

UNATRAC LIMITED

Report and Financial Statements

31 December 2003



REPORT AND FINANCIAL STATEMENTS 2003

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Cash flow statement	8
Notes to the cash flow statement	9
Notes to the accounts	10

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr O Bakary
Mr M Mansour
Mr Y I L Mansour
Mr Y M L Mansour
Mr J A Masters (resigned 1 June 2003)
Mr G J Robinson (appointed 30 June 2003)
Mr S D Woodfield (appointed 30 June 2003)

SECRETARY

Abogado Nominees Limited

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

BANKERS

National Westminster Bank Plc
118 High Street
Slough
Berkshire
SL1 1JQ

Barclays Bank Plc
P O Box 2481
Napier Court
Napier Road
Reading
Berkshire
RG1 8FD

SOLICITORS

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

ACTIVITIES

The principal activity of the company is to act as a distributor of Unatrac International for the marketing, promotion and resale in East and West Africa, and Western Siberia of Caterpillar machinery and parts. Unatrac Limited also provides administrative services to Unatrac International in respect of the sales of these products.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are set out in the profit and loss account on page 5.

Unatrac Limited has been handling the Caterpillar machinery and parts export business to East and West African customers since 1 November 1997. 2003 saw a significant increase in both construction equipment sales to Nigeria and mining equipment sales to Ghana and Tanzania. This, coupled with encouraging product support sales, resulted in a good year for the business.

In 2004 the increased level of activity in these countries and market segments is expected to continue.

DIVIDENDS

The directors do not recommend payment of a dividend (2002 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors, who served throughout the year unless otherwise stated, are detailed on page 1.

The directors' interests in the ordinary shares of the Company at 31 December 2003 were:

	Ordinary shares of £1 each	
	2003	2002
	No.	No.
Mr M Mansour	200,000	200,000
Mr Y I L Mansour	200,000	200,000
Mr Y M L Mansour	200,000	200,000

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their entire business to Deloitte & Touche LLP, a limited liability partnership formed pursuant to the Limited Liability Partnerships Act 2000. The Company gave its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of s26(5) Companies Act 1989. Accordingly the accounts have been signed in the name of Deloitte & Touche LLP. A resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

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



G J Robinson

Director

28 June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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;
- state whether applicable accounting standards have been followed; and
- 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNATRAC LIMITED

We have audited the financial statements of Unatrac Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement, the notes to the cash flow statement and the related notes to the accounts 1 to 17. 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 directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

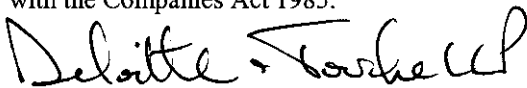
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Reading

12 July 2004

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
TURNOVER	2	29,371	19,810
Cost of sales		(25,629)	(16,967)
Gross profit		3,742	2,843
Administrative expenses		(3,346)	(4,270)
Other operating income	4	-	1,770
OPERATING PROFIT	5	396	343
Interest receivable and similar income		9	6
Interest payable and similar charges	6	(13)	(8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		392	341
Tax on profit on ordinary activities	7	(126)	(104)
RETAINED PROFIT FOR THE PERIOD	14	266	237

All amounts are derived from continuing activities.

There were no recognised gains or losses in either period other than the profits and losses shown above and, accordingly, no statement of total recognised gains and losses has been presented.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 31 December 2003

Movements on shareholders' funds	2003 £'000	2002 £'000
Profit for the financial year	266	237
Opening shareholders' funds	<u>2,433</u>	<u>2,196</u>
Closing shareholders' funds	<u><u>2,699</u></u>	<u><u>2,433</u></u>

BALANCE SHEET
31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	8	109	126
CURRENT ASSETS			
Stocks	9	241	413
Debtors	10	3,245	2,547
Cash at bank and in hand		2,140	2,928
		5,626	5,888
CREDITORS: amounts falling due within one year	12	(3,036)	(3,581)
NET CURRENT ASSETS		2,590	2,307
TOTAL ASSETS LESS CURRENT LIABILITIES		2,699	2,433
NET ASSETS		2,699	2,433
CAPITAL AND RESERVES			
Called up share capital	13	600	600
Profit and loss account	14	2,099	1,833
EQUITY SHAREHOLDERS' FUNDS		2,699	2,433

These financial statements were approved by the Board of Directors on 28 June 2004.

Signed on behalf of the Board of Directors



G J Robinson

Director

CASH FLOW STATEMENT
Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash (outflow)/inflow from operating activities	1	<u>(539)</u>	<u>1,642</u>
Returns on investments and servicing of finance			
Interest received		9	6
Interest paid		<u>(13)</u>	<u>(8)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(4)</u>	<u>(2)</u>
Taxation			
Receipts for overpayments of tax		2	15
Payment of UK Corporation Tax		<u>(226)</u>	<u>(137)</u>
		<u>(224)</u>	<u>(122)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		<u>(21)</u>	<u>(15)</u>
Net cash outflow from investing activities		<u>(21)</u>	<u>(15)</u>
(Decrease)/increase in cash		<u><u>(788)</u></u>	<u><u>1,503</u></u>

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 December 2003

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Operating profit	396	343
Loss on sale of fixed assets	-	4
Depreciation charge	38	55
Decrease in stocks	172	511
(Increase)/decrease in debtors	(671)	660
(Decrease)/increase in creditors	(474)	69
Net cash (outflow)/inflow from operating activities	(539)	1,642

2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £'000	2002 £'000
(Decrease)/increase in cash in the period	(788)	1,503
Cash outflow from changes in debt	-	253
Movement of net funds in the year	(788)	1,756
Net funds at 1 January	2,928	1,172
Net funds at 31 December	2,140	2,928

3. ANALYSIS OF NET FUNDS

	1 January 2003 £'000	Cashflows £'000	31 December 2003 £'000
Cash at bank and in hand	2,928	(788)	2,140

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery	7% per annum
Motor vehicles	25% per annum
Fixtures, fittings, tools and equipment	Between 7% and 20% per annum

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred tax is provided in full on timing difference which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The expected cost of providing pensions is charged to the profit and loss account in the period in which it accrues.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, is attributable to one activity, the distribution of machines and spares.

