

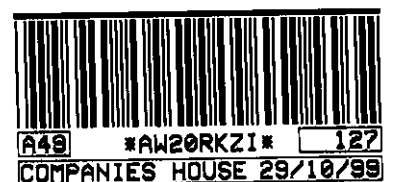
**LONGULF TRADING (UK)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1998

Company No. 1287237



LONGULF TRADING (UK) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1998

Company registration number:

1287237

Registered office:

Prince Albert House
2 Kingsmill Terrace
St John's Wood
LONDON
NW8 6AA

Directors:

D A Saeed
H Bastawisi El-Kasar
J A R Cook

Secretary:

Gray's Inn Secretaries Limited

Bankers:

National Westminster Bank plc
Temple Bar Branch
217 Strand
LONDON
WC2R 2AS

Solicitors:

Denton Hall
5 Chancery Lane
LONDON
WC2R 2AS

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

LONGULF TRADING (UK) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1998

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LONGULF TRADING (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 1998.

Business review

The principal activity of the company is that of an agent for the general exporting and importing of merchandise.

The financial results are set out in the profit and loss account.

The retained profit for the year of £121,154 (1997: £161,587) has been added to the surplus brought forward.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors holding office during the year are shown below.

D A Saeed (Yemeni)
H Bastawisi El-Kasar (Egyptian)
J A R Cook
S R Beharrell (resigned 15 June 1998)

All the above were also directors of the holding company, Longulf Limited. No director held any interest in the share capital of either the company or the holding company during the year.

Directors' responsibilities for the financial statements

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:

- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for prevention and detection of fraud and other irregularities.

LONGULF TRADING (UK) LIMITED

REPORT OF THE DIRECTORS

Year 2000 Compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of the company's customers and suppliers.

The company has reviewed its computer systems for the impact of the Year 2000 date change. An impact analysis has been prepared to identify the major risks, and action plans have been developed to address these in advance of critical dates. The plans give priority to the systems which could have a significant financial or legal impact if they were to fail.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the Board believes that its plans and the resources allocated are appropriate and adequate to address the issue.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD
FOR AND ON BEHALF OF
Gray's Inn Secretaries Limited
Mark Bolton

.....DIRECTOR/
AUTHORISED SIGNATORY
GRAY'S INN SECRETARIES LIMITED
SECRETARY
8.10.1999

REPORT OF THE AUDITORS TO THE MEMBERS OF

LONGULF TRADING (UK) LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 1 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.

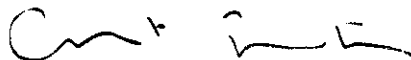
Basis of opinion

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 31 December 1998 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON

8 October 1999

LONGULF TRADING (UK) LIMITED

PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost accounting rules set out in Schedule 4 Companies Act 1985, and in accordance with applicable UK Accounting Standards. The company is exempt from producing a cash flow statement.

TURNOVER

Turnover comprises amounts invoiced in respect of goods and services supplied during the year, excluding value added tax, where applicable, and intra group sales.

DEPRECIATION

Depreciation is calculated at rates designed to write off the difference between cost and estimated residual value of fixed assets across the life of those assets.

The basis used is:

Motor vehicles	- 25% per annum on cost
Fixtures, fittings and office equipment	- 25% per annum on cost
Computer equipment	- 25% per annum on cost
Leasehold improvements	- 15% per annum on cost

DEFERRED TAXATION

Provision for deferred taxation is made in the financial statements using the liability method on all timing differences, unless it can be demonstrated with reasonable probability that such timing differences will not reverse in the foreseeable future

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated at the rate ruling on the balance sheet date. Transactions during the year are translated using an estimate of the average rate for the year. Gains and losses during the year have been written off through the profit and loss account.

