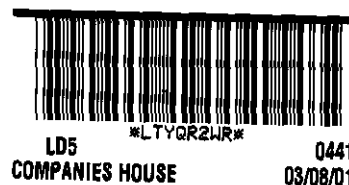


Registered Number 323091

Gray Mackenzie & Company Limited

Directors report and financial statements

31 December 1999



Gray Mackenzie & Company Limited

Report of the Directors'

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 1999.

Principal Activities and Business Review

The principal activity of the Company is that of providing management services to its subsidiary and associated undertakings in the Arabian Gulf area. These businesses act as distributors of consumer and industrial goods, shipping agents, Lloyd's and insurance agents, clearing and forwarding agents and operators of engineering workshops. A list of the Company's principal subsidiary and associated undertakings is set out in Note 24 to the financial statements.

The Company expects to continue these activities in the foreseeable future.

Results and Dividends

The profit for the year attributable to shareholders amounted to AED 149,796,000 (1998 – AED 110,888,000). Interim dividends of AED 201,385,000 (1998 – AED 59,980,000) were paid during the year. No final dividend is proposed.

Change of ownership/restructuring

On 1 April 1999, Inchcape Plc sold its Middle East Marketing interests to the Cupola Group. The Company forms a part of these interests. As a result of this change of ownership the ultimate parent undertaking became Gruppe Cupola Luxembourgeoise SA, a company incorporated in Luxembourg.

During the year, the Company sold its shareholdings in Bahrain Maritime & Mercantile International B.S.C. and Kuwait Maritime & Mercantile Company K.S.C.(c).

Post Balance Sheet Events

In February 2000 the Company sold its interests in Gray Mackenzie & Partners WLL.

In April 2000 the Company sold its interests in Al Qureishi Marketing.

In June 2000 the Company sold its interests in Gray Mackenzie & Partners (Central Emirates) LLC, Gray Mackenzie & Partners (Ras al Khaimah) LLC and Gray Mackenzie & Partners (Fujairah) LLC.

In June 2001 the Company sold its interests in Oman United Agencies LLC.

Gray Mackenzie & Company Limited

Directors

R C Williams	(resigned 31 March 1999)
J C Bartley	(resigned 8 September 1999)
P N W Farmer	(resigned 15 October 2000)
P D McElwaine	(resigned 21 February 2000)
A M Naqvi	(appointed 29 April 1999)
I H Hydari	(appointed 29 April 1999)
K R Mirza	(appointed 29 April 1999)
W H Siddique	(appointed 6 Feb 2000)
S A Jivanji	(appointed 15 Nov 2000)

Directors' Interests

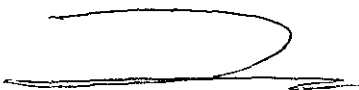
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other group companies according to the register of directors' interests.

According to the register of directors' interests, no rights to subscribe for shares of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

Following the change in ownership, our auditors PricewaterhouseCoopers resigned and the directors appointed KPMG as auditors. Pursuant to a shareholders resolution the Company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

By order of the Board



Imtiaz Hussain Hydari
Director

31 JULY 2001

Registered office:
Gray's Inn Secretaries Ltd
Five Chancery Lane
Clifford's Inn
London EC4A 1BU

Gray Mackenzie & Company Limited

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;
- 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 also reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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

Auditors' report to the members of Gray Mackenzie & Company Limited

We have audited the financial statements on pages 5 to 22.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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 director's remuneration and transactions with the Company is not disclosed.

Basis of 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 state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditor

3 August

2001

Gray Mackenzie & Company Limited

Profit and loss account for the year ended 31 December 1999

	Notes	1999 AED '000	1998 AED '000
Turnover	2	1,249	7,247
Net operating expenses	3	(30,062)	(34,617)
Operating loss		(28,813)	(27,370)
Income from shares in undertakings in which the Company has a participating interest		25,300	117,687
Exceptional gains on sale of investments	6	152,052	23,108
Other interest receivable and similar income		2,004	951
Interest payable and similar charges	8	(424)	(1,571)
Profit on ordinary activities before taxation	2, 4	150,119	112,805
Tax on profit on ordinary activities	9	(323)	(1,917)
Profit on ordinary activities after taxation		149,796	110,888
Dividends	10	(201,385)	(59,980)
Retained (loss)/profit for the financial year	18	(51,589)	50,908

All items in 1999 and 1998 relate to continuing activities.

