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CHANRAI INTERNATIONAL LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

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W.H. PAYNE & CO
CHARTERED ACCOUNTANTS
SANDRINGHAM HOUSE
199 SOUTHWARK BRIDGE ROAD
LONDON, SE1 OHA

The Company's Incorporation No. is: 630005

REPORT OF THE DIRECTORS OF
CHANRAI INTERNATIONAL LIMITED

The directors present their annual report and audited accounts of the company for the year ended 31st March 1997.

Principal activities and business review

The company trades principally as confirmers, importers, exporters and providers of documentation services. Due to the loss of its principal sources of supply and of a number of major customers, the company has had to curtail its activities and therefore turnover and gross profit show a substantial decrease compared with the previous year. The company has extended the product range that it trades in and has also started a properties division that will acquire, develop and resell properties. The directors expect turnover to increase.

Directors and their interests

The directors, none of whom have any interests in the shares of the company, who have held office during the year are as follows:-

D. D. Chanrai
P. G. Chanrai
V. P. Chanrai
D. P. Chanrai (appointed 3rd June 1996)
S. G. Verghese (resigned on 3rd June 1996)

Directors' responsibilities

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts; and
- Prepare the accounts 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 which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends proposed and transfers to reserves

Payment of a dividend is not recommended. The retained loss for the year of £388,459 has been transferred to reserves.

Fixed assets

Information relating to changes in the tangible fixed assets is given in note 8 to the accounts.

REPORT OF THE DIRECTORS OF
CHANRAI INTERNATIONAL LIMITED

(continued)

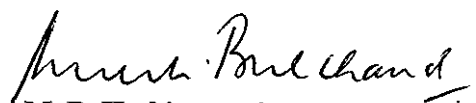
Donations

During the year the company made charitable contributions totalling £4,501 (1996 - £3,501).

Auditors

A resolution to re-appoint Messrs. W.H. Payne & Co. as auditors of the company will be submitted to the annual general meeting.

BY ORDER OF THE BOARD


M. B. Hathiramani
Secretary

Swiss Cottage House
9-13 Swiss Terrace
London, NW6 4RR

12th August 1997

CHANRAI INTERNATIONAL LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

CHANRAI INTERNATIONAL LIMITED

We have audited the accounts on pages 4 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



W H Payne & Co
Chartered Accountants
and Registered Auditor
Sandringham House
199 Southwark Bridge Road
London SE1 0HA

12th August 1997

CHANRAI INTERNATIONAL LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST MARCH 1997**

	<u>Note</u>	<u>1997</u>	<u>1996</u> (Note 20)
Turnover	(2)	5,427,598	74,175,354
Cost of sales		(5,221,067)	(71,238,535)
Gross profit		206,531	2,936,819
Administrative expenses		(795,833)	(1,579,961)
Other operating income		22,070	54,500
Operating (loss)/profit		(567,232)	1,411,358
(Loss) on disposal of other fixed assets		(38,698)	(11,358)
(Loss)/profit on ordinary activities before interest and taxation		(605,930)	1,400,000
Other interest receivable and similar income	(3)	393,610	163,231
Interest payable and similar charges	(4)	(263,680)	(1,339,282)
(Loss)/profit on ordinary activities before taxation	(6)	(476,000)	223,949
Tax on (loss)/profit on ordinary activities	(7)	87,541	(87,750)
Retained (loss)/profit for year		(388,459)	136,199
Transfer from revaluation reserve		—	27,420
Retained profit at beginning of year		725,217	561,598
Retained profit at end of year		£336,758	£725,217

Continuing operations (Note 20)

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

Total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above two financial years.

The accompanying notes are an integral part of this profit and loss account.

CHANRAI INTERNATIONAL LIMITED**BALANCE SHEET****31ST MARCH 1997**

	<u>Note</u>	<u>1997</u>	<u>1996</u>
<u>Fixed assets</u>			
Tangible assets	(8)	582,056	634,508
<u>Current assets</u>			
Development property	(9)	1,195,860	—
Bills receivable		—	528,049
Debtors	(10)	5,419,979	23,746,466
Cash at bank and in hand		295,172	336,371
		<u>6,911,011</u>	<u>24,610,886</u>
Creditors: amounts falling due within one year	(11)	(3,381,388)	(21,545,256)
		<u>3,529,623</u>	<u>3,065,630</u>
Net current assets			
		<u>4,111,679</u>	<u>3,700,138</u>
Total assets less current liabilities			
Creditors: amounts falling after more than one year	(12)	(1,400,000)	(600,000)
		<u>£2,711,679</u>	<u>£3,100,138</u>
Net assets			
<u>Capital and reserves</u>			
Called up share capital	(13)	2,000,000	2,000,000
Profit and loss account		336,758	725,217
Revaluation reserve	(15)	374,921	374,921
		<u>£2,711,679</u>	<u>£3,100,138</u>
Shareholders' funds	(14)		
		<u>£2,711,679</u>	<u>£3,100,138</u>

These accounts were approved by the board on 12th August 1997



 D.D. Chanrai

The accompanying notes are an integral part of this balance sheet.

