

3928553

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**OFFICERS AND ADVISERS*****Directors***

A J G Bilton  
J D A Aspinall  
G S U Baker  
A D Pereira

***Secretary and registered office***

N R Gordon  
21 Knightsbridge  
London SW1X 7LY

***Company number***

3928553

***Auditors***

BDO Stoy Hayward  
Emerald House  
East Street  
Epsom  
Surrey KT17 1HS

***Registrars***

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

## CHAIRMAN'S STATEMENT

### Review and outlook

Over the last twelve months your Board has continued to appraise a wide range of potential opportunities and has remained cautious in making an investment. It has repeatedly found the opportunities for a reverse takeover either lacking a sensible value proposition or suffering from critical flaws.

The Directors wished to continue with their search for a suitable transaction and as such convened an extraordinary general meeting on 25 June 2003 to consider the future of the Company.

The purpose of the meeting was to consider and, if thought fit, pass the following ordinary resolution: "That, notwithstanding that, no suitable transaction fitting the criteria set out in the prospectus issued by the Company on 29 November 2000 has yet been identified, the Directors be and they are hereby authorised to continue to seek a suitable transaction fitting the criteria set out in the Prospectus." This resolution was passed by a comfortable majority giving the Directors up to 25 December 2004 to find a suitable transaction.

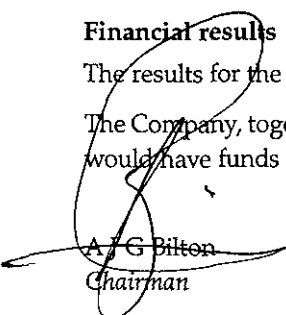
Your Board has seen an increasing level of activity and deal flow in recent months and twice in the last six months has entered into extensive negotiations on the acquisition of a business. However in each instance, the proposed transactions did not meet up to our expectations.

We are hopeful that one of the many transactions now under examination will lead to an acquisition in the near future.

### Financial results

The results for the year to 30 June 2003 show a loss of £41,427.

The Company, together with its current cash resources and outstanding calls on its issued share capital, would have funds available of in excess of £4 million to effect a suitable transaction.

  
A J G Bilton  
Chairman

22 September 2003

**REPORT OF THE DIRECTORS**

FOR THE YEAR ENDED 30 JUNE 2003

The Directors present their report together with the audited financial statements for the year ended 30 June 2003.

## PRINCIPAL ACTIVITIES, RESULTS, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company was established as a cash shell to identify a single transaction whereby the Company would acquire, or would be acquired by, an undertaking suitable for admission to a regulated market. To date, the Company has not identified a suitable transaction and, at an Extraordinary General Meeting of the Company held on 25 June 2003, the Directors were given the authority to continue to seek a suitable transaction.

The result for the period is shown in the profit and loss account on page 7. The Directors do not recommend the payment of a dividend.

There have been no events since the balance sheet date which materially affect the position of the Company.

## DIRECTORS

The Directors who served during the year and their interests in the shares, options and similar interests of the Company were as follows:

	Issued and partly paid to 0.25p per share:				Issued and fully paid:	
	Warrants	Warrants	Ordinary shares of 1p each		Ordinary shares of 1p each	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002
A J G Bilton	—	—	—	—	—	—
J D A Aspinall	—	—	—	—	—	—
G S U Baker	5,000,000	5,000,000	2,500,000	2,500,000	—	—
A D Pereira	1,250,000	1,250,000	—	—	—	—

Details of the Directors' share options are shown in note 2 to the Accounts.

## DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period 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 departure disclosed and explained in the financial statements; and
- 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.

**REPORT OF THE DIRECTORS**

FOR THE YEAR ENDED 30 JUNE 2003

CONTINUED

## POLICY AND PRACTICE ON THE PAYMENT OF CREDITORS

The Company's policy concerning the payment of its suppliers is to arrange the best possible terms with them and then pay as appropriate to those terms, subject to satisfactory performance by the suppliers. Any contractual or legal obligations are honoured with creditors being paid by the agreed dates to satisfy such commitments. At the year end the number of days' purchases outstanding was nil (2002: nil).