OPERATING LEASES

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

LONGULF TRADING (UK) LIMITED

PRINCIPAL ACCOUNTING POLICIES

CONTRIBUTIONS TO PENSION FUNDS

The company operates a defined benefit pension scheme for the benefit of a small number of its senior employees. The assets of the scheme are administered by trustees in a fund independent from those of the group

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

The most recent actuarial valuation was at 1 January 1995 performed by Abbey National Benefit Consultants Limited. The main assumptions used are:

Investment return	8½% per annum
Pensionable salary growth	6% per annum
Pre-retirement mortality	67/70 for assured lives rated down 1 year

LONGULF TRADING (UK) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 1998

	Note	1998 £	1997 £
Turnover	1	13,078,414	13,456,326
Cost of sales		<u>(10,512,945)</u>	<u>(10,883,010)</u>
Gross profit		2,565,469	2,573,316
Administrative expenses		(2,394,921)	(2,394,960)
Interest receivable and similar income		12,305	7,862
Interest payable and similar charges	2	<u>(154)</u>	<u>(131)</u>
Profit on ordinary activities before taxation	3	182,699	186,087
Taxation	5	<u>(61,545)</u>	<u>(24,500)</u>
Profit for the financial year and transfer to reserves		<u><u>121,154</u></u>	<u><u>161,587</u></u>

All transactions arose from continuing operations.

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

LONGULF TRADING (UK) LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £	1997 £
Fixed Assets			
Tangible assets	6	391,735	421,929
Investments	7	<u>1,000</u>	<u>1,000</u>
		392,735	422,929
Current Assets			
Debtors	8	2,357,459	2,177,486
Cash at bank and in hand		<u>70,950</u>	<u>320,249</u>
		2,428,409	2,497,735
Creditors: Amounts falling due within one year	9	<u>(1,909,211)</u>	<u>(2,129,885)</u>
Net Current Assets		<u>519,198</u>	<u>367,850</u>
Total Assets Less Current Liabilities		<u>911,933</u>	<u>790,779</u>
Creditors: Amounts falling due after more than one year	10	<u>(450,000)</u>	<u>(450,000)</u>
		<u>461,933</u>	<u>340,779</u>
Capital and Reserves			
Called up share capital	12	2,000	2,000
Profit and loss account	16	<u>459,933</u>	<u>338,779</u>
Shareholders' funds	13	<u>461,933</u>	<u>340,779</u>
Equity shareholders' funds		460,933	339,779
Non-equity shareholders' funds		<u>1,000</u>	<u>1,000</u>
		<u>461,933</u>	<u>340,779</u>

The financial statements were approved on behalf of the Board of Directors on 15 October 1999

J A R COOK

D A SAEED

)
) DIRECTORS
)

The accompanying accounting policies and notes form an integral part of these financial statements.

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1998

1 TURNOVER

Turnover comprises amounts invoiced in respect of goods and services supplied during the year, excluding value added tax, where applicable, and intra group sales.

A geographical analysis of turnover is:

	1998 £	1997 £
United Kingdom	10,313,731	10,809,499
Middle East	2,764,683	2,646,827
	<u>13,078,414</u>	<u>13,456,326</u>

Of the total turnover £398,283 (1997: £471,160) represented transactions with related companies in the Middle East.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans and overdrafts wholly repayable within 5 years	<u>154</u>	<u>131</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging/(crediting):

	1998 £	1997 £
Pension costs	36,401	50,623
Depreciation on fixed assets - tangible	160,833	151,539
Auditors' remuneration:		
- audit services	24,300	19,560
Directors' salaries	149,500	142,000
Hire of office equipment	40,786	40,116
(Profit)/loss on disposal of fixed assets	(500)	(2,800)
Exchange differences	<u>4,163</u>	<u>(679)</u>

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1998

4 DIRECTORS REMUNERATION AND STAFF COSTS

The number of staff, including directors employed by the company were:

	1998 Number	1997 Number
Management and administration	31	32
Sales	13	15
	<u>44</u>	<u>47</u>
	1998 £	1997 £

The cost of these employees were:

Wages and salaries	1,409,026	1,376,551
Social security	133,883	128,659
Other pension costs	36,401	50,623
	<u>1,579,310</u>	<u>1,555,833</u>

Directors' remuneration included in the above:

Remuneration as executives	149,500	142,000
Pension contributions	8,897	8,502
	<u>158,397</u>	<u>150,502</u>

Excluding pension contributions:

Chairman's emoluments	-	-
Emoluments of highest paid director	<u>56,000</u>	<u>52,500</u>

5 TAXATION

	1998 £	1997 £
Corporation Tax on the results of the year at 31% (1997: 33%)	<u>61,545</u>	<u>24,500</u>

