



**LONGULF TRADING (UK)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2005

LONGULF TRADING (UK) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

Company Registration Number: 1287237

Registered Office: Prince Albert House
2 Kingsmill Terrace
London
NW8 6BN

Directors: D A Saeed
H Bastawisi El-Kasar

Secretary: Gray's Inn Secretaries Limited

Bankers: Barclays Bank plc
North West Larger Business Team
7th Floor
1 Marsden Street
Manchester
M2 1HW

Solicitors: Denton Wilde Sapte
1 Fleet Place
London
EC4M 7WS

Auditors: Grant Thornton UK LLP
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 2005

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REPORT OF THE DIRECTORS

For the year ended 31 DECEMBER 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

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. During the year bad debts of £6,804,634 (2004: £nil) were written off to the profit and loss account. Loans totalling £6,804,634 were subsequently waived (see note 3 for details).

There was a profit for the year after taxation amounting to £172,207 (2004: £112,546). 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 (resigned 31 July 2006)

None of the directors held any interest in the share capital of the company.

Financial Risk Management Objectives and policies

The company uses various financial instruments: these include related party loans, secured overdraft facilities, cash, and various items such as trade and related party debtors and trade creditors that arise directly from its operations.

The main purpose of these financial instruments is to raise finance for the company's operations. No transactions in derivatives takes place and the main risks from the company financial instruments are currency risk, credit risk and liquidity risk.

Currency Risk

The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposure is hedged where known principally using forward currency contracts.

Credit Risk

The Company's principal financial assets are its debtors with group and related undertakings.

Liquidity Risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Company finances its operations through a mixture of retained profits, bank borrowings and amounts provided by related undertakings.

LONGULF TRADING (UK) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 DECEMBER 2005

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

Charitable donations

Charitable donations of £53,460 (2004: £nil) were made during the year.

Auditors

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

BY ORDER OF THE BOARD
The Board on behalf of
Gray's Inn Secretaries Limited


Director/Authorised Signatory

GRAY'S INN SECRETARIES LIMITED
Secretary

25 October 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LONGULF TRADING (UK) LIMITED

We have audited the financial statements of Longulf Trading (UK) Limited for the year ended 31 December 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. 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 directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LONGULF TRADING (UK) LIMITED**

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON

25 October

2006

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 DECEMBER 2005

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

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 designated to write off the difference between cost and estimated residual value of fixed assets across the life of those assets.

Motor vehicles	25% per annum on cost
Furniture, fixtures and fittings	25% per annum on cost
Leasehold improvements	15% per annum on cost

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more or less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

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 of 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.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

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

For the year ended 31 DECEMBER 2005

	Note	2005 £	2004 £
Turnover	1	45,303,827	29,387,831
Cost of sales		<u>(42,283,135)</u>	<u>(26,478,582)</u>
Gross profit		3,020,692	2,909,249
Administrative expenses	3	(9,551,335)	(2,688,163)
Exceptional items	3	<u>6,804,634</u>	<u>-</u>
Operating profit		273,991	221,086
Interest payable and similar charges	2	(4,733)	(4,735)
Interest receivable and similar income		<u>337</u>	<u>-</u>
Profit on ordinary activities before taxation	3	269,595	216,351
Tax on profit on ordinary activities	5	<u>(97,388)</u>	<u>(103,805)</u>
Profit for the financial year		<u>172,207</u>	<u>112,546</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 2005**

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	6	164,407	128,588
Investments	7	31,000	31,000
		<u>195,407</u>	<u>159,588</u>
Current assets			
Debtors	8	16,694,627	16,485,300
Cash at bank and in hand		704,343	66,472
		<u>17,398,970</u>	<u>16,551,772</u>
Creditors: amounts falling due within one year	9	<u>(15,938,485)</u>	<u>(15,227,675)</u>
Net current assets		<u>1,460,485</u>	<u>1,324,097</u>
Total assets less current assets		<u>1,655,892</u>	<u>1,483,685</u>
Creditors: amounts falling due after more than one year	10	<u>(450,000)</u>	<u>(450,000)</u>
		<u>1,205,892</u>	<u>1,033,685</u>
Capital and reserves			
Called up share capital	12	2,000	2,000
Profit and loss account	14	1,203,892	1,031,685
Shareholders' funds	13	<u>1,205,892</u>	<u>1,033,685</u>
Attributable to:			
Equity shareholders' funds		1,204,892	1,032,685
Non-equity shareholders' funds		1,000	1,000
		<u>1,205,892</u>	<u>1,033,685</u>

