


# Satellite Graphics Limited

## Report and Financial Statements

31 December 2004

 ERNST & YOUNG



## Satellite Graphics Limited

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Registered No: 1751783

### **Directors**

Dr A M Al Dakhil

Dr F A Al Said

### **Secretary**

I Kanaan

### **Auditors**

Ernst & Young LLP

1 More London Place

London

SE1 2AF


### **Registered office**

Arab Press House

182-184 High Holborn

London

WC1V 7AP

 **ERNST & YOUNG**

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2004.

### Results and dividends

The loss for the year, after taxation, amounted to £465,895. The directors do not recommend the payment of any dividends.

### Principal activities

The principal activity of the company is the printing of newspapers and magazines.

### Directors

The directors who served the company during the year were as follows:

Dr A M Al Dakhil	(appointed 19 April 2004)
Dr F A Al Said	(appointed 31 May 2004)
H Al Rumayan	(resigned 31 May 2004)
Dr A Jazzar	(resigned 19 April 2004)

There are no directors' interests requiring disclosure under the Companies Act 1985.

### Auditors

A resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the board



Dr Al A M Dakhil  
Director

02 May 2005

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## **Statement of directors' responsibilities in respect of 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue 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.

## **Independent auditors' report**

### **to the members of Satellite Graphics Limited**

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

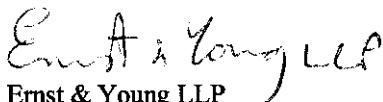
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report**

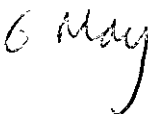
**to the members of Satellite Graphics Limited (continued)**

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

 6 May 2005

## Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £	2003 £
<b>Turnover</b>	3	2,644,871	2,760,647
Cost of sales		1,963,906	1,940,094
<b>Gross profit</b>		680,965	820,553
Distribution costs		4,400	5,530
Administrative expenses		1,078,820	791,149
Other operating income		(11,491)	(7,583)
<b>Operating (loss)/profit</b>	4	(390,764)	31,457
Interest payable and similar charges	6	37,370	57,418
<b>Loss on ordinary activities before taxation</b>		(428,134)	(25,961)
Tax on loss on ordinary activities	7	37,761	18,281
<b>Loss for the financial year</b>		(465,895)	(44,242)

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £465,895 attributable to the shareholders for the year ended 31 December 2004 (2003 - loss of £44,242).

**Balance sheet**

at 31 December 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	8	1,913,188	2,120,405
<b>Current assets</b>			
Stocks	9	41,492	27,439
Debtors	10	982,946	1,313,558
Cash at bank		60,965	14,357
		1,085,403	1,355,354
<b>Creditors: amounts falling due within one year</b>	11	3,262,258	2,995,528
<b>Net current liabilities</b>		(2,176,855)	(1,640,174)
<b>Total assets less current liabilities</b>		(263,667)	480,231
<b>Creditors: amounts falling due after more than one year</b>	12	27,375	343,139
<b>Provisions for liabilities and charges</b>			
Deferred taxation	7	200,246	162,485
		(491,288)	(25,393)
<b>Capital and reserves</b>			
Called up share capital	15	400,000	400,000
Profit and loss account	16	(891,288)	(425,393)
<b>Equity shareholders' funds</b>	16	(491,288)	(25,393)

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 .....  
 Dr A M Al Dakhil  
 Director

02 May 2005



## Notes to the financial statements

at 31 December 2004

### 1. Fundamental accounting concept

The financial statements have been prepared on a going concern basis as the parent undertaking has agreed to provide the company with continuing financial support in order to enable the company to meet its liabilities as they fall due.

### 2. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention.

The following principal accounting policies have been applied consistently throughout the year and the preceding year.

#### *Cash flow statement*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### *Related parties transactions*

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 not to disclose transactions with other members of the group headed by Asharq Al-Awsat Limited, a company whose consolidated financial statements are available to the public.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Improvements to leasehold property	- 25% per annum
Plant and machinery	- 5% - 25% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

## Notes to the financial statements

at 31 December 2004

### 2. Accounting policies (continued)

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### **Operating lease agreements**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### **Pension costs**

The company operates a defined contribution scheme. Contributions payable for the year are charged in the profit and loss account.

### 3. Turnover

The turnover arose from the principal continuing activity of the company, the printing of newspapers and magazines. All turnover relates to the United Kingdom.

Turnover represents the invoiced value of goods and services exclusive of sales related taxes.

### 4. Operating (loss)/profit

This is stated after charging/(crediting):

	2004 £	2003 £
Auditors' remuneration - audit services	8,028	6,297
Depreciation of owned fixed assets	212,935	224,661
Operating lease rentals - land and buildings	175,000	196,910
- plant and machinery	4,237	7,260
Net profit on foreign currency translation	(3,933)	-

# Notes to the financial statements

at 31 December 2004

## 5. Staff costs

	2004 £	2003 £
Wages and salaries	604,342	580,627
Social security costs	57,024	54,537
Staff pension contributions	3,696	3,696
	<u>665,062</u>	<u>638,860</u>

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Production staff	33	33
Administrative staff	3	1
	<u>36</u>	<u>34</u>

The directors were not remunerated for their services (2003 - £nil).