CHANRAI INTERNATIONAL LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31ST MARCH 1997**

	<u>Note</u>	<u>1997</u>	<u>1996</u>
Net cash inflow/(outflow) from operating activities	16(a)	17,158,134	(15,258,191)
Returns on investments and servicing of finance:			
Interest received	393,610	163,231	
Interest paid	(342,869)	(1,224,636)	
Net cash inflow/(outflow) from returns on investments and servicing of finance		50,741	(1,061,405)
Taxation		(87,609)	—
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(10,173)	(43,408)	
Receipts from sale of tangible fixed assets	5,459	41,776	
Net cash (outflow) from capital expenditure and financial investment		(4,714)	(1,632)
Financing			
Bank loans repaid	(5,834,981)		
New bank loan draw-down	800,000	5,834,981	
Net cash (outflow)/inflow from financing		(5,034,981)	5,834,981
Increase/(decrease) in cash		£12,081,571	£(10,486,247)

The accompanying notes are an integral part of this statement.

CHANRAI INTERNATIONAL LIMITED**NOTE OF HISTORICAL COST PROFITS AND LOSSES****FOR THE YEAR ENDED 31ST MARCH 1997**

	<u>1997</u>	<u>1996</u>
Reported (loss)/profit on ordinary activities before taxation	(476,000)	223,949
Realisation of property revaluation gains of previous years	-	27,420
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	223
	<hr/>	<hr/>
Historical cost (loss)/profit on ordinary activities before taxation	£(476,000)	£251,592
	<hr/>	<hr/>
Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends	£(388,459)	£163,842
	<hr/>	<hr/>

CHANRAI INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1997

1. Accounting policies

The principal accounting policies, which have been consistently applied, are:-

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified to include the revaluation of freehold property and in accordance with applicable accounting standards.

(b) Tangible fixed assets

Fixed assets (excluding freehold property) are stated at original cost less aggregate depreciation.

Depreciation is provided at rates calculated to write-off the cost (or valuation), less estimated residual value, of each asset over its estimated useful life as follows:-

Furniture and equipment	10% written down basis
Computer equipment	33% straight line

Depreciation is not provided in respect of the freehold investment property.

(c) Development property

Development property is stated at the lower of cost and net realisable value.

(d) Taxation

The charge for taxation is based on loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes.

(e) Foreign currency conversions

Trading transactions denominated in foreign currencies are recorded in sterling at average rates for the year. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. All exchange differences on conversion or translation are for the account of trade associates.

(f) Leased assets

Rentals applicable to operating leases are recognised in the profit and loss account as incurred.

CHANRAI INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH 1997****2. Turnover**

Turnover comprises the value of sales (excluding VAT) of goods and services invoiced in the normal course of business. Turnover by geographical area was :-

	<u>1997</u>	<u>1996</u>
United Kingdom and Europe	3,799,193	30,516,522
Africa	1,059,636	20,317,414
North America	—	1,080,322
South America	—	992,033
Asia	94,303	21,269,063
Middle East	474,466	—
	<hr/>	<hr/>
	£5,427,598	£74,175,354
	<hr/>	<hr/>

3. Other interest receivable and similar income

	<u>1997</u>	<u>1996</u>
Bank deposit interest	4,685	40,322
Other interest	336,425	70,409
Rental income receivable	52,500	52,500
	<hr/>	<hr/>
	£393,610	£163,231
	<hr/>	<hr/>

4. Interest payable and similar charges

	<u>1997</u>	<u>1996</u>
Bank charges	13,698	54,421
Guarantee fee	—	181,960
Interest on bank overdrafts	189,429	1,042,901
Interest on bank loan repayable within 5 years	60,553	60,000
	<hr/>	<hr/>
	£263,680	£1,339,282
	<hr/>	<hr/>

