Cotecna International Limited

Directors' report and financial statements

Registered number 1670380

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company's principal activity during the year was that of pre-shipment inspection agents.

Business review

The profit and loss account is set out on page 4 and shows a profit after taxation of £35,351 *(2002: £114,126)*. The directors did not pay a dividend during the year *(2002: £nil)* and do not propose a final dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

PE Henebry
GF Massey
RM Massey

None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PE Henebry
Secretary

4th Floor
1 Lampton Road
Hounslow
Middlesex
TW3 1JB

26/10/2004

Statement of 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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Cotecna International Limited

We have audited the financial statements on pages 4 to 13.

This report is made solely to the company's members, 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 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

29 October 2004

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	**2,391,903**	3,032,805
Cost of sales		**(1,622,069)**	(1,714,805)
Gross profit		**769,834**	1,318,000
Administrative expenses		**(868,730)**	(1,095,507)
Other operating income		**57,467**	-
Operating (loss)/profit		**(41,429)**	222,493
Net interest receivable and similar income	6	**3,937**	3,279
(Loss)/profit on ordinary activities before taxation	3	**(37,492)**	225,772
Tax on profit on ordinary activities	7	**72,843**	(111,646)
Profit for the financial year		**35,351**	114,126
Retained profit for the year		**35,351**	114,126
Retained profit brought forward		**905,511**	791,385
Retained profit carried forward		**940,862**	905,511

None of the company's activities were acquired or discontinued during the above financial periods.

There is no difference between the reported result and the result based on historical cost for either the current or prior period.

There were no recognised gains or losses in the current or preceding period other than those disclosed in the profit and loss account above.

Balance sheet

at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	*8*		**32,601**		45,836
Current assets					
Stocks	*9*	**44,900**		32,384	
Debtors	*10*	**1,622,079**		1,365,512	
Cash at bank and in hand		**59,900**		198,916	
		1,726,879		1,596,812	
Creditors: *amounts falling due within one year*	*11*	**(599,749)**		(329,044)	
Net current assets			**1,127,130**		1,267,768
Total assets less current liabilities			**1,159,731**		1,313,604
Provisions for liabilities and charges	*12*		**(118,869)**		(308,093)
Net assets			**1,040,862**		1,005,511
Capital and reserves					
Called up share capital	*14*		**100,000**		100,000
Profit and loss account			**940,862**		905,511
Equity shareholders' funds	*15*		**1,040,862**		1,005,511

These financial statements were approved by the board of directors on 26/10/ 2004 and were signed on its behalf by:

PE Henebry
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on a going concern basis, in view of the fact that the ultimate parent undertaking, Cotecna S.A, has formally indicated that it will provide sufficient funding to the company to enable it to meet its liabilities as they fall due, for a least the next twelve months.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	life of lease
Equipment and machinery	-	15-25% per annum

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account as incurred.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Work in progress represents costs incurred on inspections carried out before the balance sheet date on which reports of findings have not been issued.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are regarded as recoverable and therefore 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 future reversal of the underlying timing differences can be deducted.

Turnover

Turnover (excluding VAT) is principally derived from the company's main activity, that of pre-shipment inspection agents and recognised on completion of the inspections.

Storage charges

Future storage charges relating to completed contracts are charged in the period in which the sale is recognised.

2 Analysis of turnover

	2003	2002
	£	£
By geographical market		
Africa	**2,221,811**	2,851,489
South America	**121,157**	121,235
Rest of world	**48,935**	60,081
	2,391,903	3,032,805

In the opinion of the directors it is not practicable to analyse profit on ordinary activities before interest and tax between geographical markets.

Notes *(continued)*

3 (Loss)/ profit on ordinary activities before taxation

	2003	2002
	£	£
(Loss)/ profit on ordinary activities before taxation is stated after charging/ (crediting):		
Auditors' remuneration:		
Audit	**19,900**	18,500
Other services	**9,000**	9,500
Depreciation	**29,978**	38,071
Hire of plant and machinery – rentals payable under operating leases	**33,520**	28,096
Rentals under operating leases on offices	**91,980**	203,961
Exchange losses	**53**	16,258
Rents receivable	**-**	(103,000)

4 Remuneration of directors

No remuneration was paid to the directors during the financial year and no retirement benefits are accruing to the directors at the period end under money purchase schemes *(2002:£ nil).*

None of the directors who held office at the end of the financial year had any disclosable interest in the issued share capital of any group company.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees	
	2003	2002
Management	**3**	5
Operations	**33**	38
Accounts/administration	**3**	3
	39	46

2002 headcount has been restated from 33 operations staff to 38 to include the inspectors' department.

