

THE JOINT ARAB-BRITISH CHAMBER OF COMMERCE

Accounts for the year ended 31 March 2004
together with the chairman's statement, directors' and auditors' reports

Registered number: 1199402

THE JOINT ARAB-BRITISH CHAMBER OF COMMERCE

Registered Office:

6 Belgrave Square
London SW1X 8PH

Auditors:

haysmacintyre
Fairfax House
15 Fulwood Place
London WC1V 6AY

Solicitors:

Denton Wilde Sapse
One Fleet Place
London EC4M 7WS

Bankers:

HSBC Bank plc
79 Piccadilly
London W1J 8EU

Arab Bank plc
73 Brook Street
London W1K 4HX

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THE JOINT ARAB-BRITISH CHAMBER OF COMMERCE

CHAIRMAN'S STATEMENT

In my statement last year I felt it necessary to comment that although the war with the brutal regime in Iraq was over, winning the peace was proving difficult and costly. Even this forthright statement was an inadequate response to the disasters taking place in Iraq, and the general hostility of the Arab nations against the United States, with which Britain is closely associated. A just resolution of the Arab/Israel problem is even more remote than a year ago and all those who really seek to understand Middle East politics know that without a political settlement for Palestine there will be no lasting peace. The Arab British Chamber of Commerce ("the Chamber") is of course primarily concerned with trade and commerce, but we have an important role in seeking to promote legitimate Arab aspirations and explaining these to the British people. A number of our directors have been playing an active part in this and I commend in particular the part played by Mr. Sinclair Road and Sir Alan Munro in presenting the Arab case to a sometimes hostile media.

World trade is picking up and this year will see a further improvement in Arab trade as the rise in the oil price feeds through into trade. Many Arab governments are busy with privatisation and large infrastructure investment programmes and this gives great opportunities for the skills of the City of London and our consulting engineering companies. It is lamentable that British manufacturing industry is no longer capable of fulfilling many of the large infrastructure contracts.

Actual trade between Britain and the Arab world resulted in Arab exports of £4,044.57 billion and British exports of £7,632.29 billion. Unfortunately, this increased trade was not reflected in the number of certificates we processed and these continued their decline by 9% compared to 2003. However, the decline is tapering off and we seek the co-operation of the Arab Ambassadors and their staff not only in preventing leakage, but to show that we can offer the most effective and efficient method of delivering and authenticating documents.

It has been a year of great change for the Chamber and those who work here. In October Mr. Al-Mudaris, who had been our Secretary General for 27 years, decided to retire and a number of long-serving members of the staff also felt it was time to go. As a result we incurred nearly £1.4 million, in the year ended 31 March 2004, in redundancy and end of service costs. In total 20 staff will leave as part of the re-organisation programme, and, of these, 16 left during the year under review which has resulted in the number of employees dropping to 27 by 31 March 2004. I have to say that the new arrangements are working very well with an enthusiastic staff led by Mr. El-Idrissi in Certification and Liaison and Dr. El-Ghobashy in Business Services. Mr. David Lewendon has carried through the new arrangements with great skill and efficiency. The changes made have resulted in annual savings in excess of £1 million, and a return to an operating surplus for the final quarter of the year.

This time last year, I had the unhappy task of reporting the news that the Chamber's pension scheme had a deficit of £9.1 million under the rules of Financial Reporting Standard 17 ("FRS17"). I am pleased to report that the pension scheme's investment portfolio, which remained heavily in equities, has improved considerably during the year and that the deficit has been reduced to £7.2 million. However, we have a long way to go, particularly as the equity markets have not performed as strongly since the year-end. We have agreed with the Trustees of the pension plan a reduction in the future benefits for members, an increased level of contribution from both the employer and employees, and that the Chamber will make additional payments, by not later than 1 April 2007, of up to, but not exceeding, £4 million to bring the funding level of the Plan to 90% on the statutory minimum funding requirement basis.

