



The small company specialists

# COMPANY INFORMATION

## Charterhouse Communications plc (LSE:CHO)

Info sheet compiled December 2006

**Company Eye Ranking**

**17/50**

### EDITOR'S NOTE

Charterhouse Communications plc publishes personal finance and mortgage related magazines and directories for private investors and professional advisers along with an educational home-study course on personal finance. The company reported a loss for the six month period to 31<sup>st</sup> November 2005, exceeding the losses for the

previous year long period to 31<sup>st</sup> May 2005.

In our opinion the group is not performing at a profitable level and to achieve this there will have to be a dramatic cut in costs or an increase in circulation. The debt position of this Company is hindering the business and could potentially lead to its failure.

### 3 YEARS CHART/ ROLLING EPS



### FUNDAMENTALS

Company Name	Charterhouse Communications plc
Current Price	1.38
Status	AIM
Market Cap	1.68 m.
Shares in Issue	123.34 m.
Price-To-Book Ratio	1.9
Activities	Publishing a selection of magazines and reviews
Sector	Publishing & Printing
Corporate advisor	Teather & Greenwood Ltd
Registrar	Capita Registrars

### THE BUSINESS

The company is a publisher of financial magazines focusing on the mortgage-lending and investment industries. Its consumer and trade market products are published in both print and Internet versions. Among its publications are the "Mortgage Introducer"

and "Mortgage Finance Gazette", geared to industry professionals, and "What Investment" and "What Mortgage", targeting individuals. Charterhouse Communications also owns HS Financial Publishing, which publishes financial and corporate information products.

### DIVISIONS AND PRODUCTS

The Group is divided into the following divisions with associated products.

#### **Mortgage**

##### **What Mortgage:**

What Mortgage is published monthly for prospective house purchasers, borrowers transferring between lenders or types of mortgage, and financial intermediaries. The magazine presents annual awards to mortgage lenders who have offered the best rates to the public over

the previous one, five and ten year periods respectively, based on statistics rather than subjective opinions.

##### **Mortgage Finance Gazette:**

Mortgage Finance Gazette, established in 1869 as the Building Societies Gazette, is published monthly and covers all aspects of the mortgage lending business for building societies, the banking sector, insurance companies and other lenders.



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## **Mortgage Introducer:**

Mortgage Introducer is a weekly magazine aimed at independent financial advisers, mortgage brokers, accountants, solicitors, estate agents and tied agents. Readers have to demonstrate that they are qualified to receive the magazine.

## **Building Societies Yearbook:**

The Building Societies Yearbook contains detailed information on all UK building societies, a history of mergers, and financial and statistical details. It is the official handbook of the Building Societies Association.

## **Wealth Enhancement**

### **What Investment (incorporating Personal Finance & Savings):**

What Investment is published monthly, aimed at a broad range of people seeking advice on unit and investment trusts, the stock market, pensions and similar personal finance matters. It contains full unit and investment trust statistics giving movements over six months and one, three, five and ten years, a directory of ISA providers and statistics on with-profit and unit-linked pensions. The magazine presents annual awards for the UK Fund Management Group of the Year and to the best fund managers in various categories, calculated on the basis of actual historical performance.

### **What Investment Trust:**

What Investment Trust is aimed at those seeking advice and statistics on investment trusts.

### **What ISA:**

What ISA is published once a year as a complete guide for prospective buyers and existing holders of Individual Savings Accounts.

### **Company REFS:**

Company REFS, devised by Jim Slater, is the UK's leading stock screening tool designed to allow an assessment of all UK quoted companies based on the very latest information. The data includes essential investment statistics such as price-to-cash flow, net gearing, broker forecasts etc, and tables ranking companies according to key criteria. It is available in CD-ROM, book and online formats.

### **Investing for Growth:**

Investing for Growth is a monthly newsletter which uses the REFS system to select stocks which offer good growth prospects with a margin of safety. The aim of Investing for

Growth is to help subscribers build up a quality portfolio of shares for the long term.

