

CASPIAN NETWORKS LIMITED
ABBREVIATED FINANCIAL STATEMENTS

31ST DECEMBER 1998

Registered number: 3283357



Parcell & Associates
CHARTERED ACCOUNTANTS
Stonehouse

CASPIAN NETWORKS LIMITED
ABBREVIATED FINANCIAL STATEMENTS
for the Year ended 31st December 1998

CONTENTS

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Abbreviated profit and loss account	5
Abbreviated balance sheet	6
Cash flow statement	7
Notes on abbreviated financial statements	8

CASPIAN NETWORKS LIMITED

COMPANY INFORMATION

31st December 1998

INCORPORATED	England 25th November 1996
NUMBER	3283357
CHAIRMAN	Michael Guerin
OTHER DIRECTORS	
SECRETARY	Alison Guerin
REGISTERED OFFICE	McDonald Restaurant 101-105 Horsefair Bristol BS1 3JR
BANKERS	Nat West PO Box No 34 15 Bishopsgate London EC2P 2AP
AUDITORS	Parcell & Associates Chartered Accountants Aldreth Pearcroft Road Stonehouse Gloucestershire GL10 2JY

CASPIAN NETWORKS LIMITED

DIRECTORS' REPORT

31st December 1998

The directors present their report and the abbreviated financial statements for the year ended 31st December 1998.

Principal activity

The principal activity of the company is that of the operation of McDonald's franchises.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £505,698.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

Directors

The directors of the company during the Year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31st December 1998 Ordinary shares	1st January 1998 Ordinary shares
Michael Guerin	100	100

Future Prospects

Future prospects are sound . It is anticipated that the company will continue to be profitable.

continued

CASPIAN NETWORKS LIMITED

DIRECTORS' REPORT
(continued)

31st December 1998

Employees

The directors endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as for other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.

Regular meetings with employees' representatives are held to inform them of the development of the business.

Charitable and political donations

Payments of a charitable nature made during the Year amounted to £2,590.

Auditors

The Company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary Parcell & Associates will continue in office.

On behalf of the board


Alison Guerin
Secretary

McDonald Restaurant
101-105 Horsefair
Bristol BS1 3JR

July 9th 1999

CASPIAN NETWORKS LIMITED

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 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.

July 9th 1999

On behalf of the board



Michael Guerin
Chairman

CASPIAN NETWORKS LIMITED**Auditors' report to
Caspian Networks Limited
under section 247B of the Companies Act 1985**

We have examined the abbreviated financial statements set out on pages 4 to 12, together with the financial statements of the company for the Year ended 31st December 1998 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated financial statements on pages 4 to 12 are properly prepared in accordance with those provisions.



Parcell & Associates
Registered Auditors
Chartered Accountants

Stonehouse
July 9th 1999

CASPIAN NETWORKS LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

for the Year ended 31st December 1998

	Note	1998 £	1997 £
Gross profit		4,704,825	4,412,737
Net operating expenses			
Administrative expenses		(4,293,324)	(3,977,351)
Operating profit	3	411,501	435,386
Investment income	5	11,383	10,198
Interest payable	6	(96,627)	(95,089)
Profit on ordinary activities before taxation		326,257	350,495
Taxation	7	(103,047)	(68,107)
Profit on ordinary activities after taxation		223,210	282,388
retained for the Year	18		

Movements in reserves are shown in note 18.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1998 or 1997 other than the profit for the Year.

CASPIAN NETWORKS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the Year ended 31st December 1998

There are no recognised gains and losses in 1998 or 1997 other than the profit or loss for the Year. This report is, therefore, not required. A note to this effect is included at the foot of the Profit and Loss Account.

