

# EREDENE CAPITAL PLC

Admission Document

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document and what action you should take you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 ("FSMA").

**If you have sold or otherwise transferred all of your Ordinary Shares in Eredene Capital PLC please send this document, together with accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

**A notice convening the annual general meeting of the Company to be held at 7 Pilgrim Street, London EC4V 6LB on 4 May 2006 is set out at the end of this document. The accompanying Form of Proxy for use at the annual general meeting should be completed and returned to Neville Registrars Ltd, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible and in any event no later than 2 May 2006, being 48 hours before the time appointed for the holding of the meeting.**

This document, which is an admission document required by the AIM Rules, does not comprise a prospectus for the purposes of the Prospectus Rules. This document does not constitute an offer to the public within the meaning of section 85 FSMA therefore this document is not an approved prospectus for the purposes of, and as defined in section 85 FSMA, and has not been prepared in accordance with the Prospectus Rules. This document has not been approved by the FSA or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

Application has been made for the Enlarged Issued Share Capital of Eredene Capital PLC to be admitted to trading on AIM and it is expected that dealings in the Enlarged Issued Share Capital will commence on 10 May 2006.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange plc has not itself examined or approved the contents of this document.**

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# EREDENE CAPITAL PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5330839)*

## **Proposed Change of Strategy to Invest in Real Estate in India**

### **Placing of 228,428,000 Placing Shares at 25p per share**

### **Adoption of Share Option Plans**

### **Notice of Annual General Meeting**

### **Admission to trading on AIM**

***Nominated Adviser & Broker:***

**Seymour Pierce**

***Sole Bookrunner:***

**HSBC Bank plc**

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The Directors and Proposed Director, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and Proposed Director (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information. In connection with this document and/or the invitation contained in it, no person is authorised to give any information or make any representation other than as contained in this document.

Seymour Pierce Limited, which is regulated by the Financial Services Authority and is a member of the London Stock Exchange, is acting as nominated adviser and broker exclusively for the Company in connection with the Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document. HSBC Bank plc, which is regulated by the Financial Services Authority, is acting as Sole Bookrunner to the Company in connection with the Placing. No representation or warranty, express or implied, is made by Seymour Pierce Limited or HSBC Bank plc as to any of the contents of this document for which the Directors and Proposed Director of the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). Neither Seymour Pierce Limited nor HSBC Bank plc will be offering advice and neither of them will otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company. Neither Seymour Pierce Limited nor HSBC Bank plc has authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Seymour Pierce Limited or HSBC Bank plc for the accuracy of any information or opinions contained in this document or for the omission of any material information.

Your attention is drawn to Part III of this document, which sets out risk factors relating to an investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this document.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction in which such an offer or solicitation would be unlawful and should not be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Japan, Australia or the Republic of Ireland, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of Ireland or Japan.

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## DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

<b>Directors:</b>	Christopher David Crosthwaite, <i>Non-Executive Chairman</i> Alastair John Naisbitt King, <i>Chief Executive</i> Gary David Varley ACA, <i>Executive Director</i>	
	all of whose business address is: 17A Curzon Street, London W1J 5HS	
<b>Proposed Director:</b>	Sir Christopher Benson, <i>Proposed Non-Executive Director</i>	
	whose business address is: 17A Curzon Street, London W1J 5HS	
<b>Company Secretary:</b>	Gary David Varley ACA	
<b>Registered Office:</b>	7 Pilgrim Street London EC4V 6LB	
<b>Principal Place of Business:</b>	17A Curzon Street London W1J 5HS Telephone: 020 7318 1630	
<b>Nominated Adviser and Broker:</b>	Seymour Pierce Limited Bucklersbury House 3 Queen Victoria Street London EC4N 8EL	
<b>Sole Bookrunner:</b>	HSBC Bank plc 8 Canada Square London E14 5HQ	
<b>Solicitors to the Company:</b> <i>As to matters of English Law:</i>	Faegre & Benson LLP 7 Pilgrim Street London EC4V 6LB	Ashurst Broadwalk House 5 Appold Street London EC2A 2HA
<i>As to matters of Indian Law:</i>	AZB & Partners F-40 N.D.S.E. Part -1 New Delhi 110 049	
<b>Solicitors to the Placing:</b>	Norton Rose Kempson House Camomile Street London EC3A 7AA	
<b>Auditors and Reporting Accountant:</b>	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL	
<b>Principal Bankers:</b>	HSBC Bank plc 27-32 Poultry London EC2P 2BX	

**Registrars:**

Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands B63 3DA

**Financial Public Relations:**

Redleaf Communications Limited  
9-13 St. Andrew Street  
London EC4A 3AF

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules of AIM published by the London Stock Exchange
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held on 4 May at 10.00 a.m. and any adjournment thereof, notice of which is set out at the end of this document
“Approved Plan”	the Eredene Capital PLC Approved Share Option Plan proposed to be adopted by the Company, details of which are set out in paragraph 11 of Part VI of this document
“Board” or “Directors”	the directors of the Company, whose names are set out on page 3 of this document
“Company” or “Eredene”	Eredene Capital PLC
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately following Admission
“Eredene Group”	the Company and its subsidiary, Eredene Mauritius
“Eredene Mauritius”	Eredene Mauritius Ltd, a subsidiary of the Company incorporated in Mauritius
“Form of Proxy”	the Form of Proxy enclosed with this document for use by Shareholders in connection with the AGM
“FSMA”	Financial Services and Markets Act 2000
“HSBC”	HSBC Bank plc
“Investment Advisory Agreement”	the Investment Advisory Agreement dated 10 April 2006 between (1) Eredene Mauritius (2) the Company and (3) Saffron, details of which are set out in paragraph 8(b) of Part VI of this document
“IRR”	internal rate of return
“London Stock Exchange”	London Stock Exchange plc
“Notice”	the notice of the AGM as set out at the end of this document
“Official List”	the official list of the UKLA
“Ordinary Shares”	ordinary shares of 10p each in the capital of Company
“Placing”	the conditional placing by HSBC, as agent for the Company, of the Placing Shares at the Placing Price pursuant to the Placing Agreement as described in this document

“Placing Agreement”	the conditional agreement dated 10 April 2006 between (1) the Company, (2) HSBC and (3) Seymour Pierce relating to the Placing and the application for Admission, details of which are set out in paragraph 8(a) of Part VI of this document
“Placing Price”	25p per Placing Share
“Placing Shares”	the 228,428,000 new Ordinary Shares to be issued in connection with the Placing
“Proposals”	the Placing, change of strategy and adoption of the Share Option Plans
“Proposed Director”	Sir Christopher Benson
“Prospectus Rules”	the rules comprised in the Prospectus Rules Sourcebook published by the Financial Services Authority
“Resolutions”	the resolutions set out in the Notice
“Saffron”	Saffron Capital Advisors Limited
“Saffron Group”	Saffron Capital Securities Limited and its wholly owned subsidiaries, Saffron and Saffron Asset Advisors Private Limited
“Seymour Pierce”	Seymour Pierce Limited, the Company’s Nominated Adviser and Broker
“Shareholders”	holders of Ordinary Shares
“Share Option Plans”	the Approved Plan and the Unapproved Plan
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the United Kingdom Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of the FSMA
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the shares or securities of the company concerned as being held in uncertificated form in CREST and title to which by virtue of the CREST Regulations, may be transferred by means of CREST
“Unapproved Plan”	the Eredene Capital PLC Unapproved Share Option Plan proposed to be adopted by the Company, details of which are set out in paragraph 11 of Part VI of this document

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2006
Annual General Meeting	10.00 a.m. 4 May
Admission and dealings expected to commence in the Enlarged Issued Share Capital on AIM	10 May
CREST accounts credited for the Placing Shares in uncertificated form	10 May
Despatch of definitive share certificates for the Placing Shares in certificated form	by 19 May

## PLACING STATISTICS

Placing Price	25p
Number of Ordinary Shares in issue at the date of this document	16,300,000
Number of Placing Shares	228,428,000
Number of Ordinary Shares in issue immediately following Admission	244,728,000
Placing Shares as a percentage of the Enlarged Issued Share Capital	93.34 per cent.
Market capitalisation at the Placing Price	£61,182,000
Estimated gross proceeds of the Placing	£57,107,000
Estimated net proceeds of the Placing receivable by the Company	£55,359,900

## PART I

### LETTER FROM THE CHAIRMAN OF EREDENE CAPITAL PLC

# Eredene Capital PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5330839)*

*Directors:*

Christopher David Crosthwaite *(Non-Executive Chairman)*  
Alastair John Naisbitt King *(Chief Executive)*  
Gary David Varley ACA *(Executive Director)*

*Registered Office:*

7 Pilgrim Street  
London  
EC4V 6LB

10 April 2006

Dear Shareholder,

**Proposed Change of Strategy to Invest in Real Estate in India**

**Placing of 228,428,000 Placing Shares at 25p per share**

**Adoption of Share Option Plans**

**Notice of Annual General Meeting**

**Admission to trading on AIM**

### INTRODUCTION

Eredene was admitted to AIM in February 2005 with a strategy to seek investment opportunities and/or acquisitions that in the Directors' opinion have the potential for generating sustainable growth and profitability. Your Board is now pleased to write to you with a proposal to adopt a strategy to invest in and develop real estate in India and to appoint the Saffron Group as investment adviser to the Eredene Group.

