

Company Registration No.1441516

**GULF CONSUMER GOODS
COMPANY LIMITED**

Report and Financial Statements

31 December 1997

**Bass & Co
Chartered Accountants
123 Riddlesdown Road
Purley
Surrey
CR8 1DL**



GULF CONSUMER GOODS COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

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GULF CONSUMER GOODS COMPANY LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

The principal activity of the company is the sale of consumer goods.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The directors are satisfied with the results for the year and do not anticipate any material changes in the forthcoming year.

RESULTS, DIVIDENDS AND TRANSFERS FROM RESERVES

Details of the results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend for the year and the loss of £26,953 (1996 - £19,504) has been transferred to reserves.

DIRECTORS

The directors who served throughout the year and their beneficial interest in the shares of the company at the year end were as follows:

	Ordinary shares of £1 each	
	1997	1996
B K Chaiban	37,500	37,500
Mrs K Jamjoun	-	-
A Abi Aad	22,000	22,000

172,500 (69%) ordinary shares of £1 each are held by Thabeer Trading & Contracting Co., a partnership in Saudi Arabia, of which Mrs K Jamjoun is a partner.

AUDITORS

Bass & Co have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



B. Collett
Secretary

23 June 1998

GULF CONSUMER GOODS COMPANY LIMITED

STATEMENT OF 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 as at the end of the financial year 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;
- 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 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. 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.

Bass

& Co

Anthony J Bass FCA

Chartered Accountants

123 Riddlesdown Road
Purley Surrey CR8 1DL
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0181 763 9339

AUDITORS' REPORT TO THE MEMBERS OF GULF CONSUMER GOODS COMPANY LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 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, 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
and Registered Auditors

23 June 1998

GULF CONSUMER GOODS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 1997

	Note	1997 £	1996 £
TURNOVER	1/2	907,185	1,189,433
Cost of sales		(773,410)	(1,028,228)
Gross profit		<u>133,775</u>	<u>161,205</u>
Other operating income	3	93,642	78,498
Operating expenses		(225,651)	(225,879)
Depreciation on freehold revaluation		(1,958)	(1,880)
		<u>(133,967)</u>	<u>(149,261)</u>
OPERATING (LOSS) PROFIT	6	<u>(192)</u>	<u>11,944</u>
Other interest receivable and similar income	7	1,890	3,103
Interest payable	8	(28,556)	(32,366)
		<u>(26,666)</u>	<u>(29,263)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(26,858)</u>	<u>(17,319)</u>
Tax on loss on ordinary activities	9	(95)	(2,185)
RETAINED LOSS FOR THE FINANCIAL YEAR	17	<u>(26,953)</u>	<u>(19,504)</u>

None of the company's activities were acquired or discontinued during the above two financial years.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997 £	1996 £
Loss for the financial year	(26,953)	(19,504)
Deficit arising on revaluation of fixed assets	-	(24,133)
Total recognised gains and losses relating to the year	<u>(26,953)</u>	<u>(43,637)</u>

GULF CONSUMER GOODS COMPANY LIMITED

BALANCE SHEET 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	10	416,931	446,126
Fixed asset investments	11	381,684	381,684
		<u>798,615</u>	<u>827,810</u>
CURRENT ASSETS			
Stocks	1	-	7,143
Debtors	12	494,217	360,987
Cash at bank and in hand		26,183	84,154
		<u>520,400</u>	<u>452,284</u>
CREDITORS: amounts falling due within one year			
Bank overdraft and loan	13	183,193	78,190
Trade creditors		48,499	124,661
Other creditors including taxation and social security	14	273,063	222,880
		<u>504,755</u>	<u>425,731</u>
NET CURRENT ASSETS		<u>15,645</u>	<u>26,553</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>814,260</u>	<u>854,363</u>
CREDITORS: amounts falling due after more than one year	15	(255,775)	(268,925)
		<u>558,485</u>	<u>585,438</u>
CAPITAL AND RESERVES			
Called up share capital	17	250,000	250,000
Revaluation reserve	18	95,954	97,912
Profit and loss account	18	212,531	237,526
SHAREHOLDERS' FUNDS	19	<u>558,485</u>	<u>585,438</u>

These financial statements were approved by the Board of Directors on 23 June 1998

Signed on behalf of the Board


B K Chaiban
Director

GULF CONSUMER GOODS COMPANY LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 1997**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting Convention

These financial statements are prepared under the historical cost convention as modified by the revaluation of certain leasehold properties.

Group Accounts

The company is entitled for the year ended 31 December 1997 to the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group accounts.

