the Year Ended 31 December 2021

Financial risk management

Liquidity risk

The Company has no external debt. Liquidity risk is managed at Alfred H. Knight Holdings Limited to ensure that all group companies have sufficient funds available for operations.

The Company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programs through bank borrowings. The management's objective is to retain sufficient access to liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds.

Where appropriate, funds are held primarily in short term variable rate deposit accounts. The Directors believe that this gives them the flexibility to release cash resources at short notice and allows them to take advantage of changing conditions in the finance markets as they arise. All deposits are with reputable banks and the directors believe their choice of bank minimises any credit risk associated with not placing funds on deposit with a UK clearing bank or an appropriate overseas bank.

Credit risk

Credit limits, ongoing credit evaluation and account monitoring procedures are used to minimise bad debt risk. Collateral is not generally required.

This report was approved by the board on 09 November 2022 and signed on its behalf.

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D J L Knight
Director

Alfred H. Knight International Limited

Directors' Report For the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £1,758,064 (2020 - £6,714,665).

The Company paid dividends of £Nil (2020 - £5,000,000) during the year.

Directors

The Directors who served during the year were:

D J L Knight
R K Knight
N Golborne

Disabled employees

The Company continued its policy regarding the employment of disabled persons. Full and fair consideration is given to disabled employees having regard to their particular aptitude and abilities. Appropriate arrangements are made wherever possible for retraining employees who have become disabled to ensure their employment with the Company continues. The Company actively encourages applicants with disabilities to apply for appropriate positions.

Qualifying third party indemnity provisions

The Company maintained liability insurance for its Directors and Officers during the year and up to the date of signing of the accounts.

Going concern

On the date that the Financial Statements were signed, the Company had a net asset position. The financial statements have been prepared on a going concern basis and the Directors are confident that the Company will have sufficient funds to meet its liabilities as they fall due for at least twelve months from the date that these Financial Statements were signed. See note 2.3 for further details regarding going concern, including consideration of the ongoing impact of COVID-19 and the Ukraine/Russia crisis.

SECR Reporting

The Company has taken the exemption available to subsidiary companies not to disclose information in respect of greenhouse gas emissions, energy consumption and energy efficiency action given this is disclosed in the consolidated financial statements of the ultimate parent company, Alfred H. Knight Holdings Limited.

Matters covered in the Strategic Report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report in accordance with S414C(11) as the Directors consider them to be of strategic importance to the Company.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Alfred H. Knight International Limited

Directors' Report (continued) For the Year Ended 31 December 2021

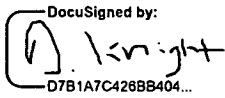
Events after the reporting period

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 09 November 2022 and signed on its behalf.

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D J L Knight
Director

Alfred H. Knight International Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Alfred H. Knight International Limited

Independent Auditor's report to the members of Alfred H. Knight International Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Alfred H Knight International Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Alfred H. Knight International Limited

Independent Auditor's report to the members of Alfred H. Knight International Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Alfred H. Knight International Limited

Independent Auditor's report to the members of Alfred H. Knight International Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As a part of our audit in accordance with United Kingdom Generally Accepted Accounting Practice; and requirements of the Companies Act 2006 we exercise professional judgement and maintain professional scepticism throughout the audit. Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, United Kingdom Generally Accepted Accounting Practice, the UK Companies Act 2006 and those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accrued income, provision for bad and doubtful debts, and valuation and completeness of accruals and other provisions;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Testing a sample of revenue recognised either side of the period end to ensure revenue has been recognised in the correct period;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

Alfred H. Knight International Limited

Independent Auditor's report to the members of Alfred H. Knight International Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Gary Harding

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Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester

United Kingdom

11 November 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Alfred H. Knight International Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	76,724,560	74,837,553
Cost of sales		(48,613,099)	(50,145,165)
Gross profit		28,111,461	24,692,388
Administrative expenses		(26,546,111)	(18,509,849)
Other operating income	5	239,289	1,067,230
Operating profit	6	1,804,639	7,249,769
Interest receivable and similar income	10	20,498	79,215
Profit before tax		1,825,137	7,328,984
Tax on profit	11	(67,073)	(614,319)
Profit for the financial year		1,758,064	6,714,665

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 15 to 28 form part of these financial statements.

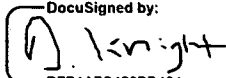
Alfred H. Knight International Limited

Registered number:00900322

Statement of Financial Position As at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	1,279,037	1,349,678
Current assets			
Stocks	14	1,561,480	1,633,663
Debtors: amounts falling due within one year	15	19,189,874	19,487,861
Cash at bank and in hand		7,749,326	10,090,274
		<u>28,500,680</u>	<u>31,211,798</u>
Creditors: amounts falling due within one year	16	(18,395,519)	(22,935,342)
Net current assets		<u>10,105,161</u>	<u>8,276,456</u>
Total assets less current liabilities		<u>11,384,198</u>	<u>9,626,134</u>
Net assets		<u>11,384,198</u>	<u>9,626,134</u>
Capital and reserves			
Called up share capital	18	100,000	100,000
Share premium account	19	19,086	19,086
Profit and loss account	19	11,265,112	9,507,048
Total equity		<u>11,384,198</u>	<u>9,626,134</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
09 November 2022

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D J L Knight
Director

The notes on pages 15 to 28 form part of these financial statements.