### **Company Guide:**

The Company Guide provides details on all quoted UK companies including management and shareholding information, five-year accounts history, share price performance, brokers' consensus earnings estimates, return on capital employed, and other data.

### **The Corporate Register:**

The Corporate Register, available in book form and on CD-ROM, is a who's who of corporate Britain providing details of the shareholdings, advisers and management of every UK stockmarket company with directors' and executives' career history and other biographical details.

### **UK Fund Industry Review & Directory:**

The UK Fund Industry Review & Directory is an annual reference work providing a comprehensive overview of unit trust, OEIC, investment trust and FSA-recognised offshore fund management companies. It includes corporate information on fund management companies, details of individual funds, and a survey of industry support service providers.

## **Treasury and Banking**

### **Treasury Management International:**

Treasury Management International, which is exclusively published in partnership with the Euro-Associations of Corporate Treasurers (EACT), is a monthly magazine for the international treasurer with a readership in more than 60 countries. It also produces special report publications and handbooks and has separate periodic US and Asian editions. It is written by treasurers for treasurers and supported by an editorial board made up of active treasury professionals.

### **Websites**

Each magazine has its own website, and there are also two websites not linked to magazines, being [www.pfmagazine.co.uk](http://www.pfmagazine.co.uk) and [www.investmentinternational.com](http://www.investmentinternational.com).

In general, the Group's websites provide consumers with all the information they need at their fingertips, including various interactive facilities so they can tailor information to their own requirements.

The websites run regular features, updated tables and competitions.



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### DIVISIONS AND PRODUCTS CONT.

#### **Charterhouse Direct**

The Group's databases, approximately one million records, principally comprise private individuals and professionals in the UK and overseas who have bought or enquired about Group products, or are involved in finance or local government. The databases are combined as Charterhouse Direct, which provides a powerful cross-marketing tool as well as being available for renting.

#### **Independent Research Services**

##### **Successful Personal Investing:**

The Successful Personal Investing home-study course educates the private individual in all aspects of personal finance and investment so as to allow him or her to make informed investment decisions and properly evaluate any advice received from, for example, Independent Financial Advisers.

##### **The IRS Report:**

The IRS Report is a newsletter, published every three

weeks, which gives specific advice in all areas of investment and tax planning.

#### **Brand & Company (Booksellers)**

Brand & Company provide publication procurement solutions to major corporate libraries and information centres. The range of services includes solutions for books, looseleaf, journals, grey material and official information. Brand & company provide a high quality personalised service and can count most of the leading professional service companies amongst their client base.

#### **Other Operations**

##### **Events:**

Running alongside the Group's magazines and directories are a number of events held during the year. The events range from awards ceremonies, such as the What Investment and What Mortgage awards, to tailored collaborations with our sponsors and advertisers.

### DIRECTORS

#### **Peter Strong - Non-Executive Chairman**

Peter joined the board as a non-executive director in January 2005 before taking over as chairman in November 2005. Peter has nearly 40 years experience in publishing and printing. He is also currently non-executive chairman of New Jarrold Printing Ltd, a long established magazine printers, and chairman of another small magazine publishing company. He previously spent 27 years with Emap plc and then 6 very successful years as chief executive of Archant Ltd, one of the UK's leading regional newspaper groups.

#### **Geoffrey Gamble – Managing Director**

Geoff has been managing director of the company since 1999 and before that was publishing director. He started his career with National Westminster Bank plc, and moved on to advertising sales with various companies, before joining Charterhouse Communications Group in 1984. Geoff and Ivan did a management buy-out of Charterhouse in 1988 before floating the company on AIM in 1996.

#### **Ivan Elliott – Deputy Chairman**

Ivan has been deputy chairman of the company since 1999 and before that he had been managing director for 13 years. Ivan has been active in printing and publishing businesses for over 50 years.

He held directorships with Thomas Reed Group and Emap plc prior to joining Publishing Holdings plc, the predecessor of Charterhouse Communications Group, as group managing director.