## AUDITORS

BDO Stoy Hayward have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

On behalf of the Board

A D Pereira  
*Director*



22 September 2003

**REPORT OF THE INDEPENDENT AUDITORS**  
TO THE SHAREHOLDERS OF CASSIAN INVESTMENTS PLC

We have audited the financial statements of Cassian Investments Plc for the year ended 30 June 2003 on pages 7 to 13 which have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 Directors' Report 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 other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements with the financial statements.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD  
Chartered Accountants  
and Registered Auditors

Epsom, Surrey

2 October 2003

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 £	2002 £
Administrative expenses		82,655	66,842
<b>OPERATING LOSS</b>	3	(82,655)	(66,842)
Interest receivable		41,228	47,988
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(41,427)	(18,854)
Taxation on loss from ordinary activities	4	—	—
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(41,427)	(18,854)
<b>LOSS PER SHARE</b>	5	(0.07p)	(0.03p)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 10 to 13 form part of these financial statements.

**BALANCE SHEET**

AT 30 JUNE 2003

	Note	2003 £	2002 £
<b>CURRENT ASSETS</b>			
Called up share capital not paid	6,8	1,514,362	1,514,362
Prepayments and accrued income		11	3,043
Cash at bank and in hand		1,134,875	1,167,517
		<u>2,649,248</u>	<u>2,684,922</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	(24,046)	(18,293)
		<u>2,625,202</u>	<u>2,666,629</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	8	634,787	634,787
Share premium	10	2,097,216	2,097,216
Profit and loss account	10	(106,801)	(65,374)
		<u>2,625,202</u>	<u>2,666,629</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			

The financial statements were approved by the Board on 22 September 2003.

A J G Bilton  
Director

The notes on pages 10 to 13 form part of these financial statements.



**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002		
	£	£		
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW</b>				
Operating loss	(82,655)	(66,842)		
Decrease/(increase) in debtors	3,032	(2,636)		
Increase/(decrease) in creditors	5,753	(19,155)		
	<u>(73,870)</u>	<u>(88,633)</u>		
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>				
	<u>(73,870)</u>	<u>(88,633)</u>		
	2003	2003	2002	2002
	£	£	£	£
<b>CASH FLOW STATEMENT</b>				
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		(73,870)		(88,633)
Returns on investments and servicing of finance				
Interest received	41,228		47,988	
	<u>41,228</u>		<u>47,988</u>	
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		41,228		47,988
		<u>41,228</u>		<u>47,988</u>
<b>CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(36,642)		(40,645)
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
Decrease in short term deposits	39,051		17,683	
	<u>39,051</u>		<u>17,683</u>	
<b>CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES</b>		39,051		17,683
		<u>39,051</u>		<u>17,683</u>
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>		6,409		(22,962)
		<u>6,409</u>		<u>(22,962)</u>
			2003	2002
			£	£
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>		Note		
Increase/(decrease) in cash in the year			6,409	(22,962)
Cash outflow from movement in liquid resources			(39,051)	(17,683)
			<u>(32,642)</u>	<u>(40,645)</u>
Movement in net funds in the year			1,167,517	1,208,162
Net funds at start of year			<u>1,167,517</u>	<u>1,208,162</u>
Net funds at end of year		9	<u>1,134,875</u>	<u>1,167,517</u>

The notes on pages 10 to 13 form part of these financial statements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2003

**1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

**DEFERRED TAXATION**

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

**LIQUID RESOURCES**

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

**2. DIRECTORS**

No Director received any emoluments from the Company during the year.

The share options of the Directors are set out below:

	1 July 2002 number	Granted number	Exercised number	30 June 2003 number	Exercise price	Date from which exercisable	Expiry date
A J G Bilton	5,000,000	—	—	5,000,000	2p	1/11/00	30/10/07
J D A Aspinall	5,000,000	—	—	5,000,000	2p	1/11/00	30/10/07

Save as set out above, no Directors, nor members of the immediate family of any Directors have any options over shares in the Company or, during the year to 30 June 2003, exercised an option over shares in the Company.

**3. OPERATING LOSS**

	2003 £	2002 £
This is stated after charging:		
Auditors' remuneration:		
— audit services	2,500	2,500
— non audit services	2,500	3,000
	<u>2,500</u>	<u>3,000</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2003

**4. TAXATION ON LOSS FOR ORDINARY ACTIVITIES**

	2003	2002
	£	£
Current tax		
UK corporation tax	—	—
	<u>—</u>	<u>—</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2003	2002
	£	£
Loss on ordinary activities before tax	<u>(41,427)</u>	<u>(18,854)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30 per cent. (2002: 30 per cent.)	(12,428)	(5,656)
Effects of:		
Expenses not deductible for tax purposes	—	2,250
Excess management expenses	<u>12,428</u>	<u>3,406</u>
Current tax charge for period	<u>—</u>	<u>—</u>

**5. LOSS PER SHARE**

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the financial period. The weighted average number of shares in issue is 214,915,000 (2002: 214,915,000) and the earnings, being the loss after tax, are £41,427 (2002: £18,854).