Alfred H. Knight International Limited

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	100,000	19,086	9,507,048	9,626,134
Comprehensive income for the year				
Profit for the year	-	-	1,758,064	1,758,064
Total comprehensive income for the year	-	-	1,758,064	1,758,064
At 31 December 2021	100,000	19,086	11,265,112	11,384,198

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	100,000	19,086	7,792,383	7,911,469
Comprehensive income for the year				
Profit for the year	-	-	6,714,665	6,714,665
Total comprehensive income for the year	-	-	6,714,665	6,714,665
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(5,000,000)	(5,000,000)
Total transactions with owners	-	-	(5,000,000)	(5,000,000)
At 31 December 2020	100,000	19,086	9,507,048	9,626,134

The notes on pages 15 to 28 form part of these financial statements.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Alfred H. Knight International Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The presentation currency is GB Pounds rounded to the nearest £.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Alfred H. Knight Holdings Limited as at 31 December 2021 and these financial statements may be obtained from Alfred H Knight Group Headquarters (UK), Kings Business Park, Kings Drive, Prescot, United Kingdom, L34 1PJ.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis which the Directors believe is appropriate. The Company participates in Alfred H. Knight Holdings Limited ("AHK") central treasury arrangement and shares banking facilities with its parent and fellow UK subsidiaries. The flow of funds around the Group are strictly controlled and monitored. Cash generation remains strong. The Group has considerable financial resources together with strong long term relationships with its global customers and suppliers. The Group is debt free and owns the majority of its assets without liens or restrictions. AHK has considered the ongoing impact of COVID-19 and the Ukraine/Russia crisis, the level of cash available and its committed fixed annual costs and considers that the Group and its individual subsidiaries have sufficient resources to meet its liabilities as they fall due.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

2.4 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.5 Turnover

The turnover shown in the Statement of Comprehensive Income represents amounts invoiced during the period less allowances, exclusive of VAT. Sales are recognised at the point at which the Company has fulfilled its contractual obligations to the customer and the invoice is raised.

2.6 Government grants

Other operating income

In the prior year, payments received from the government for furloughed employees were a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- Life of the lease
Plant and machinery	- 20% to 33.33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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.

i) Tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilization and the physical condition of the assets.

ii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

The Company has assessed the impact of COVID-19 on its accounting estimates and judgements and does not believe that COVID-19 has a material impact on its accounting estimates and judgements.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

4. Turnover

The whole of the turnover is attributable to the principal activities of the Company, consisting of sampling and assaying, as one class of business.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	2,652,428	2,580,412
Rest of Europe	27,149,323	30,813,436
Rest of the world	46,922,809	41,443,705
	<u>76,724,560</u>	<u>74,837,553</u>

5. Other operating income

	2021 £	2020 £
Other operating income	239,289	650,464
Government grants receivable	-	416,766
	<u>239,289</u>	<u>1,067,230</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £	2020 £
Depreciation of tangible fixed assets	498,318	509,687
Exchange differences	34,570	(200,568)
Management charges	15,440,000	10,149,405
	<u>15,440,000</u>	<u>10,149,405</u>

7. Auditor's remuneration

Auditor's remuneration has been paid by another group company in the current year and the previous year. Full disclosure of auditor remuneration and other services has been provided in the consolidated accounts of the parent company.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

8. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	12,617,979	12,400,088
Social security costs	1,328,660	1,256,385
Cost of defined contribution scheme	690,871	705,951
	<u>14,637,510</u>	<u>14,362,424</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2021 No.	2020 No.
Office and production	<u>400</u>	<u>396</u>

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	361,958	389,165
Company contributions to defined contribution pension schemes	14,025	14,000
	<u>375,983</u>	<u>403,165</u>

During the year retirement benefits were accruing to 1 Director (2020 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £361,958 (2020 - £389,165).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £14,025 (2020 - £14,000).

