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HALI PUBLICATIONS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 1998

Company No. 1391142

HALI PUBLICATIONS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

Company registration number:

1391142

Registered office:

St Giles House
50 Poland Street
LONDON
W1V 4AX

Directors:

G V Sherren
J W Raw
R C Beckett
F S Ghandchi
D L Shaffer

Secretary:

J W Raw

Bankers:

National Westminster Bank PLC
Dean Street Branch
PO Box 2162
20 Dean Street
LONDON
W1A 1SX

Auditors:

Grant Thornton
Registered auditors
Chartered accountants
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

HALI PUBLICATIONS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Accounting policies	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 12

HALI PUBLICATIONS LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and financial statements for the year ended 30 June 1998.

Activities

The principal activities of the company during the year were those of publishing and distributing magazines and books. It is intended to continue to develop these activities.

Trading results and dividends

The profit after taxation for the year was £334,794 (1997: £15,080) which, when added to the retained loss brought forward of £617,818 gives a retained loss of £283,024 to be carried forward on the profit and loss account.

The directors do not recommend the payment of a dividend.

Directors

The directors who have served during the year are as follows:

G V Sherren (Chairman)
J W Raw
R C Beckett - (appointed 30 July 1997)
H Sharman - (resigned 30 July 1997)
F S Ghandchi
D L Shaffer

Directors' interests

Messrs Sherren and Raw are also directors of the ultimate parent undertaking, Centaur Communications Limited, and their interests in the shares of group undertakings are given in that company's annual report.

None of the other directors had any interest in the shares of the company during the year.

Directors responsibilities for the financial statements

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 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, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

HALI PUBLICATIONS LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities (continued)

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000 Compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of the company's customers and suppliers.

The company is in the process of assessing the risks resulting from this issue. When the analysis is complete, the company will consider the likely impact on the business, develop action plans to deal with the key risks, and estimate the costs to be incurred.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



J W Raw
Secretary

15 March 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF

HALI PUBLICATIONS LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of 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.

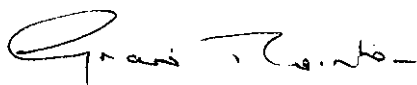
Basis of opinion

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.

Opinion

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



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON
15 March 1999

HALI PUBLICATIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been drawn up under the historical cost convention and in accordance with applicable accounting standards.

TURNOVER

Turnover represents sales of magazines, advertising space and other revenue, excluding Value Added Tax.

DEPRECIATION

Depreciation of tangible assets is provided on a straight line basis at the following rates based on the estimated useful lives of the assets:

Leasehold improvements	10% or the length of the lease if shorter
Fixtures and fittings	10%
Computer equipment	20%
Plant and machinery	20%
Motor vehicles	25%

Depreciation is not provided on the library as the directors are of the opinion that the value of the assets concerned do not diminish with time.

STOCK

Stocks of finished goods are valued at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in production of the stock and bringing it to its current condition and location.

Work in progress is valued as the translation, designing and production costs of books to be printed plus attributable profit to the extent that this is reasonably certain after making provision for contingencies.

FOREIGN CURRENCIES

Transactions denominated in foreign currency are translated at exchange rates prevailing at the transaction date. Assets and liabilities are translated at exchange rates prevailing at the year end date. Any gains or losses arising on exchange are reflected in the profit and loss account.

DEFERRED TAXATION

Provision is made for deferred taxation to the extent that timing differences are expected to reverse in the foreseeable future.

OPERATING LEASES

Rentals payable under operating leases are charged to the profit and loss account over the term of the lease.

HALI PUBLICATIONS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 JUNE 1998

	Note	1998	1997
		£	£
Turnover	1	1,466,218	1,470,154
Cost of sales		<u>(910,207)</u>	<u>(981,464)</u>
Gross profit		556,011	488,690
Distribution costs		(114,839)	(110,287)
Gain on waiver of amounts owed to group undertakings		200,000	-
Other administrative expenses		<u>(310,929)</u>	<u>(364,380)</u>
Total administrative costs		<u>(110,929)</u>	<u>(364,380)</u>
Operating profit		330,243	14,023
Interest receivable	5	<u>4,551</u>	<u>1,057</u>
Profit on ordinary activities before taxation	2	334,794	15,080
Taxation	6	<u>-</u>	<u>-</u>
Profit/(loss) on ordinary activities after taxation		334,794	15,080
Retained loss brought forward		<u>(617,818)</u>	<u>(632,898)</u>
Retained loss carried forward		<u><u>(283,024)</u></u>	<u><u>(617,818)</u></u>

All transactions arise from continuing operations.

