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COMPANY NO. 0887798

**CONJOINT EXPORT SERVICES
[NEAR EAST] LIMITED**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1999

**PRIDIE BREWSTER
CHARTERED ACCOUNTANTS.**

29/39 London Road,
TWICKENHAM,
Middlesex TW1 3SZ.

9 August 1999



REPORT OF THE DIRECTORS

The Directors present their Report and the Financial Statements for the year ended 31st March 1999.

PRINCIPAL ACTIVITIES

The Company carried on the activities of Export Sales Consultants and Commercial Sales Representatives engaged in the direct export of goods.

RESULTS AND DIVIDEND	1999	1998
Profit for the year after Taxation	15,428	43,019
Dividends Payable	13,000	13,000
	<hr/>	<hr/>
Transferred to Reserves	£2,428	£30,019
	<hr/>	<hr/>

FIXED ASSETS

Movements in Fixed Assets are shown in Note 3 to the Financial Statements.

DIRECTORS

The following persons were Directors of the Company during the year and their interests in the Share Capital, both at the beginning and at the end of the year, were:

	Ordinary	Preference
Mrs. C.I. Sargrove	25	66,300
Mr. L.B.J. Sargrove	25	63,700
Mr. P. Wohanka	1	-
Mr. R. Gasston	38	-

INCOME AND CORPORATION TAXES ACT 1988

In the opinion of the Directors, the Company is a close Company under the provisions of the above-named Act.

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 of the Company for that period. In preparing those Financial Statements the Directors are required to:

- a] select suitable accounting policies and then apply them consistently;
- b] make judgements and estimates that are reasonable and prudent;
- c] prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

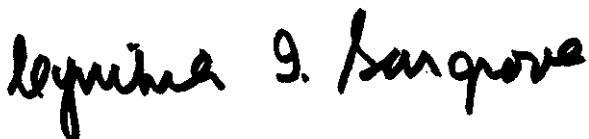
REPORT OF THE DIRECTORS (continued)**DIRECTORS' RESPONSIBILITIES (continued)**

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 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.

AUDITORS

The Auditors, Pridie Brewster, Chartered Accountants, are willing to continue in office and a motion for their reappointment will be put before the Annual General Meeting.

BY ORDER OF THE BOARD



MRS. C.I. SARGROVE - Secretary

Registered Office:

29/39 London Road,
Twickenham,
Middlesex TW1 3SZ.

9 August 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF**CONJOINT EXPORT SERVICES [NEAR EAST] LIMITED**

We have audited the Financial Statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described in the Directors' Report, the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Statements 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 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 31st March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

29/39 London Road,
TWICKENHAM,
Middlesex TW1 3SZ.


PRIDIE BREWSTER
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

9 August 1999

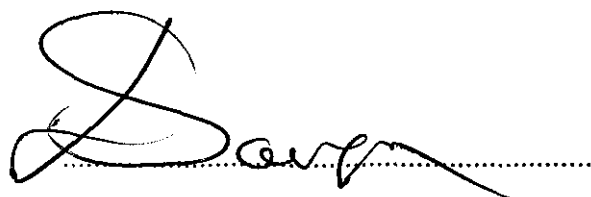
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1999

	NOTE	1999	1998
TURNOVER	[1e]	2,104,329	2,041,409
Cost of Sales		1,798,765	1,784,329
GROSS PROFIT		305,564	257,080
Administrative Costs		297,299	218,460
		8,265	38,620
Other Operating Income	[2]	11,288	4,448
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	[3]	19,553	43,068
TAXATION	[5]	4,125	49
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		15,428	43,019
Dividend payable	[6]	13,000	13,000
RETAINED PROFIT FOR THE YEAR		£ 2,428	£ 30,019
RETAINED PROFITS			
At 1st April 1998		38,267	138,248
Less: Conversion to Share Capital		-	(130,000)
Add: Retained Profit for the year		2,428	30,019
At 31st March 1999		£ 40,695	£ 38,267

All gains or losses arising in the year have been recognised in the Profit and Loss Account and arise from continuing activities.