CASPIAN NETWORKS LIMITED

ABBREVIATED BALANCE SHEET

at 31st December 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Intangible assets	8		828,208		871,660
Tangible assets	9		738,522		758,886
			<u>1,566,730</u>		<u>1,630,546</u>
Current assets					
Stocks	10	56,921		56,839	
Debtors	11	100,063		93,228	
Cash at bank and in hand		832,825		834,471	
		<u>989,809</u>		<u>984,538</u>	
Creditors: amounts falling due within one year	12	(1,223,100)		(1,357,608)	
Net current liabilities			<u>(233,291)</u>		<u>(373,070)</u>
Total assets less current liabilities			1,333,439		1,257,476
Creditors: amounts falling due after more than one year	13		(789,275)		(974,988)
Provision for liabilities and charges	14		(38,466)		-
			<u>505,698</u>		<u>282,488</u>
Capital and reserves					
Called up share capital	17		100		100
Profit and loss account	18		505,598		282,388
Total shareholders' funds	16		<u>505,698</u>		<u>282,488</u>

continued

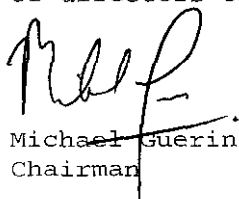
CASPIAN NETWORKS LIMITED

ABBREVIATED BALANCE SHEET
(continued)

at 31st December 1998

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The abbreviated financial statements on pages 4 to 12 were approved by the board of directors on July 9th 1999 and signed on its behalf by:



Michael Guerin
Chairman

CASPIAN NETWORKS LIMITED

CASH FLOW STATEMENT

for the Year ended 31st December 1998

	Note	1998		1997	
		£	£	£	£
Net cash inflow from operating activities	20	569,718		1,427,567	
Returns on investments and servicing of finance					
Interest received		11,383		10,198	
Interest paid		(96,627)		(95,089)	
			(85,244)		(84,891)
Taxation					
Corporation tax paid		(59,829)		-	
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(3,250)		(917,484)	
Purchase of tangible fixed assets		(108,760)		(880,090)	
			(112,010)		(1,797,574)
			312,635		(454,898)
Financing					
Issue of share capital		-		100	
Debt due within a year:					
Bank loan repayments		(185,712)		-	
Debt due beyond a year:					
Bank loan advances		-		1,160,700	
			(185,712)		1,160,800
Increase in cash		126,923		705,902	

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Intangible fixed assets

Goodwill represents the difference between the fair value of the consideration paid on acquisition of a business and the fair value of its separable net assets at the date of acquisition. Goodwill is amortised over its estimated useful life of 5% straight line.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Restaurant Equipment	15% reducing balance
Motor vehicles	25% reducing balance
Fixtures, fittings & office equipment	25% reducing balance

Leases and hire purchase contracts

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

The turnover for the Year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

3 Operating profit

	1998 £	1997 £
Operating profit is stated after charging:		
Staff costs (note 4)	1,609,174	1,443,630
Auditors' remuneration	5,400	5,000
Auditors' remuneration - non-audit work	10,323	7,420
Operating leases:		
Hire of assets other than plant & machin	8,482	7,320
Rent	1,085,114	1,019,768
Depreciation of tangible fixed assets (note 9):		
Owned assets	129,124	121,204
Amortisation of intangible fixed assets	46,702	45,824
	<u>175,826</u>	<u>167,028</u>

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

4 Directors and employees

	1998	1997
Staff costs including directors' emoluments	£	£
Wages and salaries	1,491,013	1,343,942
Social security costs	98,161	79,688
Pension costs	20,000	20,000
	<u>1,609,174</u>	<u>1,443,630</u>

Average monthly number employed including executive directors:	Number	Number
Production staff	266	255
Office and management	2	2
	<u>268</u>	<u>257</u>

Directors	£	£
Emoluments	19,629	4,000
Company contributions to money purchase pension schemes	20,000	20,000
	<u>39,629</u>	<u>24,000</u>

During the Year the following number of directors:	Number	Number
Accrued retirement benefits under:		
Money purchase pension schemes	1	1

Defined contribution pension scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £20,000 (1997 £20,000). Contributions totalling £0 (1997 £0) were payable to the fund at 31st December 1998 and are included in creditors.