The new strategy offers investors the opportunity to invest in India's growing economy. The Company intends to generate an attractive rate of return for Shareholders by taking advantage of the opportunities in the Indian real estate market with the benefit of investment and real estate advice provided by the Saffron Group.

The Eredene Group will be advised by the Saffron Group, the management of which is respected and experienced in real estate investment and development, with a demonstrated track record in India since the mid 1990s. The Eredene Group will make the final investment decisions.

At the same time as changing its investment strategy, Eredene is proposing to raise £57,107,000 through a placing of 228,428,000 Placing Shares with institutional and other investors, details of which are set out below.

In addition, the Directors are pleased to announce the appointment to the Board, conditional on Admission, of Sir Christopher Benson as a Non-Executive Director.

It is also proposed that the Company adopt the Share Option Plans.

The purpose of this document is to set out the reasons for and details of the Proposals and to explain why your Board considers that they are in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the Resolutions to be proposed at the Annual General Meeting to approve and implement the Proposals. The notice convening the Annual General Meeting is set out at the end of this document. The Annual Report for the period ended 31 December 2005 is enclosed with this document.

The Company's change of strategy is treated as a reverse takeover under the AIM Rules and therefore Shareholder approval of Resolution 4 is required at the AGM to pursue the opportunity to invest in real estate in India.

## **BACKGROUND TO THE PROPOSALS**

Your Board believes that the real estate sector in India provides an opportunity for the Eredene Group to produce capital gains for Shareholders. The Board believes there are substantial opportunities and scope for further development in the Indian real estate market.

Eredene's proposed strategy aims to take advantage of the liberalisation of India's foreign direct investment ("FDI") guidelines.

In March 2005 the Indian Government decided to allow FDI up to 100 per cent. in townships, housing, built-up infrastructure and construction-development projects subject to certain guidelines including:

- (i) minimum development areas of 10 hectares in relation to serviced housing plot developments and 50,000 square metres in relation to construction-development projects;
- (ii) minimum capitalisation requirements requiring investment of at least US\$5 million in joint ventures with Indian partners and US\$10 million in the case of wholly owned subsidiaries; and
- (iii) restrictions on repatriation of investments before the expiry of three years from investment (without approval of the Foreign Investment Promotion Board).

## **INVESTMENT STRATEGY**

Eredene intends to focus on real estate opportunities in tier 2 and 3 cities in India (being cities with populations of 1 million or more and 500,000 or more respectively). The Board and Saffron believe those cities may represent higher growth prospects than the five tier 1 cities being Mumbai, New Delhi, Kolkata, Chennai and Bangalore. The 2001 census of India identified 35 cities with a population over 1 million and it is estimated that there are 67 cities with a population over 500,000 in India. The Board believes that within these cities there is a demand for high quality real estate projects.

The Eredene Group will diversify its investments across a range of real estate asset classes which will include investment and development projects in the residential, retail, commercial, IT parks, hospitality and mixed-use sectors.

The Eredene Group will focus on opportunities that are expected to deliver capital appreciation (with target IRRs of more than 25 per cent.) and which offer a clear exit strategy. A prospective deal pipeline has already been identified with potential investments with this target IRR although there can be no assurance that any of these investments will be made by the Company.

The preferred method of investment will be through joint ventures with local developers. It is expected that initially the Eredene Group will concentrate on development projects rather than pure investment properties.

It is anticipated that the Eredene Group will consider investing in development projects where its investment is in the range of US\$5 million to US\$25 million and which provide an exit within 3 to 7 years. It is expected that projects would typically be financed on the basis of equal amounts of equity and debt.

The Eredene Group and Saffron are currently in negotiations with an Indian real estate developer with a view to forming a joint venture to develop a site in Maharashtra State. The Board hopes that this will form the first investment although there can be no assurance that this investment will be made.

## **INVESTMENT STRUCTURE AND INVESTMENT ADVISER**

It is intended that Eredene will invest through Eredene Mauritius which will in turn invest in one or more joint ventures with developers. The Eredene Group may also consider investing through an Indian domestic venture capital fund to which Saffron would be investment advisor, should this be appropriate. In addition, the Eredene Group may invest into other Indian real estate funds, including a fund called K2, to which Saffron would be investment advisor. Further details of the possible investment in the K2 fund are set out in paragraph 8(c) of Part VI of this document.

The Eredene Group has entered into the Investment Advisory Agreement with Saffron, the terms of which are summarised below.

## **Saffron**

The Saffron Group is a start up business which is in the process of putting in place the management and infrastructure required to provide the services set out in the Investment Advisory Agreement.

Saffron will be responsible for sourcing, evaluating and transacting real estate investments for the benefit of the Eredene Group. The Eredene Group has a right of first refusal over Saffron's deal pipeline until 60 per cent. of the Eredene Group's funds have been committed to real estate projects and a qualified pro rata right thereafter as described in paragraph 8(b) of Part VI. Once sourced, evaluated and transacted, Saffron will also be responsible for identifying, retaining and overseeing development contractors and the development management process on the projects into which the Eredene Group invests. In addition, Saffron will provide the Eredene Group with portfolio advice, including advice on refinancing and exit strategies. Further details of the Investment Advisory Agreement are set out below and in paragraph 8(b) of Part VI this document.

The Eredene Group will make the final investment decisions including those on portfolio composition. Eredene, as provider of capital, will be responsible for monitoring debt exposure and hedging currency risk, if appropriate.

The senior officers within the Saffron Group include:

### *Ajoy Kapoor (aged 45)*

Mr Kapoor was previously at HSBC in London as Group Head, Strategy & Implementation, Corporate Real Estate where he was involved in strategic real estate management and development project implementation. He was a member of the corporate real estate board of HSBC.

Prior to joining HSBC, Mr Kapoor held senior positions at Standard Chartered Bank India where he was involved in real estate investment and assisted in the management of a substantial mixed real estate portfolio in India. From 1980 to 1995 Mr Kapoor assisted in the development of a retail chain in the UK under the name Lamco.

### *Rohin Shah MSc. MRICS (aged 40)*

Mr Shah has over 20 years experience in the UK real estate commercial investment market. He is currently responsible for a substantial UK real estate portfolio as the managing director of Meghraj Properties Limited.

Mr Shah has been involved with the Indian real estate markets since 1992 and was involved in the establishment of Trammell Crow Meghraj (formerly Chesterton Meghraj) in April 1995. Trammell Crow Meghraj is one of India's leading real estate consultants and employs over 550 people across eight offices throughout India and manages 25 million square feet of commercial real estate in India.

Trammell Crow Company, one the largest diversified commercial real estate services companies in the world, is a 30 per cent. shareholder in Trammell Crow Meghraj. Trammell Crow Company is traded on the New York Stock Exchange with a market capitalisation of some US\$1.2 billion.

The families who are interested in 100 per cent. of the Saffron Group are also interested in more than 50 per cent. of Trammell Crow Meghraj. The Eredene Group expects to benefit from the relationship between the Saffron Group and Trammell Crow Meghraj.

## **SUMMARY OF THE INVESTMENT ADVISORY AGREEMENT**

Under the Investment Advisory Agreement Saffron has agreed to provide origination, evaluation, transaction, debt, development management, general management and strategic services to the Eredene Group in relation to real estate investment in India. Saffron is entitled to be paid for the provision of services an establishment fee which is capped at US\$969,400 (representing 1 per cent. of the net proceeds of the Placing) and an annual advisory fee equal to 2 per cent. of the funds committed by the Company for investment in real estate in India, which sum committed for investment for these purposes is initially expected to be US\$86.9 million. Further details of the Investment Advisory Agreement are set out in paragraph 8(b) of Part VI.

In addition to the fees payable to Saffron pursuant to the Investment Advisory Agreement, Saffron and the management of the Saffron Group and members of their families will be entitled to share in the investment returns earned by the Eredene Group. The Company will hold all the A Shares in Eredene Mauritius and the Saffron Group and the management of the Saffron Group and members of their families will be issued B Shares in the capital of Eredene Mauritius, which shares will entitle the holders to participate in the profits derived by the Eredene Group from its investments in real estate in India. The holders of the B Shares will be entitled to be paid by way of dividend in aggregate an amount of up to 15.375 per cent. of the net profits generated by the Eredene Group from its investments in real estate in India ("the Carry"). The B shareholders will not however be entitled to the Carry until the Company has received by way of distributions as the holder of the A Shares an amount representing an IRR of 9 per cent. on the Eredene Group's investments in real estate in India.