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

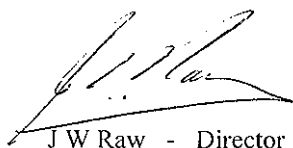
The accompanying accounting policies and notes form an integral part of these financial statements.

HALI PUBLICATIONS LIMITED

BALANCE SHEET AT 30 JUNE 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	7	165,953	179,534
Current assets			
Stock	8	24,211	76,366
Debtors	9	466,725	465,135
Cash at bank and in hand		<u>324,174</u>	<u>76,861</u>
		815,110	618,362
Creditors: amounts falling due within one year	10	<u>(839,711)</u>	<u>(991,338)</u>
Net current liabilities		<u>(24,601)</u>	<u>(372,976)</u>
Total assets less current liabilities		<u>141,352</u>	<u>(193,442)</u>
Capital and reserves			
Equity share capital		41,031	41,031
Non-equity share capital		127	127
Called up share capital	11	<u>41,158</u>	<u>41,158</u>
Share premium account		383,218	383,218
Profit and loss account		<u>(283,024)</u>	<u>(617,818)</u>
Equity shareholders' funds	12	<u>141,352</u>	<u>(193,442)</u>

The financial statements were approved by the Board of Directors on 15 March 1999


J W Raw - Director

The accompanying accounting policies and notes form an integral part of these financial statements.

HALI PUBLICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

1 SEGMENTAL REPORTING

Turnover and operating profit is attributable to the one principal activity of the company.

An analysis of turnover by market is given below:

	1998 £	1997 £
United Kingdom	195,898	329,020
Overseas	<u>1,270,320</u>	<u>1,141,134</u>
	<u>1,466,218</u>	<u>1,470,154</u>

All net assets are located in the United Kingdom.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting) the following amounts:

	1998 £	1997 £
Leasehold property rent	15,814	24,000
Hire of equipment	6,671	10,025
Depreciation of tangible assets	33,466	32,306
Auditors' remuneration		
- audit	3,600	3,000
- non audit	2,250	3,000
Profit on disposal of fixed assets	<u>(40)</u>	<u>-</u>

3 STAFF COSTS AND NUMBER

	1998 £	1997 £
Staff costs, including directors emoluments, were as follows:		
Wages and salaries	353,301	397,302
Social security costs	34,528	38,943
Other pension costs	<u>7,112</u>	<u>7,783</u>
	<u>394,941</u>	<u>444,028</u>

The average number of employees during the year was 16 (1997: 17).

HALI PUBLICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

4 DIRECTORS' EMOLUMENTS

	1998 £	1997 £
The directors remuneration was as follows:		
Emoluments	114,201	96,440
Pension contributions	<u>5,166</u>	<u>4,075</u>
	<u>119,367</u>	<u>100,515</u>

During the year 2 directors (1997: 2 directors) participated in money purchase schemes.

5 INTEREST RECEIVABLE

	1998 £	1997 £
Interest on bank accounts	<u>4,551</u>	<u>1,057</u>

6 TAXATION

No charge is expected to arise on the profit for the year due to brought forward losses.