Gray Mackenzie & Company Limited

Statement of total recognised gains and losses for the year ended 31 December 1999

	1999	1998
	AED '000	AED '000
Profit for the financial year	149,796	110,888
Capital contribution	-	20,217
Total recognised gains for the year	149,796	131,105

Note of historical cost profits and losses for the year ended 31 December 1999

	1999	1998
	AED '000	AED '000
Reported profit on ordinary activities before taxation	150,119	112,805
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	215	231
Historical cost profit on ordinary activities before taxation	150,334	113,036
Historical cost (loss)/profit for the year after taxation and dividends	(51,374)	51,139

Gray Mackenzie & Company Limited


Balance sheet at 31 December 1999

	Notes	1999 AED '000	1998 AED '000
Fixed assets			
Tangible fixed assets	11	5,696	10,998
Investments	12	73,824	99,588
		<u>79,520</u>	<u>110,586</u>
Current assets			
Debtors	13	58,211	129,614
Cash at bank and in hand		15,127	19,412
		<u>73,338</u>	<u>149,026</u>
Creditors: amounts falling due within one year	14	(27,177)	(20,856)
Net current assets		46,161	128,170
Total assets less current liabilities		125,681	238,756
Creditors: amounts falling due after more than one year	15	(47,790)	(108,224)
Provision for liabilities and charges	16	(1,364)	(2,307)
Net assets		<u>76,527</u>	<u>128,225</u>
Capital and reserves			
Called up share capital	17	65,719	65,719
Revaluation reserve	18	5,010	9,212
Profit and loss account	18	5,798	53,294
		<u>76,527</u>	<u>128,225</u>
Equity shareholders' funds	19	<u>76,527</u>	<u>128,225</u>

The financial statements were approved by the Board of Directors on

31 JULY

2001 and were signed on its behalf by:



Imtiaz Hussain Hydari
Director

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

1 Principal 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.

(a) Accounting Convention

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 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.

As the company is a wholly owned subsidiary of Gruppe Cupola Luxembourgeoise SA the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Gruppe Cupola Luxembourgeoise SA, within which this company is included, can be obtained from PO Box 23448, Dubai, UAE.

(b) Income from Subsidiary and Associated Undertakings

Income from subsidiary and associated undertakings is recognised in the profit and loss account as dividends are declared.

(c) Foreign Currencies

Foreign currency transactions are translated into UAE Dirhams at the rates ruling on the transaction dates. Foreign currency assets and liabilities are translated into UAE Dirhams at the rates ruling on the balance sheet date, except where the rate of exchange is fixed under contractual arrangements. Differences on exchange are dealt with in the profit and loss account.

At 31 December 1999 the exchange rate was AED 6.02 = £ 1 (1998 – AED 6.11 = £ 1)

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

(c) Foreign Currencies (continued)

Following the move of the Company's administrative office to Dubai in 1997, the management decided to maintain the books of the company in UAE Dirhams (AED).

Share capital is recorded at the rate of exchange prevailing at 31 December 1980, the date from which the accounting records have been maintained in Bahraini Dinars, and retranslated to UAE Dirhams at the 1996 closing rate of exchange.

(d) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation, except for freehold land which is not depreciated. The cost or valuation of tangible fixed assets is depreciated by equal annual instalments over the expected useful lives of the assets which are as follows:

Freehold buildings	30 years
Plant and equipment	2 - 5 years

Land and buildings are revalued periodically. Profits or losses on the sale of tangible fixed assets included in the profit and loss account are calculated as the difference between the sale proceeds and their book value.

(e) Investments

Investments are reflected in the balance sheet at cost less provision for impairment in value.

(f) Pension Costs and Benefits

Pension benefits of covenanted staff are funded over the employees' period of service. The Company's contributions to the defined benefit scheme are based on triennial actuarial valuations. Pension costs charged in the profit and loss account have been calculated such that the regular pension costs are a substantially level percentage of current and expected future pensionable payroll, by spreading variations from regular costs over the expected remaining service lives of employees.