10. Interest receivable and similar income

	2021 £	2020 £
Other interest receivable	<u>20,498</u>	<u>79,215</u>

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	253,002	1,138,762
Adjustments in respect of previous periods	(638,105)	(302,897)
	<u>(385,103)</u>	<u>835,865</u>
Double taxation relief	(93,863)	(114,938)
	<u>(478,966)</u>	<u>720,927</u>
Foreign tax		
Foreign tax on income for the year	285,206	130,735
Foreign tax in respect of prior periods	-	(27,254)
	<u>285,206</u>	<u>103,481</u>
Total current tax	<u>(193,760)</u>	<u>824,408</u>
Deferred tax		
Origination and reversal of timing differences	105,353	(203,726)
Adjustments in respect of prior periods	193,259	5,129
Effect of tax rate change on opening balance	(37,779)	(11,492)
Total deferred tax	<u>260,833</u>	<u>(210,089)</u>
Taxation on profit	<u>67,073</u>	<u>614,319</u>

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £	2020 £
Profit before tax	<u>1,825,137</u>	<u>7,328,984</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%)	346,776	1,392,507
Effects of:		
Expenses not deductible for tax purposes	11,842	6,096
Capital allowances for year in excess of depreciation	2,370	767
Foreign tax credits	-	(17,988)
Adjustments to tax charge in respect of prior periods	(638,105)	(302,897)
Adjustments to tax charge in respect of prior periods - deferred tax	193,259	5,129
Adjustments to deferred tax opening and closing rate	(12,494)	(11,491)
R&D expenditure credits	(27,918)	-
Overseas withholding tax	191,343	-
Group relief	-	(485,235)
Other differences	-	27,431
Total tax charge for the year	<u>67,073</u>	<u>614,319</u>

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2021 has been calculated based on the rate as at the Statement of Financial Position date.

12. Dividends

	2021 £	2020 £
Dividends paid of £Nil (2020 - £50.00) per ordinary share	<u>-</u>	<u>5,000,000</u>

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 January 2021	6,681	5,407,130	5,413,811
Additions	-	438,951	438,951
Disposals	-	(264,521)	(264,521)
At 31 December 2021	6,681	5,581,560	5,588,241
Depreciation			
At 1 January 2021	-	4,064,133	4,064,133
Charge for the year	-	498,318	498,318
Disposals	-	(253,247)	(253,247)
At 31 December 2021	-	4,309,204	4,309,204
Net book value			
At 31 December 2021	6,681	1,272,356	1,279,037
At 31 December 2020	6,681	1,342,997	1,349,678

14. Stocks

	2021 £	2020 £
Raw materials and consumables	31,667	27,225
Work in progress	1,529,813	1,606,438
	<u>1,561,480</u>	<u>1,633,663</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

15. Debtors

	2021 £	2020 £
Trade debtors	11,860,193	10,068,378
Amounts owed by group undertakings	6,246,739	8,306,114
Other debtors	48,519	49,434
Prepayments and accrued income	338,536	310,640
Tax recoverable	643,827	440,402
Deferred taxation	52,060	312,893
	<u>19,189,874</u>	<u>19,487,861</u>

Amounts owed by group undertakings are interest free and repayable on demand.

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,365,657	1,424,403
Amounts owed to group undertakings	14,670,643	17,888,484
Corporation tax	12,200	1,023,824
Other taxation and social security	501,170	585,158
Other creditors	75,465	80,991
Accruals and deferred income	1,770,384	1,932,482
	<u>18,395,519</u>	<u>22,935,342</u>

Amounts owed to group undertakings are interest free and repayable on demand.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

17. Deferred taxation

	2021 £
At beginning of year	312,893
Charged to profit or loss	(260,833)
At end of year	52,060

The deferred tax asset is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	52,060	46,824
Short term timing differences	-	266,069
	<u>52,060</u>	<u>312,893</u>

18. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100,000 (2020 - 100,000) Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>

19. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Alfred H. Knight International Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £690,871 (2020 - £705,951). Contributions totalling £2,539 (2020 - £831) were payable to the fund at the reporting date and are included in creditors.

21. Related party transactions

The Company has taken advantage of the exemption conferred by section 33.1A of FRS102 not to disclose transactions with other wholly owned subsidiaries within the group.

At the year end amounts owed by the Company to related undertakings, being A.H.Knight (Jinling) Co. Ltd, a joint venture to the group amounted to £4,231,506 (2020 - £5,592,940).

During the year, Alfred H. Knight International Limited provided services to A.H. Knight (Jinling) Co. Ltd, totalling £89,550 (2020 - £110,698). A.H. Knight (Jinling) Co. Ltd provided services to Alfred H. Knight International Limited totalling £15,686,881 (2020 - £18,589,057). All services were provided on arms-length terms.

22. Controlling party

The Company was under the immediate control of Alfred H Knight UK Holdings Limited throughout the current year and previous year, a company incorporated in England and Wales, with a registered office of Alfred H Knight Group Headquarters (UK), Kings Business Park, Kings Drive, Prescot, United Kingdom, L34 1PJ. The Company was ultimately controlled by the Directors of Alfred H. Knight Holdings Limited, D J L Knight and R K Knight (who were also Directors of this Company), and G Gillett who collectively controlled the whole of Alfred H. Knight Holdings Limited's issued ordinary share capital.

The Directors consider the ultimate parent Company to be Alfred H. Knight Holdings Limited, a company registered in England and Wales, which is the only undertaking that prepares Group financial statements including the financial statements of the Company. Copies of the Group financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ and the registered office of this company is Alfred H Knight Group Headquarters (UK), Kings Business Park, Kings Drive, Prescot, United Kingdom, L34 1PJ.