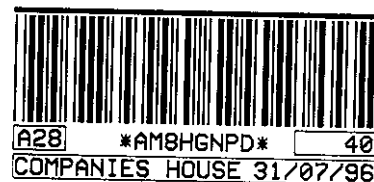


AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1995



AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1995

DIRECTOR:

A B Atwan
S Aloul (Resigned 30 December 1994)

SECRETARY:

P Sundram

REGISTERED OFFICE:

Clifton Down House
Beaufort Buildings
Clifton Down
Clifton
Bristol BS8 4AN

REGISTERED NUMBER:

2604233

AUDITORS:

Neville Russell

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1995

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AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

DIRECTOR'S REPORT

The director presents his report and the financial statements for the year ended 30 September 1995.

STATEMENT OF 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;
- 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 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.

REVIEW OF THE BUSINESS

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

The director considers that both the level of business and the year end financial position were satisfactory, and the director expects that the present level of activity will be sustained for the foreseeable future.

RESULTS

The loss for the year after taxation was £80,345.

The director does not recommend the payment of any dividend.

The loss for the year has been added to the accumulated losses on profit and loss account at the beginning of the year.

FIXED ASSETS

Details of changes in fixed assets are given in notes 9 and 10 to the financial statements.

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

DIRECTOR'S REPORT

DIRECTOR

S Aloul resigned as a director on 30 December 1994.

A B Atwan has held office during the whole of the period from 1 October 1994 to the date of this report.

The interests in the shares of the company, according to the register of directors' interests, were as shown below:


Ordinary shares of £1 each

| Director's name | 30 September 1995 Beneficial interests | 1 October 1994 Beneficial interests |
|--------------------|--|---|
| A B Atwan | - | 51 |
| S Aloul | - | 49 |

AUDITORS

Neville Russell have signified their willingness to continue in office and a resolution proposing their re-appointment will be put to the forthcoming annual general meeting.

Approved by the board on 29 July 1996
and signed on its behalf by


.....
Mr A B Atwan

AUDITORS' REPORT TO THE SHAREHOLDERS OF AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared following the accounting policies set out on pages 7 and 8.

Respective responsibilities of 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 an 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 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 1995 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Neville Russell

Neville Russell
Chartered Accountants
and Registered Auditors
Clifton Down House

29 July 1996

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1995

| | Notes | 1995 £ | 1994 £ |
|--|-------|------------------------|------------------------|
| TURNOVER | | 207,292 | 227,088 |
| Cost of sales | | <u>(940,772)</u> | <u>(757,558)</u> |
| GROSS LOSS | | (733,480) | (530,470) |
| Administration expenses | | (187,254) | (237,480) |
| Other operating income | 3 | <u>841,833</u> | <u>724,356</u> |
| OPERATING LOSS | | (78,901) | (43,594) |
| Interest receivable and similar income | | <u>2,626</u> | <u>63</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST | | (76,275) | (43,531) |
| Interest payable and similar charges | 5 | <u>(4,070)</u> | <u>(1,191)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION | 4,14 | <u><u>(80,345)</u></u> | <u><u>(44,722)</u></u> |

The company's turnover and expenses all relate to continuing operations.

The company has no recognised gains or losses other than the loss for the year.

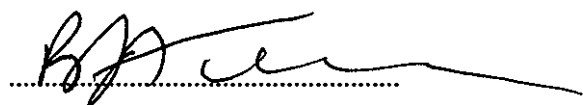
There is no material difference between the results as reported above and their historical cost equivalents.