The financial statements were approved by the Board of Directors on 25 October 2006.


D A SAEED - Director

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 2005

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:

	2005 £	2004 £
United Kingdom	16,551,552	17,735,262
Overseas	28,752,275	11,652,569
	<u>45,303,827</u>	<u>29,387,831</u>

Of the company's overseas turnover, £1,283,322 (2004: £1,834,166) is to factories located in the Yemen who fall within the HSA group of companies.

Turnover includes commission income of £19,571 (2004: £65,344).

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
On overdrafts wholly repayable within five years	<u>4,733</u>	<u>4,735</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging/(crediting):

	2005 £	2004 £
Auditors remuneration:		
- audit services	34,300	33,000
- non audit services	30,838	26,215
Depreciation on fixed assets - tangible	59,944	65,192
Hire of office equipment	30,289	22,817
Profit on disposal of fixed assets	(3,350)	(6,176)
Exchange differences	<u>(2,563)</u>	<u>5,593</u>

Included within administrative expenses is £6,804,634 (2004: £nil) of bad debt charge relating to the write off of amounts due from Golden Wonder Limited when it went into administration in January 2006.

The exceptional credit of £6,804,634 (2004: £nil) relates to the waiver of loan balances due to Yemen Gulf Trading, a related party due to its membership of the HSA group of companies (see note 19).

There are not expected to be any tax consequences as a result of either of these transactions.

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

4 DIRECTORS AND EMPLOYEES

Staff costs, including directors, during the year were as follows:

	2005 £	2004 £
Wages and salaries	1,751,744	1,723,716
Social security costs	188,506	190,057
Pension costs	66,500	57,068
	<u>2,006,750</u>	<u>1,970,841</u>

The number of employees, including directors during the year was:

	2005 Number	2004 Number
Management and administration	26	26
Sales	19	19
	<u>45</u>	<u>45</u>

Remuneration in respect of directors (including benefits in kind) was as follows:

	2005 £	2004 £
Emoluments	<u>212,923</u>	<u>213,864</u>

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2005 £	2004 £
Emoluments	<u>90,573</u>	<u>88,402</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge represents:

	2005 £	2004 £
Corporation tax at 30% (2004: 30%)	-	-
Group relief:		
- current year	97,388	72,580
- prior years	-	31,225
	<u>97,388</u>	<u>103,805</u>
Factors affecting the tax charge		
Profit on ordinary activities before tax	269,595	216,351
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	80,879	64,905
Effect of:		
Depreciation in excess of capital allowances	16,509	19,557
Adjustments in respect of prior year - group relief	-	31,225
Other	-	(11,882)
	<u>97,388</u>	<u>103,805</u>

The charge for group relief represents amounts payable to other group companies for tax losses surrendered.

6 TANGIBLE FIXED ASSETS

	Motor vehicles £	Furniture, fixtures and fittings £	Leasehold improve- ments £	Total £
Cost				
At 1 January 2005	112,808	335,506	632,377	1,080,691
Additions	-	9,583	86,180	95,763
Disposals	(20,665)	(1,281)	-	(21,946)
At 31 December 2005	<u>92,143</u>	<u>343,808</u>	<u>718,557</u>	<u>1,154,508</u>
Depreciation				
At 1 January 2005	61,336	293,276	597,491	952,103
Provided in the year	23,036	20,880	16,028	59,944
Disposals	(20,665)	(1,281)	-	(21,946)
At 31 December 2005	<u>63,707</u>	<u>312,875</u>	<u>613,519</u>	<u>990,101</u>
Net book amount at 31 December 2005	<u>28,436</u>	<u>30,933</u>	<u>105,038</u>	<u>164,407</u>
Net book amount at 31 December 2004	<u>51,472</u>	<u>42,230</u>	<u>34,886</u>	<u>128,588</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

