

UNATRAC LIMITED

Report and Financial Statements

31 December 2002



REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

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

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
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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. 2002 proved to be a disappointing year particularly in Nigeria where the government failed to release funds for several large construction projects. However post elections in 2003, these projects should be funded and together with increased mining activity, and strong product support sales in other territories sales are expected to achieve target.

DIVIDENDS

The directors do not recommend payment of a dividend (2001 - £nil).

DIRECTORS AND THEIR INTERESTS

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

The directors' interests in the ordinary shares of the Company at 31 December 2002 were:

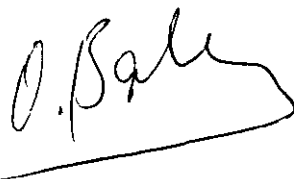
	Ordinary shares of £1 each	
	2002	2001
	No.	No.
Mr M Mansour	200,000	200,000
Mr Y I L Mansour	200,000	200,000
Mr Y M L Mansour	200,000	200,000

AUDITORS

Deloitte & Touche 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

O Bakary
Director



16 15 1 2003

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 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 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.

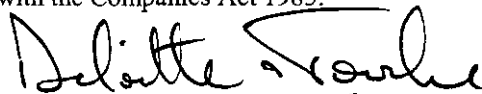
Basis of audit opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**DELOITTE & TOUCHE**

Chartered Accountants and Registered Auditors
Reading

72 May, 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 restated* £'000
TURNOVER	2	19,810	44,823
Cost of sales		(16,967)	(39,856)
Gross profit		2,843	4,967
Administrative expenses		(4,270)	(4,008)
Other operating income	4	1,770	-
OPERATING PROFIT	5	343	959
Interest receivable		6	1
Interest payable and similar charges	6	(8)	(97)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		341	863
Tax on profit on ordinary activities	7	(104)	(244)
RETAINED PROFIT FOR THE PERIOD	14	237	619

All amounts are derived from continuing activities.

* The profit and loss account and statement of total recognised gains and losses have been restated for the implementation of FRS 19. This has no impact on profit before tax in either the current or preceding years. The impact on the tax charge in the current and preceding years is disclosed in note 7 to the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £'000	2001 restated* £'000
Profit for the year	237	619
Total recognised gains and losses in the year	237	619
Prior year adjustment	24	-
Total recognised gains and losses since last annual report	261	619

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 31 December 2002

Movements on shareholders' funds	2002 £'000	2001 restated £'000
Profit for the financial year	237	595
Prior year adjustment	-	24
Opening shareholders' funds	2,196	1,577
Closing shareholders' funds	2,433	2,196

BALANCE SHEET
31 December 2002

	Note	2002 £'000	2001 restated £'000
FIXED ASSETS			
Tangible assets	8	126	169
CURRENT ASSETS			
Stocks	9	413	924
Debtors	10	2,547	3,209
Cash at bank and in hand		2,928	1,425
		5,888	5,558
CREDITORS: amounts falling due within one year	12	(3,581)	(3,278)
NET CURRENT ASSETS		2,307	2,280
TOTAL ASSETS LESS CURRENT LIABILITIES		2,433	2,449
CREDITORS: amounts falling due after more than one year	12	-	(253)
		2,433	2,196
CAPITAL AND RESERVES			
Called up share capital	13	600	600
Profit and loss account	14	1,833	1,596
EQUITY SHAREHOLDERS' FUNDS		2,433	2,196

These financial statements were approved by the Board of Directors on 16 / 5 / 2003.

Signed on behalf of the Board of Directors

O Bakary
Director



CASH FLOW STATEMENT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Net cash inflow from operating activities	1	<u>1,642</u>	<u>362</u>
Returns on investments and servicing of finance			
Interest received		6	1
Interest paid		<u>(8)</u>	<u>(97)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(2)</u>	<u>(96)</u>
Taxation			
Receipts for overpayments of tax		15	-
Payment of UK Corporation Tax		<u>(137)</u>	<u>(210)</u>
		<u>(122)</u>	<u>(210)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(15)	(48)
Receipts from sales of tangible fixed assets		<u>-</u>	<u>4</u>
Net cash outflow from investing activities		<u>(15)</u>	<u>(44)</u>
Increase in cash		<u>1,503</u>	<u>12</u>

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 December 2002

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating profit	343	959
Loss on Sale Fixed Assets	4	3
Depreciation charge	55	55
Decrease in stocks	511	401
Decrease in debtors	660	2,542
Increase/(decrease) in creditors	69	(3,598)
Net cash inflow from operating activities	1,642	362

2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2002 £'000	2001 £'000
Increase in cash in the period	1,503	12
Cash outflow from changes in debt	253	-
Movement of net funds in the year	1,756	12
Net funds at 1 January	1,172	1,160
Net funds at 31 December	2,928	1,172

3. ANALYSIS OF NET FUNDS

	1 January 2002 £'000	Cashflows £'000	31 December 2002 £'000
Cash at bank and in hand	1,425	1,503	2,928
Debt due after more than one year	(253)	253	-
	1,172	1,756	2,928

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**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 2002
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:

	2002 £'000	2001 £'000
Africa	17,063	40,241
Rest of the World	2,747	4,582
	<u>19,810</u>	<u>44,823</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' remuneration		
Emoluments	199	224
Company contributions to money purchase schemes	14	15
Compensation for loss of office	333	-
	<u>546</u>	<u>239</u>