C Shares in Eredene Mauritius will be issued to Crossover Securities Limited, an associate of Crossover Capital Limited, pursuant to the agreement summarised in paragraph 8(c) of Part VI of this document. The holder of the C Shares will be entitled to a Carry of up to 1 per cent. of the net profits generated by the Eredene Group from its investments in real estate in India on similar terms to the holders of the B Shares.

The aggregate proportion to be distributed by way of the Carry to the holders of the B and C Shares is up to 16.375 per cent. of the net profits generated by the Eredene Group from its investments in real estate in India.

The Carry will generally be distributed following termination of the Investment Advisory Agreement. Summaries of the rights attaching to the A, B and C Shares in the capital of Eredene Mauritius and of the Investment Advisory Agreement are set out in paragraphs 3 and 8(b) respectively of Part VI of this document.

The Company has also agreed to make available to Saffron an interest free loan of up to US\$500,000 to meet its establishment expenses. The loan will be repayable not later than 10 April 2008. A summary of the loan agreement is set out in paragraph 8(d) of Part VI of this document.

## **DIRECTORS**

### **Christopher David Crosthwaite**, aged 64, *Non-Executive Chairman*

A partner of the international law firm Ashurst from 1972 to 2005, Mr Crosthwaite has been involved in merger and acquisition and commercial dispute activities all his working life, including in many of the contested bids of the late 1970s and early 1980s and acting for Lloyd's Names in the syndicate disputes of the mid 1980s. In 1990 Mr Crosthwaite founded the Ashurst office in Paris where as managing partner he helped to create a leading commercial, private equity and international finance practice.

### **Alastair John Naisbitt King**, aged 37, *Chief Executive*

After qualifying as a solicitor in 1995, Mr King joined Baker & McKenzie, the international law firm, where he specialised in major domestic and cross-border merger and acquisition transactions, initial public offerings and debt issues. Whilst with Baker & McKenzie, Mr King was based in central Asia and then in London. From 1999 to 2002, he held several senior positions within NewMedia SPARK PLC, an early stage technology venture capital investor. From February 2002, he was Managing Director of Galahad Capital PLC, then an AIM-quoted cash shell, which acquired Shambhala Gold Limited and changed its name to Galahad Gold PLC. Mr King founded Eredene Capital PLC in January 2005. Mr King holds a MSc. in finance from London Business School.

### **Gary David Varley ACA**, aged 33, *Executive Director*

Mr Varley joined PricewaterhouseCoopers in 1994, where he qualified as a Chartered Accountant. He practised in the firm's audit, management consultancy and forensic accounting divisions. As well as a number of board level commercial roles, his previous experience includes 2 years as a venture capitalist with NewMedia SPARK PLC. Mr Varley was most recently Finance Director of Nicholas King Homes PLC, a residential property developer.

## **PROPOSED DIRECTOR**

### **Sir Christopher Benson**, aged 72, *Proposed Non-Executive Director*

Sir Christopher has been involved in real estate investment and development throughout his career. He gained significant development experience when with Arndale and thereafter became Managing Director

of MEPC. He has been chairman of MEPC, Royal and Sun Alliance, Boots the Chemist, Costain and Albright & Wilson. He was also chairman of the London Docklands Development Corporation.

## **DETAILS OF THE PLACING**

The Company is seeking to raise £57,107,000 (before expenses) in the Placing by HSBC, as agent for the Company, of the Placing Shares at the Placing Price with institutional and other investors, representing approximately 93.34 per cent. of the Enlarged Issued Share Capital at Admission.

As a demonstration of their commitment to the Company, the Directors, who already have substantial shareholdings in the Company, are participating in the Placing and will subscribe for a total of 400,000 Placing Shares having in aggregate a value of £100,000 at the Placing Price. In addition, Sir Christopher Benson will subscribe for 400,000 Placing Shares having a value of £100,000 at the Placing Price.

As a demonstration of their commitment to the Company, the families of Mr Kapoor and Mr Shah are also participating in the Placing and will subscribe for a total of 1,400,000 Placing Shares having in aggregate a value of £350,000 at the Placing Price.

The Placing Shares will, upon issue, rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive all dividends thereafter declared or paid.

The Placing is not being underwritten and is conditional, *inter alia*, on the passing at the AGM of the resolutions numbered 4 to 7 (inclusive) set out in the Notice and Admission. Dealings in the Enlarged Issued Share Capital are expected to commence on 10 May 2006.

Further details of the Placing Agreement are set out in paragraph 8(a) of Part VI of this document.

## **LOCK-IN AGREEMENTS**

In accordance with Rule 7 of the AIM Rules, each of the Directors and the Proposed Director have agreed that he will not dispose of any interest in any Ordinary Shares for a period of one year from Admission. Each of the Directors and the Proposed Director has further agreed with Seymour Pierce and HSBC not to dispose of any interest in Ordinary Shares held by him other than following consultation with the Company's nominated adviser and HSBC, and then only through the Company's broker, for a further twelve months after the first anniversary of the date of Admission.

## **SHARE OPTION PLANS**

The Company proposes to establish the Share Option Plans. The purpose of the Share Option Plans is to reward Directors and employees with Ordinary Shares and thereby increase their commitment to the Eredene Group's future growth and prosperity. The principal terms of the Share Option Plans are summarised in paragraph 11 of Part VI of this document.

The Approved Scheme will be approved by HM Revenue & Customs under the Income Tax (Earnings & Pensions) Act 2003. The formal application for approval will be made following the Annual General Meeting. The Unapproved Plan will not be approved by HM Revenue and Customs. The Share Option Plans provide for the Directors to select eligible employees to whom options will be granted to acquire Ordinary Shares in the Company exercisable at a price per share equal to the market value of an Ordinary Share at the date of grant of the option.

It is proposed that options be granted under the Approved Plan to subscribe for Ordinary Shares with a market value of £30,000 at the date of grant to each of Mr King and Mr Varley.

## **SHARE OPTION AGREEMENTS**

The Company has, conditional upon Admission, agreed to grant options to Mr King, Mr Varley and myself to subscribe for 5,445,198, 1,835,460 and 3,059,100 Ordinary Shares respectively, exercisable at the Placing Price, pursuant to the agreements summarised in paragraph 8(e) of Part VI of this document.

Also, the Company has, conditional upon Admission, agreed to grant options to Mr Kapoor and Mr Shah to subscribe for 611,820 and 611,820 Ordinary Shares respectively, exercisable at the Placing Price, pursuant to the agreements summarised in paragraph 8(e) of Part VI of this document.

In addition the Company has, conditional upon Admission, agreed to grant options to George Sitwell to subscribe for 428,274 Ordinary Shares, exercisable at the Placing Price pursuant to the Agreement summarised in paragraph 8(c) of Part VI of this document.

The options granted pursuant to these option agreements will vest in equal tranches on the first, second and third anniversaries of Admission. Exercise of the options will not be subject to the satisfaction of any performance criteria.

The options granted pursuant to these agreements will entitle the holders to subscribe for Ordinary Shares representing in aggregate approximately 5 per cent. of the Enlarged Issued Share Capital.

Further grants of options under the Share Option Plans and otherwise are envisaged and will be limited such that the aggregate number of Ordinary Shares the subject of outstanding options will not exceed 10 per cent. of the Company's issued share capital.

### **ADMISSION TO TRADING ON AIM**

The Company has applied for the Enlarged Issued Share Capital to be admitted to trading on AIM. Dealings in the Enlarged Issued Share Capital are expected to commence on 10 May 2006.

### **CURRENT TRADING AND NET ASSET VALUE**

The Company has today announced its results for the period ended 31 December 2005 which are contained in Part IV of this document. As at 31 December 2005 the Company's net asset value was 22.5 pence per share. The annual report and financial statements for the period ended 31 December 2005 is being sent to Shareholders with this document.

### **CREST**

The Company's Articles of Association permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. The Company has applied for the Placing Shares to be admitted to CREST and it is expected that the Placing Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in the Ordinary Shares (including the Placing Shares) following Admission may take place within the CREST system if any Shareholder so wishes.

### **CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

The Directors and Proposed Director intend, insofar as is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code on Corporate Governance. Immediately following Admission, your Board will establish an audit committee and a remuneration committee. The remuneration committee will consist of myself and Sir Christopher Benson and will determine the terms and conditions of service of (including the remuneration of, and grants of options to) executive directors. The audit committee will consist of myself and Sir Christopher Benson and will have primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls.

The Directors and Proposed Director will comply with Rule 19 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees.