7 INVESTMENTS

	Shares in group undertakings £	Other investments £	Total £
Cost			
At 1 January 2005 and 31 December 2005	<u>1,000</u>	<u>30,000</u>	<u>31,000</u>

The shares in group undertakings represent the cost of £1 ordinary shares in Stamrate Limited which is registered in England and Wales, and is a wholly owned subsidiary. Stamrate Limited was dormant during the year and had net assets of £7,618 at 31 December 2005 (2004: £7,618).

8 DEBTORS

	2005 £	2004 £
Amounts owed by other group undertakings - secured	4,466,279	-
Amounts owed by other group undertakings - unsecured	2,541,943	-
Amounts owed by related undertakings	9,446,886	7,831,090
Other debtors	128,459	413,137
Prepayments and accrued income	111,060	146,462
	<u>16,694,627</u>	<u>16,485,300</u>

Amounts owed by related undertakings comprise amounts due from factories located in the Yemen who fall within the HSA group of companies.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank overdraft	6,807,076	7,696,856
Trade creditors	2,316,352	2,921,932
Amounts owed to group undertakings	1,025,589	1,113,678
Amounts owed to related undertakings	5,461,644	3,203,470
Other taxation and social security	56,453	57,418
Other creditors	114,562	100,466
Accruals and deferred income	156,809	133,855
	<u>15,938,485</u>	<u>15,227,675</u>

Amounts owed to related undertakings comprise amounts due to factories located in the Yemen and to Harp Investments Limited who both fall within the HSA group of companies.

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £	2004 £
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

No provision for deferred taxation has been made in these financial statements.

12 SHARE CAPITAL

	2005 £	2004 £
Authorised, issued and fully paid:		
1,000 ordinary shares of £1 each	1,000	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 holder 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 MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial year	172,207	112,546
Shareholders' funds at 1 January 2005	<u>1,033,685</u>	<u>921,139</u>
Shareholders' funds at 31 December 2005	<u>1,205,892</u>	<u>1,033,685</u>

14 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2005	1,031,685
Retained profit for the year	<u>172,207</u>
At 31 December 2005	<u>1,203,892</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

15 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2005 or 31 December 2004.

16 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2005 or 31 December 2004.

17 CONSOLIDATED FINANCIAL STATEMENTS

The company does not propose to produce consolidated financial statements as it is relying upon the exemption contained in Section 228 of the Companies Act 1985. These financial statements therefore present information about it as an individual undertaking and not about its group.

18 PENSIONS

The Longulf Trading (UK) Limited Retirement and Death Benefit Plan ceased with effect from 1 January 2004. All of the members and their contributions were transferred as at that date to the Golden Wonder Limited Pension Fund. On 31 July 2005, all members were removed from the Golden Wonder Pension Fund. A final settlement payment of £25,713 was made to the Golden Wonder Pension Fund on 4 January 2006.

The legal formalities to close the Longulf Trading (UK) Limited Retirement and Death Benefit Plan have not been finalised.

19 PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Longulf Limited, which is registered in England and Wales and 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 Holdings SA, incorporated in Luxembourg.

The ultimate parent undertaking is Capital House Investments Limited, incorporated in the Cayman Islands, which is part of the HSA group of companies.

20 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Europa Investments Holdings S A, the company is exempt from the requirements of Financial Reporting Standard No 8 to disclose transactions with other members of the group headed by Europa Investments Holdings S A.

Transactions and balances with other related parties are disclosed in notes 1, 3, 8, 9 and 10.

Other debtors include a balance owing from a director, D Saeed of £18,470 (2004: £24,470).