Company Registration No. 3428184

UNATRAC LIMITED

Report and Financial Statements

31 December 2007

REPORT AND FINANCIAL STATEMENTS 2007

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REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr O Bakary
Mr M Mansour
Mr Y I L Mansour
Mr Y M L Mansour
Mr G J Robinson
Mr S D Woodfield

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
4th Floor
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

SOLICITORS

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

AUDITORS

Deloitte & Touche LLP
Reading

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

PRINCIPAL 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, Western Siberia and Iraq of Caterpillar machinery and parts Unatrac Limited also provides administrative services to Unatrac International in respect of the sales of these products

Unatrac Limited has been handling the Caterpillar machinery and parts export business to East and West African customers since November 1997, to Western Siberia customers since May 2002 and to Iraq customers since July 2003 In August 2006 Unatrac Ltd became a distributor of Terex O and K hydraulic excavators and spare parts to customers based in the same territories

BUSINESS REVIEW

The results for the year are set out in the profit and loss account on page 6 The company's sales have increased by 10 2% on the prior year Gross margins improved to 13 0% from 10 7% in the previous year due to extra focus on pricing, plus a reduced impact from exchange rate fluctuation

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year end has strengthened since the prior year Details of amounts owed to our related company, Unatrac International, are shown in note 16 on page 18

The directors confirm there have been no significant events since the balance sheet date

The directors are pleased with the results for the year, and are confident about the future of the company

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk The use of financial derivatives is governed by the company's policies which provide principles on the use of financial derivatives to manage these risks The group does not use derivative financial instruments for speculative purposes

Cash flow management

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates The company uses foreign exchange option contracts to hedge these exposures, where appropriate

Credit management

The company's principal financial assets are cash and trade debtors The amounts presented in the balance sheet are net of allowances for doubtful debts An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Liquidity

The company has no outstanding short term or long term debt finance as at 31 December 2007 It has funded its ongoing operations through its realisable profits and therefore has no interest rate exposure

DIRECTORS' REPORT

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings and the company newsletter Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 12

DIVIDENDS

The directors do not recommend payment of a dividend (2006 - £nil)

DIRECTORS

The directors, who served throughout the year and to the date of signing this report, unless otherwise stated, are detailed on page 1

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte and Touche LLP 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

G J Robinson

Director 24 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) The financıal statements are requıred by law to gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng proper accountıng records that dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 1985 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNATRAC LIMITED

We have audited the financial statements of Unatrac Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Reconciliation of movement in shareholders' funds, the Balance Sheet, the Cash Flow Statement, the notes to the cash flow statement and the 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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading, United Kingdom
24 June 2008

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

	Note	2007 £'000	2006 £'000
TURNOVER	2	54,557	49,488
Cost of sales		(47,447)	(44,209)
Gross profit		7,110	5,279
Administrative expenses		(5,340)	(4,821)
OPERATING PROFIT	4	1,770	458
Interest receivable	5	61	14
Interest payable and similar charges	5	(1)	(8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,830	464
Tax on profit on ordinary activities	6	(565)	(155)
RETAINED PROFIT FOR THE YEAR	13	1,265	309

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 separate statement of total recognised gains and losses has been presented

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 31 December 2007

Movements on shareholders' funds	**2007 £'000**	**2006 £'000**
Profit for the financial year	1,265	309
Opening shareholders' funds	4,508	4,199
Closing shareholders' funds	5,773	4,508

BALANCE SHEET
31 December 2007

	Note	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	7	231	223
CURRENT ASSETS			
Stocks	8	1,378	1,394
Debtors	9	5,698	8,837
Cash at bank and in hand		4,689	1,938
		11,765	12,169
CREDITORS: amounts falling due within one year	10	(6,043)	(7,876)
NET CURRENT ASSETS		5,722	4,293
TOTAL ASSETS LESS CURRENT LIABILITIES		5,953	4,516
Provisions for liabilities and charges	11	(180)	(8)
NET ASSETS		5,773	4,508
CAPITAL AND RESERVES			
Called up share capital	12	600	600
Profit and loss account	13	5,173	3,908
SHAREHOLDERS' FUNDS		5,773	4,508

These financial statements were approved by the Board of Directors on 24 June 2008

Signed on behalf of the Board of Directors

G J Robinson

Director

CASH FLOW STATEMENT
Year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Net cash inflow/(outflow) from operating activities	A	3,026	(1,921)
Returns on investments and servicing of finance			
Interest received		61	14
Interest paid		(1)	(8)
Net cash inflow from returns on investments and servicing of finance		60	6
Taxation			
Payment of UK corporation tax		(284)	(476)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(51)	(36)
Increase/(decrease) in cash	B	2,751	(2,427)

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 December 2007

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

	2007 £'000	2006 £'000
Operating profit	1,770	458
Loss from disposal of fixed assets	2	-
Depreciation charge	41	38
Decrease in stocks	16	1,444
Decrease in debtors	3,139	336
Decrease in creditors	(1,942)	(4,197)
Net cash inflow/(outflow) from operating activities	3,026	(1,921)

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

	2007 £'000	2006 £'000
Increase/(decrease) in cash in the period	2,751	(2,427)
Movement of net funds in the year	2,751	(2,427)
Net funds at 1 January	1,938	4,365
Net funds at 31 December	4,689	1,938

C. ANALYSIS OF NET FUNDS

	1 January 2007 £'000	Cashflows £'000	31 December 2007 £'000
Cash at bank and in hand	1,938	2,751	4,689

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards The particular accounting policies adopted are described below They have all been applied consistently throughout the current and preceding year

