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Satellite Graphics Limited

Report and Financial Statements

31 December 2006

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COMPANIES HOUSE

Satellite Graphics Limited

Registered No 1751783

Directors

Dr A M Al Dakhil

Dr F A Al Said

Secretary

Adel Ellithy

Auditors

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Registered office

Arab Press House

182-184 High Holborn

London

WC1V 7AP

Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The loss for the year after tax amounted to £1,610,476 (2005 - loss of £491,959) The directors do not recommend the payment of any dividends

Principal activities and review of the business

The principal activity of the company is the printing of newspapers and magazines The directors are currently reviewing the results of the company and intend to implement a strategy in order to improve the performance and profitability of the company and of the group as a whole

During the year, in accordance with the company's accounting policy, the directors undertook an impairment test in response to circumstances which indicated that fixed assets were potentially carried at greater than their recoverable amount

An impairment of £902,250 (2005 - £nil) has been recognised based on the fair value less costs to sell the assets concerned

Directors and their interests

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

Dr A M Al Dakhil
Dr F A Al Said

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

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed above Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



Secretary

30 MAY 2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial period 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 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
London

4 June 2007

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	3	1,864,364	2,460,949
Cost of sales		(1,493,218)	(1,909,478)
Gross profit		371,146	551,471
Distribution costs		(604)	(1,700)
Administrative expenses		(1,270,064)	(1,042,971)
Impairment charge		(902,250)	–
Other operating income		3,104	4,421
Operating loss	4	(1,798,668)	(488,779)
Profit on disposal of tangible fixed assets		21,277	–
Interest payable and similar charges	6	(17,428)	(19,083)
Loss on ordinary activities before taxation		(1,794,819)	(507,862)
Tax credit on loss on ordinary activities	7	184,343	15,903
Loss retained for the financial year		<u>(1,610,476)</u>	<u>(491,959)</u>

Statement of total recognised gains and losses

There are no recognised gains or losses other than the retained loss of £1,610,476 attributable to the shareholders for the year ended 31 December 2006 (2005 - loss of £491,959)

Balance sheet

at 31 December 2006

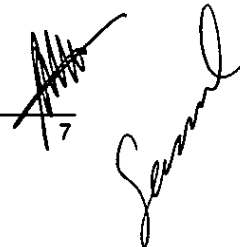
	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	8	838,645	1,968,957
Current assets			
Stocks	9	115,011	93,875
Debtors	10	828,143	1,020,644
Cash at bank		76,531	84,037
		<u>1,019,685</u>	<u>1,198,556</u>
Creditors: amounts falling due within one year	11	(4,397,952)	(3,828,289)
Net current liabilities		<u>(3,378,267)</u>	<u>(2,629,733)</u>
Total assets less current liabilities		<u>(2,539,622)</u>	<u>(660,776)</u>
Creditors: amounts falling due after more than one year	12	(54,101)	(138,128)
Provisions for liabilities and charges	14	–	(184,343)
Net liabilities		<u>(2,593,723)</u>	<u>(983,247)</u>
Capital and reserves			
Called up share capital	16	400,000	400,000
Profit and loss account	17	(2,993,723)	(1,383,247)
Equity shareholders' deficit	17	<u>(2,593,723)</u>	<u>(983,247)</u>

Approved by and signed on behalf of the Board

Director



30 MAY 2007



Notes to the financial statements

at 31 December 2006

1. Fundamental accounting concept

The financial statements have been prepared on a going concern basis since the parent undertaking, Saudi Research and Publishing Company, 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 FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small

Related parties transactions

The company has taken advantage of the exemption in FRS 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 on a reducing balance basis
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

Finance Leases

Assets held under finance leases are capitalised and depreciated over the shorter of their useful economic life or the life of the lease

The capital elements of future obligations under leases are included as liabilities in the balance sheet

The interest element of rental obligations are charged to the profit and loss account over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding

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 2006

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

3. Turnover

The turnover arose from the principal continuing activity of the company, the printing of newspapers and magazines

All turnover is derived from the United Kingdom and represents the invoiced value of goods and services exclusive of Value Added Tax

4. Operating loss

This is stated after charging

	2006 £	2005 £
Auditors' remuneration - audit services	14,500	8,500
Depreciation of owned fixed assets	150,364	184,901
Depreciation of fixed assets held under finance leases	84,828	35,347
Impairment charge	902,250	—
Operating lease rentals - land and buildings	175,000	175,000
Net loss on foreign currency translation	195	18,564

Notes to the financial statements

at 31 December 2006

5. Staff costs

	2006 £	2005 £
Wages and salaries	442,557	598,654
Social security costs	44,244	57,372
	<u>486,801</u>	<u>656,026</u>

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

	2006 No	2005 No
Production staff	17	26
Administrative staff	4	3
	<u>21</u>	<u>29</u>

The directors were not remunerated for their services (2005 - £nil)

6. Interest payable and similar charges

	2006 £	2005 £
Bank interest payable	3,353	14,805
Finance charges payable under finance leases	14,075	4,278
Finance charges payable under finance leases	<u>17,428</u>	<u>19,083</u>

7. Taxation

(a) Tax on loss on ordinary activities

The tax credit is made up as follows

	2006 £	2005 £
<i>Current tax</i>		
UK corporation tax at current rates (note 7(b))	—	—
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 14)	<u>(184,343)</u>	<u>(15,903)</u>
Tax on loss on ordinary activities	<u>(184,343)</u>	<u>(15,903)</u>