Tangible Fixed Assets and Depreciation

Depreciation on tangible fixed assets is calculated to write down their cost by equal annual instalments over their estimated useful economic lives, which are considered to be:

Freehold properties	- 50 years
Leasehold property	- over the period of the lease
Motor vehicles	- between 3 and 4 years
Fixtures, fittings and equipment	- between 3 and 10 years

Stocks

Stocks comprising bought in goods for resale are valued at the lower of cost and net realisable value. Cost is calculated on the first in first out basis.

Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Turnover

Turnover is the amount derived from the provision of goods falling within the company's ordinary activities after deducting trade discounts and value added tax.

Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

GULF CONSUMER GOODS COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1997

2. TURNOVER	1997	1996
	£	£
The geographical analysis of turnover is as follows:		
Africa	209,290	369,000
Middle East and Central Asia	409,451	131,100
United Kingdom	86,458	210,000
Eastern Europe	185,989	313,700
Other	15,997	165,633
	<u>907,185</u>	<u>1,189,433</u>
	<u><u>907,185</u></u>	<u><u>1,189,433</u></u>
3. OTHER OPERATING INCOME	1997	1996
	£	£
Rental income	27,612	23,077
Dividends received from the Food Centre	57,399	52,595
Interest charged to customers	8,631	2,826
	<u>93,642</u>	<u>78,498</u>
	<u><u>93,642</u></u>	<u><u>78,498</u></u>
4. EMPLOYEES	1997	1996
	No	No
Average number of persons employed including directors	7	7
	<u>7</u>	<u>7</u>
	<u><u>7</u></u>	<u><u>7</u></u>
	1997	1996
	£	£
Staff costs during the year		
Wages and salaries	61,745	61,272
Social security costs	6,362	6,177
	<u>68,107</u>	<u>67,449</u>
	<u><u>68,107</u></u>	<u><u>67,449</u></u>
5. DIRECTORS	1997	1996
	£	£
Emoluments of the directors included in note 4 above were:	21,683	16,383
	<u>21,683</u>	<u>16,383</u>
	<u><u>21,683</u></u>	<u><u>16,383</u></u>

GULF CONSUMER GOODS COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1997

6. OPERATING (LOSS) PROFIT	1997	1996
	£	£
Operating (loss) profit is arrived at after charging (crediting):		
Depreciation	28,671	29,400
Auditors' remuneration	2,750	3,000
(Profit) loss on exchange	(2,800)	51,472
	<u> </u>	<u> </u>
 7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	 1997	 1996
	£	£
Bank interest receivable	1,890	3,049
Tax repayment supplement	-	54
	<u>1,890</u>	<u>3,103</u>
	<u> </u>	<u> </u>
 8. INTEREST PAYABLE	 1997	 1996
	£	£
Bank interest payable on overdrafts and loans wholly repayable within five years	8,288	6,723
Interest charges payable on other short term loans	20,268	25,643
	<u>28,556</u>	<u>32,366</u>
	<u> </u>	<u> </u>
 9. TAX ON LOSS ON ORDINARY ACTIVITIES	 1997	 1996
	£	£
Taxation is based on the results for the year and comprises:		
Corporation tax payable at 21.75% (1996 - 24.25%)	95	2,185
	<u> </u>	<u> </u>

GULF CONSUMER GOODS COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1997

10. TANGIBLE FIXED ASSETS

	Freehold properties £	Short leasehold property £	Motor vehicles £	Fixtures Fittings and Equipment £	Total £
Cost or valuation					
At 1 January 1997	236,048	309,758	2,000	77,515	625,321
Additions	-	-	-	2,665	2,665
Disposals	-	-	-	(4,760)	(4,760)
At 31 December 1997	<u>236,048</u>	<u>309,758</u>	<u>2,000</u>	<u>75,420</u>	<u>623,226</u>
Depreciation					
At 1 January 1997	321	103,943	2,000	72,931	179,195
Charge for the year	4,721	22,882	-	1,068	28,671
Disposals	-	-	-	(1,571)	(1,571)
At 31 December 1997	<u>5,042</u>	<u>126,825</u>	<u>2,000</u>	<u>72,428</u>	<u>206,295</u>
Net book value					
At 31 December 1997	<u>231,006</u>	<u>182,933</u>	<u>-</u>	<u>2,992</u>	<u>416,931</u>
At 31 December 1996	<u>235,727</u>	<u>205,815</u>	<u>-</u>	<u>4,584</u>	<u>446,126</u>

The freehold property at Gulf House was revalued by the directors at open market value on 31 December 1996 in the sum of £220,000.

The cost or valuation of freehold properties at 31 December 1997 comprises:

At valuation	220,000
At cost	16,048
	<u>236,048</u>

Under the historical cost convention the cost of the freehold properties is £166,125 and as at 31 December 1997 the accumulated depreciation would be £40,475 and the net book value £125,650.

