

**LONGULF TRADING (UK)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001



LONGULF TRADING (UK) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2001

Company registration number: 1287237

Registered office: Prince Albert House
2 Kingsmill Terrace
London
NW8 6AA

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

Secretary: Grays 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 2001

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LONGULF TRADING (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2001.

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.

There was a profit for the year after taxation amounting to £112,138 (2000: loss £9,130). The directors do not recommend 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

None of the directors held any interest in the share capital of the company. The interests of the directors in the shares of the holding company, Longulf Limited, are disclosed in that company's financial statements.

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 the prevention and detection of fraud and other irregularities.

Charitable donations

Donations to charitable organisations amounted to £nil (2000: £12,050).

LONGULF TRADING (UK) LIMITED

REPORT OF THE DIRECTORS

Auditors

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

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'J. Smith' or similar, written over the printed name of the secretary.

For and on behalf of
GRAYS INN SECRETARIES LIMITED
Secretary
19 August 2002

**REPORT OF THE 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 2001 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 19 on pages 8 to 14. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of 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 United Kingdom auditing standards.

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 United Kingdom 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON
19 August 2002

LONGULF TRADING (UK) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The following policies, which have been consistently applied, are considered material in relation to the company's financial statements. During the year the company adopted FRS 17 'Retirement Benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred Taxation'.

The adoption of Financial Reporting Standard No's 18 and 19 has not resulted in any significant changes to the financial statements for the year ended 31 December 2001.

The company has adopted the transitional provisions of Financial Reporting Standard No 17, rather than the full early adoption encouraged. Illustrate disclosure is included in note 17. Accordingly the pension charge has been calculated in accordance with SSAP 24, and as in previous years corresponds to the contributions paid by the company in the year.

TURNOVER

Turnover comprises amount 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.

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

CONTRIBUTIONS TO PENSION SCHEMES

Defined benefit scheme

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 pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

LONGULF TRADING (UK) LIMITED

PRINCIPAL ACCOUNTING POLICIES

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**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	1	15,803,712	22,572,584
Cost of sales		<u>(13,240,410)</u>	<u>(19,898,334)</u>
Gross profit		2,563,302	2,674,250
Administrative expenses		<u>(2,406,074)</u>	<u>(2,427,543)</u>
Operating profit		157,228	246,707
Other interest receivable and similar income		6,026	9,963
Interest payable and similar charges	2	<u>(2,545)</u>	<u>(449)</u>
Profit on ordinary activities before taxation	1	160,709	256,221
Tax on profit on ordinary activities	4	<u>(48,571)</u>	<u>(265,351)</u>
Profit transferred to reserves	12	<u>112,138</u>	<u>(9,130)</u>

All transactions arose from continuing operations.

There were no recognised gains or losses other than the loss 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 2001**

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	5	163,852	230,338
Investments	6	31,000	1,000
		<u>194,852</u>	<u>231,338</u>
Current assets			
Debtors	7	13,349,770	11,125,964
Cash at bank and in hand		28,039	155,489
		<u>13,377,809</u>	<u>11,281,453</u>
Creditors: amounts falling due within one year	8	<u>(12,406,482)</u>	<u>(10,458,750)</u>
Net current assets		<u>971,327</u>	<u>822,703</u>
Total assets less current liabilities		<u>1,166,179</u>	<u>1,054,041</u>
Creditors: amounts falling due after more than one year	9	<u>(450,000)</u>	<u>(450,000)</u>
		<u>716,179</u>	<u>604,041</u>
Capital and reserves			
Called up share capital	11	2,000	2,000
Profit and loss account	12	714,179	602,041
Shareholders' funds	13	<u>716,179</u>	<u>604,041</u>
Equity shareholders' funds		715,179	603,041
Non-equity shareholders' funds		1,000	1,000
		<u>716,179</u>	<u>604,041</u>

The financial statements were approved by the Board of Directors on 19 August 2002.

J A R Cook

Director

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 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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:

	2001 £	2000 £
United Kingdom	7,651,708	9,305,663
Overseas	8,152,004	13,266,921
	<u>15,803,712</u>	<u>22,572,584</u>

Of the total turnover £6,746 (2000: £1,820,397) represented transactions with related companies. Sales of £50,355 (2000: £1,577,596) and related costs of £11,751 (2000: £1,169,336) were made to CEPAC Limited which is a related party by virtue of common directorships. The remaining sales and costs arose from trading with related companies in the Middle East.