Notes to the financial statements

at 31 December 2006

7. Taxation (continued)

(b) Factors affecting current tax credit

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% (2005 - 30%) The differences are reconciled below

	2006 £	2005 £
Loss on ordinary activities before tax	(1,794,819)	(507,862)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(538,446)	(152,359)
Expenses not deductible for tax purposes	–	24
Capital allowances in arrears/(excess) of depreciation and impairment	309,150	(9,708)
Surrender of tax losses for no consideration	229,296	162,043
Total current tax (note 7(a))	–	–

(c) Deferred and future tax

Deferred tax has been provided in the financial statements as follows

	2006 £	2005 £
Capital allowances in advance of depreciation	–	(282,797)
Tax losses available	–	98,454
Provision for deferred taxation (note 14)	–	(184,343)

As at 31 December 2006, the company has a deferred tax asset of approximately £78,000 (2005 - £nil) resulting from tax losses carried forward, offset by capital allowances in advance of depreciation. In accordance with the company's accounting policy this amount has not been recognised

Trade tax losses carried forward against future profits amount to £328,180 (2005 - £328,180)

8. Tangible fixed assets

	Improvement to leasehold property £	Plant and machinery £	Total £
Cost			
At 1 January 2006	218,777	3,331,568	3,550,345
Additions	–	7,130	7,130
Disposals	–	(350,000)	(350,000)
At 31 December 2006	218,777	2,988,698	3,207,475
Depreciation			
At 1 January 2006	188,443	1,392,945	1,581,388
Provided during the year	7,454	227,738	235,192
Impairment charge	–	902,250	902,250
Disposals	–	(350,000)	(350,000)
At 31 December 2006	195,897	2,172,933	2,368,830
Net book value			
At 31 December 2006	22,880	815,765	838,645
At 1 January 2006	30,334	1,938,623	1,968,957

Notes to the financial statements

at 31 December 2006

8. Tangible fixed assets (continued)

Included within fixed assets are assets held under finance leases with a net book value of £107,825 (2005 - £219,153). The depreciation charged on assets held under finance leases was £84,828 (2005 - £35,347) and the impairment charge was £26,500 (2005 - £nil).

During the year, in accordance with the company's accounting policy, the directors undertook an impairment test in response to circumstances which indicated that fixed assets were potentially carried at greater than their recoverable amount.

An impairment of £902,250 (2005 - £nil) has been recognised based on the fair value less costs to sell the assets concerned.

9. Stocks

	2006 £	2005 £
Raw materials and consumables	<u>115,011</u>	<u>93,875</u>

10. Debtors

	2006 £	2005 £
Trade debtors	635,609	849,635
Amounts owed by group undertakings	28,601	23,998
Other debtors	97,610	107,663
Prepayments and accrued income	66,323	39,348
	<u>828,143</u>	<u>1,020,644</u>

11. Creditors: amounts falling due within one year

	2006 £	2005 £
Current instalment due on bank loan (note 14)	—	27,375
Obligations under finance leases	87,378	81,025
Trade creditors	540,432	426,403
Amounts owed to group undertakings	3,737,506	3,207,680
Other taxation and social security	12,101	13,274
Accruals and deferred income	20,535	72,532
	<u>4,397,952</u>	<u>3,828,289</u>

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

	2006 £	2005 £
Obligations under finance leases	<u>54,101</u>	<u>138,128</u>

Notes to the financial statements

at 31 December 2006

13. Loans and finance leases

Creditors include third party finance capital which is due for repayment as follows

Loans

	2006 £	2005 £
Amount repayable		
On demand or within one year	<u>–</u>	<u>27,375</u>

Finance leases

	2006 £	2005 £
Amounts repayable		
Within two to five years	–	50,750
Within one to two years	54,101	87,378
On demand or within one year	87,378	81,025
	<u>141,479</u>	<u>219,153</u>

14. Provisions for liabilities and charges

	Deferred tax £
At 1 January 2006	184,343
Deferred tax credit in profit and loss account (note 7(a))	(184,343)
At 31 December 2006 (note 7(c))	<u>–</u>

15. Commitments under operating leases

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
In over five years	<u>175,000</u>	<u>–</u>	<u>175,000</u>	<u>–</u>
	<u>175,000</u>	<u>–</u>	<u>175,000</u>	<u>–</u>

Notes to the financial statements

at 31 December 2006

16. Share capital

	2006 £	Authorised 2005 £
Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>

	<i>Allotted, called up and fully paid</i>		
	2006	2005	
	No	£	No
Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

17. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total share- holders' funds</i> £
At 1 January 2005	400,000	(891,288)	(491,288)
Loss for the year	—	(491,959)	(491,959)
At 31 December 2005	<u>400,000</u>	<u>(1,383,247)</u>	<u>(983,247)</u>
Loss for the year	—	(1,610,476)	(1,610,476)
At 31 December 2006	<u>400,000</u>	<u>(2,993,723)</u>	<u>(2,593,723)</u>

18. Parent undertakings

The company's immediate parent undertaking is Asharq Al-Awsat Limited, a company registered in England & Wales. Asharq Al-Awsat has included this company in its consolidated financial statements which are publicly available.

In director's opinion the company's ultimate parent undertaking and controlling party is Saudi Research and Marketing Group, which is incorporated as a joint stock company with subscription registered in the Kingdom of Saudi Arabia. Copies of its group financial statements, which include the company, are available from PO Box 53108, Riyadh 11583, Saudi Arabia.