### **DIVIDENDS**

It is the intention of the Directors and Proposed Director to aim for capital growth for the Company. It is inappropriate to give any indication of the likely timing of future dividends. No dividends have been declared

by the Company since the date of its incorporation. On realisation of investments the Company will consider the payment of special dividends subject to the then current FDI restrictions.

## **TAXATION**

Information regarding taxation in relation to the Placing, Admission and the Company is set out in Part V of this document. **If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.**

## **ANNUAL GENERAL MEETING**

The notice convening the Annual General Meeting of the Company, to be held at 7 Pilgrim Street, London EC4V 6LB, at 10.00 a.m. on 4 May 2006, is set out at the end of this document. Resolutions 1 to 3 deal with the ordinary business that normally takes place at an annual general meeting, and require no explanation. Resolutions 4 to 9 provide for:

4. the approval of the investment strategy as set out above;
5. the increase of the authorised share capital of the Company;
6. the grant to the Directors of authorities to allot relevant securities under Section 80 of the Act, including for the purposes of the Placing;
7. the disapplication of the statutory pre-emption rights, including for the purposes of the Placing;
8. the adoption of the Approved Plan; and
9. the adoption of the Unapproved Plan.

If all the Resolutions are duly passed, the authorised share capital of the Company will be increased to £40,000,000 divided into 400,000,000 Ordinary Shares. The Board will be expressly authorised to issue and allot the Placing Shares, to grant the options pursuant to the option agreements summarised in paragraphs 8(c) and (e) of Part VI of this document and to grant the additional options over up to a further 5 per cent. of the Company's Enlarged Issued Share Capital, following which there would be 130,799,200 unissued Ordinary Shares, of which the Board would be authorised to issue and allot a further 81,576,000 Ordinary Shares (representing approximately 33 per cent. of the Enlarged Issued Share Capital) on a pre-emptive basis or for non-cash consideration otherwise than on a pre-emptive basis. Resolution 7 will also permit the issue of up to 12,236,400 Ordinary Shares, being equal to 5 per cent. of the Company's Enlarged Issued Share Capital for cash other than pro rata to existing Shareholders. This authority will lapse 15 months after the AGM or at the conclusion of the Annual General Meeting of the Company to be held in 2007, whichever occurs first.

## **IRREVOCABLE UNDERTAKINGS TO APPROVE THE PROPOSALS**

The Directors and Ornaisons Foundation have irrevocably undertaken to vote in favour of the Resolutions numbered 4 to 7 (inclusive) in the Notice to be proposed at the AGM in respect of their beneficial holdings totalling 10,690,000 Ordinary Shares in aggregate which represents approximately 65.6 per cent. of the current issued share capital of the Company.

## **FURTHER INFORMATION**

Your attention is drawn to Parts II to VI of this document which provide additional information.

## **ACTION TO BE TAKEN**

### **Form of Proxy**

A Form of Proxy accompanies this document for use by Shareholders at the AGM. Whether or not Shareholders intend to be present at the AGM, they are asked to complete, sign and return the Form of Proxy to the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, as soon as possible and in any event so as to arrive no later than 10.00 a.m. on 2 May 2006. The completion and return of the Form of Proxy will not preclude Shareholders from attending the AGM and voting in person should they wish to do so.

## **RECOMMENDATION**

**The Directors unanimously recommend that Shareholders vote in favour of the Resolutions numbered 4 to 7 (inclusive) in the Notice to be proposed at the AGM as the Directors have undertaken to do in respect of their beneficial holdings, amounting in aggregate to 1,900,000 Ordinary Shares, representing approximately 11.7 per cent. of the current issued share capital of the Company.**

Yours faithfully

Christopher Crosthwaite  
*Non-Executive Chairman*

## PART II

### INFORMATION ON INDIA AND ITS REAL ESTATE SECTOR

India is the second most populated country in the world and its largest democracy. It is the fourth largest economy in the world on the basis of purchasing power parity, behind the United States, China and Japan. The Indian economy, after growing at 8.5 per cent. and 7.5 per cent. in the two previous years, is projected to grow at 8.1 per cent. in the current year 2005-06 (source: Government of India). Economic reforms have been one of the key factors in driving India's growth.

The early 1990s saw the liberalisation of India's trade policies and the start of the transition from 'socialist pattern economy' to 'market economy'. The pace of economic reforms in the last decade has led to a change in systems, processes and physical infrastructure of the country which has attracted foreign companies to set up in India. In 2005, India is estimated to have attracted US\$6 billion of foreign investment (source: United Nations). In addition, as the second most populated country, of which 75 per cent. are under 40 years of age, India has a large pool of human resource.

The Reserve Bank of India, responsible for setting monetary policy, in recent years has focused on maintaining a stable interest rate environment and ensuring adequate liquidity to meet credit growth while keeping inflation in control. Inflation peaked at 13.1 per cent. in 1998-99, but has remained between 3 to 5 per cent. since 1999-2000.

#### India's Real Estate Sector

The India real estate market remains highly fragmented and most construction and development work is carried out at the local level. Historically, real estate in India has focused on residential and office space, but more recently has seen an expansion to include sectors such as retail, entertainment, hospitality and IT parks.

A significant reform in March 2005 was the decision of the Indian government to allow 100 per cent. FDI in real estate with certain restrictions including:

- (i) minimum development areas of 10 hectares in relation to serviced housing plot developments and 50,000 square metres in relation to construction-development projects;
- (ii) minimum capitalisation requirements requiring investment of at least US\$5 million in joint ventures with Indian partners and US\$10 million in the case of wholly owned subsidiaries; and
- (iii) restrictions on repatriation of investments before the expiry of three years from investment (without approval of the Foreign Investment Promotion Board).

This has attracted further interest for investment in real estate through direct investments or through venture capital funds.

In addition to India's economic growth and reforms, growth in the real estate sector can be attributed to the following factors:

#### 1. Demographic Trends

India has the youngest population demographic in the world which has increased the demand for residential housing. It is estimated that there will be a shortfall of 19.4 million housing units over the next 5 years. Mortgage lending in the residential sector has increased from US\$1.84 billion in 1994 to US\$12.26 billion in 2004.

#### 2. Growth in IT Services

India's IT and IT Enabled Services sectors have grown in turnover from US\$12 billion in 2003/2004 to \$17.2 billion in 2004/2005. This growth has led to an increase in commercial and IT Park real estate capital values of between 20 and 40 per cent. in 2005. The cumulative demand for office space between 2005 and 2008 is estimated to be in excess of 80 million square feet. Typical net yields in the commercial and IT Park real estate sector are in the region of 9.5-11 per cent.

#### 3. Growth in Retail and Services

India's retail market is estimated to be worth US\$200 billion and retail real estate has experienced growth of 20 to 35 per cent. in recent years. Typical net yields in the retail real estate market are in the region of 9-10.5 per cent. The cumulative demand for retail space between 2005 and 2007 is estimated to be in excess of 70 million square feet.

## PART III

### RISK FACTORS

**Potential investors should consider carefully the risk factors described below, together with all the other information set out in this document and their own circumstances, before deciding to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Should any of the following events or circumstances occur, the Company's business, financial condition and results of operations could be materially affected. In such circumstances, the market price of the Ordinary Shares could decline and investors could lose all or part of the value of their investment. If you are in any doubt about the action you should take, you should consult a professional adviser who specialises in advising on the acquisition of shares and other securities.**

**An investment in the Company is subject to a number of risk factors, in part because of the nature of the property business and the geographical locations in which the Eredene Group is aiming to invest. The paragraphs below set out what the Company believes to be some of the principal risks involved in an investment in the Company but are not the only risks relating to the Eredene Group or an investment in the Company and are not intended to be presented in any order of priority. There may be additional risks that the Company does not currently consider to be material or of which it is not aware which may also have an adverse effect upon the Company.**

**Prospective investors should be aware that the value of the Ordinary Shares and the income from them may decrease and that they may not realise their initial investment.**

#### **RISKS RELATING TO REAL ESTATE AND THE COMPANY'S BUSINESS**

##### **1. Real estate investments are relatively illiquid**

Real estate investments such as those in which the Eredene Group intends to invest are relatively illiquid. Such illiquidity may affect the Eredene Group's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions or the exercise by tenants of their contractual rights such as those which enable them to vacate properties occupied by them prior to, or at, the expiry of the originally agreed term. This could have an adverse effect on the Eredene Group's financial condition and results of operations, with a consequential adverse effect on the market value of the Company's Ordinary Shares or on the Company's ability to make distributions to its Shareholders.

##### **2. The value of any real estate portfolio may fluctuate as a result of factors outside the owner's control**

Real estate investments are subject to varying degrees of risk. Values are affected (among other things) by changing demand for real estate, changes in general economic conditions, changing supply with a particular area of competing space and attractiveness of real estate relative to other investment choices. The value of any real estate portfolio may also fluctuate as a result of other factors outside the owner's control, such as changes in regulatory requirements and applicable laws (including in relation to taxation and planning), political conditions, the condition of financial markets, the financial condition of lessees, potentially adverse tax consequences, interest and inflation rate fluctuations and higher accounting and other expenses. The Eredene Group's operating performance would be likely to be adversely affected by a downturn in the real estate market in terms of capital and/or rental values.

