

ALFRED H KNIGHT INTERNATIONAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2003

Company Registration Number 900322

Blueprint Audit Limited

Chartered Accountants Registered Auditor
Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP



ALFRED H KNIGHT INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

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ALFRED H KNIGHT INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	DJL Knight JFL Knight AM Katz RK Knight
Company secretary	S Sadler
Registered office	Eccleston Grange Prescot Road St Helens Merseyside WA10 3BQ
Auditors	Blueprint Audit Limited Chartered Accountants Registered Auditor Sumner House St Thomas's Road Chorley Lancashire PR7 1HP

ALFRED H KNIGHT INTERNATIONAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2003.

Principal activities and business review

The principal activity of the company and its subsidiaries during the year continued to be that of assaying and sampling.

The directors consider the state of the company and its subsidiaries affairs to be satisfactory.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

DJL Knight
JFL Knight
AM Katz
RK Knight

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; 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 proper accounting records which 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 1985. The directors 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

THE DIRECTORS' REPORT *(continued)*

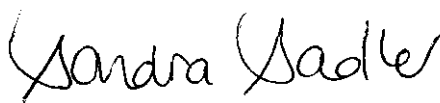
YEAR ENDED 31 MARCH 2003

Auditors

A resolution to re-appoint Blueprint Audit Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Eccleston Grange
Prescot Road
St Helens
Merseyside
WA10 3BQ

Signed by order of the directors



S SADLER
Company Secretary

Approved by the directors on ^(Date) 31 July 2003

ALFRED H KNIGHT INTERNATIONAL LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 MARCH 2003

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the 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 on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

ALFRED H KNIGHT INTERNATIONAL LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*
YEAR ENDED 31 MARCH 2003

Opinion

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

Blueprint Audit Limited

Blueprint Audit Limited
Registered Auditor
Sumner House
St Thomas's Road
Chorley
PR7 1HP

Date: *31 July 2003*

ALFRED H KNIGHT INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
Turnover	2	9,414,744	10,554,606
Cost of sales		(5,284,445)	(5,603,542)
Gross profit		4,130,299	4,951,064
Administrative expenses		(4,180,763)	(4,966,347)
Other operating income	3	210,351	128,008
Operating profit	4	159,887	112,725
Income from shares in group undertakings	7	18,882	—
Interest receivable		12,940	1,189
Interest payable	8	(5,284)	(6,037)
Profit on ordinary activities before taxation		186,425	107,877
Tax on profit on ordinary activities	9	(72,983)	(81,344)
Retained profit for the financial year		113,442	26,533
Balance brought forward		1,479,055	1,452,522
Balance carried forward		1,592,497	1,479,055

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 17 form part of these financial statements.

ALFRED H KNIGHT INTERNATIONAL LIMITED

BALANCE SHEET

31 MARCH 2003

	Note	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	10		344,309		285,415
Investments	11		143,312		5,763
			<u>487,621</u>		<u>291,178</u>
Current assets					
Stocks	12	111,170		137,964	
Debtors	13	2,583,832		2,895,137	
Cash at bank		431,487		363,552	
		<u>3,126,489</u>		<u>3,396,653</u>	
Creditors: Amounts falling due within one year	14	1,871,432		2,034,729	
Net current assets			1,255,057		1,361,924
Total assets less current liabilities			1,742,678		1,653,102
Creditors: Amounts falling due after more than one year	15		31,096		54,962
			<u>1,711,582</u>		<u>1,598,140</u>
Capital and reserves					
Called-up equity share capital	20		100,000		100,000
Share premium account			19,085		19,085
Profit and loss account			1,592,497		1,479,055
Shareholders' funds	21		<u>1,711,582</u>		<u>1,598,140</u>

These financial statements were approved by the directors on the ^(date) 31 July 2003 and are signed on their behalf by:



DJL KNIGHT



JFL KNIGHT

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Related parties transactions

Under Financial Reporting Standard 8, the company is exempt from disclosing transactions with group companies as more than 90% of the voting rights are controlled by the ultimate parent undertaking, Alfred H Knight Holdings Limited.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 20% to 33.33% straight line
Motor Vehicles	- 25% to 33.33% straight line

Precious metal assets are included in plant and equipment at an amount represented by the quantity held at the year end and valued at the metal price at that date.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES *(continued)*

Work in progress

Work in progress is valued on the basis of direct costs. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Investment income

Investment income comprises dividends declared during the accounting period and interest receivable on unlisted investments.