BALANCE SHEET AT 31ST MARCH 1999

	NOTE	1999	1998
FIXED ASSETS			
Tangible Assets	[7]	15,312	18,533
CURRENT ASSETS			
Stocks	[1c]	49,857	45,183
Investments	[8]	-	8,161
Debtors	[9]	175,646	238,851
Cash at Bank and in Hand		146,125	158,919
		371,628	451,114
CREDITORS - due within one year	[10]	(216,145)	(301,280)
NET CURRENT ASSETS		155,483	149,834
NET ASSETS		£ 170,795	£ 168,367
CAPITAL AND RESERVES			
Called-up Share Capital	[11]	130,100	130,100
Profit and Loss Account		40,695	38,267
SHAREHOLDERS' FUNDS	[13]	£ 170,795	£ 168,367
Equity Shareholders' Funds		40,795	38,367
Non-Equity Shareholders' Funds		130,000	130,000
		£ 170,795	£ 168,367



L.B.J. SARGROVE - DIRECTOR

9 August 1999

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31ST MARCH 1999**

1] ACCOUNTING POLICIES

- a] The Accounts are prepared under the historical cost convention.
- b] Depreciation is provided on all Tangible Fixed Assets at rates calculated to write off the cost of each asset over its expected useful life as follows:
- Furniture, Fittings and Equipment:
- Computer equipment 33% - on the reducing balance
- Other 15% - on the reducing balance
- c] Stock is valued by the Directors at cost or lower net realisable value.
- d] Foreign Currency:
- i] Income and expenditure incurred in foreign currency is converted at the rate applicable at the date of the receipt or payment.
- ii] Foreign currency held at the year end is converted at the rate applicable at the year end.
- e] Turnover represents the amounts invoiced for sales of goods and services, inclusive of freight and packing charges and commissions receivable.
- f] The Company qualifies as a Small Company under the requirements of Financial Reporting Standard Number 1 and, accordingly, is not required to present a Cash Flow Statement.

2] OTHER OPERATING INCOME	1999	1998
Bank Interest Received	8,924	5,767
Exchange Gain/(Loss)	2,364	(1,319)
	<u>£11,288</u>	<u>£4,448</u>
3] PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1999	1998
This is stated after charging:	£	£
Depreciation	5,117	6,385
Loss on disposal of fixed assets	7,363	4,101
Auditors' Remuneration	6,500	6,000
	<u>£19,000</u>	<u>£16,486</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31ST MARCH 1999 - continued**

4] DIRECTORS AND EMPLOYEES

a] Staff Costs	1999	1998
Wages and Salaries	144,052	87,839
Social Security	13,747	7,745
Other Pension Costs	1,500	3,000
	<u>£159,299</u>	<u>£98,584</u>
 b] The average number of persons employed by the Company was:	 <u>10</u>	 <u>7</u>
 c] Staff costs include the following remuneration for Directors:		
Emoluments	62,400	33,080
Pension Costs	1,500	3,000
	<u>£63,900</u>	<u>£36,080</u>

The pension costs relate to pension premiums paid by the Company into a defined contribution scheme in respect of one of the Company's Directors.

5] TAXATION	1999	1998
U.K. Corporation Tax on the taxable profits for the year @ 21%	4,274	1,021
Less: Surplus Advance Corporation Tax previously written off	149	972
	<u>£ 4,125</u>	<u>£ 49</u>

6] DIVIDENDS PAYABLE

On 10% Non-Redeemable Preference Shares	<u>£13,000</u>	<u>£13,000</u>
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**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31ST MARCH 1999 - continued**

7] FIXED ASSETS

Tangible Assets	Office Improve- ments	Furniture, Fittings & Equipment	TOTAL
Cost			
At 1st April 1998	2,906	112,040	114,946
Additions	-	6,698	6,698
Disposals	-	(4,802)	(4,802)
	<hr/>	<hr/>	<hr/>
At 31st March 1999	2,906	113,936	116,842
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1st April 1998	553	95,860	96,413
Charge for the year	235	4,882	5,117
	<hr/>	<hr/>	<hr/>
At 31st March 1999	788	100,742	101,530
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31st March 1999	£2,118	£13,194	£15,312
	<hr/>	<hr/>	<hr/>
At 31st March 1998	£2,353	£16,180	£18,533
	<hr/>	<hr/>	<hr/>