##### **3. The Eredene Group's investments may incur environmental liabilities**

The Eredene Group through the entities in which it invests may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a property owned or leased by it. The costs of any required removal, investigation or remediation of such substances may be

substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Eredene Group's ability to sell or lease the real estate or to borrow using the real estate as security. Laws and regulations, as amended over time, may also impose liability for the release of certain materials into the air or water from a real estate investment, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit development of real estate.

#### **4. The Eredene Group's returns may be limited by its ability to acquire suitable real estate at satisfactory prices**

The Eredene Group may face significant competition in identifying and acquiring suitable real estate. Competition in the real estate market may lead to prices for real estate identified by Saffron and the Eredene Group as suitable being driven up through competing bids by potential purchasers. Accordingly, the existence and extent of such competition may have a material adverse effect on the Eredene Group's ability to acquire real estate at satisfactory prices and otherwise on satisfactory terms. Additionally, if increasing competition for real estate from public or private buyers causes a reduction in the number or quality of investment opportunities available to the Eredene Group or leads to a reduction in return expectations, it is likely to have negative implications for the Company's earnings and dividend growth rates.

#### **5. The operating and other expenses of the Eredene Group's investments could increase**

The operating and other expenses of the Eredene Group's investments could increase without a corresponding increase in turnover or tenant reimbursements of operating and other costs.

Factors which could increase operating and other expenses include:

- increases in the rate of inflation;
- increases in property taxes and other statutory charges;
- changes in laws, regulations or government policies (including those relating to health and environmental compliance safety) which increase the costs of compliance with such laws, regulations or policies;
- increases in insurance premiums;
- unforeseen capital expenditure may arise as a result of defects affecting the properties which need to be rectified; and
- failure to perform by sub-contractors or increases in operating costs.

Such increases could have a material adverse effect on the Company's financial position and its ability to make distributions to its Shareholders.

#### **6. The Eredene Group may suffer material losses in excess of insurance proceeds**

The Eredene Group's investments could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. In addition, there are certain types of losses that may be uninsurable or are not economically insurable.

Insurance proceeds may be insufficient to repair or replace a property if it is damaged or destroyed.

Should an uninsured loss or a loss in excess of insured limits occur, the Eredene Group's investments could lose capital invested in the affected real estate as well as anticipated future revenue from that real estate. In addition, the Eredene Group could be liable to repair damage caused by uninsured risks. The Eredene Group's investments may also remain liable for any debt or other financial obligation related to that real estate. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

## **7. The Eredene Group or the Eredene Group's investments may be subject to liability following the disposal of investments**

The Eredene Group or entities in which the Eredene Group invests may dispose of investments in certain circumstances and may be required to give representations and warranties about those investments and to pay damages to the extent that any such representations or warranties turn out to be inaccurate.

The Eredene Group or entities in which the Eredene Group invests may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation.

## **8. Saffron**

Saffron is a start up business which is in the process of putting in place the management and infrastructure required to provide the services set out in the Investment Advisory Agreement. There can be no guarantee that Saffron will be successful in establishing the business or in delivering the level of service to the satisfaction of the Eredene Group. Furthermore, should the Investment Advisory Agreement be terminated by either party, there is no guarantee that the Eredene Group will be able to obtain a satisfactory replacement.

## **9. Developers**

There can be no guarantee that the Eredene Group will be able to identify and retain a developer who is capable of exploiting the development opportunity. Furthermore, once a developer has been identified, there can be no guarantee that the project can be completed in the timeframe or cost anticipated by Eredene which may result in delays in the development and or additional costs been borne by Eredene's investments. Other development risks are shortages of skilled labour and of raw materials, such as steel or cement, failure to meet internationally accepted construction and project management standards and deficiencies in infrastructure.

In cases where the Eredene Group has a non-controlling interest, it may have limited ability to protect its position.

## **10. Risk due to small number of investments**

The Eredene Group may make a limited number of investments, and, as a result, the overall return may be negatively affected by the weak performance of even one investment.

## **11. Third-party co-investment**

The Eredene Group is likely to co-invest with third parties through joint ventures or other such bodies. Such co-investments may generate additional risks, including the risk that those third parties may suffer financial problems that negatively affect the joint venture.

## **12. Controlled foreign company**

The Eredene Group may be subject to the controlled foreign company taxation rules applicable to UK resident companies. It is likely that many, if not all, of the Eredene Group companies will qualify for exemptions from those rules. However, some may not and, in that case, their profits would be taxable in the UK even if not distributed to the UK. In addition, in certain circumstances, the Eredene Group may not be able to distribute those profits to the UK. The impact of such treatment on the Eredene Group could have a material impact on its effective tax rate on an ongoing basis.

## **13. Close company**

The Company is currently considered a close company, as defined for UK tax purposes in the Income and Corporation Taxes Act 1988 ("ICTA"). The Company is not expected to be a close company following Admission. However, depending on changes thereafter in the Company's shareholders, it may become a close company, to which the anti-avoidance provisions in section 704D and 704E ICTA would apply. This would have a material impact on the tax treatment of the Eredene Group.

## **14. Key employees**

The management of the Eredene Group depends on a relatively small number of key employees. The loss of the services of certain key employees could have a material adverse effect on the results of operations or financial condition of the Company. In addition, as the Eredene Group's business develops and expands, the Company believes that its future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

## **RISKS RELATING TO INDIA**

### **1. The Legal System**

The legal system of India is subject to significant delays as there are over two million cases pending in India's eighteen High Courts alone. Any enforcement of the Eredene Group's rights, in respect of its investments in India, therefore may be prone to the long delays and limitations of the Indian legal system.

### **2. Political Risk**

India has a coalition government headed by the Congress Party and it consists of fourteen different political parties. Political instability has been quite common in the last few years.

Another factor is India's long standing dispute with Pakistan over the Kashmir region. Since India's independence and Pakistan's formation in 1947, the countries have fought three wars (the last ended in 1971) and today both are nuclear powers.

Such political factors could impact India's economy and financial markets. These could adversely impact the Eredene Group's investments in India.

### **3. Economic Outlook**

The current Indian government is a strong supporter of broad economic policies and it has so far broadly been in favour of international investors. Any adverse changes in foreign investment policy and other laws such as taxation would have a negative impact on Eredene's returns.

### **4. Currency Exchange Risk**

Eredene reports in sterling and its investments will be denominated in Indian Rupees. Any change in the exchange rate between these two currencies may have a detrimental impact on the results of Eredene which it may not be able to mitigate against through hedging of currency risk.

Furthermore, the Company may be adversely affected by any change in Indian foreign exchange controls and/or legislation.

### **5. Profit Repatriation (Profit on Sale, Dividends, and Interest)**

There could be changes in foreign direct investment regulations in India which could impose restrictions on the Eredene Group's ability to invest and/or repatriate profits.

### **6. Reliance on the Double Tax Avoidance Treaty**

The Eredene Group will seek an exemption under the India-Mauritius Double Tax Avoidance Treaty ("Treaty"). However, no assurance can be given that the Company will be able to avail itself of the benefits of the Treaty. In future, new legislation, regulations or court rulings may limit or eliminate the Treaty. This may lead to a more adverse tax regime and may impact on the level of taxation incurred by Eredene.

### **7. Corporate Governance and Accounting Standards Regulation**

Compared to generally accepted accounting principles of the UK, of the United States of America and the IFRS, India has relatively immature accounting standards which provide more scope for discretion, and

disclosures can be limited. Therefore Eredene may have difficulties in obtaining reliable information regarding the companies and or projects in which it is seeking to invest.

#### **8. Indian property law**

Indian property laws are complex and vary State by State. These laws govern various elements of property transactions including stamp duty, land revenue, Floor Space Index limits and land use restrictions. The complexity of these laws, and any negative changes to them, may adversely affect the value of the Eredene Group's investments.

#### **9. Property title disputes**

India does not have a centralised land registry system and so land title disputes are common in many States. The Eredene Group will work with local developers and advisors to attempt to minimise the risk of such disputes however the Eredene Group may encounter title disputes which could prevent transactions from being executed and could negatively affect the value of its investments.

#### **10. Land usage restrictions**

Land in India is often zoned for specific uses – most commonly for agriculture. Where the Eredene Group invests in agricultural sites, which have not yet received change of use clearance, there is the risk that the change of use may be refused. This would negatively impact on the value of those investments.

#### **11. Rent Control Acts**

The Indian property market is closely regulated and many State and Municipal Authorities have enacted rent control acts which place restrictions on the rent that can be charged to tenants. Such rent controls may limit the returns that the Eredene Group can earn from its investments.