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	**1,009,816**	1,069,861
Social security costs	**108,975**	105,383
Pension costs	**61,264**	59,387
	1,180,055	1,234,631

Notes *(continued)*

6 Net interest receivable

	2003	2002
	£	£
Bank interest receivable	**4,042**	3,535
Interest payable	**(105)**	(256)
	3,937	3,279

7 Taxation

Analysis of (credit)/ charge for year	**2003**	2002
	£	£
UK corporation tax		
Current tax on income for the year	**-**	90,188
Adjustments in respect of prior years	**(58,185)**	(8,522)
Total current tax	**(58,185)**	81,666
Deferred tax (note 12)	**(14,658)**	29,980
Tax on profit on ordinary activities	**(72,843)**	111,646

Factors affecting the tax charge for the current period

The current tax credit for the period is higher *(2002: charge for the period is higher)* than the standard rate of corporation tax in the UK *(30%, 2002 : 30%)*. The differences are explained below.

	2003	2002
	£000	£000
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(37,492)**	225,772
Current tax at 30 % *(2002: 30%)*	**(11,248)**	67,732
Effects of:		
Expenses not deductible for tax purposes	**4,462**	57,917
Capital allowances in excess of depreciation	**6,786**	710
Utilisation of tax losses	**-**	(36,171)
Adjustments to tax in respect of previous periods	**(58,185)**	(8,522)
Total current tax (credit)/ charge (see above)	**(58,185)**	81,666

Notes *(continued)*

8 Tangible fixed assets

	Equipment and machinery £	Fixtures and fittings £	Total £
Cost			
At beginning of year	280,889	101,592	382,481
Additions	16,633	306	16,939
Disposals	(108,771)	-	(108,771)
At end of year	188,751	101,898	290,649
Depreciation			
At beginning of year	254,616	82,029	336,645
Charge for year	17,780	12,198	29,978
Disposals	(108,575)	-	(108,575)
At end of year	163,821	94,227	258,048
Net book value			
At 31 December 2003	**24,930**	**7,671**	**32,601**
At 31 December 2002	26,273	19,563	45,836

9 Stocks

	2003 £	2002 £
Work in progress	**44,900**	32,384

10 Debtors

	2003 £	2002 £
Trade debtors	**2,468**	16,397
Amounts owed by group undertakings	**1,518,900**	1,266,192
Other debtors	**22,092**	30,662
Prepayments and accrued income	**78,619**	52,261
	1,622,079	1,365,512

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	**125,442**	65,978
Amounts owed to group undertakings	**216,629**	219
Taxation and social security	**43,072**	124,567
Accruals and deferred income	**214,606**	138,280
	599,749	329,044

12 Provision for liabilities and charges

	Deferred taxation £	Other £	Total £
At beginning of year	14,658	293,435	308,093
Utilised during year	-	(219,500)	(219,500)
(Credit)/ charge for the year	(14,658)	44,934	30,276
At end of year	-	**118,869**	**118,869**

Other provisions include £85,869 *(2002: £101,435)* in respect of future losses arising on storage charges and a £33,000 provision in respect of anticipated property dilapidations.

The deferred tax (asset)/ liability has been calculated as follows:

	Unprovided 2003 £	Provided 2002 £
Accelerated capital allowances	**(30,467)**	(18,377)
Short term timing differences	**(3,012)**	33,035
Deferred tax liability/(asset)	**(33,479)**	14,658

At 31 December 2003 the company had potential deferred tax assets of £33,479 *(2002: liability of £14,658)*. These assets have not been recognised in the financial statements as, in the opinion of the directors, there is insufficient evidence that they will be recoverable.

Notes *(continued)*

13 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**23,000**	**3,574**	34,438	1,923
In the second to fifth years inclusive	**-**	**4,016**	92,000	8,032
	23,000	**7,590**	126,438	9,955

14 *Called up share capital*

	2003	2002
	£	£
Authorised, allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	**100,000**	100,000

15 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	**35,351**	114,126
Net additions to shareholders' funds	**35,351**	114,126
Opening shareholders' funds	**1,005,511**	891,385
Closing shareholders' funds	**1,040,862**	1,005,511

16 Contingent liabilities

There are no contingent liabilities requiring disclosure at the year-end following the striking out by the courts of various claims pending against the company at 31 December 2002.

Notes *(continued)*

17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost for the period represents contributions payable by the company to the fund and amounted to £61,264 *(2002: £59,387).*

18 Related parties

The company's immediate parent undertaking is Cotecna Inspection Limited. The company's ultimate controlling party is Cotecna S.A.

As the company is a wholly owned subsidiary of Cotecna Inspection Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Cotecna Inspection Limited.

19 Ultimate parent company

The company is a subsidiary undertaking of Cotecna S.A. which is the ultimate parent company incorporated in Switzerland.

The largest group in which the results of the company are consolidated is that headed by Cotecna S.A. The smallest group in which they are consolidated is that headed by Cotecna Inspection Limited. The consolidated accounts of this group are available to the public and may be obtained from 4th Floor, 1 Lampton Road, Hounslow, Middlesex, TW3 1JB.