	2001 £	2000 £
The profit on ordinary activities is stated after charging/(crediting):		
Auditors' remuneration:		
Audit services	41,410	26,350
Non-audit services	42,629	13,830
Depreciation of fixed assets - tangible	105,974	167,686
Hire of plant and machinery	38,943	26,024
Directors' remuneration	189,880	170,680
Exchange differences	(292)	1,108

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Other interest	<u>2,545</u>	<u>449</u>

3 DIRECTORS AND EMPLOYEES

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

	2001 £	2000 £
Wages and salaries	1,401,549	1,324,093
Social security costs	138,740	137,955
Pension costs	83,129	73,099
	<u>1,623,418</u>	<u>1,535,147</u>

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

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

	2001 Number	2000 Number
Management and administration	25	25
Sales	17	18
	<u>42</u>	<u>43</u>

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

	2001 £	2000 £
Emoluments	210,569	182,027
Pension contributions	15,505	11,232
	<u>226,074</u>	<u>193,259</u>

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

	2001 £	2000 £
Emoluments	92,268	71,280
Pension contributions	-	11,280
	<u>-</u>	<u>11,280</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2001 £	2000 £
Group relief:		
- current year	59,038	121,699
- prior years	(10,467)	146,621
Overprovision in respect of prior periods	-	(2,969)
	<u>48,571</u>	<u>265,351</u>

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

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

For the year ended 31 December 2001

5 TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Motor vehicles £	Furniture, fixtures and fittings £	Total £
Cost				
At 1 January 2001	598,750	124,139	629,076	1,351,965
Additions	-	29,150	10,976	40,126
Disposals	-	(61,494)	(15,008)	(76,502)
At 31 December 2001	598,750	91,795	625,044	1,315,589
Depreciation				
At 1 January 2001	551,224	108,256	462,147	1,121,627
Provided in the year	25,182	9,348	71,444	105,974
Disposals	-	(61,494)	(14,370)	(75,864)
At 31 December 2001	576,406	56,110	519,221	1,151,737
Net book amount at 31 December 2001	<u>22,344</u>	<u>35,685</u>	<u>105,823</u>	<u>163,852</u>
Net book amount at 31 December 2000	<u>47,526</u>	<u>15,883</u>	<u>166,929</u>	<u>230,338</u>

6 INVESTMENTS

	Shares in group undertakings £	Other investments £	Total £
At 1 January 2001	1,000	-	1,000
Additions	-	30,000	30,000
At 31 December 2001	<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 2001 (2000: £7,618).

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

7 DEBTORS

	2001 £	2000 £
Trade debtors	-	9,587
Amounts owed by group undertakings	3,540,695	1,909,315
Amounts owed by related undertakings	9,445,013	8,897,195
Other debtors	153,312	160,108
Prepayments and accrued income	210,750	149,759
	<u>13,349,770</u>	<u>11,125,964</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft	9,988,061	7,784,913
Trade creditors	516,548	804,042
Amounts owed to group undertakings	184,246	184,246
Amounts owed to related undertakings	1,537,613	1,380,990
Social security and other taxes	75,664	193,176
Other creditors	38,012	12,162
Accruals and deferred income	66,338	99,221
	<u>12,406,482</u>	<u>10,458,750</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
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.

10 PROVISIONS FOR LIABILITIES AND CHARGES

Provision has not been made for deferred taxation on accelerated capital allowances. The unprovided amount is £nil (2000: £nil).

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

11 SHARE CAPITAL

	2001 £	2000 £
Authorised, issued and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000
1,000 deferred shares of £1 each	1,000	1,000
	<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 receive the return of their capital from any surplus exceeding £50,000,000. The shares are non-voting.

12 PROFIT AND LOSS ACCOUNT

	Profit and loss account £
At 1 January 2001	602,041
Retained profit for the year	112,138
At 31 December 2001	<u>714,179</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit/ (loss) for the financial year	112,138	(9,130)
Shareholders' funds at 1 January 2001	604,041	613,171
Shareholders' funds at 31 December 2001	<u>716,179</u>	<u>604,041</u>

14 CAPITAL COMMITMENTS

	2001 £	2000 £
Contracted for but not provided in these statements	-	36,225

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

15 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2001 or 31 December 2000.

16 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.

17 PENSIONS

The employer sponsors the Longulf Trading (UK) Limited Retirement & Death Benefits Plan which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 January 1999 and has been updated to 31 December 2001.

The contributions made by the employer over the financial year have been £88,535. This is equivalent to 25.3% of total pensionable salaries plus arrears for previous years. The contribution rate will be reviewed following the triennial valuation of the scheme as at 1 January 2002.

The transitional arrangements of the new accounting standard Financial Reporting Standard No 17 require disclosure of assets and liabilities as at 31 December 2001 calculated in accordance with the requirements of Financial Reporting Standard No 17. For the purpose of these financial statements, these figures are illustrative only and do not impact on the actual balance sheet. The liabilities have been calculated by discounting the amount of secured pensions on a basis consistent with the liabilities.

Inflation	2.5% per annum
Salary increases	3.5% per annum
Discount rate	5.75% per annum
Pension increases	2.5% per annum

On this basis, the illustrative balance sheet figures are as follows:

Fair value assets	£935,000
Present value of liabilities	£964,000
Gross pension deficit	£29,000

The assets of the scheme at 31 December 2001 are all held in an insurance policy.

The expected long-term rate of return over the following year on the insurance policy is 5.75%.

18 PARENT UNDERTAKING

The 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 SA incorporated in Luxembourg. The smallest such group of undertakings, including the company, is that headed by Longulf Limited.

LONGULF TRADING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

19 TRANSACTIONS WITH RELATED PARTIES

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

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

Other debtors include a balance owing from a director, D Saeed, at 31 December 2001 of £42,349 (2000: £48,470).