#### **12. Compulsory government purchase**

The Indian government has the right to compulsorily purchase land for certain purposes. Whilst compensation is received, that compensation may not reflect the full market value of the land and may be less than the initial price paid.

#### **13. Religious and ethnic conflicts**

India's population is comprised of numerous ethnic groups with diverse religions and languages which sometimes leads to conflicts between those groups. In recent years there has been violence between Hindus and Muslims which has led to loss of life and property damage.

Any continuation or escalation of such violence could negatively impact the value of Eredene's real estate investments.

#### **14. Agriculture based economy**

Agriculture constitutes around 20 per cent. of India's gross domestic product and is a major sector of employment. The agricultural sector's output varies each year and is strongly correlated to the monsoon conditions. Lack of monsoon, severe monsoon and drought conditions reduce agricultural production which impacts the economy and the financial markets. Such conditions could adversely affect the returns on the Eredene Group's investments.

#### **15. Exposure to Permanent Establishment tax status**

While the Company believes that the activities of the Eredene Group as described in this document should not create a permanent establishment of the Eredene Group in India, there is a risk that the Indian tax authorities could take a contrary view. If for any reason the Eredene Group is held to have a permanent establishment in India, then its profits could be subject to Indian tax.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **1. Investment in securities traded on AIM**

Investment in shares traded on AIM is perceived to involve a higher degree of risk and can be less liquid than investment in companies whose shares are listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Investors may therefore realise less than, or lose all of, their investment.

The market price of the Ordinary Shares may fluctuate widely in response to different factors. The market price of the Ordinary Shares may not wholly or mainly reflect the value of the underlying investments of the Company, but may also be subject to wide fluctuations in response to many factors (some of which are beyond the Company's control), including variations in the operating results of the Eredene Group, divergence in financial results from stock market expectations, changes in earnings' estimates by analysts, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in the Company's sector and other events and factors outside the Company's control. The market value of an Ordinary Share may vary considerably from its underlying net asset value.

In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic and political conditions, could adversely affect the market price for the Ordinary Shares. To optimise returns, investors may need to hold the Ordinary Shares on a long-term basis and they may not be suitable for short-term investment. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. There is no guarantee that an active market for the Ordinary Shares will develop or be sustained after Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Placing Price. The value of Ordinary Shares may go down as well as up and the market price of the Ordinary Shares may not reflect the underlying value of the Eredene Group's investments.

### **2. There are restrictions on the payment of dividends by the Company**

Shareholders should note that payment of any dividends by the Company will be at the discretion of the Board after taking into account many factors, including the Company's and the Eredene Group's ability to buy and sell properties, operating results, financial condition and current and anticipated cash needs.

### **3. Ordinary Shares available for future sale**

The Company is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following termination of the lock-up restrictions as set out in the Lock-in Agreements (the terms of which are summarised in paragraph 8(j) of Part VI of this document). Any sales of substantial amounts of Ordinary Shares in the open market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

## **PART IV**

### **FINANCIAL INFORMATION ON EREDENE CAPITAL PLC**

#### **Introduction**

The financial information in this Part IV does not constitute statutory financial statements within the meaning of section 240 of the Companies Act and has been extracted, without material adjustment, from the audited financial statements for the period ended 31 December 2005.

An unqualified audit report, as defined by Section 235 of the Companies Act, and which did not contain a statement under Section 237 (2) or (3) of the Companies Act, has been given by BDO Stoy Hayward LLP, auditors for the period ended 31 December 2005.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF EREDENE CAPITAL PLC**

### **Independent Auditors' Report To The Shareholders Of Eredene Capital PLC**

We have audited the financial statements of Eredene Capital PLC for the period ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and Chairman's Statement are 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of the Company's loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

10 April 2006

## PROFIT AND LOSS ACCOUNT

Period from 12 January 2005 to 31 December 2005

		<i>Period from 12 January 2005 to 31 December 2005 £'000</i>
Turnover		–
Cost of sales		–
		<hr/>
<b>Gross profit</b>		–
Administrative expenses		(388)
		<hr/>
<b>Operating loss</b>	2	(388)
Interest receivable		121
		<hr/>
<b>Loss on ordinary activities before taxation</b>		(267)
Taxation	4	–
		<hr/>
<b>Loss on ordinary activities after taxation</b>		(267)
		<hr/> <hr/>
Loss per share – basic and diluted	5	(1.78)p
		<hr/> <hr/>

All amounts relate to continuing activities.

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

## BALANCE SHEET

At 31 December 2005

	<i>Note</i>	<i>31 December 2005 £'000</i>
CURRENT ASSETS:		
Debtors	6	11
Cash at bank		<u>3,724</u>
		3,735
Creditors: amounts falling due within one year	7	<u>(104)</u>
NET CURRENT ASSETS		<u><u>3,631</u></u>
CAPITAL AND RESERVES		
Called up share capital	8	1,630
Share premium account	10	2,268
Profit and loss account		<u>(267)</u>
SHAREHOLDERS' FUNDS – EQUITY	9	<u><u>3,631</u></u>

## CASHFLOW STATEMENT

Period from 12 January 2005 to 31 December 2005

	<i>Note</i>	<i>Period from 12 January 2005 to 31 December 2005 £'000</i>
Net cash outflow from operating activities	12	(295)
Returns on investments and servicing of finance:		
Interest received		<u>121</u>
Net cash inflow from returns on investments and servicing of finance		121
Financing:		
Issue of shares		<u>3,898</u>
Net cash inflow from financing		<u>3,898</u>
<b>Increase in cash</b>	11, 13	<u><u>3,724</u></u>

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2005

### 1. ACCOUNTING POLICIES

#### (a) Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The principal accounting policies of the Company are set out below.

#### (b) Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

#### (c) Foreign Currencies

Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the foreign exchange rates ruling at the balance sheet date.

Expenses in foreign currencies are recorded in sterling at the rates ruling at the date of the transactions.

Any gains or losses arising on translation are reported as part of profit.

#### (d) Pensions

The Company contributes to directors' personal money-purchase pension schemes. Contributions are charged to the profit and loss account in the period in which they become payable.

#### (e) Share Option Plans

When shares and share options are awarded to employees, a charge is made to the profit and loss account based on the difference between the market value of the Company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (Revised 2003) "Employee Share Scheme". The credit entry for this charge is taken to the profit and loss reserve and is reported in the reconciliation of movements in shareholders' funds.

## 2. OPERATING LOSS

	<i>2005</i> <i>£'000</i>
This is stated after charging:	
Staff costs (including directors)	
Salaries	170
Social security costs	12
Pension costs	12
	<hr/> 194 <hr/> <hr/>

The average number of employees during the period, including directors, was:

	<i>2005</i>
Administrative	3

	<i>2005</i> <i>£'000</i>
<b>Services provided by the company's auditor</b>	
Audit services	
– Statutory audit	12
– Other	3
	<hr/> 15 <hr/> <hr/>

In addition to the above, fees of £10,000 were charged by the auditors in relation to their role as Reporting Accountants to the Company; this has been offset against the Share Premium Account.

## 3. DIRECTORS' REMUNERATION

	<i>2005</i> <i>£'000</i>
Aggregate emoluments	159
Company pension contributions to money purchase schemes	12
	<hr/> 171 <hr/> <hr/>

The aggregate emoluments and benefits of the highest paid director totalled £97,000 during the period.

The Company made contributions to two directors' own money purchase pension schemes in 2005 totalling £12,000.

The directors were allotted the following numbers of shares under option during the period. Further detail on the share options is provided in note 14. No share options were exercised by directors during the period.

	<i>Number of shares under option issued during the period</i>
C D Crosthwaite	244,500
A J N King	1,304,000
G D Varley	407,500

#### 4. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge for the period due to the loss arising. Deferred tax assets are only recognised when it is more likely than not that they will be recovered.

#### 5. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the period of £267,000 and the weighted average number of shares in issue during the period of 14,979,321. The effect of all potential ordinary shares under option is anti-dilutive. Details of the share options issued, which could be dilutive in the future, are set out in note 14.

#### 6. DEBTORS

	<i>2005</i> <i>£'000</i>
Other debtors	3
Prepayments and accrued income	8
	<u>11</u>

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

	<i>2005</i> <i>£'000</i>
Trade creditors	19
Taxation and social security	4
Other creditors	24
Accruals and deferred income	57
	<u>104</u>

#### 8. CALLED UP SHARE CAPITAL

	<i>2005</i> <i>£'000</i>
<b>Authorised:</b> 35,000,000 ordinary shares of 10p each	<u>3,500</u>
<b>Allotted, called up and fully paid</b> 16,300,000 ordinary shares of 10p each	<u>1,630</u>

The Company was incorporated on 12 January 2005 with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each of which two shares were issued at par nil paid. On 21 January 2005 both subscriber shares were fully paid up.