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

(g) Other Staff Terminal Benefits

Provision is made for terminal benefits of other staff (in non-pensionable employment) in accordance with the terms of their contracts or local labour laws.

(h) Turnover

Turnover represents the total amount receivable for goods sold and services provided.

(i) Leases

Rental payments arising from operating leases are charged to the profit and loss account on a straight line basis.

2 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation were as follows:

	Turnover		Profit/(loss) on ordinary activities before tax	
	1999 AED'000	1998 AED'000	1999 AED'000	1998 AED'000
Marketing and distribution	1,249	7,247	(1,933)	76,834
Shipping services	-	-	-	12,863
Exceptional profit on sale of investments	-	-	152,052	23,108
	<u>1,249</u>	<u>7,247</u>	<u>150,119</u>	<u>112,805</u>

Turnover and profit on ordinary activities before taxation are wholly attributable to the Middle East region.

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

3 Net operating expenses

	1999 AED'000	1998 AED'000
Administration expenses	30,062	29,169
Currency translation differences	-	3,446
Group charges	-	2,002
	<u>30,062</u>	<u>34,617</u>

4 Profit on ordinary activities before taxation

This is stated after charging:

	1999 AED'000	1998 AED'000
Auditors' remuneration including expenses	103	128
Depreciation	1,238	1,285
Leasehold property rentals	483	483

5 Employee information

The average number of persons (including directors) employed by the Company during the year was:

	No. of employees	
	1999	1998
Management and administration	<u>40</u>	<u>53</u>

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

5 Employee information (continued)

Staff costs including all directors' remuneration:

	1999 AED'000	1998 AED'000
Wages and salaries	16,671	18,748
Other pension costs	1,332	1,878
	<u>18,003</u>	<u>20,626</u>

All employees discharged their duties wholly or mainly outside the United Kingdom.

6 Exceptional items

	1999 AED'000	1998 AED'000
Compensation received for sale of shipping business	60,200	-
Profit on sale of investments	91,541	-
Release of Inchcape Retrans provision	-	14,563
Profit on sale of share of Inchcape Engineering	-	11,282
Cost associated with sale of Middle East Marketing Stream	311	(2,737)
	<u>152,052</u>	<u>23,108</u>

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

7 Directors' emoluments, loans and other transactions

	1999 AED'000	1998 AED'000
Aggregate emoluments	4,730	3,390

Retirement benefits are accruing to 2 directors (1998: 3) under a defined benefit scheme.

Certain directors were paid by fellow subsidiaries or by other group companies. No charge is made for their services to the Company.

All Directors of the Company discharged their duties wholly or mainly outside the United Kingdom.

No transaction, arrangement or agreement, required to be disclosed under the provisions of the Companies Act 1985 of Great Britain, was outstanding at 31 December 1999 or occurred during the year for any director and/or connected person (1998 - none).

Highest paid director:

	1999 AED'000	1998 AED'000
Total amount of emoluments and amounts receivable under long-term incentive schemes	2,315	1,674
Defined benefit pension scheme:		
Accrued annual pension at end of year	278	146
Accrued lump sum at end of year	1,984	1,712

8 Interest payable and similar income

	1999 AED'000	1998 AED'000
On bank loans and overdrafts and other loans:		
repayable within 5 years not by instalments	424	935
Other interest payable to Group/subsidiary undertakings	-	636
	424	1,571

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

9 Taxation

No United Kingdom taxation has been provided on profits for the years ended 31 December 1999 or 1998 as the Company became a non-resident company for United Kingdom taxation purposes on 1 May 1988.

	1999 AED'000	1998 AED'000
Overseas taxation	<u>323</u>	<u>1,917</u>

10 Dividends

	1999 AED'000	1998 AED'000
Interim paid - AED 26.8513 per share (1998 - AED 7.997 per share)	<u>201,385</u>	<u>59,980</u>

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

11 Tangible fixed assets

	Land and buildings AED'000	Plant and equipment AED'000	Total AED'000
Cost or valuation			
At 1 January 1999	9,639	4,069	13,708
Additions	-	30	30
Disposals	(4,283)	(553)	(4,836)
Revaluations	(109)	-	(109)
At 31 December 1999	5,247	3,546	8,793
Depreciation			
At 1 January 1999	559	2,151	2,710
Charge for the year	259	979	1,238
Disposals	(352)	(499)	(851)
31 December 1999	466	2,631	3,097
Net book value			
At 31 December 1999	4,781	915	5,696
At 31 December 1998	9,080	1,918	10,998

