

Contents

Financial statements for
the year ended 30 September 1998

**Al-Quds Al-Arabi
Publishing &
Advertising (Overseas)
Limited**

Director's report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 11



Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Company information

Director	A B Atwan
Secretary	P Sundram
Company number	2604233
Registered office	Clifton Down House Beaufort Buildings Clifton Down Bristol BS8 4AN
Auditors	Mazars Neville Russell Clifton Down House Beaufort Buildings Bristol BS8 4AN
Business address	164-166 King Street London W6 OQU

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Director's report For the year ended 30 September 1998

The director presents his report and financial statements for the year ended 30 September 1998.

Director's responsibilities

Company law requires the director 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 director is 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 continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Director

The following director has held office since 1 October 1997:

A B Atwan

Director's interests

The director's beneficial interest in the shares of the company was as stated below:

	Ordinary shares of £ 1 each	
	30 September 1998	1 October 1997
A B Atwan	-	-

Principal activities and review of the business

The principal activity of the company continued to be that of publishing and distributing a daily newspaper.

The results for the year and the financial position at the year end were considered satisfactory by the director who expects that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

The director does not recommend the payment of any dividend.

Fixed assets

The significant changes in fixed assets during the year are explained in notes 9 and 10 to the financial statements.

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Director's report For the year ended 30 September 1998


Year 2000

The directors are in the process of reviewing the likely impact of the Year 2000 on the company. The directors are unable to quantify the financial impact on the company at this time.

Auditors

On 1 September 1998 our auditors, Neville Russell, changed their name to Mazars Neville Russell. A resolution to appoint Mazars Neville Russell as auditors will be proposed at the forthcoming annual general meeting.

By order of the board


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19th April, 2000
.....

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Auditors' report

To the shareholders of Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

We have audited the financial statements on pages 4 to 11 which have been prepared following the accounting policies set out on page 6.

Respective responsibilities of the director and auditors

As described on page 1 the company's director is 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 director 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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the supporters giving their support by providing adequate loan facilities and making donations. The director has not received any confirmation that such support will be forthcoming. The financial statements do not include any adjustments that would result from a failure to obtain such support. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. 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's affairs as at 30 September 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

Bristol
14 April 1999

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Profit and loss account For the year ended 30 September 1998

	Notes	1998 £	1997 £
Turnover	2	322,112	320,209
Cost of sales		<u>(2,087,302)</u>	<u>(1,498,173)</u>
Gross loss		(1,765,190)	(1,177,964)
Administrative expenses		(229,774)	(247,633)
Other operating income		<u>1,942,557</u>	<u>1,407,277</u>
Operating loss	3	(52,407)	(18,320)
Other interest receivable and similar income	4	208	17
Interest payable and similar charges	5	<u>(7,042)</u>	<u>(4,038)</u>
Loss on ordinary activities before taxation		(59,241)	(22,341)
Tax on loss on ordinary activities	8	<u>(4)</u>	<u>-</u>
Loss on ordinary activities after taxation	14	<u><u>(59,245)</u></u>	<u><u>(22,341)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.


Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Balance sheet

As at 30 September 1998

	Notes	1998 £	£	1997 £	£
Fixed assets					
Intangible assets	9		97,781		130,373
Tangible assets	10		66,457		51,620
			<u>164,238</u>		<u>181,993</u>
Current assets					
Debtors	11	187,288		110,692	
Cash at bank and in hand		11,065		209,381	
		<u>198,353</u>		<u>320,073</u>	
Creditors: amounts falling due within one year	12	(685,609)		(765,839)	
Net current liabilities			<u>(487,256)</u>		<u>(445,766)</u>
Total assets less current liabilities			<u>(323,018)</u>		<u>(263,773)</u>
Capital and reserves					
Share capital	13		100		100
Profit and loss account	14		(323,118)		(263,873)
Shareholders' funds - equity interests	15		<u>(323,018)</u>		<u>(263,773)</u>

The financial statements were approved by the Board on 19th April 2000



Director

Director

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Notes to the financial statements For the year ended 30 September 1998

1 Accounting policies

1.1 Accounting convention

During the year the company incurred a loss of £59,245 and at the balance sheet date its current liabilities exceeded its current assets by £487,256. In addition to its sales and advertising revenue, the company relies on its supporters for financial support. The director has received written assurances that funding will be available for next year at levels at least similar to that received in the year to 30 September 1998.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the supporters giving their support by providing adequate loan facilities and making donations as outlined above. The director has not received any confirmation that such support will be forthcoming.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

1.2 Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers.