CHANRAI INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH 1997**

5. <u>Employees</u>	No. of employees	
	<u>1997</u>	<u>1996</u>
Average weekly number of people (including directors) employed by the company during the year, all of whom were involved in sales and administration	15	28
Costs in respect of these employees:-	<u>1997</u>	<u>1996</u>
Wages and salaries	406,036	635,049
Redundancy costs	2,081	131,000
Social security costs	41,187	64,533
	<u>£449,304</u>	<u>£830,582</u>
<u>Directors emoluments (all in respect of management services)</u>	<u>1997</u>	<u>1996</u>
The emoluments of the chairman	£45,120	£46,463
The emoluments of the highest paid director	£45,120	£49,512
The emoluments of the other directors fell into the following bands:-	<u>1997</u>	<u>1996</u>
£0 - £5,000	1	1
£40,001 - £45,000	2	1
	<u>1997</u>	<u>1996</u>
6. <u>(Loss)/profit on ordinary activities before taxation</u>	<u>1997</u>	<u>1996</u>
(Loss)/profit on ordinary activities before taxation is arrived at, after charging	£	£
Depreciation	18,468	30,453
Amortisation of leasehold premises	—	1,568
Directors' remuneration (including benefits in kind)	135,120	138,220
Auditors' remuneration	31,000	32,000
Operating lease rentals	65,285	66,697
Exceptional item - redundancy costs	2,081	131,000
	<u>1997</u>	<u>1996</u>
7. <u>Taxation</u>	<u>1997</u>	<u>1996</u>
Due to the availability of loss relief, the tax paid in prior year is now recoverable. The credit/(charge) for the year comprises:-		
Corporation tax recoverable/(payable) at 33%	87,541	(101,900)
Relief for losses brought forward	—	14,150
	<u>£87,541</u>	<u>£(87,750)</u>

CHANRAI INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH 1997****8. Tangible fixed assets**

	Freehold property	Furniture and equipment	Total
Cost or valuation			
At beginning of year	500,000	266,320	766,320
Additions	—	10,173	10,173
Disposals	—	(112,552)	(112,552)
	<hr/>	<hr/>	<hr/>
At end of year	500,000	163,941	663,941
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At beginning of year	—	131,812	131,812
Charge for the year	—	18,468	18,468
Disposals	—	(68,395)	(68,395)
	<hr/>	<hr/>	<hr/>
At end of year	—	81,885	81,885
	<hr/>	<hr/>	<hr/>
Net book value			
At end of year	£500,000	£82,056	£582,056
	<hr/>	<hr/>	<hr/>
At beginning of year	£500,000	£134,508	£634,508
	<hr/>	<hr/>	<hr/>

The company's freehold property was valued, on an open market basis, by Ellis & Co. Chartered Surveyors, during February 1990. The surplus arising from this valuation was credited to the revaluation reserve. The directors consider that there has not been any significant change in the market value since that date.

Original cost of freehold property, included at valuation, was £125,079

9. Development property

The development property is a freehold property acquired by the company during the year in the course of its property development business. The carrying cost includes the purchase price together with the related direct costs of acquisition but excludes legal and professional costs incurred in planning for development of the property.

Since the balance sheet date, the company has entered into a contract to sell the property for £1,250,000.

10. Debtors

	1997	1996
Trade debtors	1,685,617	1,300,738
Amounts owed by group undertakings	3,565,584	22,227,444
Other debtors	140,061	195,262
Prepayments	28,717	23,022
	<hr/>	<hr/>
	£5,419,979	£23,746,466
	<hr/>	<hr/>

CHANRAI INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1997**

11. <u>Creditors: amounts falling due within one year</u>	<u>1997</u>	<u>1996</u>
Bank loans and overdrafts	2,448,457	20,406,208
Trade creditors	391,173	42,547
Amounts owed to group undertakings	426,021	244,287
Corporation tax	—	87,750
Other taxation and social security costs	12,199	—
Other creditors	10,753	532,754
Accruals	92,785	231,710
	<hr/>	<hr/>
	£3,381,388	£21,545,256
	<hr/>	<hr/>

Bank loans and overdrafts are secured on guarantees provided by third parties.

12. <u>Creditors: amounts falling after more than one year</u>	<u>1997</u>	<u>1996</u>
Bank loans repayable:		
within 1-2 years	800,000	—
within 2-5 years	600,000	600,000
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	£1,400,000	£600,000
	<hr/>	<hr/>

The £600,000 loan is unsecured and bears interest at 10% . The loan of £800,000 is secured by a first legal charge on the property for resale and on a corporate guarantee from a third party and bears interest at variable rate.

13. <u>Called up share capital</u>	<u>1997</u>	<u>1996</u>
Authorised:		
2,000,000 Ordinary shares of £1 each	£2,000,000	£2,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
2,000,000 Ordinary shares of £1 each	£2,000,000	£2,000,000
	<hr/>	<hr/>

14. <u>Reconciliation of movements on shareholders' funds</u>	<u>1997</u>	<u>1996</u>
(Loss)/profit for the financial year after taxation	(388,459)	136,199
Shareholders' funds at beginning of year	3,100,138	2,963,939
	<hr/>	<hr/>
Shareholders' funds at end of year	£2,711,679	£3,100,138
	<hr/>	<hr/>

CHANRAI INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1997**

15. <u>Revaluation reserve</u>	<u>1997</u>	<u>1996</u>
At beginning of year	374,921	402,341
Transfer to profit and loss account- surplus on leasehold property sold	—	(27,420)
	<hr/>	<hr/>
At end of year	£374,921	£374,921
	<hr/>	<hr/>

The revaluation surplus arises as a result of the revaluation of the company's freehold property (see note 8). No provision has been made for deferred tax arising on the revaluation reserve, since the directors consider that no liability to tax will arise in the foreseeable future.

