

UNATRAC LIMITED

Report and Financial Statements

31 December 2004



REPORT AND FINANCIAL STATEMENTS 2004

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REPORT AND FINANCIAL STATEMENTS 2004

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
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 2004.

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 since 1 November 1997. Good Construction Equipment sales to Nigeria, with strong Product Support sales to Nigeria and Ghana, coupled with significant Power Systems sales to both Nigeria and the Middle East resulted in an overall increase in 2004 sales.

2005 should see a similar volume of sales across all functions and territories.

DIVIDENDS

The directors do not recommend payment of a dividend (2003 - £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 2004 were:

	Ordinary shares of £1 each	
	2004	2003
	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

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

6 September 2005

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 2004 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 16. 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Reading

6 September 2005

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
TURNOVER	2	38,149	29,371
Cost of sales		(34,198)	(25,629)
Gross profit		3,951	3,742
Administrative expenses		(3,616)	(3,346)
OPERATING PROFIT	4	335	396
Interest receivable and similar income		5	9
Interest payable and similar charges	5	(9)	(13)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		331	392
Tax on profit on ordinary activities	6	(110)	(126)
RETAINED PROFIT FOR THE PERIOD	13	221	266

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 2004

Movements on shareholders' funds	2004 £'000	2003 £'000
Profit for the financial year	221	266
Opening shareholders' funds	2,699	2,433
Closing shareholders' funds	<u>2,920</u>	<u>2,699</u>

BALANCE SHEET
31 December 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Tangible assets	7	203	109
CURRENT ASSETS			
Stocks	8	1,772	241
Debtors	9	9,269	3,245
Cash at bank and in hand		1,887	2,140
		12,928	5,626
CREDITORS: amounts falling due within one year	11	(10,211)	(3,036)
NET CURRENT ASSETS		2,717	2,590
TOTAL ASSETS LESS CURRENT LIABILITIES		2,920	2,699
NET ASSETS		2,920	2,699
CAPITAL AND RESERVES			
Called up share capital	12	600	600
Profit and loss account	13	2,320	2,099
EQUITY SHAREHOLDERS' FUNDS		2,920	2,699

These financial statements were approved by the Board of Directors on 6 September 2005.

Signed on behalf of the Board of Directors



G J Robinson
Director

CASH FLOW STATEMENT
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Net cash outflow from operating activities	1	(70)	(539)
Returns on investments and servicing of finance			
Interest received		5	9
Interest paid		(9)	(13)
Net cash outflow from returns on investments and servicing of finance		(4)	(4)
Taxation			
Receipts for overpayments of tax		39	2
Payment of UK Corporation Tax		(91)	(226)
		(52)	(224)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(128)	(21)
Receipts from sale of tangible fixed assets		1	-
Net cash outflow from investing activities		(127)	(21)
Decrease in cash		(253)	(788)

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 December 2004

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

	2004	2003
	£'000	£'000
Operating profit	335	396
Depreciation charge	33	38
(Increase)/decrease in stocks	(1,531)	172
Increase in debtors	(6,066)	(671)
Increase/(decrease) in creditors	7,159	(474)
Net cash outflow from operating activities	(70)	(539)

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

	2004	2003
	£'000	£'000
Decrease in cash in the period	(253)	(788)
Movement of net funds in the year	(253)	(788)
Net funds at 1 January	2,140	2,928
Net funds at 31 December	1,887	2,140

3. ANALYSIS OF NET FUNDS

	1		31
	January	Cashflows	December
	2004		2004
	£'000	£'000	£'000
Cash at bank and in hand	2,140	(253)	1,887

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been consistently applied in 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, net of depreciation and any provision for impairment. 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
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.