On 21 January 2005 the share capital of the Company, issued and unissued, was sub-divided and increased so as to comprise 35,000,000 ordinary shares of 10 pence each.

On 28 January 2005, 499,980 ordinary shares of 10 pence each were issued at par.

On 10 February 2005, 15,800,000 ordinary shares of 10 pence each were issued at 25 pence each.

**9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<i>2005</i> <i>£'000</i>
Shares issued (net of flotation expenses)	3,898
Loss for period	(267)
	<hr/>
Closing shareholders' funds at 31 December 2005	<u>3,631</u>

**10. SHARE PREMIUM ACCOUNT**

	<i>2005</i> <i>£'000</i>
Premium on shares issued during the period	2,370
Issue costs charged to the share premium account	(102)
	<hr/>
At 31 December 2005	<u>2,268</u>

**11. ANALYSIS OF CHANGES IN NET CASH**

	<i>At</i> <i>12 January</i> <i>2005</i> <i>£'000</i>	<i>Cashflow</i> <i>£'000</i>	<i>Non-cash</i> <i>Items</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2005</i> <i>£'000</i>
Cash at bank	–	3,724	–	3,724
	<hr/>	<hr/>	<hr/>	<hr/>

**12. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<i>2005</i> <i>£'000</i>
Operating loss	(388)
Increase in debtors	(11)
Increase in creditors	104
	<hr/>
Net cash outflow from operating activities	<u>(295)</u>

**13. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET CASH**

	<i>£'000</i>
Net cash at 12 January 2005	–
Increase in cash in the period	3,724
	<hr/>
Net cash at 31 December 2005	<u>3,724</u>

#### **14. SHARE OPTIONS ISSUED**

The Company entered into option agreements dated 7 February 2005 under which the directors have been granted options to subscribe for a total of 1,956,000 ordinary shares exercisable at 25 pence.

The options become exercisable in respect of one third of the ordinary shares over which they are granted on the first, second and third anniversary of 10 February 2005. To the extent that an option becomes exercisable it may be exercised at any time up to 10 February 2015. The options will become exercisable in respect of all of the ordinary shares in respect of which they are granted in the event of an offer for the Company becoming unconditional in all respects or a reverse takeover (within the meaning of the AIM Rules) being completed. If the directors cease to be a director before 10 February 2008, their options will lapse to the extent they have not then become exercisable, unless the board resolves otherwise.

The number and/or nominal value of Ordinary Shares subject to the options and/or the exercise price is subject to adjustment in certain circumstances, including upon any subdivision, consolidation or reduction of capital or any offer of shares by the Company made to all shareholders.

#### **15. CONTROLLING PARTY**

Eredene Capital PLC is controlled by Ornaisons Foundation by virtue of its majority shareholding.

## **PART V**

### **TAXATION**

The information below, which is of a general nature only and which refers only to UK, Mauritius and Indian taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK (except where indicated) and who hold Ordinary Shares as an investment and not as an asset of a financial or other trade. It is based on existing law and practice and is subject to subsequent changes therein. Any changes in the Company's tax status or in taxation legislation could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to Shareholders. Any Shareholder who is in doubt as to their tax position should consult their own professional advisor without delay.

#### **UK Taxation**

The following paragraphs are intended as a general guide only for shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue published practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

(a) *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding.

If a shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on his circumstances, arise. The amount of the gain will be eligible for taper relief.

(b) *Stamp duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.

(c) *Dividends and other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit.

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will be taxed at 32.5 per cent. and will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the dividend received and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's income.

The Company will not be required to withhold UK tax from dividends paid on the Ordinary Shares.

**Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.**

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

## **The Company**

The Company is a UK incorporated company and as such is liable to UK corporation tax at 30 per cent. on its worldwide profit with credit being available for foreign taxes suffered on the same profits.

It is planned that the investments into India take place through one or more Mauritius companies. It is possible a separate Mauritius company will be used for each investment into India. The Indian investments are expected to be in the form of share subscriptions and loans into Indian companies which will be formed as Special Purpose Vehicles ("SPVs"). The SPVs are likely to be joint ventures with Indian developers.

The nature of the taxation on the Eredene Group's profits will depend on whether those profits derive from the sale of shares in the SPVs or dividends from the SPVs:

### *(a) Capital Gains on sale of shares in SPVs*

#### *(i) Indian Tax on capital gains*

It is likely that the Eredene Group will realise its interests in each SPV wherever possible by selling its shares in that SPV. Under the India/Mauritius Tax Treaty, any gain on the sale of those shares would likely be taxed in Mauritius rather than India so there would likely be no Indian capital gains tax.

It may be appropriate to make some investments through an Indian Venture Capital Fund in the future. In these circumstances the Indian Fund is likely to be tax transparent in India and so any capital gain would again likely be taxed in Mauritius rather than India.

#### *(ii) Mauritius Tax on capital gains*

There is no tax on capital gains in Mauritius and so gains arising from the sale of shares in the SPVs should not be taxable in Mauritius (and should also not have been taxed in India).

#### *(iii) UK Tax on capital gains*

Where dividends are paid to the Company from the Mauritian subsidiaries out of the tax-free capital gains then UK corporation tax at 30 per cent. would likely be payable as no foreign tax credits would be available to offset that tax.

In summary, the only tax payable on capital gains from the sale of SPV shares is likely to be UK Corporation Tax at 30 per cent.

### *(b) Dividends from SPVs*

#### *(i) India Tax on SPV dividends*

The Indian SPVs will pay Indian corporate taxes of 33.66 per cent. on profits. Those profits would include any profit on the direct sale of property by the SPV – rather than Eredene selling its stake in the SPV. In addition, if dividends are paid, a dividend distribution tax of 14.025 per cent. is payable on the net profit (after suffering the 33.66 per cent. corporate tax). The effective rate of tax on distributed profits is therefore likely to be 43 per cent.

These taxes are treated as creditable underlying tax for Mauritius and UK foreign tax credit purposes as noted below.

*(ii) Mauritius tax on SPV dividends*

Dividends received and other income are liable to Mauritius tax at 15 per cent. as Eredene's Mauritius subsidiaries will hold a Global Business Licences category 1. However credit will be available for the Indian underlying tax suffered provided the Mauritius company has 5 per cent. or greater of the equity of the SPVs, which is expected to be the case. The 43 per cent. tax paid in India will more than likely offset the 15 per cent. Mauritius tax hence there will likely be no Mauritius tax on dividends and other income received from the Indian SPVs.

*(iii) UK tax on SPV dividends*

Dividends paid to the Company from a Mauritius company will be liable to UK corporation tax at 30 per cent. Provided Eredene holds 10 per cent. or more of the shares of the Mauritius company and a 10 per cent. or more indirect interest in the equity of the Indian SPV then it will be able to use the Mauritian and Indian tax credits to offset that UK corporation tax. As the effective Indian tax rate is 43 per cent there should be sufficient tax credits to reduce the UK corporation tax to nil if the dividend is from an accounting period in which the income consists only of dividends from the Indian SPV.

In summary the only tax paid on SPV dividends is likely to be the Indian corporate tax and dividend distribution tax at an effective rate of 43 per cent.

*Other UK Tax Considerations*

Eredene Mauritius will be managed and controlled from Mauritius and so should not be liable to UK tax unless it has a permanent establishment in the UK.

The Mauritius companies will be controlled foreign companies for UK tax purposes within Part XVII Chapter IV Taxes Act 1988. However there should be no UK tax arising as a result of the Indian foreign tax credits available to offset any UK tax liability on the dividends.

The Company is close at present but is not expected to be so following the Placing. If the Company was a close company the capital gains realised by the non-UK tax resident subsidiary companies would be deemed to be realised by the Company and UK tax would be payable under section 13 CGTA 1992.

**PART VI**  
**ADDITIONAL INFORMATION**

**1. Incorporation and Status of the Company**

- (a) The Company was incorporated and registered in England and Wales on 12 January 2005 as a public limited company with the name Eredene Capital PLC and with registered number 5330839 under the Act, under which it operates and in accordance with which the Ordinary Shares were created. The Company's registered office is located at 7 Pilgrim Street, London EC4V 6LB.
- (b) The principal legislation under which the Company operates is the Act and regulations made thereunder. The liability of the members of the Company is limited.
- (c) The Company received a certificate pursuant to section 117 of the Act entitling it to commence business and borrow on 31 January 2005.