16. Cash flow statement

(a) <u>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</u>	<u>1997</u>	<u>1996</u>
Operating (loss)/profit	(567,232)	1,411,358
Depreciation charges	18,468	32,021
Decrease in stocks	—	673,262
(Increase) in development property	(1,195,860)	—
Decrease in bills receivable	528,049	811,570
Decrease/(increase) in debtors	18,413,887	(4,755,094)
(Decrease) in creditors	(39,178)	(13,431,308)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	£17,158,134	£(15,258,191)
	<hr/>	<hr/>
(b) <u>Reconciliation of net cash flow to movement in net debt</u>	<u>1997</u>	<u>1996</u>
Increase/(decrease) in cash	12,081,571	(10,486,247)
Net cash outflow/(inflow) from financing	5,034,981	(5,834,981)
	<hr/>	<hr/>
Change in net debt	17,116,552	(16,321,228)
Net debt at beginning of year	(20,669,837)	(4,348,609)
	<hr/>	<hr/>
Net debt at end of year	£3,553,285	£(20,669,837)
	<hr/>	<hr/>

CHANRAI INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH 1997****16. Cash flow statement(continued)**

(c) <u>Analysis of net debt</u>	At beginning of the year	Cash flows	At end of the year
Cash at bank and in hand	336,371	(41,199)	295,172
Bank overdrafts and short-term loans	(14,571,227)	12,122,770	(2,448,457)
	<hr/>	<hr/>	<hr/>
	(14,234,856)	12,081,571	(2,153,285)
Bank loans due within one year	(5,834,981)	5,834,981	-
Bank loans due after more than one year	(600,000)	(800,000)	(1,400,000)
	<hr/>	<hr/>	<hr/>
	£20,669,837	£17,116,552	£(3,553,285)
	<hr/>	<hr/>	<hr/>

17. Ultimate parent undertaking

The company is a wholly owned subsidiary of Chanrai Holdings Limited, a company registered in Jersey. The directors regard Kewalram Chanrai Holdings Limited, a company registered in Jersey, as being the ultimate parent company.

18. Financial commitments**(a) Guarantees**

The company has provided guarantees of £500,000 to secure banking facilities provided to a trade associate.

(b) Documentary credits

Established in the normal course of trade in favour of suppliers,
and remaining unnegotiated at year end.

<u>1997</u>	<u>1996</u>
£-	£750,440
<hr/>	<hr/>

19. Operating lease

The minimum annual rentals under operating leases are as follows:-

	<u>1997</u>	<u>1996</u>
Property leases expiring after 5 years	£65,285	£65,285
	<hr/>	<hr/>

The rentals payable under the company's property leases are subject to re-negotiation at various intervals specified in the leases.

20. Continuing activities

At the time the 1996 accounts were being prepared, a number of major suppliers and customers had stopped using the company's services and the directors believed that the company would need to change the focus of its operations. The results for 1996 were therefore classified as arising from discontinued operations as defined in Financial reporting Standard No. 3. However, during 1997 the company managed to conduct business in its historical markets and the directors therefore believe that the activities for 1996 should no longer be considered discontinued.

CHANRAI INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1997****21. Related party transactions**

The company's related parties, as defined by Financial Reporting Standard 8, with whom the company had transactions during the year are listed below.

<u>Party</u>	<u>Relationship</u>
Kewalram Chanrai Holdings Limited	Ultimate controlling party
Chanrai Holdings Limited	Holding company
Kewalram Singapore Limited	Common ultimate control
Afprint Nigeria plc	Common ultimate control
Afcott Nigeria plc	Common ultimate control
Aflon Nigeria plc	Common ultimate control
Spectrum Minerals	Common ultimate control
Sunseed Nigeria plc	Common ultimate control

The transactions were:	£
Sales to Sunseed Nigeria plc on normal trading terms	53,121
Commission receivable from parties under common control on normal trading terms	151,811
Aggregate purchases from the other parties under common ultimate control on normal trading terms	4,983,643
Interest receivable from ultimate holding company	300,745
Amounts owing from ultimate holding company	3,503,524
Amounts owing to holding company	343,483
Amounts owing from parties under ultimate common control	1,095,223
Amounts owing to parties under ultimate common control	453,951