

**LONGULF TRADING (UK)
LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1996**

Company No. 1287237



LONGULF TRADING (UK) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1996

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
S R Beharrell

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 1996

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

LONGULF TRADING (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 1996.

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 £196,538 (1995: £212,663) has been deducted from the deficit brought forward.

Dividends

The directors do not recommend the payment of a dividend.

Fixed assets

The movements in fixed assets during the year are set out in notes 5 and 6.

Directors

The directors holding office during the year are shown below.

A A Saeed (Yemeni, resigned on 6 March 1996)
I H Saeed (Yemeni, resigned on 6 March 1996)
A G H Saeed (Yemeni, resigned on 6 March 1996)
A W H Saeed (Yemeni, resigned on 6 March 1996)
D A Saeed (Yemeni)
H Bastawisi El-Kasar (Egyptian)
J A R Cook
S R Beharrell

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

LONGULF TRADING (UK) LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities (continued)

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

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


..... DIRECTOR,
AUTHORISED SIGNATORY

GRAY'S INN SECRETARIES LIMITED
SECRETARY

1997

7 July

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 pages 1 and 2 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 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 1996 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

7 J-ly 1997

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.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value.

LONGULF TRADING (UK) LIMITED

PRINCIPAL ACCOUNTING POLICIES

Contributions to pension funds

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.

LONGULF TRADING (UK) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 DECEMBER 1996

	Note	1996 £	1995 £
Turnover	1	10,285,984	9,623,191
Cost of sales		<u>(7,928,040)</u>	<u>(7,479,900)</u>
Gross profit		2,357,944	2,143,291
Administrative expenses		(2,168,492)	(1,915,422)
Interest receivable and similar income		7,189	8,114
Interest payable and similar charges	2	<u>(103)</u>	<u>(443)</u>
Profit on ordinary activities before taxation	3	196,538	235,540
Taxation	4	<u>-</u>	<u>(22,877)</u>
Profit for the financial year and transfer to reserves		<u><u>196,538</u></u>	<u><u>212,663</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 1996

	Note	1996 £	1995 £
Fixed Assets			
Tangible assets	5	415,644	506,274
Investments	6	<u>1,000</u>	<u>1,000</u>
		416,644	507,274
Current Assets			
Stock	7	-	15,184
Debtors	8	2,792,246	1,758,000
Cash at bank and in hand		<u>78,443</u>	<u>71,277</u>
		2,870,689	1,844,461
Creditors: Amounts falling due within one year	9	<u>(2,658,141)</u>	<u>(1,919,081)</u>
Net Current Assets/(Liabilities)		<u>212,548</u>	<u>(74,620)</u>
Total Assets Less Current Liabilities		<u>629,192</u>	<u>(432,654)</u>
Creditors: Amounts falling due after more than one year	10	<u>(450,000)</u>	<u>(450,000)</u>
		<u>179,192</u>	<u>(17,346)</u>
Capital and Reserves			
Called up share capital	12	2,000	2,000
Profit and loss account	16	<u>177,192</u>	<u>(19,346)</u>
Shareholders' funds	13	<u>179,192</u>	<u>(17,346)</u>
Equity shareholders' funds		178,192	(18,346)
Non-equity shareholders' funds		<u>1,000</u>	<u>1,000</u>
		<u>179,192</u>	<u>(17,346)</u>

The financial statements were approved on behalf of the Board of Directors on 7 JULY 1997

JAR COOK

DA 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 1996

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:

	1996 £	1995 £
United Kingdom	7,437,484	6,685,052
Middle East	<u>2,848,500</u>	<u>2,938,139</u>
	<u>10,285,984</u>	<u>9,623,191</u>

Of the total turnover £785,543 represented transactions with related companies in the Middle East.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
On bank loans and overdrafts wholly repayable within 5 years	<u>103</u>	<u>443</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging/(crediting):

	1996 £	1995 £
Pension costs	35,207	44,780
Depreciation on fixed assets - tangible	152,558	161,329
Auditors' remuneration:		
- audit services	19,659	23,046
- non-audit services	12,000	-
Directors' remuneration	146,322	141,172
Hire of office equipment	35,043	32,723
(Profit)/loss on disposal of fixed assets	3,247	(5,980)
Exchange differences	<u>(36,275)</u>	<u>(541)</u>

