

KINGSTON INFORMATION SERVICES LIMITED

Report and Accounts

31 March 2001

 ERNST & YOUNG



Kingston Information Services Limited

Registered No. 3317824

DIRECTORS

S Maine
I R McKenzie
M J Fallen

SECRETARY

J P C Bailey LLB

AUDITORS

Ernst & Young LLP
P O Box 3
Lowgate House
Lowgate
Hull
HU1 1JJ

BANKERS

National Westminster Bank PLC
P O Box 76
19 Silver Street
Hull
HU1 1JQ

SOLICITORS

Rollits
Wilberforce Court
High Street
Hull
HU1 1YJ

REGISTERED OFFICE

Telephone House
Carr Lane
Hull
HU1 3RE

 **ERNST & YOUNG**

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 March 2001.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £1,232,539 (2000 - £1,618,484 as restated) and is dealt with as shown in the profit and loss account. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company is the publishing of telephone directories. The directors are satisfied with the company's performance and with the result for the year.

FUTURE DEVELOPMENTS

The company aims to strengthen its place in the arena of directory publications.

DIRECTORS AND THEIR INTERESTS

The directors during the year were those listed on page 1 together with J P C Bailey LLB and E W Liguard who resigned on 23 March 2001 and C R Cope who resigned on 29 September 2000.

Messrs I R McKenzie and M J Fallen were appointed on 22 June 2000 and 2 March 2001 respectively.

According to the register maintained as required under the Companies Act 1985 none of the directors had any interests in the share capital of the company.

Messrs I R McKenzie, M J Fallen and S Maine are directors of the ultimate parent company, Kingston Communications (HULL) PLC, in whose accounts their interests are shown.

FIXED ASSETS

Movements in fixed assets are set out in note 9 to the accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts 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.

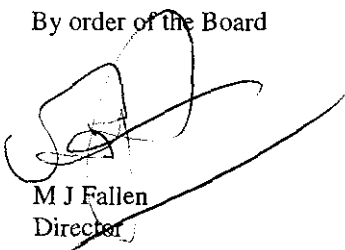
Kingston Information Services Limited

DIRECTORS' REPORT

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



M J Fallen
Director

26 September 2001

REPORT OF THE AUDITORS
to the members of Kingston Information Services Limited

We have audited the accounts on pages 5 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Hull

26 September 2001

Kingston Information Services Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2001

	Notes	2001 £	2000 (as restated) £
TURNOVER	2	4,880,180	4,686,554
OPERATING COSTS	3	(3,223,892)	(2,547,638)
OPERATING PROFIT	4	1,656,288	2,138,916
Net interest receivable	7	221,487	149,944
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,877,775	2,288,860
Taxation charge	8	(645,236)	(670,376)
RETAINED PROFIT FOR THE FINANCIAL YEAR	17	1,232,539	1,618,484

A statement of movements on reserves is set out in note 17.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2001

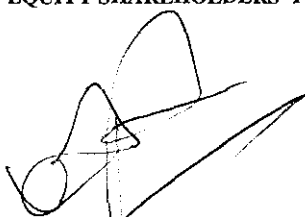
	Notes	2001 £	2000 (as restated) £
Total recognised gains and losses relating to the year		1,232,539	1,618,484
Prior year adjustments	16	2,906,802	
Total gains and losses recognised since last annual report		4,139,341	

Kingston Information Services Limited

BALANCE SHEET

at 31 March 2001

	Notes	2001 £	2000 (as restated) £
FIXED ASSETS			
Tangible assets	9	630,331	187,778
CURRENT ASSETS			
Debtors	10	7,718,579	9,722,278
Cash at bank and in hand		219,148	295,485
		<u>7,937,727</u>	<u>10,017,763</u>
CREDITORS: amounts falling due within one year	11	(1,564,339)	(1,284,507)
NET CURRENT ASSETS		<u>6,373,388</u>	<u>8,733,256</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,003,719</u>	<u>8,921,034</u>
CREDITORS: amounts falling due after more than one year	12	(15,635)	(3,167,290)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(15,078)	(13,277)
		<u>6,973,006</u>	<u>5,740,467</u>
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Profit and loss account	17	6,973,004	5,740,465
EQUITY SHAREHOLDERS' FUNDS	17	<u>6,973,006</u>	<u>5,740,467</u>



M J Fallon
Director

26 September 2001

NOTES TO THE ACCOUNTS

at 31 March 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

The cost of fixed assets is written off by equal monthly instalments over the expected useful lives of the assets as follows:

Publishing equipment	-	5 years
Other equipment	-	3 years
Website development costs	-	5 years

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

FRS19 'Deferred Taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. The company has decided to adopt FRS19 early. Adoption of FRS19 resulted in a prior year adjustment as disclosed in the statement of total recognised gains and losses.

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

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets; and
- 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 a non-discounted 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.

Pensions

Prior to 12 January 1998, all new employees were eligible to join the defined benefits pension fund operated by the ultimate parent company. At 12 January 1998, that scheme was closed to new members, and all employees commencing employment after that date are eligible to join the defined contribution Group Personal Pension Scheme. Details of both schemes are given in the accounts of the ultimate parent company.

