

PARLIAMENTARY COMMUNICATIONS LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998



Company Number 1262354

PARLIAMENTARY COMMUNICATIONS LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998**

| INDEX | PAGE |
|-----------------------------------|-------------|
| Directors' Report | 1 |
| Auditors' Report | 3 |
| Profit and loss account | 4 |
| Balance sheet | 5 |
| Notes to the financial statements | 6 - 14 |

PARLIAMENTARY COMMUNICATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998

The directors submit their report and the audited financial statements of Parliamentary Communications Limited for the year ended 30 June 1998.

PRINCIPAL ACTIVITY

The principal activities of the company are publishing, government monitoring and management services.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £1,469,399 (1997 - profit of £320,719). The directors do not propose the payment of a dividend (1997 - £nil).

REVIEW OF ACTIVITIES

In September 1997, a new publication was launched called "The Parliament Magazine" which covers the European Parliament's activities in Brussels.

On 1 October 1997, the company entered into a joint venture agreement with ITM Graphics Limited and Parliamentary Communications Limited. The joint venture's principal activity is publishing. On 15 March 1998, the joint venture launched the UK's first national newspaper devoted entirely to sport. The newspaper appears weekly on Sunday.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interest in the share capital of the company at the beginning and end of the year were as follows:-

| | Ordinary shares of £1 each | |
|---|-----------------------------------|-------------|
| | 1998 | 1997 |
| | No. | No. |
| K Young | 260,000 | 101,000 |
| A Sparshatt (appointed 25 September 1997) | - | - |

SHARE CAPITAL

On 25 March 1998, the company issued 159,000 ordinary shares of £1 each at par for cash to provide the company with additional capital. Since the year end the authorised share capital was increased and a further 728,000 ordinary shares of £1 each have been issued at par for cash.

CLOSE COMPANY

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

PARLIAMENTARY COMMUNICATIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1998 - continued

STATEMENT OF DIRECTORS RESPONSIBILITIES

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 and of the profit or loss of the company for that year. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continued 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

YEAR 2000

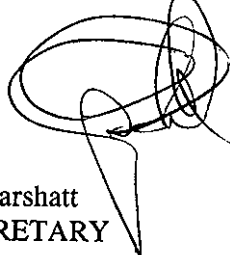
The operation of our business depends not only on our own computer systems but also to some degree on those of our suppliers and customers. The company has assessed the risks to our business resulting from the date change to the Year 2000 and determined the impact of the issue on all our activities.

Given the complexity of the problem it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However the Board believes that the company has achieved an acceptable state of readiness.

AUDITORS

A resolution will be proposed at the Annual General Meeting to reappoint Morison Stoneham as auditors.

By order of the Board



A Sparshatt
SECRETARY

10 Little College St, London SW1 3SH

25 March 1999

PARLIAMENTARY COMMUNICATIONS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF PARLIAMENTARY COMMUNICATIONS LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of the directors and auditors

As described in the directors report the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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.

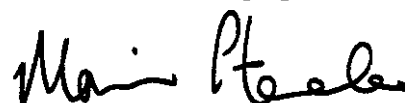
Going concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 1(b) of the financial statements concerning the going concern basis. In view of the significance of this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company affairs as at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Salisbury House
31 Finsbury Circus
London
EC1M 5SQ



MORISON STONEHAM

Registered Auditors
Chartered Accountants

16 March 1999

PARLIAMENTARY COMMUNICATIONS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998**

| | Note | 1998 £ | 1997 £ |
|---|------|---------------------------|-----------------------|
| Turnover | 2 | 2,681,201 | 2,885,140 |
| Cost of sales | | <u>1,976,004</u> | <u>1,738,034</u> |
| Gross Profit | | 705,197 | 1,147,106 |
| Distribution costs | | 237,116 | 179,321 |
| Administration expenses | | <u>2,041,364</u> | <u>667,995</u> |
| Operating (loss)/profit | | (1,573,283) | 299,790 |
| Interest payable | | (2,250) | - |
| Other income | | <u>-</u> | <u>122,803</u> |
| (Loss)/profit on ordinary activities before taxation | 3 | (1,575,533) | 422,593 |
| Tax on (loss)/profit on ordinary activities | 6 | <u>(106,134)</u> | <u>101,874</u> |
| (Loss)/profit on ordinary activities after taxation | | <u><u>(1,469,399)</u></u> | <u><u>320,719</u></u> |

All amounts relate to continuing activities.