Taxation

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

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 company operates a defined contribution scheme for the benefit of its employees. 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 2004

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:

	2004 £'000	2003 £'000
Africa	27,185	23,812
Rest of the World	10,964	5,559
	<u>38,149</u>	<u>29,371</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004 £'000	2003 £'000
Directors' remuneration		
Emoluments	254	246
Company contributions to money purchase schemes	10	9
	<u>264</u>	<u>255</u>

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

	£'000	£'000
Highest paid director's remuneration		
Emoluments	88	84
Company contributions to money purchase schemes	5	4
	<u>93</u>	<u>88</u>

	No.	No.
Average number of persons employed		
Management	14	14
Sales	9	7
Administration	30	32
	<u>53</u>	<u>53</u>

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	1,853	1,678
Social security costs	207	176
Other pension costs	83	69
	<u>2,143</u>	<u>1,923</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

4. OPERATING PROFIT

	2004 £'000	2003 £'000
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	33	38
Rentals under other operating leases		
Land and buildings	576	576
Plant and machinery	7	10
Profit on rental income	(18)	(18)
Auditors' remuneration		
Audit fees	29	29
Other fees	17	30
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	2003 £'000
Bank loans, overdrafts and other loans	9	13
	<u> </u>	<u> </u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
United Kingdom corporation tax	106	127
Over provision in respect of prior year	(6)	(6)
	<u> </u>	<u> </u>
Current tax	100	121
Deferred taxation	10	5
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	110	126
	<u> </u>	<u> </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%.

	2004 %	2003 %
Standard tax rate for year as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	5	4
Capital allowances in excess of depreciation	(3)	(1)
Prior period adjustments	(2)	(2)
	<u> </u>	<u> </u>
	30	31
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

7. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2004	6	247	253
Additions	-	128	128
Disposals	(1)	(42)	(43)
At 31 December 2004	5	333	338
Accumulated depreciation			
At 1 January 2004	6	138	144
Charge for the year	-	33	33
Disposals	(1)	(41)	(42)
At 31 December 2004	5	130	135
Net book value			
At 31 December 2004	-	203	203
At 31 December 2003	-	109	109

8. STOCKS

	2004 £'000	2003 £'000
Finished goods and goods for resale	1,772	241

9. DEBTORS

	2004 £'000	2003 £'000
Trade debtors	8,910	2,668
Amounts due from related parties	-	219
Other debtors	51	25
Prepayments and accrued income	301	284
Corporation tax	-	32
Deferred tax asset (see note 10)	7	17
	9,269	3,245

All amounts are due within one year.

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

10. DEFERRED TAX ASSET

	£'000
Movement in deferred taxation in the year	
At 1 January 2004	17
Charge to profit and loss account	(10)
	<u>7</u>
At 31 December 2004	<u>7</u>

Analysis of deferred tax asset

	2004	2003
	£'000	£'000
Depreciation in excess of capital allowances	<u>7</u>	<u>17</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£'000	£'000
Payments received on account	1,356	1,798
Trade creditors	3,133	718
Amounts owed to related parties (see note 16)	5,136	-
Corporation tax	16	-
Other taxes and social security	73	68
Other creditors	169	134
Accruals and deferred income	328	318
	<u>10,211</u>	<u>3,036</u>

12. CALLED UP SHARE CAPITAL

	2004	2003
	£'000	£'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>

13. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £'000
At 1 January 2004	2,099
Profit for year	221
	<u>2,320</u>
At 31 December 2004	<u>2,320</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

14. OPERATING LEASE COMMITMENTS

At 31 December 2004 the company was committed to making the following payments during the next year in respect of operating leases:

	2004		2003	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	-	2	-	9
Within two to five years	-	5	-	1
After five years	576	-	576	-
	<u>576</u>	<u>7</u>	<u>576</u>	<u>10</u>

15. CONTINGENT LIABILITIES

	2004 £'000	2003 £'000
Advance payment guarantees	293	174
Performance guarantees	107	33
Rental Agreement guarantees	-	288
Other guarantees	79	18
	<u>479</u>	<u>513</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.

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 £19,554,000 (2003 £10,861,000)

At the financial year end the aggregate amount:

- i. due to Unatrac International, included within creditors due within one year, was £5,136,000 (2003: £nil)
- ii. due from Unatrac International, included within debtors, was £nil (2003: £219,000).