#### **Anthony Peters ACA – Finance Director and Company Secretary**

Anthony joined the company in 2004 initially as the company secretary and then later on that year was appointed as finance director. He qualified as a chartered accountant with Coopers & Lybrand after gaining a degree at Oxford University, and has over ten years experience in the broadcasting and printed media sectors, including spells at Emap plc, Viacom inc and the BBC.

#### **Roy Leighton CA – Non-Executive Director**

Roy joined the board in 1998. He is currently also chairman of NYMEX Europe Limited. Previously Roy served as UK chairman of Calyon (formerly Credit Lyonnais) where he had been employed since 1973. Roy has also held a number of other positions on the Financial Services Practitioner Panel, and Futures and Options Association, amongst others. He is also a council member of the British Consultants and Contractors Bureau (BCCB), a visiting professor at City University, and a director of the Financial Services Skills Council.



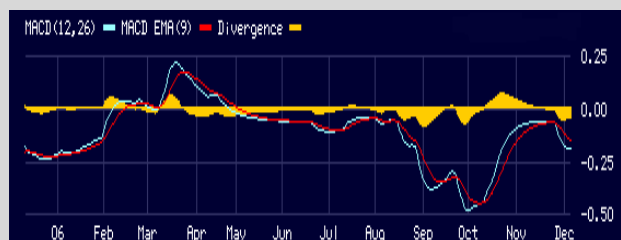
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## MONEY FLOW



## MACD



## SHAREHOLDINGS

	Number	%
F & C Asset Management	10,525,000	8.533
Co-operation Retirement Benefit Fund	16,503,453	13.38

	Number	%

## FINANCIAL HISTORY

### Profit and loss account for the year ended 31 May 2006

£000	For the year ended 31 May 2006	For the year ended 31 May 2005
TURNOVER	9,570	9,643
Cost of sales	(7,116)	(6,629)
GROSS PROFIT	2,454	3,014
Amortisation of goodwill and intangible assets	(880)	(880)
Other administrative expenses	(1,975)	(1,987)
ADMINISTRATIVE EXPENSES	(2,855)	(2,867)
OPERATING (LOSS)/PROFIT	(401)	147
Interest receivable	4	3
Interest payable	(400)	(398)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	(797)	(248)
Taxation	28	(190)
(LOSS) FOR THE FINANCIAL YEAR	(769)	(438)
Basic and diluted (loss) per share	(0.62p)	(0.36p)

### Balance Sheet as at 31 May 2006

£000	As at 31 May 2006	As at 31 May 2005
Intangible assets	7,237	8,053
Tangible assets	353	129
FIXED ASSETS	7,590	8,182
Stocks	50	90
Debtors: amounts due within one year	2,386	2,019
Debtors: amounts due after one year:		
Deferred taxation	217	207
Cash at bank and in hand	313	119
CURRENT ASSETS	2,966	2,435
CREDITORS: amounts due within one year	(7,924)	(6,653)
NET CURRENT LIABILITIES	(4,958)	(4,218)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,632	3,964
CREDITORS: amounts due after more than one year	(1,768)	(2,508)
NET ASSETS	864	1,456
CAPITAL AND RESERVES	-	-
Called up share capital	1,233	1,233
Revaluation reserve	177	-
Profit and loss account	(546)	223
EQUITY SHAREHOLDERS' FUNDS	864	1,456

## RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its

recipients. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on



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the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify

suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

## CONTACT

Arnold House,  
36-41 Holywell Lane,  
LONDON,  
EC2A 3SF,  
United Kingdom

## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	15
Customers	20
Low cost	9
Management	21
- corporate governance	
- quality	
- shareholding	
Product	23
Sector	28
<b>Financial evaluation</b>	
Early and profitable exit potential	
Financial strength	10
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	10
Risk	
<b>Overall average rating</b>	<b>17</b>



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### FURTHER INFORMATION ABOUT THE RANKING

#### Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

### THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

#### Competition

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

#### Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

#### Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

#### Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

#### Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

#### Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

#### Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

#### Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

#### Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

#### Sector

Is the company in an attractive sector that is profitable and adds value?

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