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**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997
FOR
CASPIAN PUBLISHING LIMITED**



CASPIAN PUBLISHING LIMITED

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FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997**

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CASPIAN PUBLISHING LIMITED

**COMPANY INFORMATION
FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997**

DIRECTORS:

J N B Whitney
M Bokaie
K J Cazenove
S P Greene
R D Musson
S P Rock

SECRETARY:

G Pickett

REGISTERED OFFICE:

Millbank Tower
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 PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997

The directors present their report with the financial statements of the company for the period 12 February 1996 to 30 June 1997.

INCORPORATION

The company was incorporated on 12 February 1996 and commenced trading on 3 June 1996. The company passed a special resolution on 27 February 1996 changing its name from Thamesaid Limited to Caspian Publishing Limited.

PRINCIPAL ACTIVITIES

The principal activities of the company in the period under review were those of in house magazine publishing, contract publishing and conference and events management.

REVIEW OF BUSINESS

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

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

DIVIDENDS

No dividends will be distributed for the period ended 30 June 1997.

FIXED ASSETS

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

FUTURE DEVELOPMENTS

No significant developments are planned for the foreseeable future.

DIRECTORS

The directors during the period under review were:

J N B Whitney	- appointed 14.8.96
M Bokaie	- appointed 27.2.96
K J Cazenove	- appointed 2.8.96
S P Greene	- appointed 14.8.96
R D Musson	- appointed 15.11.96
S P Rock	- appointed 2.8.96

The beneficial interests of the directors holding office on 30 June 1997 in the issued share capital of the company were as follows:

	30.6.97	at date of appointment
Ordinary £1 shares		
J N B Whitney	1,333	-
M Bokaie	39,991	-
K J Cazenove	13,333	13,333
S P Greene	-	-
R D Musson	506	506
S P Rock	13,333	13,333

CASPIAN PUBLISHING LIMITED

**REPORT OF THE DIRECTORS
FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997**

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 judgments 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:



M Bokaie - DIRECTOR

Dated: 24 September 1997

CASPIAN PUBLISHING LIMITED

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

We have audited the financial statements on pages five to ten which have been prepared under the historical cost convention and the accounting policies set out on page seven.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of 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 judgments 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 1997 and of its loss for the period 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: 25/9/97

CASPIAN PUBLISHING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997

	Notes	£
TURNOVER	2	661,733
Cost of sales		<u>503,065</u>
GROSS PROFIT		158,668
Administrative expenses		<u>537,702</u>
OPERATING LOSS	4	(379,034)
Interest receivable and similar income	5	<u>15,063</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(363,971)
Tax on loss on ordinary activities	6	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>(363,971)</u>
DEFICIT CARRIED FORWARD		<u><u>£(363,971)</u></u>

CONTINUING OPERATIONS

All of the companies activities were acquired and none of its activities discontinued during the current period.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current period.

CASPIAN PUBLISHING LIMITED

BALANCE SHEET 30 JUNE 1997

	Notes	£
FIXED ASSETS:		
Tangible assets	7	39,077
CURRENT ASSETS:		
Debtors	8	306,011
Cash at bank and in hand		<u>193,260</u>
		499,271
CREDITORS: Amounts falling due within one year	9	<u>351,005</u>
NET CURRENT ASSETS:		<u>148,266</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>£187,343</u>
CAPITAL AND RESERVES:		
Called up share capital	11	133,312
Share premium	12	418,002
Profit and loss account		<u>(363,971)</u>
Shareholders' funds	13	<u>£187,343</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:

.....
J N B Whitney - DIRECTOR

.....
M Bokaie - DIRECTOR

Approved by the Board on 24 September 1997

CASPIAN PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997

1. ACCOUNTING POLICIES

Accounting convention

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

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

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	- 20% on cost
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

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

2. TURNOVER

The turnover and loss before taxation are attributable to the principal activities of the company.

3. STAFF COSTS

	£
Wages and salaries	289,263
Social security costs	<u>28,685</u>
	<u>317,948</u>

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

Management	4
Editorial	3
Production	1
Conferences	1
Advertising	<u>4</u>
	<u>13</u>

CASPIAN PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997

4. OPERATING LOSS

The operating loss is stated after charging:

	£
Hire of plant and machinery	19,921
Depreciation - owned assets	8,951
Auditors' remuneration	<u>5,000</u>
 Directors' emoluments	 <u>104,101</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	£
Deposit account interest	<u>15,063</u>

6. TAXATION

No liability to UK Corporation tax arose on ordinary activities for the period.

7. TANGIBLE FIXED ASSETS

	Leasehold property	Office equipment	Fixtures and fittings	Computer equipment	Totals
	£	£	£	£	£
COST:					
Additions	<u>2,508</u>	<u>3,136</u>	<u>18,080</u>	<u>24,304</u>	<u>48,028</u>
At 30 June 1997	<u>2,508</u>	<u>3,136</u>	<u>18,080</u>	<u>24,304</u>	<u>48,028</u>
DEPRECIATION:					
Charge for period	<u>502</u>	<u>622</u>	<u>3,033</u>	<u>4,794</u>	<u>8,951</u>
At 30 June 1997	<u>502</u>	<u>622</u>	<u>3,033</u>	<u>4,794</u>	<u>8,951</u>
NET BOOK VALUE:					
At 30 June 1997	<u>2,006</u>	<u>2,514</u>	<u>15,047</u>	<u>19,510</u>	<u>39,077</u>

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade debtors	253,173
Prepayments & accrued income	<u>52,838</u>
	<u>306,011</u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997**

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

	£
Trade creditors	262,071
Other tax and social security	38,137
Deferred income	17,845
Accrued expenses	<u>32,952</u>
	<u>351,005</u>

10. OBLIGATIONS UNDER LEASING AGREEMENTS

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

	Operating leases	
	Land and buildings £	Other £
Expiring:		
Between one and five years	<u>26,125</u>	<u>20,919</u>

11. CALLED UP SHARE CAPITAL

Authorised:			
Number:	Class:	Nominal value:	£
200,000	Ordinary	£1	<u>200,000</u>
Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	£
133,312	Ordinary	£1	<u>133,312</u>

133,312 Ordinary shares of £1 each were allotted as fully paid at a premium of £3.24 per share during the period.

12. SHARE PREMIUM

	£
Issue of shares for cash	431,625
Expenses relating to issue of shares for cash	<u>(13,623)</u>
	<u>418,002</u>

CASPIAN PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 12 FEBRUARY 1996 TO 30 JUNE 1997**

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Loss for the financial period	(363,971)
Issue of share capital	133,312
Share premium net of legal costs	<u>418,002</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	<u>187,343</u>
CLOSING SHAREHOLDERS' FUNDS	<u>187,343</u>
 Equity interests	 <u>187,343</u>

Chief Executive's Report

To be attached to Report & Accounts for filing with Companies House

Activity for the first year of trading of Caspian Publishing exceeded initial projections by over 50 per cent. Two areas of the company's activities - contract publishing and conferences & events - were well ahead of the business plan set out by the directors. The company's proprietary publication *Real Business* started to establish itself in the marketplace and is now meeting its targets in all key areas.

While the projected loss for the first year was 11 per cent greater than budgeted, the business plan did anticipate a loss of this nature which was due to the build up for the launch of *Real Business* and extra staffing requirements to meet the increased activity referred to above.

I am confident that 1997/98 will be a profitable year and that the company is on course to grow significantly in the future. We have an excellent range of products in place and have signed up with some blue chip organisations for joint venture activities.



Mike Bokaie
Chief Executive