

ARALON ADVISORY SERVICES LIMITED

FINANCIAL STATEMENTS

**for the year ended
31 DECEMBER 2002**

Company No: 1684721



ARALON ADVISORY SERVICES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

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ARALON ADVISORY SERVICES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002

1. **Financial statements**

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

2. **Principal Activity**

The principal activity of the company is the provision of accountancy and consultancy services.

3. **Review of business and future developments**

The directors expect that the present level of activity and funding will be sustained for the foreseeable future.

4. **Dividends and transfers to reserves**

The directors do not recommend a dividend for the year. The profit for the financial year of £254,040 will be transferred to reserves.

5. **Fixed assets**

The movements in fixed assets during the year are set out on page 15.

6. **Directors**

The directors of the Company at 31 December 2002, each of whom has been a director for the whole year ended on that date, are as follows:

J.W.C. Swartz (Chairman)

D.W. Hall (Secretary)

7. **Directors' interests in shares of the company**

No directors had any beneficial interest in the shares of the company at any time during the year.

8. **Directors' interests in contracts**

There were no contracts during the year in which a director held a beneficial interest.

9. **Close company provisions**

The company is a close company under the provisions of section 414 of the United Kingdom Income and Corporation Taxes Act 1988.

ARALON ADVISORY SERVICES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002

10. Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

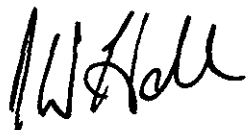
The directors confirm that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the companies act 1985. 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.

11. Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



D.W. Hall
Secretary
17 APRIL, 2003

Registered office:-

20 Cadogan Place
LONDON
SW1X 9SA

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ARALON ADVISORY SERVICES LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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, 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 is not disclosed.

Basis of audit 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.

ARALON ADVISORY SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP,

Chartered Accountants and Registered Auditors

LONDON

30 April

,2003

ARALON ADVISORY SERVICES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
<u>Fixed Assets</u>	6	278,997	287,608
<u>Current Assets</u>			
Debtors	7	2,753,116	2,707,936
Cash at bank and in hand		618,379	365,368
		<u>3,371,495</u>	<u>3,073,304</u>
Creditors: amounts falling due within one year	8	(188,822)	(153,282)
<u>Net current assets</u>		<u>3,182,673</u>	<u>2,920,022</u>
<u>Total assets less current liabilities</u>		3,461,670	3,207,630
Creditors: amounts falling due after more than one year	9	(495,000)	(495,000)
<u>NET ASSETS</u>		<u>£ 2,966,670</u>	<u>£ 2,712,630</u>
<u>Capital and Reserves</u>			
Called up share capital	10	100	100
Retained profits		2,966,570	2,712,530
<u>EQUITY SHAREHOLDERS' FUNDS</u>	11	<u>£ 2,966,670</u>	<u>£ 2,712,630</u>

The abbreviated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

Approved by the board on 17 APRIL, 2003

J.W.C. Swartz

D.W. Hall

)
) Directors
)

The report of the auditors is on page 3.

The notes on pages 8 to 15 form an integral part of these financial statements

ARALON ADVISORY SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
<u>Gross profit - continuing operations</u>		356,501	348,981
Loss on sale of fixed assets		(3,314)	-
Interest receivable and other income		17,777	23,143
<u>Profit on ordinary activities before taxation</u>	2	370,964	372,124
Tax on profit on ordinary activities	5	(116,924)	(118,855)
<u>Retained profit for the year</u>		£ 254,040	£ 253,269
 <u>Statement of retained profits</u>			
Retained profits brought forward		2,712,530	2,459,261
Retained profit for the year		254,040	253,269
Retained profits carried forward		£ 2,966,570	£ 2,712,530

The company has no recognised gains and losses other than profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The report of the auditors is on page 3.
The notes on pages 8 to 15 form an integral part of these financial statements