## 6. Interest payable and similar charges

	2004 £	2003 £
Bank interest payable	<u>37,370</u>	<u>57,418</u>

## 7. Taxation

(a) Tax on loss on ordinary activities  
The tax charge is made up as follows:

	2004 £	2003 £
<i>Deferred tax:</i>		
Origination and reversal of timing differences	<u>37,761</u>	<u>18,281</u>

(b) Factors affecting current tax

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are reconciled below:

	2004 £	2003 £
Loss on ordinary activities before taxation	<u>(428,134)</u>	<u>(25,961)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(128,440)	(7,788)
Expenses not deductible for tax purposes	2,550	2,550
Capital allowances in advance of depreciation	(22,929)	(47,699)
Surrender of tax losses for no consideration	148,819	52,937
Total current tax (note 7(a))	<u>—</u>	<u>—</u>

## Notes to the financial statements

at 31 December 2004

### 7. Taxation (continued)

(c) Deferred tax

	2004 £	2003 £
Capital allowances in advance of depreciation	298,700	260,939
Tax losses available	(98,454)	(98,454)
Provision for deferred taxation	<u>200,246</u>	<u>162,485</u>
		£
At 1 January 2004		162,485
Profit and loss account movement arising during the year		37,761
At 31 December 2004		<u>200,246</u>

### 8. Tangible fixed assets

	Improvements to leasehold property £	Plant and machinery £	Total £
Cost:			
At 1 January 2004	197,260	3,071,350	3,268,610
Additions	–	5,718	5,718
At 31 December 2004	<u>197,260</u>	<u>3,077,068</u>	<u>3,274,328</u>
Depreciation:			
At 1 January 2004	102,921	1,045,284	1,148,205
Provided during the year	49,315	163,620	212,935
At 31 December 2004	<u>152,236</u>	<u>1,208,904</u>	<u>1,361,140</u>
Net book value:			
At 31 December 2004	<u>45,024</u>	<u>1,868,164</u>	<u>1,913,188</u>
At 1 January 2004	<u>94,339</u>	<u>2,026,066</u>	<u>2,120,405</u>

### 9. Stocks

	2004 £	2003 £
Raw materials and consumables	<u>41,492</u>	<u>27,439</u>

## Notes to the financial statements

at 31 December 2004

### 10. Debtors

	2004 £	2003 £
Trade debtors	681,198	554,512
Amounts owed by group undertakings	208,012	665,705
Other debtors	27,862	26,493
Prepayments and accrued income	65,874	66,848
	<u>982,946</u>	<u>1,313,558</u>

### 11. Creditors: amounts falling due within one year

	2004 £	2003 £
Current instalment due on bank loan (note 13)	315,764	293,200
Trade creditors	231,472	453,422
Amounts owed to group undertakings	2,618,305	2,228,963
Other taxation and social security	13,624	7,743
Accruals and deferred income	83,093	12,200
	<u>3,262,258</u>	<u>2,995,528</u>

### 12. Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bank loans	<u>27,375</u>	<u>343,139</u>

### 13. Loans

Creditors include finance capital which is due for repayment as follows:

	2004 £	2003 £
Amounts repayable:		
In more than one year but not more than two years	27,375	315,764
In more than two years but not more than five years	–	27,375
	<u>27,375</u>	<u>343,139</u>
On demand or within one year	(315,764)	(293,200)
	<u>343,139</u>	<u>636,339</u>

## Notes to the financial statements

at 31 December 2004

### 14. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	2004		2003	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
In two to five years	–	3,732	–	7,260
In over five years	175,000	–	175,000	–
	<u>175,000</u>	<u>3,732</u>	<u>175,000</u>	<u>7,260</u>

### 15. Share capital

	2004		Authorised 2003	
	£		£	
Ordinary shares of £1 each		<u>400,000</u>		<u>400,000</u>
	<i>Allotted, called up and fully paid</i>			
	2004		2003	
	No.	£	No.	£
Ordinary shares of £1 each	400,000	<u>400,000</u>	400,000	<u>400,000</u>

### 16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 1 January 2003	400,000	(381,151)	18,849
Loss for the year	–	(44,242)	(44,242)
At 31 December 2003	<u>400,000</u>	<u>(425,393)</u>	<u>(25,393)</u>
Loss for the year	–	(465,895)	(465,895)
At 31 December 2004	<u>400,000</u>	<u>(891,288)</u>	<u>(491,288)</u>

### 17. Parent undertakings

The group in which the results of the company are consolidated is that headed by Asharq Al-Awsat Limited, the company's immediate parent company. The consolidated financial statements of this group are available to the public and may be obtained from Companies House.

The company's ultimate parent company and controlling party is Saudi Research and Publishing Company, which is incorporated as a mixed liability partnership in Saudi Arabia.