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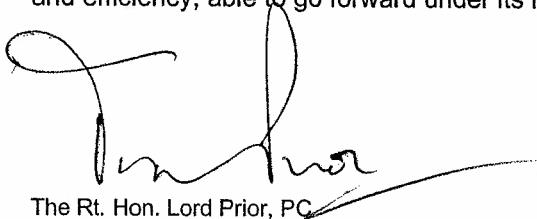
CHAIRMAN'S STATEMENT (continued)

The additional payments to the pension plan places a tremendous burden on the Chamber's finances over the next few years. It is important we generate operating surpluses in each of the forthcoming years, and sell 6 Belgrave Square, so that the Chamber can finance these payments.

There are a lot of people to thank this year for their service to the Chamber - Mr. Al-Mudaris, who built the Chamber into the No. 1 Arab-European position, Mr. Fathi Sharaf and others who gave great service and loyalty over many years, to all of whom we wish a long and happy retirement: to the Ambassadors, who gave me much support in difficult decisions and have been immensely helpful in the new arrangements we have set in place: to our staff who are well led by their departmental heads and are now working very well and productively, and to our directors who have attended at least two extra meetings during the course of the year.

This is my last Annual Statement, as I retire at the AGM in September after 8 years in office. I wish to thank you all for your support and encouragement which I know you will extend to Sir Roger Tomkys and the new Secretary General when he is appointed.

I shall be very sad to leave, but will hope to keep in contact with the many friends I have made over the last 8 years. I retire with the Chamber on a stable course with renewed enthusiasm and efficiency, able to go forward under its new leadership.



The Rt. Hon. Lord Prior, PC
Chairman

30 June 2004

DIRECTORS' REPORT

The directors present their annual report on the affairs of The Joint Arab-British Chamber of Commerce ('the Chamber'), a company limited by guarantee, together with the accounts and auditors' report for the year ended 31 March 2004.

Principal activity and business review

The principal activity of the Chamber continues to be the promotion and development of trade between the Arab countries and the United Kingdom. In particular, the Chamber continues to process commercial documents for exports to Arab countries and provides business services to its Arab and British members. Certification income is derived from activities in the UK.

As noted in the last annual report, the conflict in Iraq had a destabilising effect on trade between Britain and the Arab states resulting in a decline in revenues.

The directors decided that revenues were unlikely, at least in the short-term, to return to the levels experienced in previous years. Consequently, they approved a staff reorganisation and cost reduction programme so that the Chamber's future operating expenditure would be less than the expected revenues. The costs of the staff reorganisation are shown separately in the profit and loss account.

In conjunction with a reduction in the future benefits of the Chamber's final salary pension scheme, the directors have authorised the payment of additional contributions, totalling approximately £4 million, in the next three years to reduce the deficit. The costs of these payments will be shown separately in the profit and loss account.

Results for the year

The financial results for the year were as follows:

	Year ended 31 March 2004 £	Year ended 31 March 2003 £
Revenue reserve, beginning of year	9,411,585	10,430,620
Deficit for the year after taxation	<u>(802,524)</u>	<u>(1,019,035)</u>
Revenue reserve, end of year	<u>8,609,061</u>	<u>9,411,585</u>

Directors

The directors who served during the year were as follows:

The Rt. Hon. Lord Prior	Chairman	
Mr. Saad Ali Al-Nahed	First Vice Chairman	
Sir Alan Munro	Second Vice Chairman	
Mr. Obeid Hamid Al-Tayer	Third Vice Chairman	
Mr. A. K. Al-Mudaris	Secretary-General & Chief Executive	(resigned 9 October 2003)
Mr. J. C. Norton	Honorary Treasurer	
Sir Richard Beaumont	Advisor to the Board	

Dr. E. Ghantous	Counsellor
Mr. A. Kassar	Counsellor
Mr. A. Sehebani	Counsellor

Mr. I. M. Al Jomaih	
Mr. G. Asseily	
Mr. T. J. Stone	
The Rt. Hon. Lord Trefgarne	
Mr. S. A. Bird	
Mr. A. Bruce	
Mr. C. M. Chamsi Pasha	
Mr. P. J. Cheshire	
Mr. B. Constant	
The Rt. Hon. Sir Jeremy Hanley	
Mr. J. Hill	(resigned 9 October 2003)
Mr. K. Abu Ismail	
Mr. D. F. Maclauchlan	

