

THE JOINT ARAB-BRITISH CHAMBER OF COMMERCE

Accounts for the year ended 31 March 2006
together with the chairman's statement, directors' and auditors' reports

Registered number: 1199402

THE JOINT ARAB-BRITISH CHAMBER OF COMMERCE

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London W1K 2NJ

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15 Fulwood Place
London WC1V 6AY

Solicitors: Denton Wilde Sapte
One Fleet Place
London EC4M 7WS

Bankers: HSBC Bank plc
79 Piccadilly
London W1J 8EU

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73 Brook Street
London W1K 4HX

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CHAIRMAN'S STATEMENT

The past year has once again shown a marked contrast between the economic and political climate for Arab-British trade and wider commercial relations.

On the political front, internal stability has not yet been established in Iraq. While progress has been made with the successful holding of elections and the formation of a Government representative of all the main groups of the Iraqi people, the security situation remains dire, verging on civil war. The conflict is increasingly seen to be between Iraqi factions with foreign elements playing a relatively minor though damaging role, while the presence of the coalition forces is increasingly problematic both in Iraq and also, with mounting casualties, in the US and the UK. Meanwhile the option of very early withdrawal is impracticable. This impasse, all the more to be deplored because it was widely foreseen, casts a shadow over the next potential crisis in the region: international efforts led by the US to prevent Iran from becoming the second state in the Middle East to possess nuclear weapon capability.

If Iraq and potentially Iran provide the critical elements that threaten the stability of the area, Palestine remains a chronic and tragic canker at the centre of the Arab World's relationship with the West. While it is not the sole cause of anti-Western popular sentiment or of the terrorism of al-Qaeda and other such groups it continues to embitter a new generation convinced of Western double standards. With the electoral success of Hamas, the prospect of unilateral Israeli action to expropriate areas of the West Bank in perpetuity in the expectation that this will be endorsed by the US and acquiesced in by the international community is appalling. Peace, as last year, is nowhere in sight. Meanwhile, the tragedy developing in Lebanon as I write underlines the human suffering that the political impasse has created and the urgency of finding a just solution; alas, world leaders seem either oblivious of the fundamental issues or cynically resigned to let matters take their course.

By contrast, the economic conditions outside Iraq have been buoyant. This is largely due to the high oil price which has prevailed throughout the year. This has led to a boom in Gulf Stock Markets and Real Estate, and an unprecedented level of development commitments in Saudi Arabia and the Gulf.

There has been a six-fold growth in the regional insurance market, which is expected to be worth \$44 billion by 2010. The huge and growing project finance market is expected to be valued at \$500 billion by that time, and McKinsey recently estimated the value of liquid financial assets moving around the GCC to be \$750 billion.

The UK has shared in the increased market opportunities offered by this boom with exports of £10.6 billion to the Arab World, with £8.5 billion going to the GCC alone. Once again, however, I must emphasise that the UK's manufacturing base is no longer competitive in many sectors, while its service industries are stronger than ever. British nationals living and working in the GCC countries, a high proportion of whom are in very rewarding employment is put at over 200,000.

The Gulf boom, despite some stock market correction in 2006, has apparently been unaffected by the political uncertainties of Iraq and Iran. Nor has popular opposition to the US led policies in the region adversely affected the UK's standing as a trading partner and services provider. London remains a second home for many Arab nationals, and Arab investment in UK commercial real estate is calculated to be around £1.3 billion. The links between the UK and the Arab World are indeed closer than ever before.

This is the environment in which the Chamber has worked over the past year. It has been a period of unprecedented reorganisation and development. Dr Mohammad Smadi took office as Secretary-General and Chief Executive in July 2005. He and I have since introduced ourselves in the region through tours of the GCC states in November 2005 and February 2006 and we will be extending this programme during the next 12 months. Under Dr Smadi's guidance the Chamber's Bulletin has been redesigned and transformed as an effective communication tool. A new Trade Directory has also been issued, a new website has been launched and a quarterly magazine is to follow.