Geographical analysis of turnover:

	2003 £'000	2002 £'000
Africa	23,812	17,063
Rest of the World	5,559	2,747
	<u>29,371</u>	<u>19,810</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Directors' remuneration		
Emoluments	246	199
Company contributions to money purchase schemes	9	14
Compensation for loss of office	-	333
	<u>255</u>	<u>546</u>

	No.	No.
Number of directors who are members of a money purchase scheme		
	<u>2</u>	<u>1</u>

	£'000	£'000
Highest paid director's remuneration		
Emoluments	84	101
Company contributions to money purchase schemes	4	14
Compensation for loss of office	-	333
	<u>88</u>	<u>448</u>

	No.	No.
Average number of persons employed		
Management	14	16
Sales	7	7
Administration	32	38
	<u>53</u>	<u>61</u>

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	1,678	2,383
Social security costs	176	218
Other pension costs	69	78
	<u>1,923</u>	<u>2,679</u>

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****4. OTHER OPERATING INCOME**

Other operating income relates to a service fee receivable from Unatrac International.

5. OPERATING PROFIT

	2003 £'000	2002 £'000
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	38	55
Gain on disposal of fixed assets	-	(3)
Rentals under other operating leases		
Land and buildings	576	576
Other operating leases	10	37
(Profit)/loss on rental income	(18)	3
Auditors' remuneration		
Audit fees	29	27
Other fees	30	62
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank loans, overdrafts and other loans	13	8
	<u> </u>	<u> </u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
United Kingdom corporation tax at 30%	127	115
Deferred taxation	5	2
Over provision in respect of prior year	(6)	(13)
	<u> </u>	<u> </u>
	<u>126</u>	<u>104</u>

A reconciliation is provided below of the tax assessed for the year compared to that resulting from applying the standard rate of corporation tax in the United Kingdom of 30%.

	2003 %	2002 %
Standard tax rate for year as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	4	4
Capital allowances in excess of depreciation	(1)	-
Prior period adjustments	(2)	(4)
	<u> </u>	<u> </u>
	<u>31</u>	<u>30</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2003	6	262	268
Additions	-	21	21
Disposals	-	(36)	(36)
At 31 December 2003	6	247	253
Accumulated depreciation			
At 1 January 2003	6	136	142
Charge for the year	-	38	38
Disposals	-	(36)	(36)
At 31 December 2003	6	138	144
Net book value			
At 31 December 2003	-	109	109
At 31 December 2002	-	126	126

9. STOCKS

	2003 £'000	2002 £'000
Finished goods and goods for resale	241	413

10. DEBTORS

	2003 £'000	2002 £'000
Trade debtors	2,668	2,112
Amounts due from related parties	219	-
Other debtors	25	136
Prepayments and accrued income	284	277
Corporation tax	32	-
Deferred tax asset	17	22
	3,245	2,547

All amounts are due within one year.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

11. DEFERRED TAX ASSET

	£'000
Movement in deferred taxation in the year	
At 1 January 2003	22
Charge to profit and loss account	(5)
	<u>17</u>
At 31 December 2003	<u>17</u>

Analysis of deferred tax asset

	2003 £'000	2002 £'000
Depreciation in excess of capital allowances	<u>17</u>	<u>22</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Payments received on account	1,798	1,358
Trade creditors	718	700
Amounts owed to related parties (see note 17)	-	1,044
Corporation tax	-	71
Other taxes and social security	68	57
Other creditors	134	84
Accruals and deferred income	318	267
	<u>3,036</u>	<u>3,581</u>

13. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
600,000 ordinary shares of £1 each	<u>600</u>	<u>600</u>
Called up, allotted and fully paid		
600,000 ordinary shares of £1 each	<u>600</u>	<u>600</u>

14. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £'000
At 1 January 2003	1,833
Profit for year	266
	<u>2,099</u>
At 31 December 2003	<u>2,099</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

15. OPERATING LEASE COMMITMENTS

At 31 December 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	2003		2002	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	-	9	-	1
Within two to five years	-	1	-	8
After five years	576	-	576	-
	<u>576</u>	<u>10</u>	<u>576</u>	<u>9</u>

16. CONTINGENT LIABILITIES

	2003 £'000	2002 £'000
Advance payment guarantees	174	35
Performance guarantees	33	45
Rental Agreement guarantees	288	288
Customs & Excise guarantee	18	400
	<u>513</u>	<u>768</u>

The above guarantees relate to commitments made by the company to pay certain costs in the event that prescribed circumstances arise. The guarantees are in respect of the company's bank, which will pay amounts that may become due and reclaim such amounts from the company.

17. RELATED PARTY TRANSACTIONS

The company is controlled by the Mansour brothers, who own all of the issued share capital of the company. The Mansour brothers also own all of the issued share capital of Unatrac International which is incorporated in Egypt. The aggregate amount of the company's trade, on normal commercial terms, with Unatrac International in the year was:

- i. Purchase of finished goods £10,861,449 (2002: £4,061,000).
- ii. Service fee £nil (2002: £1,770,389).

At the financial year end the aggregate amount:

- i. due to Unatrac International, included within creditors due within one year, was £nil (2002: £1,043,557)
- ii. due from Unatrac International, included within debtors, was £219,462 (2002: £nil).