1.3 Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of separable net assets acquired. Goodwill is written off in equal annual instalments over its estimated useful economic life.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25%
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1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Notes to the financial statements For the year ended 30 September 1998

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

2 Turnover

The turnover, loss before taxation and net liabilities are attributable to the principal activity, the publishing and distribution of a daily newspaper. The company operates in the UK and abroad.

3 Operating loss	1998	1997
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	32,592	32,593
Depreciation of tangible assets	22,151	17,205
Operating lease rentals	5,364	4,602
Auditors' remuneration	4,800	4,800
	<u> </u>	<u> </u>
 4 Other interest receivable and similar income	 1998	 1997
	£	£
Bank interest	208	17
	<u> </u>	<u> </u>
 5 Interest payable	 1998	 1997
	£	£
On bank loans and overdrafts	6,769	3,776
On other loans wholly repayable within 5 years	273	262
	<u> </u>	<u> </u>
	<u>7,042</u>	<u>4,038</u>

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Notes to the financial statements For the year ended 30 September 1998

6 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1998 Number	1997 Number
Management	3	3
Production	20	19
	<u>23</u>	<u>22</u>

Employment costs

	£	£
Wages and salaries	608,197	500,488
Social security costs	61,242	50,628
	<u>669,439</u>	<u>551,116</u>

7 Director's emoluments

	1998 £	1997 £
Emoluments for qualifying services	<u>124,864</u>	<u>102,221</u>

8 Taxation

	1998 £	1997 £
U.K. current year taxation		
U.K. corporation tax at 21% (1997 - 23%)	<u>4</u>	<u>-</u>

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Notes to the financial statements For the year ended 30 September 1998

9 Intangible fixed assets

	Goodwill £
Cost	
At 1 October 1997 & at 30 September 1998	325,928
Amortisation	
At 1 October 1997	195,555
Charge for year	32,592
	<u>228,147</u>
At 30 September 1998	<u>228,147</u>
Net book value	
At 30 September 1998	<u>97,781</u>
At 30 September 1997	<u>130,373</u>

10 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 October 1997	102,456
Additions	36,988
	<u>139,444</u>
At 30 September 1998	<u>139,444</u>
Depreciation	
At 1 October 1997	50,836
Charge for the year	22,151
	<u>72,987</u>
At 30 September 1998	<u>72,987</u>
Net book value	
At 30 September 1998	<u>66,457</u>
At 30 September 1997	<u>51,620</u>

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Notes to the financial statements For the year ended 30 September 1998

11 Debtors	1998	1997
	£	£
Trade debtors	161,224	78,829
Other debtors	9,946	13,038
Prepayments and accrued income	16,118	18,825
	<u>187,288</u>	<u>110,692</u>
 12 Creditors: amounts falling due within one year	 1998	 1997
	£	£
Bank loans and overdrafts	17,773	-
Taxes and social security costs	53,616	16,527
Director's current accounts	69,192	69,192
Other creditors	60,000	600,000
Accruals and deferred income	485,028	80,120
	<u>685,609</u>	<u>765,839</u>
 13 Share capital	 1998	 1997
	£	£
Authorised		
1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and fully paid		
100 Ordinary shares of £ 1 each	<u>100</u>	<u>100</u>
 14 Statement of movements on profit and loss account		
		Profit and loss account £
Balance at 1 October 1997		(263,873)
Retained loss for the year		<u>(59,245)</u>
Balance at 30 September 1998		<u>(323,118)</u>

Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited

Notes to the financial statements For the year ended 30 September 1998

15 Reconciliation of movements in shareholders' funds	1998 £	1997 £
Loss for the financial year	(59,245)	(22,341)
Opening shareholders' funds	<u>(263,773)</u>	<u>(241,432)</u>
Closing shareholders' funds	<u><u>(323,018)</u></u>	<u><u>(263,773)</u></u>

16 Financial commitments

At 30 September 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Expiry date:		
Between two and five years	<u><u>3,563</u></u>	<u><u>3,528</u></u>