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

11 Tangible fixed assets (continued)

Net book values of land and buildings comprise the following:

	1999 AED'000	1998 AED'000
Freehold land	3,385	6,286
Freehold buildings	1,396	2,794
	<u>4,781</u>	<u>9,080</u>

If the freehold land and buildings had not been revalued, they would have been stated in the balance sheet as follows:

	1999 AED'000	1998 AED'000
Cost	2,429	5,082
Accumulated depreciation based on cost	(2,196)	(4,623)
Net book value	<u>233</u>	<u>459</u>

Depreciation of buildings is based on the valuation carried out as at 31 December 1996. Had depreciation been based on cost, the charge for the year would have been lower by AED 215,000 (1998 – AED 231,000).

12 Investments

	Subsidiary undertakings AED'000	Associated undertakings AED'000	Other investments AED'000	Total AED'000
Cost or valuation				
At 1 January 1999	43,690	45,540	10,358	99,588
Provision for impairment in value	-	-	(1,500)	(1,500)
Disposals	-	(24,264)	-	(24,264)
At 31 December 1999	<u>43,690</u>	<u>21,276</u>	<u>8,858</u>	<u>73,824</u>

A list of the Company's principal subsidiary and associated undertakings, their countries of incorporation and the proportion of the nominal value of shares held by the Company is given in Note 24.

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

13 Debtors

	1999 AED'000	1998 AED'000
Amounts falling due within one year:		
Short term loan to Inchcape Finance plc	-	20,252
Amounts owed by group undertakings	24,116	50,546
Amounts owed by associated undertakings	6,821	27,371
Other debtors	1,163	8,126
Prepayments and accrued income	868	3,186
	<u>32,968</u>	<u>109,481</u>
Amounts falling due after one year:		
Long term loan to fellow subsidiary undertaking	21,578	20,133
Long term loan to associated undertaking	3,665	-
	<u>25,243</u>	<u>20,133</u>
	<u>58,211</u>	<u>129,614</u>

The long term loan to fellow subsidiary undertaking earned interest at 5.5% p.a., is unsecured and has no fixed repayment terms. All other amounts due from related parties are unsecured, interest free and have no fixed repayment terms.

14 Creditors: amounts falling due within one year

	1999 AED'000	1998 AED'000
Bank loans and overdrafts	9,814	169
Amount owed to subsidiary undertaking	-	578
Amounts owed to fellow subsidiary undertaking	7,216	6,012
Taxation	2,332	3,207
Other creditors	3,387	1,925
Accruals and deferred income	4,428	8,965
	<u>27,177</u>	<u>20,856</u>

All the amounts owed to related parties are unsecured, interest free and have no fixed repayment terms.

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

15 Creditors: amounts falling due after more than one year

	1999 AED'000	1998 AED'000
Long term loan advanced by:		
Fellow subsidiary undertaking	-	58,175
Subsidiary undertakings	47,790	50,049
	<u>47,790</u>	<u>108,224</u>

The above are unsecured, have no fixed repayment terms and do not incur any interest.

16 Provisions for liabilities and charges

	Pension & staff terminal benefits AED'000
At 1 January 1999	2,307
Charge to profit and loss account	1,331
Paid during the year	(2,526)
Other movements/transfers	252
At 31 December 1999	<u>1,364</u>

17 Called up share capital

	Number		Value	
	1999 '000	1998 '000	1999 AED'000	1998 AED'000
Ordinary shares of £1 each				
Authorised	<u>7,500</u>	<u>7,500</u>	<u>65,719</u>	<u>65,719</u>
Allotted, called up and fully paid	<u>7,500</u>	<u>7,500</u>	<u>65,719</u>	<u>65,719</u>

As stated in the significant accounting policies, called up share capital is stated at the exchange rate in effect on 31 December 1980 (£1 = BD 0.900) and retranslated to UAE Dirhams at the rate prevailing on 31 December 1996 (AED 1 = BD 0.10271).