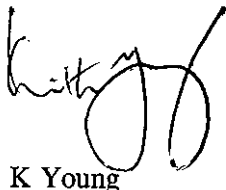
All recognised gains and losses are included in the profit and loss account.

PARLIAMENTARY COMMUNICATIONS LIMITED

BALANCE SHEET AT 30 JUNE 1998

| | Notes | £ | 1998 £ | £ | 1997 £ |
|---|-------|------------------|--------------------|------------------|----------------|
| Fixed Assets | | | | | |
| Intangible assets | 7 | | 23,668 | | 27,613 |
| Tangible assets | 8 | | 176,427 | | 101,450 |
| Investment | 9 | | 12,417 | | - |
| | | | <u>212,512</u> | | <u>129,063</u> |
| Current assets | | | | | |
| Debtors | 10 | 508,710 | | 1,228,731 | |
| Cash at bank and in hand | | - | | 269,115 | |
| | | <u>508,710</u> | | <u>1,497,846</u> | |
| Creditors: amounts falling due within one year | 11 | 1,763,396 | | 1,358,684 | |
| | | <u>1,763,396</u> | | <u>1,358,684</u> | |
| Net current (liabilities)/assets | | | <u>(1,254,686)</u> | | <u>139,162</u> |
| Total assets less current liabilities | | | <u>(1,042,174)</u> | | <u>268,225</u> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 260,000 | | 101,000 |
| Profit and loss account | 13 | | (1,302,174) | | 167,225 |
| | | | <u>(1,042,174)</u> | | <u>268,225</u> |
| Shareholder's funds | 14 | | <u>(1,042,174)</u> | | <u>268,225</u> |

The financial statements were approved by the Board on 2⁵ March 1999 and signed on its behalf by:



K Young

Director

PARLIAMENTARY COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

1. ACCOUNTING POLICIES

a) Accounting convention

The financial statements have been prepared in accordance with applicable Accounting Standards.

b) Going concern

The financial statements have been prepared on a going concern basis as the company has received written assurances from Keith Young and from certain companies in which he holds a controlling interest that continued support will be made available to the company for the foreseeable future.

c) Depreciation

Depreciation is provided to write off fixed assets on a straight line basis over their estimated useful lives as follows:

| | |
|--------------------|---------------------|
| Leasehold premises | - Term of the lease |
| Office equipment | - 25% on cost |

d) Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its net separable assets.

Goodwill and the premium paid on acquisition of investments are amortised in equal annual instalments over their estimated economic life of 10 years.

e) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences expected to reverse within the foreseeable future.

f) Cash flow statement

No cash flow statement has been included in these financial statements as the company qualifies as a small company and is exempt from the requirements of Financial Planning Reporting Standard 1.

g) Lease and hire purchase commitments

Assets acquired subject to finance lease or hire purchase contracts are capitalised as fixed assets and depreciated in accordance with the stated policy. The interest element of rentals falling due is charged to the profit and loss account over the contract period so as to produce a constant periodic rate of charge, except where the contract stipulated a variable rate of charge.

Operating lease rentals are charged to the profit and loss account in the period in which they fall due.