ARALON ADVISORY SERVICES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
<u>Operating activities</u>			
Net cash flow from operating activities	15	469,341	159,224
<u>Returns on investments and servicing of finance</u>			
Interest received		17,777	23,143
Net cash inflow from returns on investments and servicing of finance		<u>17,777</u>	<u>23,143</u>
<u>Taxation</u>			
UK Corporation Tax		<u>(124,666)</u>	<u>(124,430)</u>
Tax paid		<u>(124,666)</u>	<u>(124,430)</u>
<u>Capital expenditure</u>			
Purchase of tangible fixed assets		(111,422)	(88,038)
Proceeds from sale of fixed assets		1,981	-
Net cash outflow from capital expenditure		<u>(109,441)</u>	<u>(88,038)</u>
<u>Increase/(decrease) in cash in the period</u>			
		<u>£ 253,011</u>	<u>£ (30,101)</u>
<u>Analysis of changes in net cash</u>			
Cash at bank and in hand at beginning of period		365,368	395,469
Increase/(decrease) in cash in the period		253,011	(30,101)
Cash at bank and in hand at end of period		<u>£ 618,379</u>	<u>£ 365,368</u>

The report of the auditors is on page 3.

The notes on pages 8 to 15 form an integral part of these financial statements

ARALON ADVISORY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with appropriate Accounting Standards in the United Kingdom.

A summary of the important accounting policies which have been applied consistently is set out below:

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention using the going concern basis.

1.2 Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expense of acquisition. Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic life of the assets concerned, or in the case of leasehold properties, over the remaining period of the lease or over a period of 50 years, whichever is less. The principal annual rates used for this purpose are:

Leasehold improvements	Lease life
Furniture and Fittings	10%
Computer equipment	25%
Motor vehicles	17.5% for the first 4 years
	7.5% for the next 4 years

1.3 Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

ARALON ADVISORY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1.4 Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. 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 accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in the operating profit - continuing operations.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit before taxation is stated after charging:

	<u>2002</u>	<u>2001</u>
	£	£
Staff costs (see note 4)	2,437,905	2,402,905
Depreciation of fixed assets	114,738	108,740
Operating leases on properties	307,500	307,500
Auditors' remuneration	6,100	6,584
Loss on sale of fixed assets	3,314	-

ARALON ADVISORY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. DIRECTORS' EMOLUMENTS

	<u>2002</u>	<u>2001</u>
	£	£
Aggregate emoluments	395,629	375,372
Company pension contributions to money purchase schemes	50,200	36,375
	<u>£ 445,829</u>	<u>£ 411,747</u>

One director takes part in the money purchase pension schemes.

Highest paid director

Aggregate emoluments	237,391	223,865
Company pension contributions to money purchase schemes	-	-

4. EMPLOYEE INFORMATION

- a) The company employed an average of 45 employees (2001: 47) (including executive directors) during the period, all of whom are involved in the provision of services.
- b) Employment costs of all employees excluding temporary staff, were as follows:

	<u>2002</u>	<u>2001</u>
Gross salaries and wages	2,005,547	2,037,553
Employer's national insurance and state pension contributions	220,355	181,668
Other pension costs (see note 13)	212,003	183,684
	<u>£ 2,437,905</u>	<u>£ 2,402,905</u>

ARALON ADVISORY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2002</u>	<u>2001</u>
UK corporation tax on profits for the period at 30% (2001: 30%)	118,962	118,450
UK corporation tax- prior year	(2,038)	405
	<u>£ 116,924</u>	<u>£ 118,855</u>

The tax assessed for the period is lower than the standard rate than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	<u>£ 370,964</u>	<u>£ 372,124</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001 30%)	111,289	111,637
Effects of:		
Expenses not deductible for tax purposes	3,397	477
Capital allowances and other timing differences	4,276	6,336
Adjustments to tax charge in respect of prior year	(2,038)	405
	<u>£ 116,924</u>	<u>£ 118,855</u>

6. FIXED ASSETS

	<u>NET BOOK VALUE</u>	
	<u>2002</u>	<u>2001</u>
Furniture and fittings	68,309	76,999
Computer equipment	202,095	198,307
Motor vehicles	8,593	12,302
	<u>£ 278,997</u>	<u>£ 287,608</u>

The movements on fixed assets are set out in Appendix A.