Accounting convention

The financial statements are prepared under the historical cost convention

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on cost less estimated residual value 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
Fixtures, fittings, tools and equipment	Between 7% and 20% per annum

Stock

Stock is 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 Provision is made for obsolete, slow moving or defective items where appropriate

Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is provided in full on timing differences 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 company operates a defined contribution pension scheme The contributions payable in the year are charged to the profit and loss account in the period in which they accrue

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

Turnover

Turnover represents amounts derived from the provision of goods and services after deduction of trade discounts and value added tax

Derivative financial instruments

Contracts such as option agreements are occasionally entered into in order to hedge currency exposure and not for speculative purposes

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

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 Turnover and pre-tax profit is attributable to one activity, the distribution of machines and spares

Geographical analysis of turnover by destination:

	2007 £'000	2006 £'000
Africa	42,822	41,246
Rest of the World	11,735	8,242
	54,557	49,488

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 £'000	2006 £'000
Directors' remuneration		
Emoluments	330	291
Company contributions to money purchase schemes	12	11
	342	302

	No.	No
Number of directors who are members of a money purchase scheme	2	2

Highest paid director's remuneration	£'000	£'000
Emoluments	121	108
Company contributions to money purchase schemes	6	6
	127	114

Average number of persons employed	No.	No.
Management	15	15
Sales	15	14
Administration	38	37
	68	66

Staff costs during the year (including directors)	£'000	£'000
Wages and salaries	2,778	2,534
Social security costs	308	275
Other pension costs	152	177
	3,238	2,986

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

4. OPERATING PROFIT

	2007 £'000	2006 £'000
Operating profit is after charging		
Depreciation and amortisation		
Owned assets	41	38
Loss on disposal of fixed assets	2	-
Rentals under operating leases		
Other operating leases	577	577
Plant and machinery	6	6
Auditors' remuneration		
Audit fees	35	35
Other fees	16	21
Exchange losses	217	649

5. INTEREST RECIEVABLE

	2007 £'000	2006 £'000
Interest from bank	61	14

INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Bank loans, overdrafts and other loans	1	8

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
Current tax		
United Kingdom corporation tax at 30%	560	145
Underprovision in respect of prior year	3	2
	563	147
Deferred taxation		
Origination and reversal of timing differences	3	8
Effect of change in tax rate	(1)	-
	2	8
	565	155

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%

	2007 %	2006 %
Standard tax rate for year as a percentage of profits	30	30
Effects of		
Expenses not deductible for tax purposes	1	3
Capital allowances in excess of depreciation	-	(2)
	31	31

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

7 TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2007	5	237	242
Additions	-	51	51
Disposals	-	(7)	(7)
At 31 December 2007	5	281	286
Accumulated depreciation			
At 1 January 2007	5	14	19
Charge for the year	-	41	41
Disposals	-	(5)	(5)
At 31 December 2007	5	50	55
Net book value			
At 31 December 2007	-	231	231
At 31 December 2006	-	223	223

8. STOCKS

	2007 £'000	2006 £'000
Finished goods and goods for resale	1,378	1,394

9. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	5,175	8,056
Other debtors	136	56
Prepayments and accrued income	387	725
	5,698	8,837

All amounts are due within one year

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Payments received on account	1,632	1,363
Trade creditors	1,490	1,556
Amounts owed to related parties (see note 16)	827	3,988
Corporation tax	294	15
Other taxes and social security	103	87
Other creditors	995	252
Accruals and deferred income	702	615
	6,043	7,876

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous lease £'000	Deferred tax £'000	Total £'000
At 1 January 2007	-	8	8
Charged to profit and loss account	170	2	172
At 31 December 2007	170	10	180

The onerous lease provision relates to the sub-let portion of Unatrac Limited's head office Unatrac Limited is currently looking for new tenants and expects that the property will be occupied from 2009 This provision is expected to be utilised over the next 5 years

	£'000
Movement in deferred taxation in the year	
At 1 January 2007	8
Charge to profit and loss account	2
At 31 December 2007	10

Analysis of deferred tax liability

	2007 £'000	2006 £'000
Differences between depreciation and capital allowances	10	8

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

12. CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
600,000 ordinary shares of £1 each	600	600
Called up, allotted and fully paid		
600,000 ordinary shares of £1 each	600	600

13. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £'000
At 1 January 2007	3,908
Profit for year	1,265
At 31 December 2007	5,173

14 OPERATING LEASE COMMITMENTS

At 31 December 2007 the company was committed to making the following payments during the next year in respect of operating leases

	2007 Land and Buildings £'000	2007 Other £'000	2006 Land and Buildings £'000	2006 Other £'000
Leases which expire				
Within two to five years	-	7	-	6
After five years	577	-	577	-
	577	7	577	6

15. CONTINGENT LIABILITIES

	2007 £'000	2006 £'000
Performance guarantees	449	478
Other guarantees	33	35
	482	513

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

16. 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 £26,025,024 (2006 £16,980,607)

At the financial year end the aggregate amount

i Due to Unatrac International, included within creditors due within one year, was £827,169 (2006 £3,988,427),

ii Due from Unatrac International, included within debtors, was £nil (2006 £nil)

17. ULTIMATE CONTROLLING PARTY

The directors consider Mr M Mansour, Mr Y I L Mansour and Mr Y M L Mansour, all directors of the company, to be the ultimate controlling parties