PARLIAMENTARY COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998 - continued

1. ACCOUNTING POLICIES - continued

h) Investments

Investments are stated at the lower of cost and net realisable value.

i) Revenue recognition

- i) Subscription revenue is allocated by accounting periods in proportion to the number of issues covered by the subscription published before and after the accounting date. Unappropriated subscription revenue is included within current liabilities.
- ii) Advertising revenue is brought into account on publication date.
- iii) Fees are recognised over the period of the relevant assignments or agreements.
- iv) Revenue from associated undertakings is brought into account on a cash received basis.

j) Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. Transactions in foreign currency during the year have been translated into sterling at market rates of exchange ruling at the date of settlement.

2. TURNOVER

Turnover represents sales net of value added tax.

All turnover arises in the United Kingdom from the following classes of business.

| | 1998 £'000 | 1997 £'000 |
|-----------------------|---------------|---------------|
| Publishing | 2,105 | 1,520 |
| Government monitoring | 468 | 472 |
| Management services | 108 | 893 |
| | <u>2,681</u> | <u>2,885</u> |

PARLIAMENTARY COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 - continued**

**3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION**

| | 1998 | 1997 |
|--|-------------------|-------------------|
| | £ | £ |
| This is stated after charging:- | | |
| Directors' emoluments | 20,833 | 60,000 |
| Auditors' remuneration | 10,498 | 7,800 |
| Amortisation of goodwill | 3,945 | 4,366 |
| Depreciation | 52,889 | 39,411 |
| Hire of equipment | 33,396 | 23,601 |
| Bank loan interest | 2,250 | - |
| Share of loss in joint venture | 477,322 | - |
| Provision for amounts due from joint venture | 531,258 | - |
| | <u> </u> | <u> </u> |

Details of the company's investment in the joint venture are given in note 9(b).

4. STAFF COSTS

| | 1998 | 1997 |
|-----------------------|-------------------|-------------------|
| | £ | £ |
| Wages and salaries | 823,852 | 486,510 |
| Social security costs | 80,530 | 45,907 |
| Pension costs | - | 2,087 |
| | <u> </u> | <u> </u> |
| | 904,382 | 534,504 |
| | <u> </u> | <u> </u> |

The average number of employees during the year was 45 (1997 - 24).

**5. DIRECTORS' EMOLUMENTS
(including pension contributions)**

| | 1998 | 1997 |
|---------------------------------------|-------------------|-------------------|
| | £ | £ |
| Remuneration provided during the year | 20,833 | 60,000 |
| | <u> </u> | <u> </u> |

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge based on (loss)/profit for the year at 31% (1997 - 32%) is made up as follows:

| | 1998 | 1997 |
|--------------|-------------------|-------------------|
| | £ | £ |
| Tax interest | - | (90) |
| Tax payable | (106,134) | 106,134 |
| Deferred tax | - | (4,170) |
| | <u> </u> | <u> </u> |
| | (106,134) | 101,874 |
| | <u> </u> | <u> </u> |

PARLIAMENTARY COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 - continued**

7. INTANGIBLE FIXED ASSETS

With effect from 1 July 1994 the company paid £1 to acquire the assets and liabilities of Christian Weekly Newspapers Limited. The investment represents the excess of the cost of purchase over the net assets acquired. See also note 15(a).

| | Goodwill £ |
|------------------------------------|----------------------|
| Cost | |
| At 1 July 1997 and at 30 June 1998 | 39,448 |
| | <u> </u> |
| Amortisation | |
| At 1 July 1997 | 11,835 |
| Charge for the year | 3,945 |
| | <u> </u> |
| At 30 June 1998 | 15,780 |
| | <u> </u> |
| Net book value: | |
| At 30 June 1998 | 23,668 |
| | <u> </u> |
| At 30 June 1997 | 27,613 |
| | <u> </u> |