Diluted earnings per share are not disclosed because earnings per share will not be diluted as a result of the exercise of share options and warrants

**6. CALLED UP SHARE CAPITAL NOT PAID**

Section 101(1) of the Companies Act 1985 provides that a public company shall not allot a share except as paid up at least as to one-quarter of its nominal value and the whole of any premium on it. Called up share capital not paid represents the difference the minimum call required by the Act and the actual calls made on 201,915,000 shares issued to date as required under Section 101(3) (see note 8).

Section 101(4) of the Companies Act states that the allottees of any shares allotted in such circumstances are also liable to pay the Company interest on any such amounts not paid up. The Directors do not expect the Company to claim interest on the amounts unpaid and no income has been recognised in the financial statements in this respect.

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

	2003	2002
	£	£
Corporation tax	4,585	4,585
Accruals and deferred income	<u>19,461</u>	<u>13,708</u>
	<u>24,046</u>	<u>18,293</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2003

**8. SHARE CAPITAL**

At 30 June 2003, the share capital of the Company was as follows:

	2003	2002
	£	£
<i>Authorised:</i>		
500,000,000 Ordinary shares of 1p each	5,000,000	5,000,000
<i>Issued and fully paid:</i>		
13,000,000 Ordinary shares of 1p each	130,000	130,000
<i>Issued and partly paid to 0.25p per share</i>		
201,915,000 Ordinary shares of 1p each	504,787	504,787
	634,787	634,787

The 201,915,000 ordinary shares of 1p each were issued at 2p per share partly paid as to 0.25p nominal value per share.

The balance on the partly paid shares will be payable upon the Directors resolving to make such a call. However, any call remaining outstanding will become payable in the event that any shares of the Company are admitted to trading on a regulated market.

At 30 June 2003, the following subscription rights, warrants and share options were outstanding in respect of ordinary shares of 1p each.

Date of grant	Number	Period of exercise	Price per share
<i>Warrants to subscribe:</i>			
1 November 2000	57,625,000	November 2000- October 2007	2p
29 November 2000	24,068,750	November 2000- November 2007	2p
<i>Subscription rights:</i>			
1 November 2000	13,000,000	November 2000- October 2007	2p
<i>Share options:</i>			
1 November 2000	10,000,000	November 2000- October 2007	2p

Each warrant entitles the holder to subscribe for one Ordinary share of 1p at 2p per share at any time up to 31 October 2007. Each subscription right entitles the holder to subscribe for one Ordinary share of 1p at 2p per share at any time up to 31 October 2007, on the exercise of which he will be issued four warrants. If all of the 13,000,000 subscription rights in issue were exercised in full, a total of 52,000,000 additional warrants would be issued.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2003

**9. ANALYSIS OF NET FUNDS**

	At 1 July 2002 £	Cash flow £	At 30 June 2003 £
Cash in hand and at bank	9,765	6,409	16,174
Liquid resources	1,157,752	(39,051)	1,118,701
Total	<u>1,167,517</u>	<u>(32,642)</u>	<u>1,134,875</u>

**10. RESERVES**

	Share premium account £	Profit and loss account £
At 1 July 2002	2,097,216	(65,374)
Retained loss for the year	—	(41,427)
At 30 June 2003	<u>2,097,216</u>	<u>(106,801)</u>

**11. RELATED PARTY TRANSACTIONS**

During the year, Newcourt Land Limited and Bilton House Investments Limited charged the Company £11,475 and £10,400 respectively in connection with expenses incurred on potential acquisitions.

A J G Bilton is a director and majority shareholder of Bilton House Investments Limited and J D A Aspinall is a director and majority shareholder of Newcourt Land Limited.

At 30 June 2003 £6,500 and £3,200 was due to Newcourt Land Limited and Bilton House Investments Limited respectively included in accruals and deferred income.

The Company also incurred costs of £11,423 and £17,550 in connection with expenses incurred on potential acquisitions by G S U Baker and A D Pereira respectively.

At 30 June 2003 £3,200 was due to A D Pereira and included in accruals and deferred income. There were no outstanding amounts due to G S U Baker.