8] INVESTMENTS

	1999	1998
Investment in gold bullion, at cost:		
Balance brought forward at 1.4.98	8,161	16,323
Disposals	(8,161)	(8,162)
	<hr/>	<hr/>
Balance carried forward at 31.3.1999	£ -	£8,161
	<hr/>	<hr/>
Market Value at 31.3.1999	£ -	£5,784
	<hr/>	<hr/>

9] DEBTORS - due within one year

Trade Debtors	165,906	231,111
Other Debtors and prepayments	9,740	7,740
	<hr/>	<hr/>
	£175,646	£238,851
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31ST MARCH 1999 - continued**

10] CREDITORS - due within one year	1999	1998
Trade Creditors	149,582	222,179
Other Creditors	5,988	6,302
Directors' Unsecured Loans	1,300	-
Accruals	8,000	9,750
Shareholders' unsecured loans	37,400	50,000
Dividend payable	13,000	13,000
Corporation Tax	875	49
	<u>£216,145</u>	<u>£301,280</u>

The Shareholders' unsecured loans are interest-free; they are for an indefinite period, repayable in part or in full on demand at any time within seven days from the date of the Shareholders' requests.

11] SHARE CAPITAL	1999	1998
Authorised, Issued and Fully Paid:		
Equity Shares:		
100 Ordinary Shares of £1 each	100	100
Non-Equity Shares:		
130,000 10% Non-Redeemable Preference Shares	130,000	130,000
	<u>£130,100</u>	<u>£130,100</u>

The Preference Shares carry the right to fixed cumulative dividends in preference to dividends payable on Ordinary Shares and to repayment of capital on a winding-up. They do not carry voting rights at any General Meeting unless the fixed, cumulative, preferential dividend is six months or more in arrears, or the meeting includes a Resolution for the sale of the Company, or for reducing the capital of the Company or abrogating or otherwise dividing or adversely modifying any rights, privileges or conditions attached to the Preference Shares.

12] CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the Balance Sheet date, there were no Capital Commitments or Contingent Liabilities [1998 - Nil].

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31ST MARCH 1999 - continued**

13] SHAREHOLDERS' FUNDS	Equity Shareholders' Funds	Non-Equity Shareholders' Funds	Total
Opening Shareholders' Funds	38,367	130,000	168,367
Retained profit for the year	2,428	-	2,428
Closing Shareholders' Funds	<u>£40,795</u>	<u>£130,000</u>	<u>£170,795</u>

14] RELATED PARTY TRANSACTIONS

- (a) The Company occupies offices owned by one of the Directors, Mr. L.B.J. Sargrove. The rent payable, which is considered to be the open market rent, amounted to £10,008 (1998 - £10,008) in the year.
- (b) Note 10 to the Accounts refers to unsecured loans received from Shareholders and Directors. The amounts received and outstanding at the Balance Sheet date owing to related parties was as follows:

Name of related party	Relationship	Balance owing £
Mrs. C.I. Sargrove	Director & Shareholder	18,700
R.L.M. Wohanka Ransom	Shareholder & son of P. Wohanka (Director)	9,350
Mrs. P.L. Gasston	Shareholder, wife of R. Gasston (Director) and daughter of P. Wohanka (Director)	9,350
R. Gasston	Director	1,300

- (c) LKA Limited is a Limited Company which is owned and controlled by the Shareholders and Directors of this Company. Management fees payable to LKA Limited during the year amounted to £4,566, net of Value Added Tax (1998 - Nil). The balance owing by LKA Limited to Conjoint Export Services (Near East) Limited at the Balance Sheet date was £646 (1998 - £25,042).

Under a Company reorganisation, LKA Limited's trade and fixed assets were transferred to Conjoint Export Services (Near East) Limited. Unrelieved tax trading losses totalling £20,322 have been transferred to Conjoint Export Services (Near East) Limited.