8. TANGIBLE FIXED ASSETS

| | Office equipment £ | Short leasehold £ | Total £ |
|---------------------------|----------------------------------|---------------------------------|-------------------|
| Cost | | | |
| At 1 July 1997 | 174,308 | 20,701 | 195,009 |
| Additions during the year | 127,866 | - | 127,866 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 30 June 1998 | 302,174 | 20,701 | 322,875 |
| | <u> </u> | <u> </u> | <u> </u> |
| Depreciation | | | |
| At 1 July 1997 | 87,450 | 6,109 | 93,559 |
| Charge for the year | 50,819 | 2,070 | 52,889 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 30 June 1998 | 138,269 | 8,179 | 146,448 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net book value: | | | |
| At 30 June 1998 | 163,905 | 12,522 | 176,427 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 30 June 1997 | 86,858 | 14,592 | 101,450 |
| | <u> </u> | <u> </u> | <u> </u> |

PARLIAMENTARY COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998 - continued

9. INVESTMENTS

| a) Investment in subsidiary undertaking | 1998 £ | 1997 £ |
|--|-----------|-----------|
| Shares in subsidiary undertaking at cost | 12,417 | - |

During the year the company acquired 745 registered shares in European Parliamentary Communications Services SPRL, a publishing company incorporated in Belgium. The investment represents a 99.33% shareholding in the Belgium company.

The amount due to European Communications Services SPRL at 30 June 1998 was £12,989.

The company is entitled for the year ended 30 June 1998 to the exemption conferred by section 248 of the Companies Act 1985 from the requirement to produce group accounts.

The financial information about European Parliamentary Communications Services SPRL is as set out below:

| | 1998 £ |
|--|-----------|
| Aggregate share capital and reserves at 30 June 1998 | 4,526 |
| Retained profit for the period ended 30 June 1998 | 359 |

| b) Investment in joint venture | 1998 £ | 1997 £ |
|---|-----------|-----------|
| Investment in joint venture - at cost | 200,000 | - |
| Less: provision for diminution in value | (200,000) | - |
| | - | - |

On 1 October 1997, the company entered into a joint venture agreement with Sport First Publishing Limited and ITM Graphics Limited. The joint venture publishes a newspaper, "Sport First".

The company's investment in the joint venture represents its long term capital contribution. At the year end, there was also an amount due from the joint venture of £331,258 against which full provision has been made. The terms of the joint venture are that each joint venture party participates in one-third of the joint venture's profits or losses, subject to a maximum cumulative profit share. Profits of the joint venture over and above the maximum permitted level prescribed in the joint venture agreement will belong to Sport First Publishing Limited. The company's share of the joint venture loss for the year ended 30 June 1998 is £477,322 (see note 3).

PARLIAMENTARY COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 - continued**

10. DEBTORS

| | 1998 | 1997 |
|--------------------------------|----------------|------------------|
| | £ | £ |
| Trade debtors | 426,246 | 543,711 |
| Other debtors | 24,000 | 260,807 |
| Prepayments and accrued income | 58,464 | 424,213 |
| | <u>508,710</u> | <u>1,228,731</u> |

11. CREDITORS: amounts falling due within one year

| | 1998 | 1997 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Bank overdraft (secured) | 64,833 | - |
| Trade creditors | 391,712 | 234,346 |
| Amount due to subsidiary undertaking | 12,989 | - |
| Other taxes and social security | 71,669 | 85,745 |
| Corporation tax payable | - | 106,134 |
| Hire purchase | - | 4,249 |
| Other creditors | 793,530 | 409,025 |
| Accruals and deferred income | 428,663 | 519,185 |
| | <u>1,763,396</u> | <u>1,358,684</u> |

The bank overdraft is secured by way of a fixed charge on the assets and a floating charge over the assets and undertaking of the business.

12. SHARE CAPITAL

| | 1998 | 1997 |
|---|-------------------|-------------------|
| | £ | £ |
| Authorised | | |
| 400,000 Ordinary shares of £1 each | 400,000 | 400,000 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid | | |
| 260,000 Ordinary shares of £1 each | 260,000 | 101,000 |
| | <u> </u> | <u> </u> |

Details about the issue of shares during the year and since the year end are given in the Directors Report.