7. DEBTORS

	<u>2002</u>	<u>2001</u>
		<u>RESTATED</u>
Trade debtors	2,603,377	2,499,499
Other debtors, including tax and social security	5,561	55,437
Prepayments and accrued income	144,178	153,000
	<u>£ 2,753,116</u>	<u>£ 2,707,936</u>

All the above amounts are due within one year of the balance sheet date.

ARALON ADVISORY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

8. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2002</u>	<u>2001</u>
Trade creditors	50,563	43,502
Other creditors, including tax and social security	60,547	68,530
Accrued expenses	77,712	41,250
	<u>£ 188,822</u>	<u>£ 153,282</u>

The creditors for taxation and social security includes UK corporation tax payable amounting to £60,547 (2001: £68,289).

9. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

The advances from the holding company are unsecured, free of interest and no fixed date for repayment has been set.

	<u>2002</u>	<u>2001</u>
<u>As 31 December</u>	<u>£ 495,000</u>	<u>£ 495,000</u>

10. **CALLED UP SHARE CAPITAL**

	<u>2002</u>	<u>2001</u>
<u>Authorised</u>		
100 ordinary shares of £1 each	<u>£ 100</u>	<u>£ 100</u>
<u>Allotted, called up, and fully paid</u>		
100 shares of £1 each	<u>£ 100</u>	<u>£ 100</u>

ARALON ADVISORY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u>	<u>2001</u>
Profit for the financial year	254,040	253,269
Net addition to shareholders' funds	254,040	253,269
Opening equity shareholders' funds	2,712,630	2,459,361
Closing equity shareholders' funds	<u>£ 2,966,670</u>	<u>£ 2,712,630</u>

12. FINANCIAL COMMITMENTS

The company leases properties on short term leases.

	<u>2002</u>	<u>2001</u>
Expiring between five and ten years inclusive	307,500	307,500
	<u>£ 307,500</u>	<u>£ 307,500</u>

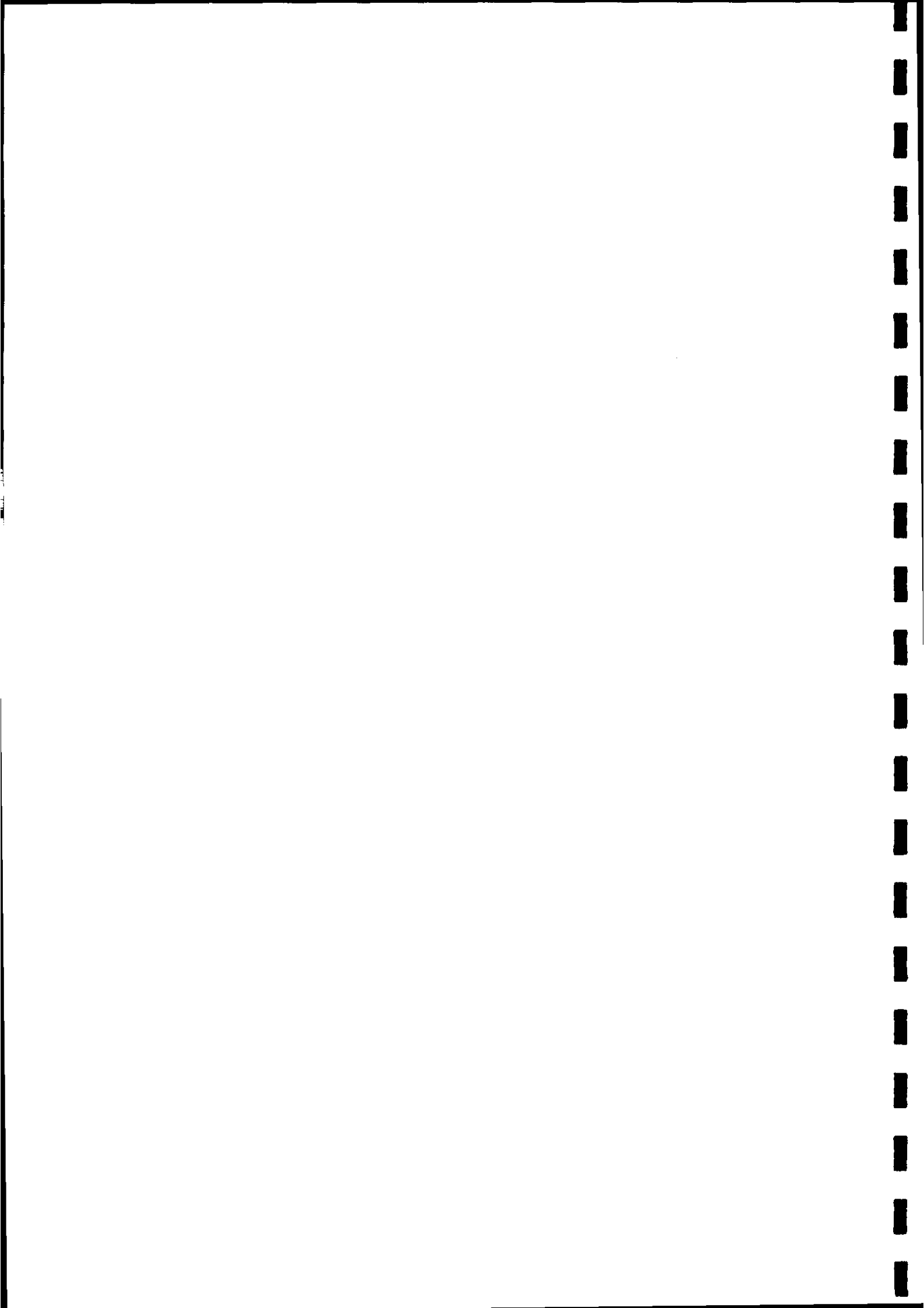
The company had no capital commitments as 31 December 2002 (2001: £NIL)

