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**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002
FOR
CASPIAN PUBLISHING LIMITED**



CASPIAN PUBLISHING LIMITED

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FOR THE YEAR ENDED 30 JUNE 2002**

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CASPIAN PUBLISHING LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2002

DIRECTORS:

M Bokaie
K J Cazenove
S P Rock

SECRETARY:

J E Vimpany

REGISTERED OFFICE:

Millbank Tower
21-24 Millbank
London
SW1P 4QP

REGISTERED NUMBER:

3157774 (England and Wales)

AUDITORS:

Wheawill & Sudworth
Chartered Accountants
& Registered Auditors
Mountbarrow House
12 Elizabeth Street
London
SW1W 9RB

CASPIAN PUBLISHING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2002

The directors present their report with the financial statements of the company for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of magazine publishing (namely Real Business, Real Finance and Real Deals magazines), contract publishing and conference and events management.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The directors are satisfied with the results for the year and with the state of the company's affairs at the balance sheet date.

The directors expect the increasing levels of activity to be sustained in the foreseeable future.

DIVIDENDS

No dividends will be distributed for the year ended 30 June 2002.

FIXED ASSETS

The changes in fixed assets are shown in the notes to the financial statements.

DIRECTORS

The directors during the year under review were:

J N B Whitney	- resigned 14.1.02
M Bokaie	
K J Cazenove	
S P Greene	- resigned 14.1.02
R D Musson	- resigned 14.1.02
S P Rock	
N E Price	- appointed 9.11.01
	- resigned 14.12.01

The beneficial interests of the directors holding office on 30 June 2002 in the issued share capital of the company were as follows:

	30.6.02	1.7.01 or date of appointment if later
Ordinary £1 shares		
M Bokaie	-	39,991
K J Cazenove	-	13,333
S P Rock	-	13,333

The beneficial interests of the directors holding office on 30 June 2002 in the issued share capital of the holding company, Caspian Media Holdings Limited, were as follows:

Ordinary £1 shares	30.6.02
M Bokaie	26,658
K J Cazenove	8,889
S P Rock	9,007

CASPIAN PUBLISHING LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2002**

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;
- 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

The auditors, Wheawill & Sudworth, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



- DIRECTOR

Dated: 25 September 2002

CASPIAN PUBLISHING LIMITED

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
CASPIAN PUBLISHING LIMITED**

We have audited the financial statements of Caspian Publishing Limited for the year ended 30 June 2002 on pages five to fourteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page three the company's directors are 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 Report of the Directors 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 directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements 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 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 the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Wheawill & Sudworth
Chartered Accountants
& Registered Auditors
Mountbarrow House
12 Elizabeth Street
London
SW1W 9RB

Dated: 1/10/2

CASPIAN PUBLISHING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002**

		30.6.02		30.6.01	
	Notes	£	£	£	£
TURNOVER			6,543,351		5,741,936
Continuing operations		6,185,206		5,741,936	
Acquisitions		<u>358,145</u>		<u>-</u>	
		<u>6,543,351</u>		<u>5,741,936</u>	
Cost of sales	2		<u>3,881,651</u>		<u>3,176,361</u>
GROSS PROFIT	2		2,661,700		2,565,575
Net operating expenses	2		<u>2,664,103</u>		<u>1,982,675</u>
OPERATING (LOSS)/PROFIT	4		(2,403)		582,900
Continuing operations		(40,099)		582,900	
Acquisitions		<u>37,696</u>		<u>-</u>	
		<u>(2,403)</u>		<u>582,900</u>	
Interest receivable and similar income			<u>12,022</u>		<u>24,591</u>
			9,619		607,491
Interest payable and similar charges	5		<u>2,005</u>		<u>843</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			7,614		606,648
Tax on profit on ordinary activities	6		<u>(5,063)</u>		<u>180,399</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			12,677		426,249
Retained profit brought forward			<u>525,008</u>		<u>98,759</u>
RETAINED PROFIT CARRIED FORWARD			<u>£537,685</u>		<u>£525,008</u>

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

CASPIAN PUBLISHING LIMITED

**BALANCE SHEET
30 JUNE 2002**

		<u>30.6.02</u>		<u>30.6.01</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	7		210,822		-
Tangible assets	8		276,242		160,078
Investments	9		<u>5</u>		<u>4</u>
			487,069		160,082
CURRENT ASSETS:					
Debtors	10	1,912,413		1,311,973	
Cash at bank and in hand		<u>314,419</u>		<u>1,031,885</u>	
		2,226,832		2,343,858	
CREDITORS: Amounts falling due within one year	11	<u>1,634,122</u>		<u>1,427,618</u>	
NET CURRENT ASSETS:			<u>592,710</u>		<u>916,240</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£1,079,779</u>		<u>£1,076,322</u>
CAPITAL AND RESERVES:					
Called up share capital	13		131,756		133,312
Share premium	14		410,338		418,002
Profit and loss account			<u>537,685</u>		<u>525,008</u>
SHAREHOLDERS' FUNDS:	18		<u>£1,079,779</u>		<u>£1,076,322</u>

ON BEHALF OF THE BOARD:


.....
- DIRECTOR

Approved by the Board on 25 September 2002

CASPIAN PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2002, is being written off evenly over its estimated useful life of twenty years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold property	- Over the life of the lease
Office equipment	- 20% on cost
Fixtures and fittings	- 20% on cost
Computer equipment	- 25% on cost

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Cashflow

No cashflow statement has been produced as consolidated accounts are prepared for the parent company, Caspian Media Holdings Limited.

