

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

Company Registration No. 2604233 (England and Wales)

Director's report and financial statements

For the year ended 30 September 2004



Clifton Down House, Beaufort Buildings, Clifton Down,
Clifton, Bristol, BS8 4AN
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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 Clifton Bristol BS8 4AN
Auditors	Mazars LLP Clifton Down House Beaufort Buildings Clifton Down Clifton Bristol. BS8 4AN
Business address	164-166 King Street London W6 0QU

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

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

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2004

The director presents his report and financial statements for the year ended 30 September 2004.

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.

The director believes that the Company will continue to sustain the current activity levels in the coming year.

Results and dividends

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

The director does not recommend the payment of any dividend.

Director

The following director has held office since 1 October 2003:

A B Atwan

Director's interests

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

Auditors

During the year, our auditors Mazars transferred their business to Mazars LLP, a partnership incorporated under the Limited Liability Partnership Act 2002

A resolution to appoint Mazars LLP will be proposed at the forthcoming Annual General Meeting.

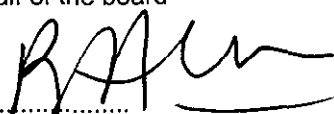
Director's responsibilities

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.

On behalf of the board



A B Atwan

Director

30 Sept 05

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AL-QUDS AL-ARABI PUBLISHING & ADVERTISING (OVERSEAS) LIMITED

We have audited the financial statements of Al-Quds Al-Arabi Publishing & Advertising (Overseas) Limited on pages 4 to 11 for the year ended 30 September 2004. These financial statements have been prepared under the historical cost convention and 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 the director and auditors

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatement 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 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.

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 continuing to provide 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.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF AL-QUDS AL-ARABI PUBLISHING & ADVERTISING (OVERSEAS) LIMITED

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP
Mazars LLP

Chartered Accountants
and Registered Auditors

30 Sept 05
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Clifton Down House
Beaufort Buildings
Clifton Down
Clifton
Bristol. BS8 4AN,

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	671,717	765,679
Cost of sales		(2,354,727)	(2,598,830)
Gross loss		(1,683,010)	(1,833,151)
Administrative expenses		(259,668)	(228,726)
Other operating income		1,767,787	1,885,000
Operating loss	3	(174,891)	(176,877)
Other interest receivable and similar income		1,360	1,678
Loss on ordinary activities before taxation		(173,531)	(175,199)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	10	(173,531)	(175,199)

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 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	6		17,368		20,564
Current assets					
Debtors	7	288,611		266,489	
Cash at bank and in hand		13,975		40,865	
		<u>302,586</u>		<u>307,354</u>	
Creditors: amounts falling due within one year	8	<u>(994,358)</u>		<u>(828,791)</u>	
Net current liabilities			<u>(691,772)</u>		<u>(521,437)</u>
Total assets less current liabilities			<u>(674,404)</u>		<u>(500,873)</u>
Capital and reserves					
Called up share capital	9	550,100		550,100	
Profit and loss account	10	<u>(1,224,504)</u>		<u>(1,050,973)</u>	
Shareholders' funds - equity interests	11	<u>(674,404)</u>		<u>(500,873)</u>	

The financial statements were approved by the Board on 30 Sept 05

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A B Atwan
Director

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

1 Accounting policies

1.1 Accounting convention

During the year the company incurred a loss of £173,531 and at the balance sheet date its current liabilities exceeded its current assets by £691,772. In addition to its sales and advertising revenue, the company relies on its supporters for financial support. This is shown in the accounts as other operating income. 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 2004.

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 is based on the supporters giving their support by continuing to provide 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 director is presently uncertain as to the outcome of the matters mentioned above, he believes that it is appropriate for the financial statements to be prepared on a going concern basis.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

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 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 tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

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	2004 £	2003 £
Operating loss is stated after charging:		
Depreciation of tangible assets	6,857	8,358
Loss on disposal of tangible assets	3,203	4,510
Loss on foreign exchange transactions	3,223	933
Operating lease rentals	3,778	3,739
Auditors' remuneration	6,269	6,038

4 Taxation

Current tax charge

Factors affecting the tax charge for the year

Loss on ordinary activities before taxation	(173,531)	(175,199)
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Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)

(32,971)	(33,288)
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Effects of:

Non deductible expenses	7,517	6,140
Depreciation add back	1,303	1,588
Capital allowances	(2,540)	(3,127)
Tax losses utilised	26,082	27,830
Chargeable disposals	609	857

32,971	33,288
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Current tax charge

-	-
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The company has tax losses carried forward which may be utilised in the future of approximately £629,506 (2003: £492,230).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

5 Intangible fixed assets

	Goodwill £
Cost	
At 1 October 2003 & at 30 September 2004	325,928
Amortisation	
At 1 October 2003 & at 30 September 2004	325,928
Net book value	
At 30 September 2004	-
At 30 September 2003	-

6 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 October 2003	99,778
Additions	6,864
Disposals	(10,122)
At 30 September 2004	96,520
Depreciation	
At 1 October 2003	79,214
On disposals	(6,919)
Charge for the year	6,857
At 30 September 2004	79,152
Net book value	
At 30 September 2004	17,368
At 30 September 2003	20,564

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

7 Debtors	2004	2003
	£	£
Trade debtors	255,471	220,449
Other debtors	26,574	23,402
Prepayments and accrued income	6,566	22,638
	<u>288,611</u>	<u>266,489</u>
8 Creditors: amounts falling due within one year	2004	2003
	£	£
Bank loans and overdrafts	57,078	93,394
Taxes and social security costs	20,803	21,407
Director's current accounts	69,192	69,192
Accruals and deferred income	847,285	644,798
	<u>994,358</u>	<u>828,791</u>
9 Share capital	2004	2003
	£	£
Authorised		
550,100 Ordinary shares of £1 each	<u>550,100</u>	<u>550,100</u>
Allotted, called up and fully paid		
550,100 Ordinary shares of £1 each	<u>550,100</u>	<u>550,100</u>
10 Statement of movements on profit and loss account		Profit and loss account
		£
Balance at 1 October 2003		(1,050,973)
Retained loss for the year		<u>(173,531)</u>
Balance at 30 September 2004		<u>(1,224,504)</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

11 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Loss for the financial year	(173,531)	(175,199)
Proceeds from issue of shares	-	550,000
Net (depletion in)/addition to shareholders' funds	(173,531)	374,801
Opening shareholders' funds	(500,873)	(875,674)
Closing shareholders' funds	(674,404)	(500,873)

12 Financial commitments

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Between two and five years	-	-	-	3,661
In over five years	55,250	55,250	-	-
	<u>55,250</u>	<u>55,250</u>	<u>-</u>	<u>3,661</u>

13 Director's emoluments	2004	2003
	£	£
Emoluments for qualifying services	144,708	140,477

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

14 Employees

Number of employees

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

	2004 Number	2003 Number
Management	3	3
Production	22	22
	<u>25</u>	<u>25</u>

Employment costs

	£	£
Wages and salaries	679,250	678,634
Social security costs	72,463	69,595
	<u>751,713</u>	<u>748,229</u>

15 Control

The ultimate controlling party is Sweetrain Limited, a company incorporated in the British Virgin Islands.