HALI PUBLICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

7 TANGIBLE ASSETS

	Leasehold improve- ments £	Plant and machinery £	Fixtures and fittings £	Library £	Computer equipment £	Motor vehicles £	Total £
Cost							
At 1 July 1997	46,510	5,016	146,865	82,715	176,322	17,500	474,928
Additions	1,517	-	2,611	-	15,757	-	19,885
Disposals	-	-	-	-	(2,505)	-	(2,505)
At 30 June 1998	<u>48,027</u>	<u>5,016</u>	<u>149,476</u>	<u>82,715</u>	<u>189,574</u>	<u>17,500</u>	<u>492,308</u>
Depreciation							
At 1 July 1997	24,024	5,016	112,649	6,022	141,495	6,188	295,394
Charge for the year	3,244	-	7,814	-	18,033	4,375	33,466
Disposals	-	-	-	-	(2,505)	-	(2,505)
At 30 June 1998	<u>27,268</u>	<u>5,016</u>	<u>120,463</u>	<u>6,022</u>	<u>157,023</u>	<u>10,563</u>	<u>326,355</u>
Net book value							
At 30 June 1998	<u>20,759</u>	<u>-</u>	<u>29,013</u>	<u>76,693</u>	<u>32,551</u>	<u>6,937</u>	<u>165,953</u>
At 30 June 1997	<u>22,486</u>	<u>-</u>	<u>34,216</u>	<u>76,693</u>	<u>34,827</u>	<u>11,312</u>	<u>179,534</u>

8 STOCK

	1998 £	1997 £
Finished goods	17,701	28,599
Work in progress	<u>6,510</u>	<u>47,767</u>
	<u>24,211</u>	<u>76,366</u>

HALI PUBLICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

9 DEBTORS

	1998 £	1997 £
Trade debtors	252,552	211,639
Other debtors	9,859	49,182
Amounts owed by group undertakings	<u>204,314</u>	<u>204,314</u>
	<u>466,725</u>	<u>465,135</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	53,216	56,547
Other creditors	6,865	8,700
Accruals and deferred income	408,109	455,220
Taxation and social security	2,355	4,460
Amounts owed to group undertakings	<u>369,166</u>	<u>466,411</u>
	<u>839,711</u>	<u>991,338</u>

11 SHARE CAPITAL

	Ordinary shares of £1 each £	Non- redeemable preference shares of £1 each £	Total £
Authorised	<u>99,500</u>	<u>500</u>	<u>100,000</u>
Allotted and fully paid	<u>41,031</u>	<u>127</u>	<u>41,158</u>

HALI PUBLICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

SHARE CAPITAL (CONTINUED)

The preference shares have the following rights:

- i) No voting rights except on the winding up of the company at which time they have voting rights equivalent to ordinary shares.
- ii) No right to a dividend.
- iii) On the winding up of the company a right to the payment of £1,810 followed by a share of the remaining net assets in proportion to the total number of shares, both ordinary and preference, in issue at that time.

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Opening shareholders' funds	(193,442)	(208,522)
Profit for the year attributable to shareholders	<u>334,794</u>	<u>15,080</u>
Closing shareholders' funds	<u><u>141,352</u></u>	<u><u>(193,442)</u></u>

13 CAPITAL COMMITMENTS

There were no capital commitments at 30 June 1998 or 30 June 1997.

14 OPERATING LEASE COMMITMENTS

The operating lease rentals which are payable within one year of the balance sheet date are as follows:

	Land and buildings		Equipment	
	1998 £	1997 £	1998 £	1997 £
Leases expiring				
- within one year	-	9,500	-	-
- within two to five years	-	<u>3,334</u>	-	<u>10,007</u>
	<u>-</u>	<u>12,834</u>	<u>-</u>	<u>10,007</u>

HALI PUBLICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 JUNE 1998

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 1998 or at 30 June 1997.

16 GUARANTEES AND BANK OVERDRAFT

The company has granted a cross guarantee in favour of National Westminster Bank PLC in respect of the bank borrowings of the ultimate parent undertaking and of its fellow subsidiary undertakings. The guarantee is secured by specific and floating charges over the company's assets.

17 CONTROLLING RELATED PARTY

The directors consider that the ultimate parent undertaking of this company is Centaur Communications Limited, registered in England and Wales.

Centaur Communications Limited is the company's controlling related party by virtue of its ultimate 100% holding in the company's share capital and voting rights.

The largest group of undertakings for which group accounts have been drawn up is that headed by Centaur Communications Limited.

18 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Centaur Communications Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group.