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1995

| | Notes | 1995 £ | 1994 £ |
|---|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 195,557 | 228,149 |
| Tangible assets | 10 | 37,244 | 15,683 |
| | | <u>232,801</u> | <u>243,832</u> |
| CURRENT ASSETS | | | |
| Debtors | 11 | 85,877 | 69,690 |
| Cash at bank and in hand | | 83,886 | 71,644 |
| | | <u>169,763</u> | <u>141,334</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 12 | <u>(575,343)</u> | <u>(477,600)</u> |
| NET CURRENT LIABILITIES | | <u>(405,580)</u> | <u>(336,266)</u> |
| | | <u>(172,779)</u> | <u>(92,434)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 100 | 100 |
| Profit and loss account | 14 | (172,879) | (92,534) |
| SHAREHOLDERS' FUNDS | 14 | <u>(172,779)</u> | <u>(92,434)</u> |

Approved by the board on *29 July 1996*
and signed on its behalf by



Mr A B Atwan, Director

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

Notes to the Financial Statements for the Year Ended 30 September 1995

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

(a) Accounting convention

During the year the company incurred a loss of £80,345 and at the balance sheet date its current liabilities exceeded its current assets by £405,580. 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 1995.

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.

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.

(b) Turnover

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

(c) Depreciation

Depreciation is calculated to write off the cost or revalued amount less estimated residual value of fixed assets on a reducing balance basis over their estimated useful lives.

(d) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

(e) Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of separable net assets acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life.

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

Notes to the Financial Statements for the Year Ended 30 September 1995

(f) Foreign currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for:

- (i) monetary assets and liabilities, which are translated at the rate ruling at the balance sheet date (other than those in (ii) below); and
- (ii) transactions to be settled at a contracted rate and trading transactions covered by a related or matching forward contract, which are translated at those contracted rates.

Differences arising on the translation of such items are dealt with in the profit and loss account.

(g) Leases

Operating leases

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

2. SEGMENTAL INFORMATION

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 U.K. and abroad.

3. OTHER OPERATING INCOME

| | 1995 £ | 1994 £ |
|--------------------------------|----------------|----------------|
| Exchange gains | - | 26,607 |
| Profit on sale of fixed assets | - | 4,186 |
| Subsidy received | 841,833 | 693,563 |
| | <u>841,833</u> | <u>724,356</u> |

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

Notes to the Financial Statements for the Year Ended 30 September 1995

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation
is stated after charging:

| | 1995 £ | 1994 £ |
|---|----------------|----------------|
| Staff costs (note 6) | 412,152 | 329,259 |
| Exchange losses | 1,101 | - |
| Depreciation of owned tangible fixed assets | 12,414 | 5,227 |
| Amortisation of goodwill | 32,593 | 32,593 |
| Hire of assets - operating leases | 4,069 | 4,069 |
| Auditors' remuneration - audit fee | 5,000 | 3,500 |
| | <u>412,152</u> | <u>329,259</u> |

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1995 £ | 1994 £ |
|--|--------------|--------------|
| Bank loans and overdrafts and other loans wholly repayable within 5 years | 6 | 68 |
| Bank charges | 1,868 | 1,123 |
| Other interest | 2,196 | - |
| | <u>4,070</u> | <u>1,191</u> |

6. STAFF COSTS

| | 1995 £ | 1994 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 376,845 | 301,865 |
| Social security costs | 35,307 | 27,394 |
| | <u>412,152</u> | <u>329,259</u> |

| | 1995 Number | 1994 Number |
|---|----------------|----------------|
| Average number of persons, including executive directors, employed by the company during the year: | | |
| Management | 2 | 2 |
| Production | 17 | 20 |
| | <u>19</u> | <u>22</u> |

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

Notes to the Financial Statements for the Year Ended 30 September 1995

7. DIRECTOR

| | | |
|---------------------|---------------|---------------|
| Management services | <u>77,400</u> | <u>39,600</u> |
|---------------------|---------------|---------------|

8. TAXATION

At 30 September 1995 the company had approximately £36,000 of tax losses available to set against future trading profits. Therefore no tax is due.

