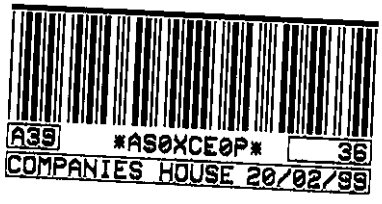
BITE COMMUNICATIONS LIMITED
(Registered number: 3023521)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1998



BITE COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JULY 1998

The directors present their report together with the audited financial statements of Bite Communications Limited ("the Company") for the year ended 31 July 1998.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the provision of international public and press relations services, dealing principally with clients in the high-technology sector.

REVIEW OF BUSINESS

The state of the Company's affairs at the balance sheet date was satisfactory. The directors are pleased to report a profit for the year. They are confident that this performance will be maintained and improved upon in future years.

DIVIDENDS

The directors recommend the payment of a final dividend for the year of 5p per share (1997 : £100) and the retained profit of £91,535 (1997: £69,239) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors and their interests in the shares of the Company were:

	Ordinary shares of 5p each at 31 July 1998	Ordinary shares of £1 each at 31 July 1997
T W Lewis	Nil	Nil
M Ravden	Nil	Nil
C Armitage	75,000	75

The interests of the directors in the shares of Text 100 Group plc, the parent undertaking, are disclosed in the directors' report of that company.

At 31 July 1998, the following director held options to purchase 5p ordinary shares in the Company :

	Date granted	Number of share options	Exercise price / share	Unexercised share options at 1 August 1997	Unexercised share options at 31 July 1998
C Armitage	30.1.1998	6,20	62p	Nil	6,200

The share options become exercisable on the following dates :

- The first one third of the total number granted on the third anniversary of the date of granting;
- The second one third of the total number granted on the fourth anniversary of the date of granting; and
- The final one third of the total number granted on the fifth anniversary of the date of granting.

The share options held by the director cannot be exercised after the earlier of one of the following events:

- 12 months after the death of the director;
- One month after the date on which a Court sanctions an arrangement under s.425 of the Companies Act 1985;
- The date of cessation of the director's employment by the Group; or
- 10 years after the date on which the share options were granted.

The shares of the Company are not openly traded and as such do not have a market price.

The directors have no other interests in the shares or debentures of the Company such as would be required to be disclosed by the Companies Act 1985.

CHARITABLE DONATIONS

During the year the Company made charitable donations of £960 (1997 : £710) to the Charities Aid Foundation under a Give As You Earn scheme.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors 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 directors are required to:

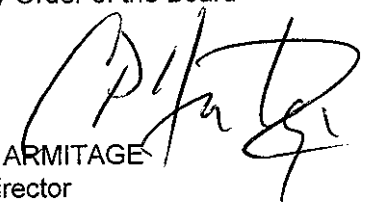
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

AUDITORS

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 and a resolution that PricewaterhouseCoopers be re-appointed auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Price Waterhouse) will be proposed at the Annual General Meeting in accordance with Section 385 (2) of the Companies Act 1985.

By Order of the Board



C ARMITAGE
Director
12 February 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF BITE COMMUNICATIONS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of the 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 July 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
No.1 London Bridge
London
SE1 9QL

12 February 1999

BITE COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 1998

		Year ended 31 July 1998 £		Year ended 31 July 1997 £
TURNOVER		1,570,350		1,078,607
Other external charges		(274,870)		(165,191)
TURNOVER LESS OTHER EXTERNAL CHARGES		1,295,480		913,416
Wages and salaries	570,175		445,343	
Social security costs	54,820		50,796	
Other pension contributions	5,958		3,775	
Depreciation	41,842		26,184	
Other operating charges	333,192		126,149	
		(1,005,987)		(652,247)
OPERATING PROFIT (Note 2)		289,493		261,169
Interest payable and similar charges (Note 3)		(3,716)		(4,236)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		285,777		256,933
Tax on profit on ordinary activities (Note 4)		(94,242)		(87,694)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		191,535		169,239
Dividends (Note 5)		(100,000)		(100,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR (Note 13)		91,535		69,239

NOTE OF HISTORICAL COST PROFITS AND LOSSES
There are no differences between the profit stated on an historical cost basis and the profit as presented above.

STATEMENT OF RECOGNISED GAINS AND LOSSES
The profit for the financial year includes all recognised gains and losses in the year and relates to the continuing activities of the Company.

The accompanying notes on pages 6 to 13 form an integral part of these financial statements.

BITE COMMUNICATIONS LIMITED

BALANCE SHEET

AS AT 31 JULY 1998

		1998 £		1997 £
FIXED ASSETS				
Tangible assets (Note 6)		194,213		56,159
Investments (Note 7)		15,376		-
		209,589		56,159
CURRENT ASSETS				
Debtors (Note 8)	597,610		412,274	
Cash at bank and in hand	-		74,602	
	597,610		486,876	
CREDITORS - Amounts falling due within one year (Note 9)	(571,861)		(426,489)	
NET CURRENT ASSETS		25,749		60,387
TOTAL ASSETS LESS CURRENT LIABILITIES		235,338		116,546
CREDITORS - Amounts falling due after more than one year (Note 10)		(32,410)		(5,153)
NET ASSETS		202,928		111,393
EQUITY CAPITAL AND RESERVES				
Called up share capital (Note 11)		50,000		1,000
Profit and loss account (Note 12)		152,928		110,393
TOTAL SHAREHOLDERS' FUNDS		202,928		111,393

APPROVED BY THE BOARD ON
12 February 1999

C ARMITAGE
DIRECTOR

The accompanying notes on pages 6 to 13 form an integral part of these financial statements.