PARLIAMENTARY COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 - continued**

13. PROFIT AND LOSS ACCOUNT

| | 1998 | 1997 |
|--|-------------|-------------|
| | £ | £ |
| Retained profit/(loss) brought forward | 167,225 | (153,494) |
| (Loss)/profit for the year | (1,469,399) | 320,719 |
| | <hr/> | <hr/> |
| Retained (loss)/profit carried forward | (1,302,174) | 167,225 |
| | <hr/> | <hr/> |

**14. RECONCILIATION OF MOVEMENT
ON SHAREHOLDER'S FUNDS**

| | 1998 | 1997 |
|---|-------------|-------------|
| | £ | £ |
| Shareholder's funds brought forward | 268,225 | (52,494) |
| Increase in share capital during the year | 159,000 | - |
| Retained (loss)/profit for the year | (1,469,399) | 320,719 |
| | <hr/> | <hr/> |
| Shareholder's funds carried forward | (1,042,174) | 268,225 |
| | <hr/> | <hr/> |
| Represented by Equity Interest | (1,042,174) | 268,225 |
| | <hr/> | <hr/> |

15. CONTINGENT LIABILITIES

- a) The company has an agreement with Christian Weekly Newspapers Limited to manage the production and publication of the Church of England Newspaper. Under terms of this agreement the company indemnifies Christian Weekly Newspapers Limited against all obligations and liabilities and any losses incurred in connection with the publication (see also note 7).
- b) Included in other debtors is an amount of £23,100 which is secured by a fixed charge.

PARLIAMENTARY COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998 - continued

16. OTHER FINANCIAL COMMITMENTS

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as set out below:

| | 1998 | | 1997 | |
|--|-------------------------|--------------|-------------------------|---------------|
| | Short Leasehold £ | Other £ | Short Leasehold £ | Other £ |
| Operating leases which expire: | | | | |
| Within one year | - | - | - | 2,553 |
| In the second to fifth years inclusive | - | 1,730 | - | 16,990 |
| In over five years | 46,200 | - | 46,200 | - |
| | <u>46,200</u> | <u>1,730</u> | <u>46,200</u> | <u>19,543</u> |

17. RELATED PARTY TRANSACTIONS

- i) During the year, the company was provided with the following services on an arm's length basis by businesses over which Keith Young, director and chairman, exercises control.

| | 1998 £ | 1997 £ |
|---------------------|----------------|----------------|
| Management services | 580,407 | 702,188 |
| Pre Press services | 89,729 | 46,846 |
| Courier services | 19,352 | 8,842 |
| Internet services | 10,098 | - |
| | <u>699,586</u> | <u>757,876</u> |

Management and Pre Press services were provided by ITM Graphics Limited, courier services by Excel Couriers Limited and Internet services by General Internet Corporation Limited. The total amounts due to these companies at 30 June 1998 totalled £331,809.

- ii) During the year, the company provided the following services on an arm's length basis to businesses over which Keith Young, director and chairman, exercises control.

| | 1998 £ | 1997 £ |
|---------------------|----------------|----------------|
| Management services | <u>161,213</u> | <u>560,630</u> |

- iii) Included in other creditors and accruals are amounts due to Keith Young of £80,833. These amounts are interest free and repayable on demand.

PARLIAMENTARY COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 - continued**

17. RELATED PARTY TRANSACTIONS - continued

- iv) During the year, the company received £200,000 from Commodity Market Services Limited, a company in which Keith Young is a shareholder. This loan, on which interest is paid at 1% over London Bank Base Rate, is repayable on demand.
- v) During the year, the company received funds from Sport First Publishing Limited and Sport First Plc, companies which are wholly owned by Keith Young. Amounts due to these companies at 30 June 1998 were £239,985 and £24,983 respectively.
- vi) Details of the company's transactions with the joint venture are given in notes 3 and 9. At the year end, all amounts due from the joint venture were fully provided against.

18. ULTIMATE CONTROLLING PARTY

The company is controlled by Mr Keith Young.