GULF CONSUMER GOODS COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1997

11. FIXED ASSET INVESTMENTS

	1997 £	1996 £
Cost		
Unlisted investment		
The Food Centre LLC	92,373	92,373
Shares in subsidiary company		
J A Ellaby (Wholesale) Limited	289,311	289,311
	<u>381,684</u>	<u>381,684</u>

The company holds a 16% interest in The Food Centre LLC, a company registered in Dubai. At 31 December 1997 the total net assets of The Food Centre LLC and its profit for the year then ended were £842,367 and £394,455 respectively.

The company holds a 54% interest in J A Ellaby (Wholesale) Limited, a company registered in the UK. At 31 December 1997 the total net assets of J A Ellaby (Wholesale) Limited and its loss after taxation for the year then ended were £369,267 and £(34,849) respectively.

12. DEBTORS

	1997 £	1996 £
Trade debtors	419,268	322,124
Other debtors	71,519	34,992
Prepayments and accrued income	3,430	3,871
	<u>494,217</u>	<u>360,987</u>

13. BANK OVERDRAFT AND LOAN

The bank overdraft is secured by a fixed and floating charge over the assets of the company. The bank loan is secured on certain of the company's freehold property.

14. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1997 £	1996 £
Corporation tax	95	2,185
Other taxation and social security	3,080	2,800
Accruals and deferred income	22,004	12,584
Loan from connected company	222,545	205,311
Other creditors	25,339	-
	<u>273,063</u>	<u>222,880</u>

The loan from the connected company is unsecured and bears interest at 11% per annum.

GULF CONSUMER GOODS COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1997

15. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1997 £	1996 £
Loan capital	196,775	198,675
Other loan	46,000	46,000
Bank loan	21,000	32,250
	<u>263,775</u>	<u>276,925</u>
Less bank loan due within one year	(8,000)	(8,000)
	<u>255,775</u>	<u>268,925</u>

16. BORROWINGS	1997 £	1996 £
Bank loan		
Due within one year	8,000	8,000
Due within one to two years	8,000	8,000
Due within two to five years	5,000	16,250
	<u>21,000</u>	<u>32,250</u>
Loan capital		
Due after five years	196,775	198,675
Other loans		
Due between one and two years	46,000	46,000
	<u>263,775</u>	<u>276,925</u>

The bank loan is secured on certain of the company's freehold property and bears interest at 3% above base.

The loan capital represents unsecured interest free loans from each of the company's shareholders which are only repayable with the consent of the holders of not less than 95% in nominal value of the issued share capital.

The other loan is an unsecured interest free loan from J Ellaby (Wholesale) Limited with no fixed repayment terms.

17. CALLED UP SHARE CAPITAL	1997 £	1996 £
Authorised		
750,000 ordinary shares of £1 each	750,000	750,000
Allotted and fully paid	<u>250,000</u>	<u>250,000</u>
250,000 ordinary shares of £1 each		

GULF CONSUMER GOODS COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1997

18. STATEMENT OF MOVEMENTS ON RESERVES

	Revaluation reserve £	Profit and loss account £	Total 1997 £	Total 1996 £
At 1 January 1997	97,912	237,526	335,438	379,075
Loss for year	-	(26,953)	(26,953)	(19,504)
Transfer re depreciation on revaluation	(1,958)	1,958	-	-
Deficit on revaluation of fixed assets	-	-	-	(24,133)
At 31 December 1997	<u>95,954</u>	<u>212,531</u>	<u>308,485</u>	<u>335,438</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss for the financial year	(26,953)	(19,504)
Other recognised gains and losses relating to the year:		
Deficit on revaluation of fixed assets	-	(24,133)
Net increase (reduction) in shareholders' funds	<u>(26,953)</u>	<u>(43,637)</u>
Opening shareholders' funds	585,438	629,075
Closing shareholders' funds	<u>558,485</u>	<u>585,438</u>

20. CONTROL AND RELATED PARTY TRANSACTIONS

The company is controlled by Thabeer Trading & Contracting Co., a partnership incorporated in Saudi Arabia.

During the year sales and purchases were made to and from the company's subsidiary, J A Ellaby (Wholesale) Limited, amounting to £85,092 and £134,132 respectively. These transactions were carried out on normal business terms and at 31 December 1997 J A Ellaby (Wholesale) Limited owed the company £29,949 in respect of this trading.

The company has also received a loan from J A Ellaby (Wholesale) Limited which at 31 December 1997 amounted to £46,000. This loan is interest free and has no specific repayment terms.