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

18 Reserves

	Revaluation reserve AED'000	Profit and loss account AED'000
At 1 January 1999	9,212	53,294
Net deficit on revaluation of properties	(109)	-
Transfer	(4,093)	4,093
Retained loss for the year	-	(51,589)
At 31 December 1999	<u>5,010</u>	<u>5,798</u>

As mentioned in Note 10 a dividend of AED 201,385,000 has been paid for the year ended 31 December 1999.

19 Reconciliation of movements in shareholders' funds

	1999 AED'000	1998 AED'000
Profit for the financial year	149,796	110,888
Dividends	(201,385)	(59,980)
	<u>(51,589)</u>	<u>50,908</u>
Revaluation adjustment	(109)	-
Capital contribution	-	20,217
	<u>-</u>	<u>20,217</u>
Net addition to shareholders' funds	(51,698)	71,125
Opening equity shareholders' funds	128,225	57,100
Closing equity shareholders' funds	<u>76,527</u>	<u>128,225</u>

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

20 Contingent liabilities and commitments

	1999 AED'000	1998 AED'000
Bank performance guarantees for fellow subsidiary undertakings	-	3,587
Guarantees for bank facilities of a company treated as an investment (AED 2.898 million has been drawn against these facilities in 1999 and AED 2.399 million in 1998)	2,898	2,878

21 Financial commitments

At 31 December 1999 the Company had annual commitments under non-cancellable operating leases relating to land and buildings expiring as follows:

	1999 AED'000	1998 AED'000
In one or less years	81	483

22 Pensions and other post-retirement benefits

Pensions – overseas schemes

Certain employees of Gray Mackenzie & Co. Ltd. are eligible for membership of the Inchcape Overseas Pension Scheme.

Assets of this scheme had a market value of £70.6m at the latest actuarial valuation carried out at 31 March 1997. The actuarial assumptions used for this scheme were consistent with local practice. As at the valuation date the actuarial value of the assets exceeded the value of the benefits that had accrued to members.

Pension cost

The pension cost charged for 1999 for this scheme was AED 668,985 (1998 AED. 1,243,292).

23 Ultimate parent undertaking and controlling party

The Company's ultimate parent undertaking at 31 December 1999 is Gruppe Cupola Luxembourg S.A., a company incorporated in Luxembourg.

The directors are of the opinion that there is no one controlling party.

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

24 Principal subsidiary and associated undertakings

Name of undertaking (country of incorporation)	Description of shares held	Proportion of nominal value of shares held %
Subsidiary undertakings:		
Gray Mackenzie International Limited (Bermuda)	Ordinary US\$ 1 shares	100
Gray Mackenzie Marine Services EC (Bahrain)	Ordinary BD 100 shares	100
Associated undertakings:		
Gray Mackenzie & Partners (Central Emirates) LLC (UAE)	Ordinary UAE AED 10 shares	49
Gray Mackenzie & Partners (Abu Dhabi) LLC (UAE)	Ordinary UAE AED 1,000 shares	49
Oman United Agencies LLC (Oman)	Ordinary RO 10 shares	49
Gray Mackenzie & Partners (Ras al Khaimah) LLC (UAE)	Ordinary UAE AED 1,000 shares	49
Gray Mackenzie & Partners (Fujairah) LLC (UAE)	Ordinary UAE AED 1,000 shares	49
Gray Mackenzie & Partners WLL (Qatar)	Ordinary QR 1,000 shares	49

Gray Mackenzie & Company Limited

Notes to the financial statements for the year ended 31 December 1999

24 Principal subsidiary and associated undertakings (continued)

The Company's subsidiary and associated undertakings are principally involved in the marketing and distribution of consumer and industrial goods and the provision of shipping, travel and insurance services.

25 Post balance sheet events

In February 2000 the Company sold its interests in Gray Mackenzie & Partners WLL.

In April 2000 the Company sold its interests in Al Qureishi Marketing.

In June 2000 the Company sold its interests in Gray Mackenzie & Partners (Central Emirates) LLC, Gray Mackenzie & Partners (Ras al Khaimah) LLC and Gray Mackenzie & Partners (Fujairah) LLC.

In June 2001 the Company sold its interests in Oman United Agencies LLC.