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 1998

1 ACCOUNTING POLICIES

The Company's financial statements are prepared in accordance with applicable accounting standards. The principal accounting policies are as follows:

(1) Basis of accounting

The financial statements are prepared under the historical cost convention.

(2) Turnover

Turnover represents the invoiced value of services supplied excluding all sales taxes after adjusting for any change in the level of accrued income during the year.

(3) Accrued income

Accrued income is valued on the basis of the cost of services provided up to the balance sheet date and not yet invoiced. Profit is taken on all work completed by that date.

(4) Depreciation

Depreciation is provided on all tangible fixed assets, at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Office furniture	20% per annum straight line
Motor vehicles	25% per annum straight line
Office equipment	33% per annum straight line

(5) Foreign currencies

Assets and liabilities denominated in foreign currencies are expressed in sterling at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are expressed in sterling at the rate of exchange ruling at the date of the transaction. Exchange gains and losses and translation differences are taken directly to the profit and loss account.

(6) Deferred taxation

Provision for deferred taxation is made under the liability method only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(7) Pension costs

Pension costs, which relate to payments to employees' own defined contribution pension plans, are charged to the profit and loss account as incurred.

(8) Hire purchase and leasing transactions

Assets financed by hire purchase agreements are included in the balance sheet at cost, less accumulated depreciation. The interest element on these obligations is charged to the profit and loss account using the sum of the digits method so as to achieve a constant interest rate over the life of each agreement. Operating lease rentals are charged to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 1998 (Continued)

1 ACCOUNTING POLICIES (continued)

(9) Investments

Fixed asset investments and investments in group undertakings are stated at cost less provisions for permanent diminution in value.

(10) Cash flow statement

Under Financial Reporting Standard 1 (Revised 1996) - Cash Flow Statements, the Company is exempt from the requirement to prepare a cash flow statement as more than 90 percent of its shares are controlled within the group which is headed by Text 100 Group plc, as described in note 18 below.

2 OPERATING PROFIT

		Year ended 31 July 1998	Year ended 31 July 1997
Operating profit is stated after charging :-		£	£
Auditor's remuneration:	Audit services	5,000	1,800
Depreciation of tangible fixed assets :	Owned	34,282	15,178
	On hire purchase	7,560	11,006
Profit on disposal of tangible fixed assets		(2,235)	-
Operating lease rentals :	Land and buildings	72,451	30,992
Operating lease income		(12,937)	-

	Year ended 31 July 1998	Year ended 31 July 1997
The average number of employees during the year was as follows		
Directors	3	3
Other staff	17	10
	20	13

Directors' emoluments

	Year ended 31 July 1998 £	Year ended 31 July 1997 £
Aggregate emoluments	169,326	175,466
Company contributions to defined contribution schemes	9,000	8,100
	178,326	183,566

2 OPERATING PROFIT (continued)

Directors' emoluments (continued)

The number of directors to whom retirement benefits are accruing is:	Year ended 31 July 1998	Year ended 31 July 1997
Defined contribution schemes	2	2

3 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 July 1998 £	Year ended 31 July 1997 £
Bank charges	259	701
Other interest payable	3,457	3,535
	3,716	4,236

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 July 1998 £	Year ended 31 July 1997 £
UK corporation tax at 31% (1997 : 32.33%) on the results for the year	94,247	87,402
Prior year (over) / under provision	(5)	292
	94,242	87,694

5 DIVIDENDS

	Year Ended 31 July 1998 £	Year ended 31 July 1997 £
Interim dividend of 5p per 5p ordinary share (1997 : £Nil per £1 ordinary share)	50,000	-
Final dividend of 5p per 5p ordinary share (1997 : £100 per £1 ordinary share)	50,000	100,000
	100,000	100,000

6 TANGIBLE FIXED ASSETS

	Short leasehold Premises £	Office equipment £	Office furniture £	Motor Vehicles £	Total £
COST					
At 1 August 1997	-	43,340	12,912	42,400	98,652
Additions	46,127	77,631	48,474	14,650	186,882
Disposals	-	-	-	(17,650)	(17,650)
At 31 July 1998	46,127	120,971	61,386	39,400	267,884
DEPRECIATION					
At 1 August 1997	-	23,751	3,824	14,918	42,493
Charge for the year	1,538	25,029	5,112	10,163	41,842
Disposals	-	-	-	(10,664)	(10,664)
At 31 July 1998	1,538	48,780	8,936	14,417	73,671
NET BOOK AMOUNT					
As at 31 July 1998	44,589	72,191	52,450	24,983	194,213
As at 31 July 1997	-	19,589	9,088	27,482	56,159

The net book amount of tangible fixed assets includes £22,357 (1997: £27,482) in respect of assets held under hire purchase contracts.