9. INTANGIBLE FIXED ASSETS

| | |
|---|----------------|
| | £ |
| COST | |
| At 1 October 1994 and At 30 September 1995 | <u>325,928</u> |
| AMORTISATION | |
| At 1 October 1994 | 97,779 |
| Charge for the year | <u>32,592</u> |
| At 30 September 1995 | <u>130,371</u> |
| NET BOOK VALUE | |
| At 30 September 1995 | <u>195,557</u> |
| At 30 September 1994 | <u>228,149</u> |

Goodwill arose on the purchase of a business in 1991 and is being amortised over 10 years. In the opinion of the directors this represents a prudent estimate of the period over which the company will derive direct economic benefit from the business.

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

Notes to the Financial Statements for the Year Ended 30 September 1995

10. TANGIBLE FIXED ASSETS

| | Furniture and Equipment £ |
|--------------------------|------------------------------------|
| COST | |
| At 1 October 1994 | 23,195 |
| Additions | 33,976 |
| | <hr/> |
| At 30 September 1995 | 57,171 |
| | <hr/> |
| ACCUMULATED DEPRECIATION | |
| At 1 October 1994 | 7,512 |
| Charge for the year | 12,415 |
| | <hr/> |
| At 30 September 1995 | 19,927 |
| | <hr/> |
| NET BOOK VALUES | |
| At 30 September 1995 | 37,244 |
| | <hr/> |
| At 30 September 1994 | 15,683 |
| | <hr/> |
| Depreciation rate | 25% |

11. DEBTORS

| | 1995 £ | 1994 £ |
|--------------------------------|-----------|-----------|
| DUE WITHIN ONE YEAR | | |
| Trade debtors | 63,442 | 45,774 |
| Other debtors | 5,011 | 5,950 |
| Prepayments and accrued income | 17,424 | 17,966 |
| | <hr/> | <hr/> |
| | 85,877 | 69,690 |
| | <hr/> | <hr/> |

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

Notes to the Financial Statements for the Year Ended 30 September 1995

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1995 £ | 1994 £ |
|------------------------------|----------------|----------------|
| Bank loans and overdrafts | 529 | 41,873 |
| Other loans | 400,000 | 97,000 |
| Other taxation | - | 79,681 |
| Other creditors | - | 4,000 |
| Directors' loan accounts | 69,193 | 69,193 |
| Accruals and deferred income | 105,621 | 185,853 |
| | <u>575,343</u> | <u>477,600</u> |

The Other loans are unsecured and bear no interest charge.

13. SHARE CAPITAL

| | Authorised | | Allotted, Issued and Fully Paid | |
|----------------------------|--------------|--------------|------------------------------------|------------|
| | 1995 £ | 1994 £ | 1995 £ | 1994 £ |
| Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> | <u>100</u> | <u>100</u> |

14. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

| | Share Capital £ | Profit and Loss Account £ | Total Shareholders' Funds £ |
|------------------------------|-----------------------|------------------------------------|--------------------------------------|
| Balance at 1 October 1994 | 100 | (47,812) | (47,712) |
| Loss for the financial year | - | (44,722) | (44,722) |
| Balance at 30 September 1994 | <u>100</u> | <u>(92,534)</u> | <u>(92,434)</u> |
| Loss for the financial year | - | (80,345) | (80,345) |
| Balance at 30 September 1995 | <u>100</u> | <u>(172,879)</u> | <u>(172,779)</u> |

AL QUDS AL-ARABI PUBLISHING AND ADVERTISING (OVERSEAS) LIMITED

Notes to the Financial Statements for the Year Ended 30 September 1995

15. OTHER FINANCIAL COMMITMENTS

At 30 September 1995 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 September 1996:

| | 1995 £ | 1994 £ |
|--------------------------------|--------------|--------------|
| Operating leases which expire: | | |
| Within 2 to 5 years | 3,528 | 3,528 |
| | <u>3,528</u> | <u>3,528</u> |

The company is in the process of negotiating a new lease on its premises but at the date of this report this was as yet unsigned. The commitment is expected to be £51,876 per annum.