Statement of cashflows

The company is a wholly owned subsidiary of Kingston Communications (HULL) PLC, which prepares and publishes consolidated accounts in accordance with the provisions of the EC Seventh Directive. As such, the company has taken advantage of the exemption given in FRS1 Revised and has not presented a statement of cashflows.

Kingston Information Services Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have been passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful economic lives.

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

2. TURNOVER

Turnover comprises the invoice value of sales, exclusive of VAT. Both turnover and profit on ordinary activities before taxation are attributable to the publishing of telephone directories which is the principal continuing activity of the company, and were generated wholly within the UK.

3. OPERATING COSTS

	2001 £	2000 £
Equipment, materials and consumables	1,032,182	888,488
Other external charges	999,958	676,644
Staff costs		
- wages and salaries	717,325	686,321
- social security costs	61,101	61,221
- other pension costs	39,296	40,973
Depreciation of tangible fixed assets - owned	105,577	75,287
Depreciation of tangible fixed assets - leased	1,846	-
Loss on disposal of tangible fixed assets	-	2,470
Other operating charges	266,607	116,234
	<u>3,223,892</u>	<u>2,547,638</u>

4. OPERATING PROFIT

Operating profit is stated after charging:

	2001 £	2000 £
Rentals under operating leases:		
- hire of plant and machinery	29,670	32,252
Auditors' remuneration - audit services	3,500	3,750
- other services	250	-
	<u>33,420</u>	<u>36,002</u>

Certain fees for non-audit services provided by Ernst & Young to the company have been borne by the ultimate parent company. It is not practicable to ascertain what proportion of such fees relates to the company.

Kingston Information Services Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

5. DIRECTORS' EMOLUMENTS

Mr C R Cope had his own individual money purchase pension scheme arrangement. Mr I R McKenzie and Mr M J Fallen are members of the Kingston Group Pension Plan, a defined contribution scheme. All other directors are eligible members of the group defined benefit scheme.

Certain of the company's directors are directors of Kingston Communications (HULL) PLC, or of other fellow subsidiary companies. It is not practicable to ascertain the proportion of any of the company's directors' emoluments that related to the company.

6. STAFF NUMBERS

The average number of persons employed by the company during the year, including directors, was as follows:

	2001 No.	2000 No.
Management and administration	5	4
Production	12	11
Sales and marketing	17	15
	<u>34</u>	<u>30</u>

7. NET INTEREST RECEIVABLE

	2001 £	2000 £
Finance lease interest payable	(513)	-
On other loans	222,000	149,944
	<u>221,487</u>	<u>149,944</u>

NOTES TO THE ACCOUNTS

at 31 March 2001

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge in the year

The charge based on the profit for the year comprises:

	2001 £	2000 (as restated) £
Payment for group relief:		
- charge for the year	643,435	679,905
- adjustment in respect of the prior years	-	(506)
Total current tax	643,435	679,399
UK deferred tax:		
Origination and reversal of timing differences in respect of:		
- charge on profit for the year	1,801	(9,023)
Total deferred tax (note 14)	1,801	(9,023)
Tax on profit on ordinary activities	645,236	670,376

b) factors affecting tax charge for the period

	2001 £	2000 (as restated) £
Profit on ordinary activities before tax	1,877,775	2,288,860
Profit on ordinary activities before tax @ 30%	563,333	686,658
Effects of:		
Expenses not deductible for tax purposes	81,903	39,723
Accounting depreciation in excess of tax depreciation	(1,801)	(46,476)
Adjustments relating to prior years corporation tax	-	(506)
Total current tax	643,435	679,399

Kingston Information Services Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

9. TANGIBLE FIXED ASSETS

	<i>Other apparatus & equipment, & Website development costs £</i>
Cost	
At 1 April 2000	331,832
Additions	557,524
Disposals	(14,341)
At 31 March 2001	875,015
Depreciation	
At 1 April 2000	144,054
Charge for the year	107,423
Disposals	(6,793)
At 31 March 2001	244,684
Net book value	
At 31 March 2001	630,331
At 1 April 2000	187,778

The net book value figure stated above includes £19,474 (2000 - £Nil) in respect of assets held under finance leases and hire purchase contracts.

10. DEBTORS

	<i>2001</i>	<i>2000 (as restated)</i>
	<i>£</i>	<i>£</i>
Trade debtors	1,577,852	1,221,421
Amounts owed by group undertakings	4,467,146	6,602,316
Other debtors	7,548	-
Prepayments and accrued income	1,666,033	1,898,541
	<u>7,718,579</u>	<u>9,722,278</u>

Amounts owed by group undertakings includes £4,444,571 (2000 - £Nil) of amounts due after more than one year.