5 Investment income

	1998	1997
	£	£
Interest receivable	<u>11,383</u>	<u>10,198</u>

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

6 Interest payable

	1998 £	1997 £
Bank loan interest	60,627	95,089
Other interest	36,000	-
	<u>96,627</u>	<u>95,089</u>

7 Taxation

	1998 £	1997 £
Corporation tax on profit on ordinary activities at 21% (1997 21%)	64,581	68,107
Deferred taxation	38,466	-
	<u>103,047</u>	<u>68,107</u>

8 Intangible fixed assets

	Goodwill £
Cost	
1st January 1998	917,484
Additions	3,250
31st December 1998	<u>920,734</u>
Amortisation	
1st January 1998	45,824
Charge for the Year	46,702
31st December 1998	<u>92,526</u>
Net book amount	
31st December 1998	<u>828,208</u>
1st January 1998	<u>871,660</u>

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

9 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Total £
1st January 1998	13,047	837,725	29,318	880,090
Additions	-	43,269	65,491	108,760
31st December 1998	13,047	880,994	94,809	988,850
Depreciation				
1st January 1998	3,237	117,321	646	121,204
Charge for the Year	3,237	122,248	3,639	129,124
31st December 1998	6,474	239,569	4,285	250,328
Net book amount				
31st December 1998	6,573	641,425	90,524	738,522
1st January 1998	9,810	720,404	28,672	758,886

10 Stocks

	1998 £	1997 £
Paper stocks	10,112	14,750
Food stock	35,210	30,454
Non product stock	11,599	11,635
	56,921	56,839

11 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	52,490	49,588
Prepayments and accrued income	47,573	43,640
	100,063	93,228

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

12 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	185,713	314,281
Trade creditors	393,078	206,456
Corporation tax	64,579	68,107
Other taxation and social security	100,154	104,793
Other creditors	346,279	400,488
Accruals and deferred income	133,297	263,483
	<u>1,223,100</u>	<u>1,357,608</u>

13 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Other liabilities		
Bank loans	<u>789,275</u>	<u>974,988</u>
	<u>789,275</u>	<u>974,988</u>
Maturity of debt		
In one year or less, or on demand - see note 12	185,713	185,712
In more than one year but not more than two years	185,713	185,712
In more than two years but not more than five years	557,136	557,136
In more than five years	46,426	232,140
	<u>974,988</u>	<u>1,160,700</u>
Amounts falling due after more than five years:		
Bank loans	<u>46,426</u>	<u>232,140</u>

The bank loan is secured by a Chattel Mortgage over all McDonalds Franchise assets, a Legal Charge over a Term Life Assurance policy on the life of Michael Guerin and a Personal Guarantee from Michael Guerin in the sum of £500,000.

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

14 Provision for liabilities and charges

	Deferred tax £
1st January 1998	-
Profit and loss account	38,466
	<hr/>
31st December 1998	38,466
	<hr/> <hr/>

15 Deferred taxation

	1998		1997	
	Amount unprovided £	Amount provided £	Amount unprovided £	Amount provided £
Corporation tax deferred by				
Capital allowances in excess of depreciation	-	38,466	-	-
Other timing differences	-	-	-	-
Unrelieved taxation losses	-	-	-	-
Capital gains rolled over	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	38,466	-	-
Advance corporation tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	38,466	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Corporation tax on revaluation surplus	-	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Deferred taxation is based on a corporation tax rate of 21% (1997 21%).

16 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial Year	223,210	282,388
New share capital subscribed	-	100
	<hr/>	<hr/>
Net addition to shareholders' funds	223,210	282,488
Opening shareholders' funds	282,488	-
	<hr/>	<hr/>
Closing shareholders' funds	505,698	282,488
	<hr/> <hr/>	<hr/> <hr/>

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

17 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	100	100	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	100	100	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18 Profit and loss account

	1998 £
1st January 1998	282,388
Retained profit for the Year	<u>223,210</u>
31st December 1998	<u>505,598</u>

19 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st December 1998

	1998 Plant & Other £	1997 Plant & Other £
Expiring		
Within two to five years	<u>8,991</u>	<u>8,991</u>
	<u>8,991</u>	<u>8,991</u>

CASPIAN NETWORKS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st December 1998

22 Related parties

Interest of 36000 gross was payable to Mr and Mrs Guerin, the shareholders, in respect of their loan (1997 Nil) . The balance owed to Mr and Mrs Guerin, included in other creditors, at the end of 1998 was 337920 (1997 390700)