Fixed asset investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2003	2002
	£	£
United Kingdom	784,043	735,049
Asia	964,717	898,093
Europe	4,778,105	5,462,953
America	2,469,490	2,917,643
Other	418,389	540,868
	<u>9,414,744</u>	<u>10,554,606</u>

3. OTHER OPERATING INCOME

	2003	2002
	£	£
Other operating income	<u>210,351</u>	<u>128,008</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Directors' emoluments	—	—
Depreciation of owned fixed assets	81,034	74,936
Depreciation of assets held under hire purchase agreements	39,162	38,664
Loss on disposal of fixed assets	—	792
Auditors' remuneration		
- as auditors	11,035	11,665
Net loss/(profit) on foreign currency translation	75,887	(6,557)
Operating leases-motor vehicles	4,255	3,707
Management income	(126,952)	(81,987)
Management charges	<u>2,483,276</u>	<u>3,035,895</u>

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003 No	2002 No
Office and production	<u>137</u>	<u>144</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	2,117,314	2,185,908
Social security costs	207,885	212,561
Other pension costs	<u>97,615</u>	<u>170,728</u>
	<u>2,422,814</u>	<u>2,569,197</u>

The directors received no remuneration in this year or the previous year.

7. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2003 £	2002 £
Income from group undertakings	<u>18,882</u>	<u>—</u>

6. PENSION SCHEME

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contributions paid in the year amounted to £97,615 (2002 : £170,728).

8. INTEREST PAYABLE

	2003 £	2002 £
Interest payable on bank borrowing	678	15
Finance charges	<u>4,606</u>	<u>6,022</u>
	<u>5,284</u>	<u>6,037</u>

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
UK Taxation		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	56,462	70,810
Over/under provision in prior year	(3,006)	(4,503)
	53,456	66,307
Double taxation relief	—	(9,702)
	53,456	56,605
Foreign tax		
Current tax on income for the year	19,527	24,739
Total current tax	<u>72,983</u>	<u>81,344</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>186,425</u>	<u>107,877</u>
Profit/(loss) on ordinary activities by rate of tax	55,928	32,363
Expenses not deductible for tax purposes	4,035	38,639
Difference between depreciation for the year and capital allowances	(3,501)	(192)
Adjustments to the tax charge in respect of prior years	(3,006)	(4,503)
Double tax relief	—	(9,702)
Overseas tax	19,527	24,739
Total current tax (note 9(a))	<u>72,983</u>	<u>81,344</u>

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

10. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Motor Vehicles £	Total £
Cost			
At 1 April 2002	1,905,786	11,473	1,917,259
Additions	155,968	—	155,968
Transfers	115,457	—	115,457
At 31 March 2003	<u>2,177,211</u>	<u>11,473</u>	<u>2,188,684</u>
Depreciation			
At 1 April 2002	1,627,382	4,462	1,631,844
Charge for the year	116,372	3,824	120,196
Transfer	92,335	—	92,335
At 31 March 2003	<u>1,836,089</u>	<u>8,286</u>	<u>1,844,375</u>
Net book value			
At 31 March 2003	<u>341,122</u>	<u>3,187</u>	<u>344,309</u>
<i>At 31 March 2002</i>	<u>278,404</u>	<u>7,011</u>	<u>285,415</u>

Hire purchase agreements

Included within the net book value of £344,309 is £50,496 (2002 - £89,658) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £39,162 (2002 - £38,664).