Kingston Information Services Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

11. CREDITORS: amounts falling due within one year

	2001	2000
	(as restated)	
	£	£
Obligations under finance leases and hire purchase contracts (note 13)	4,264	-
Payments received on account	-	26,021
Trade creditors	28,554	9,245
Amounts owed to group undertakings	7,524	-
Other taxes and social security costs	247,675	153,964
Other creditors	22,500	-
Accruals and deferred income	1,253,822	1,095,277
	<u>1,564,339</u>	<u>1,284,507</u>

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

	2001	2000
	£	£
Obligations under finance leases and hire purchase contracts (note 13)	15,635	-
Amounts owed to group undertakings	-	3,167,290
	<u>15,635</u>	<u>3,167,290</u>

There are no formal arrangements for the repayment of amounts due to the ultimate parent company. The ultimate parent company has, however, confirmed that repayment of this balance will not be required within one year.

13. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	2001	2000
	£	£
Amounts falling due:		
- within one year	4,264	-
- within two to five years	15,635	-
	<u>19,899</u>	<u>-</u>

Kingston Information Services Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2001 £	2000 (as restated) £
Deferred taxation:		
At 31 March 2000	13,277	22,300
Transfer to profit and loss account	1,801	(9,023)
At 31 March 2001	15,078	13,277

The major components of the provision for deferred taxation and the amounts not provided for are as follows:

	Provided		Not provided	
	2001 (as restated) £	2000 £	2001 (as restated) £	2000 (as restated) £
Accelerated capital allowances	15,078	13,277	-	-

15. CALLED UP EQUITY SHARE CAPITAL

	Authorised 2001 and 2000 £	Allotted, called up and fully paid 2001 and 2000 £
Ordinary shares of £1 each	1,000	2

16. PRIOR YEAR ADJUSTMENTS

Income and expenditure recognition

The policy for recognising income was changed during the year. Previously, revenue and expenditure associated with the production of a directory were recognised in the year of publication. The accounting policy now adopted recognises income and expenditure in proportion to the stage of completion at the balance sheet date. The Directors consider that the new policy provides a fairer presentation of the results and of the financial position of the company, and is in line with industry practice. The comparative figures in the primary statements and notes have been restated to reflect the new policy. The effect of this change of policy on reported profits has been to increase current year operating profit by £100,000.

Kingston Information Services Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

16. PRIOR YEAR ADJUSTMENTS (continued)

Deferred taxation

As explained in note 1, FRS 19 'Deferred Tax' has been adopted early. Deferred tax is now provided in full on all potential timing differences. As a result a prior year adjustment was required of £5,843.

The effect of this change of policy on reported profits has been an additional tax charge in the current year of £1,201.

The effects of the above changes in policy on previously reported results are shown below:

Profit and loss account:

	<i>As reported at 31 March 2000</i>	<i>Prior year adjustment income recognition</i>	<i>Prior year adjustment FRS19</i>	<i>As at 31 March 2000 (as restated)</i>
	£	£	£	£
Turnover	4,415,554	271,000	-	4,686,554
Operating costs	(2,461,638)	(86,000)	-	(2,547,638)
Profit on ordinary activities before taxation	2,103,860	185,000	-	2,288,860
Taxation charge	(676,302)	-	5,926	(670,376)
Retained profit for the financial period	1,427,558	185,000	5,926	1,618,484

The balance sheet as reported at 31 March 2000 has been restated to reflect the above changes in policy. The total prior year adjustment of £2,906,802 is analysed below:

Balance sheet:

	<i>As reported at 31 March 2000</i>	<i>Prior year adjustment income recognition</i>	<i>Prior year adjustment FRS19</i>	<i>As at 31 March 2000 (as restated)</i>
	£	£	£	£
Debtors: prepayments and accrued income	293,533	1,605,008	-	1,898,541
Creditors: accruals and deferred income	(2,405,922)	1,310,645	-	(1,095,277)
Provisions for liabilities and charges: deferred tax	(4,426)	-	(8,851)	(13,277)

Kingston Information Services Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	Notes	Share capital £	Profit and loss account £	Total £
As at 1 April 2000 as reported		2	2,833,663	2,833,665
Prior year adjustment	16	-	2,906,802	2,906,802
As at 1 April 2000 as restated		2	5,740,465	5,740,467
Retained profit for the financial year		-	1,232,539	1,232,539
As at 31 March 2001		2	6,973,004	6,973,006

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of exemptions permitted under Financial Reporting Standard No 8 not to disclose details of transactions with group undertakings.

19. GUARANTEES AND FINANCIAL COMMITMENTS

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
Land and buildings Leases which expire: - after 5 years	90,000	-
Other Leases which expire: - within 12 months - within two to five years	- 43,807	19,100 11,578

The Group loan facilities are secured by guarantees given by all material subsidiaries of Kingston Communications (HULL) PLC, including Kingston Information Services Limited, in favour of the banks. At 31 March 2001 the amount drawdown under these facilities was £6,000,000.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Kingston Services Holdings Limited. Copies of Kingston Services Holdings Limited's accounts can be obtained from Telephone House, Carr Lane, Hull, HU1 3RE.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Kingston Communications (HULL) PLC, registered in England and Wales. Kingston Communications (HULL) PLC is also the company's controlling party. Copies of Kingston Communications (HULL) PLC's accounts can be obtained from Telephone House, Carr Lane, Hull, HU1 3RE.