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CHAIRMAN'S STATEMENT (continued)

The Business Services department has been extremely active over the last year; we have seen a marked increase in membership and also an increased level of member retention. One of the main factors behind this is our increased exposure in the Arab world and presence on the exhibition and conference scene. We have also organised a successful series of briefings in 2005, covering a range of industries; this type of event has been re-branded and is being carried on through to 2006. We are planning to organise a series of member networking events, all of which will take place at our new premises.

The Business Services Department is also pleased to have launched the Chamber's new website, which is a platform for information and knowledge on the Arab world as well as a tool for members to promote themselves to the wider business community in addition to fellow members using our new Members Trading Portal.

Coverage of the Chamber in the media continues to increase. New activities, such as organised tours for Arab Commercial Attaches, have been initiated and the Chamber is an active participant in many Arab-British business and cultural events.

Most importantly, we have successfully achieved the relocation of the Chamber to our new permanent offices at 43 Upper Grosvenor Street. Thanks for this outcome are due especially to the Finance Director, David Lewendon, but more widely to all the staff who worked hard to overcome all the inevitable problems that arise with such a radical upheaval. The formal opening by HRH the Duke of York KG KCVO ADC as the UK's Special Representative for International Trade and Investment was on 24 May. These premises offer a firm opportunity to make the Chamber the principal centre for the promotion of Arab-British commercial and economic relations in all these aspects.

Finally, I should thank the Directors of the Chamber and the Trustees of the Chamber's Pension Scheme for their commitment and support over a difficult period.



Sir Roger Tomkys
Chairman
8 August 2006

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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 2006.

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.

The Chamber's costs rose during the year due to an increase in staff, including the appointment of a new Secretary-General and Chief Executive, and the expense of a short-term office arrangement while the new office at 43 Upper Grosvenor Street, London W1 was being refurbished. The rise in costs was partly off-set by an increase in turnover and increased interest income.

In conjunction with a reduction in the future benefits of the Chamber's final salary pension scheme, the directors authorised the payment of a special contribution of £1,999,998 during the year to reduce the past-service deficit.

At the Board of Directors meeting on 23 May 2006, Mr. Ghazi Kraytem, Mr. Essam Fakhro, The Rt. Hon. Baroness Symons of Vernham Dean PC and Dr. Humayon Dar were appointed as directors. At the same meeting, Mr. A Kassar and Mr. K Kanoo retired from the Board of Directors and did not seek re-election, and the retirements of Mr. J Lawday and Professor J Presley on 15 May 2006 were accepted.

Results for the year

The financial results for the year were as follows:

	Year ended 31 March 2006 £	Year ended 31 March 2005 as restated £
Revenue reserve, beginning of year	10,439,748	3,549,463
Surplus for the year after taxation	1,193,050	7,070,885
Other recognised gains and losses	848,400	(180,600)
Revenue reserve, end of year	<u>12,481,198</u>	<u>10,439,748</u>

Directors

The directors who served during the year were as follows:

Sir Roger Tomkys	Chairman	
Dr. M Smadi	Secretary-General and Chief Executive	(appointed 1 July 2005)
Mr. S A Al-Nahedh		(retired 10 May 2005)
Mr. A T Al-Ghanim	First Vice Chairman	(appointed 10 May 2005)
Sir Alan Munro	Second Vice Chairman	
Mr. O H Al-Tayer	Third Vice Chairman	
Mr. D.J. Lewendon	Finance Director	(appointed 10 May 2005)
Dr. E. Ghantous	Counsellor	
Mr. A. Kassar	Counsellor	
Mr. A. Sehebani	Counsellor	
Mr. J. C. Norton		
The Rt. Hon. Lord Prior		
Mr. I. M. Al Jomaih		
Mr. G. Asselly		
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		(retired 20 September 2005)
The Rt. Hon. Sir Jeremy Hanley		
Mr. K. Abu Ismail		
Mr. D. F. Maclauchlan		