LONGULF TRADING (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1998

6 TANGIBLE ASSETS

	Motor vehicles £	Furniture, fittings and equipment £	Leasehold improvements £	Total £
Cost				
At 1 January 1998	167,369	530,045	544,100	1,241,514
Additions	25,190	80,943	24,506	130,639
Disposals	(11,475)	(106,455)	-	(117,930)
At 31 December 1998	<u>181,084</u>	<u>504,533</u>	<u>568,606</u>	<u>1,254,223</u>
Depreciation				
At 1 January 1998	82,639	415,334	321,612	819,585
Charge for year	32,304	53,090	75,439	160,833
Disposals	(11,475)	(106,455)	-	(117,930)
At 31 December 1998	<u>103,468</u>	<u>361,969</u>	<u>397,051</u>	<u>862,488</u>
Net Book Value				
At 31 December 1998	<u>77,616</u>	<u>142,564</u>	<u>171,555</u>	<u>391,735</u>
At 31 December 1997	<u>84,730</u>	<u>114,711</u>	<u>222,488</u>	<u>421,929</u>

7 INVESTMENTS

	1998 £	1997 £
1 January 1998 and 31 December 1998	<u>1,000</u>	<u>1,000</u>

This investment represents the cost of £1 ordinary shares in Stamrate Limited which is registered in England and Wales and is a wholly owned subsidiary. Stamrate Ltd was dormant during the year and had net assets of £7,618 at 31 December 1998 (1997: £7,618).

LONGULF TRADING (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1998

8 DEBTORS

	1998 £	1997 £
Trade debtors	138,703	16,980
Amounts owed by group undertakings	1,806,994	1,969,510
Other debtors	108,828	118,273
Prepayments and accrued income	302,934	72,723
	<u>2,357,459</u>	<u>2,177,486</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	1,177,395	882,064
Amounts owed to group undertakings	33,741	7,617
Amounts owed to Yemen Gulf Trading Company	261,698	926,715
Corporation Tax	74,442	34,557
Other taxes and social security	203,523	157,784
Other creditors	72,389	44,712
Accruals and deferred income	86,023	76,436
	<u>1,909,211</u>	<u>2,129,885</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Interest free long term loan from Yemen Gulf Trading Company	<u>450,000</u>	<u>450,000</u>

There were no fixed repayment terms for this loan.

11 PROVISIONS FOR LIABILITIES AND CHARGES

Provision has not been made for deferred taxation on accelerated capital allowances. The unprovided amount is £7,145. No amounts were provided in prior year due to the availability of tax losses brought forward.

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1998

12 SHARE CAPITAL

	1998 £	1997 £
Authorised, issued and fully paid:		
Ordinary shares of £1 each	1,000	1,000
Deferred shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>2,000</u>	<u>2,000</u>

The deferred shares entitle the holders to a fixed non-cumulative dividend at the rate of one per cent per annum for any financial year of the company in respect of which the net distributable profits of the company exceed £50,000,000. On winding up the holders would receive the return of their capital from any surplus exceeding £50,000,000. The shares are non-voting.

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	121,154	161,587
Opening shareholders' funds	<u>340,779</u>	<u>179,192</u>
Closing shareholders' funds	<u>461,933</u>	<u>340,779</u>

14 PARENT UNDERTAKING

The parent undertaking is Longulf Limited, which is registered in England and Wales, owns 100% of the issued share capital of the company.

The largest group of undertakings for which group accounts have been drawn up is that headed by Europa Investments SA incorporated in Luxembourg. The smallest such group of undertakings, including the company is that headed by Longulf Limited.

15 CONSOLIDATED FINANCIAL STATEMENTS

The company does not propose to produce consolidated financial statements as it is relying upon the exemption contained in Section 229(3) of the Companies Act 1985.

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1998

16 RESERVES

	Profit and loss account £
At 1 January 1998	338,779
Retained profit for the year	<u>1,154</u>
At 31 December 1998	<u><u>459,933</u></u>

17 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1998 or at 31 December 1997.

18 CONTINGENT LIABILITIES

At 31 December 1998 the company has a capital commitment of approximately £nil (1997: £30,000) of which £nil (1997: £30,000) had been contracted for and £nil (1997: £nil) had been authorised but not contracted for.

19 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Longulf Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by Longulf Limited.