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

	£'000	£'000
Highest paid director's remuneration		
Emoluments	101	109
Company contributions to money purchase schemes	14	15
Compensation for loss of office	333	-
	<u>448</u>	<u>124</u>

	No.	No.
Average number of persons employed		
Management	16	18
Sales	7	7
Administration	38	46
	<u>61</u>	<u>71</u>

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	2,383	2,036
Social security costs	218	202
Pension costs	78	72
	<u>2,679</u>	<u>2,310</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

4. OTHER OPERATING INCOME

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

5. OPERATING PROFIT

	2002 £'000	2001 £'000
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	55	55
Gain on disposal of fixed assets	(3)	-
Rentals under operating leases		
Land and buildings	576	577
Other operating leases	37	46
Loss on rental income	3	13
Auditors' remuneration		
Audit fees	27	25
Other fees	62	46
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Bank loans, overdrafts and other loans	8	97
	<u> </u>	<u> </u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 restated £'000
United Kingdom corporation tax at 30% (2001: 30%)	115	268
Deferred taxation	2	(24)
Over provision in respect of prior year	(13)	-
	<u> </u>	<u> </u>
	104	244
	<u> </u>	<u> </u>

The implementation of FRS 19 has resulted in the recognition of a deferred tax asset of £22,000 as at 31 December 2002 (2001: £24,000). It has increased the tax charge in the current year by £2,000 (2001: decrease of £24,000).

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: 30% (2001: 30%).

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2002 %	2001 %
Standard tax rate for year as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	4	1
Prior period adjustments	(4)	-
	<u>30</u>	<u>31</u>

8. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2002	6	287	293
Additions	-	15	15
Disposals	-	(40)	(40)
	<u>6</u>	<u>262</u>	<u>268</u>
At 31 December 2002	6	262	268
Accumulated depreciation			
At 1 January 2002	5	119	124
Charge for the year	1	54	55
Disposals	-	(37)	(37)
	<u>6</u>	<u>136</u>	<u>142</u>
At 31 December 2002	6	136	142
Net book value			
At 31 December 2002	<u>-</u>	<u>126</u>	<u>126</u>
At 31 December 2001	<u>1</u>	<u>168</u>	<u>169</u>

9. STOCKS

	2002 £'000	2001 £'000
Finished goods and goods for resale	<u>413</u>	<u>924</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

10. DEBTORS

	2002 £'000	2001 restated £'000
Trade debtors	2,112	2,867
Other debtors	136	41
Prepayments and accrued income	277	277
Deferred tax asset	22	24
	<u>2,547</u>	<u>3,209</u>

All amounts are due within one year.

11. DEFERRED TAX ASSET

	£'000
Movement in deferred taxation in the year	
At 31 December 2001 as previously stated	-
As restated for FRS 19	<u>24</u>
At 1 January 2002 as restated	24
Charge to profit and loss account	<u>(2)</u>
At 31 December 2002	<u>22</u>

Analysis of deferred tax balance

	2002 £'000	2001 restated £'000
Capital allowances in excess of depreciation	<u>22</u>	<u>24</u>

A deferred tax asset, £22,000, has been recognised at 31 December 2002 (2001: £24,000 (restated)). This asset relates to capital allowances in excess of depreciation. The directors are of the opinion, based on recent and forecast trading, that the level of profits in the current and next financial year will enable recovery of the asset.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£'000	£'000
Payments received on account	1,358	274
Trade creditors	700	1,665
Amounts owed to related parties (see note 17)	1,044	672
Corporation tax	71	90
Other taxes and social security	57	73
Other creditors	84	77
Accruals and deferred income	267	427
	<u>3,581</u>	<u>3,278</u>

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Loan from related parties (see note 17)	-	253
	<u>-</u>	<u>253</u>
Analysis of loan repayments:		
Loan from related parties		
Between one and two years	-	253
	<u>-</u>	<u>253</u>

13. CALLED UP SHARE CAPITAL

	2002	2001
	£'000	£'000
Authorised		
600,000 ordinary shares of £1 each	600	600
	<u>600</u>	<u>600</u>
Called up, allotted and fully paid		
600,000 ordinary shares of £1 each	600	600
	<u>600</u>	<u>600</u>

14. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account restated £'000
At 31 December 2001 as previously stated	1,572
Prior year adjustment for FRS 19	24
	<u>1,596</u>
At 1 January 2002 as restated	1,596
Profit for year	237
	<u>1,833</u>
At 31 December 2002	<u>1,833</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

15. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	2002		2001	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	-	1	-	-
Within two to five years	-	8	-	43
After five years	576	-	576	-
	<u>576</u>	<u>9</u>	<u>576</u>	<u>43</u>

16. CONTINGENT LIABILITIES

	2002 £'000	2001 £'000
Advance payment guarantees	35	-
Performance guarantees	45	102
Rental Agreement guarantees	288	288
Customs & Excise guarantee	400	400
	<u>768</u>	<u>790</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 £4,061,000 (2001: £3,422,335).
- ii. Service fee £1,770,389 (2001: £nil).

At the financial year end the aggregate amount:

- i. due to Unatrac International, included within creditors due within one year, was £1,043,557 (2001: £671,886)
- ii. due to Unatrac International, included within creditors due after more than one year, was £nil (2001: £253,000)
- iii. due from Unatrac International, included with in debtors, was £nil (2001: £nil).