7 INVESTMENTS

	1998 £	1997 £
Investment in own shares (See note 17)	15,376	-

8 DEBTORS

	1998 £	1997 £
Trade debtors	488,806	286,579
Prepayments and accrued income	107,316	106,953
Other debtors	1,488	18,742
	597,610	412,274

9 CREDITORS: Amounts falling due within one year

	1998 £	1997 £
Bank overdraft	77,967	-
Trade creditors	30,120	29,826
Amounts due to parent undertaking	18,039	4,558
Corporation tax	178,521	87,402
Other creditors including taxation and social security	51,582	58,852
Accruals and deferred income	105,355	126,572
Obligations under hire purchase contracts	14,027	19,279
Dividends	96,250	100,000
	571,861	426,489

The bank overdraft is secured by a fixed and floating charge over the Company's assets.
The obligations under hire purchase contracts are secured on the assets concerned.

10 CREDITORS: Amounts falling due after more than one year

	1998 £	1997 £
Obligations under hire purchase contracts	6,742	5,153
Accruals and deferred income	10,292	-
Amounts owed to fellow subsidiary	15,376	-
	32,410	5,153

The obligations under hire purchase contracts are secured on the assets concerned and are all repayable within two years.

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 1998 (Continued)

11 CALLED UP SHARE CAPITAL

At 1 August 1997 and at 31 July 1998 :	1998 £	1997 £
Authorised		
1,000,000 ordinary shares of 5p each (1997: 1,000 ordinary shares of £1 each)	50,000	1,000
Allotted, called up and fully paid		
1,000,000 ordinary shares of 5p each (1997: 1,000 ordinary shares of £1 each)	50,000	1,000

On 2 January 1998 the following share capital reorganisation took place :

a) The authorised share capital of the Company was increased from £1,000 to £50,000 by the creation of a further 49,000 ordinary shares of £1 each.

b) A bonus issue at par of 49,000 fully paid up ordinary shares of £1 each, being 49 new ordinary shares of £1 each for each ordinary share of £1 each, was effected by way of a capitalisation of reserves. The issued share capital following the bonus issue was £50,000.

c) Each of the authorised and issued ordinary shares of £1 each were sub-divided into twenty ordinary shares of 5p each. The authorised and issued share capital following this subdivision consisted of 1 million ordinary shares of 5p each.

12 RESERVES

	1998 Profit & loss Account £
Opening balance	110,393
Bonus issue of share capital funded by a capitalisation of reserves (see note 11)	(49,000)
Retained profit for the year	91,535
Closing balance	152,928

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit after taxation for the year	191,535	169,239
Dividends	(100,000)	(100,000)
Net addition to shareholders' funds	91,535	69,239
Opening shareholders' funds	111,393	42,154
Closing shareholders' funds	202,928	111,393

14 RELATED PARTIES

The Company has taken advantage of paragraph 3 of Financial Reporting Standard 8 - Related Party Disclosures, in not disclosing transactions with group undertakings as more than 90 percent of its shares are controlled within the group which is headed by Text 100 Group plc as described in note 18 below.

15 OPERATING LEASE COMMITMENTS

The Company has entered into operating leases and has annual commitments under these expiring as follows:

	1998 Other	1997 Other	1998 Land and Buildings	1997 Land and Buildings
	£	£	£	£
Within one year	-	3,584	-	12,500
Between one and five years	-	-	103,600	-

16 CONTINGENT LIABILITIES

The Company participates in a multilateral guarantee with Barclays Bank plc relating to the overdraft facilities of the parent and certain group companies (see note 18 below). The maximum amount of the contingent liability which could arise from this guarantee is limited to £600,000.

17 EMPLOYEE SHARE OWNERSHIP PLAN TRUST (ESOP)

The Company formed an Employee Share Ownership Plan Trust (ESOP) during the year.

The purpose of the ESOP is to enable the Company to offer participation in the ownership of its shares to its employees principally as a reward and incentive scheme.

Arrangements for the distribution of benefits to employees which may be the ownership of shares in the Company or the granting of options over shares in the Company held by the ESOP are made at the ESOP's discretion in such manner as the ESOP considers appropriate.

Administration costs of the ESOP are accounted for in the profit and loss account of the Company as they are incurred.

At 31 July 1998 the ESOP held 24,800 Ordinary shares of 5p each in the Company. Those shares were purchased by the ESOP on 30 January 1998 from Bite Staff Incentives Limited, a fellow subsidiary, at a cost of 62p per share being a total of £15,376. The purchase was financed by way of a long term loan from Bite Staff Incentives Limited for £15,376. The right to receive dividends on those shares was not waived.

At 31 July 1998 options over 24,800 shares had been granted to employees of the Company by the ESOP.

18 REGISTRATION AND HOLDING COMPANY

The Company is registered in England and Wales.

The immediate and ultimate parent undertaking is Text 100 Group plc which is incorporated and registered in England, and is the parent undertaking of the smallest and largest group to prepare consolidated financial statements.