11. INVESTMENTS

	Subsidiary undertakings £	Associate undertakings £	Total £
Cost			
At 1 April 2002	19,232	3,500	22,732
Additions	137,549	—	137,549
At 31 March 2003	<u>156,781</u>	<u>3,500</u>	<u>160,281</u>
Amounts written off			
At 1 April 2002 and 31 March 2003	<u>13,469</u>	<u>3,500</u>	<u>16,969</u>
Net book value			
At 31 March 2003	<u>143,312</u>	<u>—</u>	<u>143,312</u>
<i>At 31 March 2002</i>	<u>5,763</u>	<u>—</u>	<u>5,763</u>

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

11. INVESTMENTS *(continued)*

Name of company	Country of incorporation	Details of investments	Proportion held by company	Nature of business
Alfred H Knight International (Deutschland) GMBH	Germany	Ordinary	100%	Sampling and assaying
Alfred H Knight Do Brazil	Brazil	Ordinary	100%	Sampling and assaying
Alfred H Knight Bolivia Ltda	Bolivia	Ordinary	100%	Sampling and assaying
Knight International Surveys Limited	UK	Ordinary	100%	Dormant
Alfred H Knight Romania SRL	Romania	Ordinary	25%	Sampling and assaying
Alfred H Knight de Mexico S.A.DE.C.V.	Mexico	Ordinary	90%	Sampling and assaying
Principal associate undertakings				
Boote Analytical Laboratory (Consultants) Limited	UK	Ordinary	45%	Sampling and assaying

12. STOCKS

	2003 £	2002 £
Raw materials	10,239	12,203
Work in progress	100,931	125,761
	<u>111,170</u>	<u>137,964</u>

13. DEBTORS

	2003 £	2002 £
Trade debtors	1,155,951	1,504,071
Amounts owed by group undertakings	1,308,920	1,265,423
Other debtors	79,854	73,106
Prepayments and accrued income	39,107	52,537
	<u>2,583,832</u>	<u>2,895,137</u>

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

13. DEBTORS *(continued)*

The debtors above include the following amounts falling due after more than one year:

	2003	2002
	£	£
Other debtors	<u>9,971</u>	<u>25,840</u>

14. CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Trade creditors	145,110	112,195
Amounts owed to group undertakings	1,277,947	1,302,596
Corporation tax	56,462	61,108
Other taxation and social security	51,313	52,380
Hire purchase agreements	21,964	37,190
Other creditors	7,055	92,980
Accruals and deferred income	<u>311,581</u>	<u>376,280</u>
	<u>1,871,432</u>	<u>2,034,729</u>

15. CREDITORS: Amounts falling due after more than one year

	2003	2002
	£	£
Hire purchase agreements	<u>31,096</u>	<u>54,962</u>

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2003	2002
	£	£
Amounts payable within 1 year	21,964	37,190
Amounts payable between 1 and 2 years	21,964	37,190
Amounts payable between 3 and 5 years	<u>9,132</u>	<u>17,772</u>
	<u>53,060</u>	<u>92,152</u>

Obligations under hire purchase contracts are secured on the assets concerned.

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

17. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Assets Other Than Land & Buildings</i>	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	—	3,089
Within 2 to 5 years	8,372	—
	<u>8,372</u>	<u>3,089</u>

18. CONTINGENCIES

The company has a guarantee bond with an overseas bank worth \$15,000 (2002: £15,500). This bond was cancelled after the year end. The company also has a foreign bills facility guaranteeing any foreign cheques that are paid into the company's bank account.

There is a counter indemnity held re Guarantee dated 7 April 1989 to HM Customs and Excise for £1000 (2002: £1,000).

19. RELATED PARTY TRANSACTIONS

The company was under the immediate control of Alfred H Knight UK Holdings Limited throughout the current year. Until 4th March 2002 the company's immediate holding company was Alfred H Knight Holdings Limited. On 4th March 2002, following a group reorganisation the company's immediate holding company became Alfred H Knight UK Holdings Limited. Throughout the year and the previous year the company was ultimately controlled by the directors of Alfred H Knight Holdings Limited, DJL Knight, RK Knight and JFL Knight who were also directors of this company, and Mrs J Knight who controlled the whole of Alfred H Knight Holdings Limited issued ordinary share capital.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

20. SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

ALFRED H KNIGHT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the financial year	113,442	26,533
Opening shareholders' equity funds	1,598,140	1,571,607
Closing shareholders' equity funds	<u>1,711,582</u>	<u>1,598,140</u>

22. ULTIMATE PARENT COMPANY

The directors consider the ultimate parent company to be Alfred H Knight Holdings Limited which is the only undertaking that prepares group accounts including the financial statements of the company. Copies of the group accounts can be obtained at the registered office of this company.