13. PENSION SCHEME ARRANGEMENTS

The company operates two defined contribution pension schemes for certain employees and a defined contribution scheme for all employees with more than three months service which commenced on 1 October, 2001. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to these funds and amounts to £212,003 (2001:£183,684).

14. HOLDING COMPANY

The holding company is Mawarid Limited incorporated in the Kingdom of Saudi Arabia.



ARALON ADVISORY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOWS FROM OPERATING ACTIVITIES

	<u>2002</u>	<u>2001</u> <u>RESTATED</u>
Net operating profit	356,501	348,981
Depreciation on tangible fixed assets	114,738	108,740
Increase in trade debtors	(103,878)	(213,754)
Increase in other debtors	49,876	17,483
Decrease in prepayments and accrued income	8,822	27,653
(Increase)/decrease in trade creditors	7,061	(123,804)
Decrease in other taxation and social security	(241)	(55)
(Increase)/decrease in accrued expenses	36,462	(6,020)
Net cash inflow from operating activities	<u>£ 469,341</u>	<u>£ 159,224</u>

ARALON ADVISORY SERVICES LIMITED
FIXED ASSETS AS AT 31 DECEMBER 2002 AND 2001
APPENDIX A

	<u>Leasehold Improvements</u>	<u>Furniture and Fittings</u>	<u>Computer Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Cost</u>					
At 1 January	77,802	316,347	704,108	69,833	1,168,090
Additions	-	8,535	102,887	-	111,422
Disposals	-	-	(254,731)	(13,000)	(267,731)
At 31 December	77,802	324,882	552,264	56,833	1,011,781
<u>Depreciation</u>					
At 1 January	77,802	239,348	505,801	57,531	880,482
Charge for the year	-	17,225	93,804	3,709	114,738
Disposals	-	-	(249,436)	(13,000)	(262,436)
At 31 December	77,802	256,573	350,169	48,240	732,784
<u>Net book value</u>					
At 31 December 2002	£ -	£ 68,309	£ 202,095	£ 8,593	£ 278,997
At 31 December 2001	£ -	£ 76,999	£ 198,307	£ 12,302	£ 287,608