2. ANALYSIS OF OPERATIONS

	Continuing £	30.6.02 Acquisitions £	Total £
Cost of sales	<u>3,699,454</u>	<u>182,197</u>	<u>3,881,651</u>
Gross profit	<u>2,485,752</u>	<u>175,948</u>	<u>2,661,700</u>
Net operating expenses:			
Administrative expenses	2,575,851	138,252	2,714,103
Other operating income	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
	<u>2,525,851</u>	<u>138,252</u>	<u>2,664,103</u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

2. ANALYSIS OF OPERATIONS - continued

	Continuing £	30.6.01 Acquisitions £	Total £
Cost of sales	<u>3,176,361</u>	<u>-</u>	<u>3,176,361</u>
Gross profit	<u>2,565,575</u>	<u>-</u>	<u>2,565,575</u>
Net operating expenses:			
Administrative expenses	<u>1,982,675</u>	<u>-</u>	<u>1,982,675</u>

3. STAFF COSTS

	30.6.02 £	30.6.01 £
Wages and salaries	1,910,773	1,253,718
Social security costs	<u>222,222</u>	<u>126,650</u>
	<u>2,132,995</u>	<u>1,380,368</u>

The average monthly number of employees during the year was as follows:

	30.6.02	30.6.01
Management and finance	7	6
Editorial and design	30	20
Conferences and events	7	6
Sales and marketing	<u>16</u>	<u>12</u>
	<u>60</u>	<u>44</u>

The above figures include three executive directors for each year.

4. OPERATING (LOSS)/PROFIT

The operating loss (2001 - operating profit) is stated after charging/(crediting):

	30.6.02 £	30.6.01 £
Depreciation - owned assets	90,983	48,944
Depreciation - assets on hire purchase contracts	-	6,800
Profit on disposal of fixed assets	(77,492)	-
Auditors' remuneration	6,050	6,394
Operating leases	<u>205,497</u>	<u>206,143</u>
Directors' emoluments	<u>285,655</u>	<u>192,740</u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

Information regarding the highest paid director for the year ended 30 June 2002 is as follows:

	30.6.02
	£
Emoluments etc	<u>120,000</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	30.6.02	30.6.01
	£	£
Bank interest	308	-
Hire purchase	<u>1,697</u>	<u>843</u>
	<u>2,005</u>	<u>843</u>

6. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows:

	30.6.02	30.6.01
	£	£
Current tax:		
UK corporation tax	-	180,000
Tax under/(over) provided in previous years	<u>(5,063)</u>	<u>399</u>
Total current tax	<u>(5,063)</u>	<u>180,399</u>
 Tax on profit on ordinary activities	 <u>(5,063)</u>	 <u>180,399</u>

7. INTANGIBLE FIXED ASSETS

	<u>Goodwill</u>
	£
COST:	
Additions	<u>210,822</u>
At 30 June 2002	<u>210,822</u>
 NET BOOK VALUE:	
At 30 June 2002	<u>210,822</u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

8. TANGIBLE FIXED ASSETS

	Leasehold property	Office equipment	Fixtures and fittings	Computer equipment	Totals
	£	£	£	£	£
COST:					
At 1 July 2001	46,100	28,109	42,074	184,309	300,592
Additions	130,579	12,100	26,667	40,309	209,655
Disposals	(2,508)	-	-	-	(2,508)
At 30 June 2002	<u>174,171</u>	<u>40,209</u>	<u>68,741</u>	<u>224,618</u>	<u>507,739</u>
DEPRECIATION:					
At 1 July 2001	13,231	8,004	25,838	93,441	140,514
Charge for year	<u>34,197</u>	<u>6,906</u>	<u>9,006</u>	<u>40,874</u>	<u>90,983</u>
At 30 June 2002	<u>47,428</u>	<u>14,910</u>	<u>34,844</u>	<u>134,315</u>	<u>231,497</u>
NET BOOK VALUE:					
At 30 June 2002	<u>126,743</u>	<u>25,299</u>	<u>33,897</u>	<u>90,303</u>	<u>276,242</u>
At 30 June 2001	<u>32,869</u>	<u>20,105</u>	<u>16,236</u>	<u>90,868</u>	<u>160,078</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Fixtures and fittings	Computer equipment	Totals
	£	£	£
COST:			
At 1 July 2001	9,000	20,000	29,000
Transferred to ownership	<u>(9,000)</u>	<u>(20,000)</u>	<u>(29,000)</u>
At 30 June 2002	<u>-</u>	<u>-</u>	<u>-</u>
DEPRECIATION:			
At 1 July 2001	3,600	15,833	19,433
Transferred to ownership	<u>(3,600)</u>	<u>(15,833)</u>	<u>(19,433)</u>
At 30 June 2002	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE:			
At 30 June 2002	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2001	<u>5,400</u>	<u>4,167</u>	<u>9,567</u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

9. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 July 2001	4
Additions	<u>1</u>
At 30 June 2002	<u>5</u>
NET BOOK VALUE:	
At 30 June 2002	<u>5</u>
At 30 June 2001	<u>4</u>
	30.6.02 30.6.01
	£ £
Unlisted investments	<u>5</u> <u>4</u>

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Real Business Limited

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00
	30.6.02 30.6.01
	£ £
Aggregate capital and reserves	<u>2</u> <u>2</u>

Real Deals Limited

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00
	30.6.02 30.6.01
	£ £
Aggregate capital and reserves	<u>2</u> <u>2</u>

Real Finance Limited

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00
	30.6.02
	£
Aggregate capital and reserves	<u>1</u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	30.6.02 £	30.6.01 £
Trade debtors	899,281	904,312
Other debtors	20,345	19,043
Prepayments & accrued income	713,128	388,618
Amount owed by parent company	<u>279,659</u>	<u>-</u>
	<u><u>1,912,413</u></u>	<u><u>1,311,973</u></u>

**11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	30.6.02 £	30.6.01 £
Hire purchase contracts (see note 12)	-	6,435
Trade creditors	1,117,624	1,052,351
Other creditors	3,622	4
Other tax and social security	357,088	91,930
Deferred income	110,872	82,154
Corporation tax	-	180,000
Accrued expenses	<u>44,916</u>	<u>14,744</u>
	<u><u>1,634,122</u></u>	<u><u>1,427,618</u></u>

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	30.6.02 £	30.6.01 £
Gross obligations repayable: Within one year	<u>-</u>	<u>7,642</u>
Finance charges repayable: Within one year	<u>-</u>	<u>1,207</u>
Net obligations repayable: Within one year	<u><u>-</u></u>	<u><u>6,435</u></u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following payments are committed to be paid within one year:

	Operating leases			
	Land and buildings		Other	
	30.6.02 £	30.6.01 £	30.6.02 £	30.6.01 £
Expiring:				
Within one year	-	-	3,931	32,253
Between one and five years	<u>227,240</u>	<u>140,501</u>	<u>4,337</u>	<u>3,878</u>
	<u>227,240</u>	<u>140,501</u>	<u>8,268</u>	<u>36,131</u>

13. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	30.6.02 £	30.6.01 £
200,000	Ordinary	£1	<u>200,000</u>	<u>200,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30.6.02 £	30.6.01 £
131,756 (30.6.01 - 133,312)	Ordinary	£1	<u>131,756</u>	<u>133,312</u>

14. SHARE PREMIUM

	30.6.02 £	30.6.01 £
Share premium	418,002	418,002
Buy back of shares	<u>(7,664)</u>	<u>-</u>
	<u>410,338</u>	<u>418,002</u>

15. ULTIMATE PARENT COMPANY

The ultimate parent company is Caspian Media Holdings Limited, a company incorporated in England and Wales.

16. CONTINGENT LIABILITIES

The company may be obliged to defend a case of constructive dismissal brought by two former employees. The potential liability including costs is approximately £20,000.

Since the year end an overdraft policy of £200,000 has been agreed with the bank. The bank has a floating charge over all assets and a deed of priority over the first £200,000 of assets. This overdraft is guaranteed by the parent company.

There is a cross guarantee with Caspian Media Holdings Limited. The debenture holders in Caspian Media Holdings Limited hold a fixed and floating charge over Caspian Publishing Limited's assets.

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

17. RELATED PARTY DISCLOSURES

Prior to the purchase by Caspian Media Holdings Limited, the company was under the control of the three executive directors who were shareholders of the company:

M Bokaie
K J Cazenove
S P Rock

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.6.02	30.6.01
	£	£
Profit for the financial year	12,677	426,249
Shares bought back - at cost	(1,556)	-
Shares bought back - premium	<u>(7,664)</u>	<u>-</u>
Net addition to shareholders' funds	3,457	426,249
Opening shareholders' funds	<u>1,076,322</u>	<u>650,073</u>
Closing shareholders' funds	<u><u>1,079,779</u></u>	<u><u>1,076,322</u></u>
 Equity interests	 <u><u>1,079,779</u></u>	 <u><u>1,076,322</u></u>