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1996

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

	Number of staff	
Management and administration	28	26
Sales	18	17
	<u>46</u>	<u>43</u>

The cost of these employees were:

	1996	1995
	£	£
Wages and salaries	1,252,335	1,166,785
Social security	118,255	117,194
Other pension costs	35,207	44,780
	<u>1,405,797</u>	<u>1,328,759</u>

Directors' remuneration

Remuneration as executives	138,000	133,000
Pension contributions	8,322	8,172
	<u>146,322</u>	<u>141,172</u>

Excluding pension contributions:

Chairman's emoluments	-	-
Emoluments of highest paid director	<u>51,000</u>	<u>49,500</u>

Directors emoluments, including those of the Chairman and highest paid director, fell into the following bands:

	Number of directors	
£0 - £ 5,000	1	5
£30,001 - £35,000	-	1
£45,001 - £50,000	1	2
£50,001 - £55,000	<u>2</u>	<u>-</u>

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1996

4 TAXATION

	1996 £	1995 £
Corporation Tax on the results of the year at 25% (1995: 25%)	-	2,677
Group relief	-	20,200
	<u>-</u>	<u>22,877</u>

5 TANGIBLE ASSETS

	Motor vehicles £	Furniture, fittings & equipment £	Leasehold improvements £	Total £
Cost at 1 January 1996	144,949	405,334	517,320	1,067,603
Additions	-	45,438	26,780	72,218
Disposals	<u>(11,995)</u>	<u>(44)</u>	<u>-</u>	<u>(12,039)</u>
Cost at 31 December 1996	<u>132,954</u>	<u>450,728</u>	<u>544,100</u>	<u>1,127,782</u>
Depreciation at 1 January 1996	91,185	299,410	170,734	561,329
Charge for year	16,602	62,517	75,439	154,558
Disposals	<u>(3,749)</u>	<u>-</u>	<u>-</u>	<u>(3,749)</u>
Depreciation at 31 December 1996	<u>104,038</u>	<u>361,927</u>	<u>246,173</u>	<u>712,138</u>
Net Book Value				
At 31 December 1996	<u>28,916</u>	<u>88,801</u>	<u>297,927</u>	<u>415,644</u>
At 31 December 1995	<u>53,764</u>	<u>105,924</u>	<u>346,586</u>	<u>506,274</u>

6 INVESTMENTS

	1996 £	1995 £
1 January 1996 and 31 December 1996	<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 1996 (1995: £7,618).

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

For the year ended 31 DECEMBER 1996

7 STOCK

	1996 £	1995 £
Raw materials	-	7,116
Finished goods	-	8,068
	<u>-</u>	<u>15,184</u>

8 DEBTORS

	1996 £	1995 £
Trade debtors	11,409	18,924
Amounts owed by group undertakings	1,865,363	1,513,165
Other debtors	843,813	129,957
Prepayments and accrued income	71,661	95,954
	<u>2,792,246</u>	<u>1,758,000</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Trade creditors	760,013	639,664
Amounts owed to group undertakings	7,617	7,617
Amounts owed to Yemen Gulf Trading Company	1,538,562	1,123,808
Corporation Tax	10,057	7,685
Other taxes and social security	113,767	10,479
Other creditors	103,219	40,516
Accruals and deferred income	124,906	89,312
	<u>2,658,141</u>	<u>1,919,081</u>

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1996

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
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 due to the availability of tax losses carried forward.

12 SHARE CAPITAL

	1996 £	1995 £
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

	1996 £	1995 £
Profit for the financial year	196,538	212,663
Opening shareholders' deficit	<u>(17,346)</u>	<u>(230,009)</u>
Closing shareholders' surplus/(deficit)	<u>179,192</u>	<u>(17,346)</u>

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1996

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 Luxemburg. 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.

16 RESERVES

	Profit and loss account £
At 1 January 1996	(19,346)
Retained profit for the year	<u>196,538</u>
At 31 December 1996	<u><u>177,192</u></u>

17 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1996 or at 31 December 1995.

18 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1996 or at 31 December 1995.

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.