**2. Share capital of the Company**

- (a) The authorised and issued share capital of the Company as at the date of this document and following the Placing and Admission are as follows:

*Current:*

<i>Authorised share capital</i>			<i>Issued and fully paid up share capital</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
3,500,000	35,000,000	Ordinary Shares	1,630,000	16,300,000

*Following the Placing:*

<i>Authorised share capital</i>			<i>Issued and fully paid up share capital</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
40,000,000	400,000,000	Ordinary Shares	24,472,800	244,728,000

- (b) The Company was incorporated on 12 January 2005 with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each with two subscriber shares in issue. By resolution passed on 21 January 2005, the authorised share capital of the Company was subdivided into 1,000,000 Ordinary Shares and increased to £3,500,000 divided into 35,000,000 Ordinary Shares. On 28 January 2005, 499,980 Ordinary Shares were issued at par and on 10 February 2005 a further 15,800,000 Ordinary Shares were issued pursuant to a placing at 25p per share.
- (c) Pursuant to resolutions passed in general meeting on 21 January 2005 the Directors were:
- (i) authorised to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal value equal to £2,326,000, such authority to expire on 21 January 2010, subject to such authority being limited following the first admission of its Ordinary Shares to AIM ("First Admission") to the allotment of relevant securities up to an aggregate nominal amount of one third of the issued Ordinary Share capital of the Company at First Admission; and
- (ii) empowered to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority summarised in paragraph (i) above as if Section 89 (1) did not apply to any such allotment subject to such power being limited following First Admission to the allotment of equity securities in connection with a rights issue or open offer in favour of shareholders or otherwise to the allotment of equity securities up to an aggregate nominal amount of 15 per cent. of the issued Ordinary Share capital of the Company at First Admission, such power to expire on 21 April 2006 or, if earlier, the conclusion of the annual general meeting of the Company to be held in 2006.
- (d) The Placing Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.

- (e) The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 2(c)(ii) above and as disapplied by Resolution 7 set out in the Notice, if it is passed.
- (f) Save in connection with the Placing or pursuant to the option agreements summarised in paragraph 8(e) or grants of options pursuant to the Share Option Plans, no share or loan capital of the Company is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.
- (g) The existing Ordinary Shares are, and the Placing Shares will be, in registered form. Application will be made for the existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. AIM is the only stock exchange where admission to trading is being or will be sought.

### **3. Eredene Mauritius**

The share capital of Eredene Mauritius will be divided into A Shares, B Shares and C Shares. All of the issued A Shares will be held by Eredene. The B Shares will be held by Saffron Capital Securities Limited (“SCSL”) and the management of the Saffron Group and members of their families and the C Shares will be held by Crossover Securities Limited.

The rights attaching to the A Shares, B Shares and C Shares will provide that the holders of the B Shares and C Shares shall be entitled to receive by way of dividend upon the date the Investment Advisory Agreement is due to terminate, other than through early termination, or upon such date as Eredene (as the holder of all the issued A Shares) and SCSL shall agree (“the Exit Date”) an amount calculated by reference to “Net Receipts” of Eredene Mauritius as described below:

After making provision for all liabilities of Eredene Mauritius and its subsidiaries and such other subsidiaries of Eredene (together the “EM Group”) as shall have made investments pursuant to the provisions of the Investment Advisory Agreement (“EM Liabilities”) and after reserving for the distribution to Eredene (as the holder of all the issued A Shares) an amount equal to the aggregate of all sums subscribed for shares in members of the EM Group (“the EM Capital”) and such amount as will provide an IRR of 9 per cent. on the EM Capital (“the Base Amount”), the holders of the B Shares and C Shares shall be entitled to be paid by way of dividend respectively amounts equal to 19.21875 per cent. and 1.25 per cent. of the Base Amount (“the Catch Up Carry”) and the holders of the A Shares 4.53125 per cent. of the Base Amount.

Thereafter, the holders of the B Shares and C Shares respectively are entitled to be paid by way of dividend in aggregate an amount equal to 15.375 per cent. and 1 per cent. of the balance of Net Receipts (if any) (“the Carry”). The holders of the A Shares are entitled to all profits and income of Eredene Mauritius that are not distributable as Catch Up Carry or Carry.

“Net Receipts” for this purpose means the gross income and capital receipts of the EM Group derived from trading activities, as determined by the directors of Eredene Mauritius, less all expenses and liabilities incurred by the EM Group.

In establishing the value of Net Receipts for distribution purposes provision is made for the independent valuation of unrealised assets of the EM Group.

In the event of early termination of the Investment Advisory Agreement by Saffron when entitled or by Eredene Mauritius without cause on or after the end of the third year from the date of the agreement the Catch Up Carry and the Carry (“Ring Fenced Value”) relating to assets and liabilities at such termination date (“Ring Fenced Assets”) shall be distributed to the holders of the B Shares at the choice of SCSL either on such termination date based on the then value of such Ring Fenced Assets or at the Exit Date based on the value of such Ring Fenced Assets at the Exit Date. Such choice is required to be made following notification of the Ring Fenced Value at such early termination date. In the former case 80 per cent. of the Ring Fenced Value shall be distributed within 14 days of the determination of the Ring Fenced Value and the remaining 20 per cent. shall be distributed not later than the date upon which distributions in respect of Net Receipts are made to the holders of the A Shares and C Shares. If Eredene Mauritius has insufficient cash resources to distribute the 80 per cent. of the Ring Fenced Value when due for distribution, it will use

all reasonable endeavours to make such distribution as soon as reasonably practicable and interest will accrue on any unpaid amount.

In the event of early termination of the Investment Advisory Agreement by Eredene Mauritius when entitled for breach by Saffron or upon the occurrence of certain specified events of default as set out in the Investment Advisory Agreement (“Eredene Termination for Cause”) only 80 per cent. of the Ring Fenced Value relating to the Ring Fenced Assets shall be distributed to the holders of the B Shares at the choice of Eredene Mauritius either at such termination date based on the then value of such Ring Fenced Assets or at the Exit Date based on the value of such Ring Fenced Assets at the Exit Date. Such choice is required to be made following notification of the Ring Fenced Value at the early termination date. In the former case, after deduction of any sums owed by Saffron to Eredene Mauritius under the Investment Advisory Agreement and after provision by the board of Eredene Mauritius for any amounts not held in cash and required to meet the Base Amount (to which the holders of the A Shares are entitled), four fifths of 80 per cent of the Ring Fenced Value shall be distributed within 14 days of determination of the Ring Fenced Value (subject to Eredene Mauritius having sufficient cash resources to make such distribution) and the remaining one fifth of the 80 per cent. of the Ring Fenced Value shall be distributed not later than the date upon which distributions in respect of Net Receipts are made to the holders of the A Shares and C Shares.

If the Investment Advisory Agreement is terminated by Eredene Mauritius due to any wilful misconduct, act of fraud, fraudulent concealment or illegal or criminal action by Saffron (excluding non material regulatory offences) (“Saffron Misconduct”) the holders of the B Shares are not entitled to payment by way of dividend of the Catch Up Carry or Carry.

The holder of the C Shares is entitled to the distribution of its Carry and Catch Up Carry upon termination of the Investment Advisory Agreement broadly on the same terms as the holders of the B Shares save that (i) the entitlement to Carry and Catch Up Carry is not reduced in the case of Eredene Termination for Cause and (ii) the holder of the C Shares is entitled to the distribution of Carry and Catch Up Carry if the Investment Advisory Agreement is terminated for Saffron Misconduct.

#### **4. Memorandum and Articles of Association**

The Memorandum of Association of the Company provides that the Company’s principal objects are to carry on business as a general commercial company and to carry on the business of a holding, management and investment company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association.

The Articles of Association of the Company (the “Articles”) contain, *inter alia*, provisions to the effect set out below:

(a) *Voting Rights*

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. On a poll votes may be given either personally or by proxy.

(b) *Alteration of Capital*

(i) The Company may from time to time by ordinary resolution:

- (a) increase its capital as the resolution shall prescribe;
- (b) consolidate and divide all or any of its shares into shares of larger amount;
- (c) sub-divide all or any of its shares into shares of smaller amount and attach varying rights to the shares resulting from such sub-division; and
- (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(ii) The Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

(c) *Variation of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders (but not otherwise). At every such separate general meeting the necessary quorum shall be not less than two persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

(d) *Purchase of Own Shares*

Subject to the provisions of the Act and to the sanction by an extraordinary resolution passed at a separate class meeting of the holders of any convertible shares, the Company may purchase any of its own shares of any class (including redeemable shares) at any price.

(e) *Transfer of Shares*

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or on which the Company has a lien.

(f) *Dividends and other distributions*

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears that they are justified by the financial position of the Company.

All dividends shall be apportioned and paid pro rata to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the dividend specified by the ordinary resolution.

The Company may cease to send any cheque or dividend warrant through the post if such instruments have been returned undelivered or remain uncashed by a member on at least two consecutive occasions. The Company shall recommence sending cheques or dividend warrants if the member claims the dividend or cashes a dividend warrant or cheque.

In a winding up, the liquidator may, with the sanction of an extraordinary resolution and subject to the Insolvency Act 1986, divide among the members *in specie* the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

(g) *Restrictions on Shares*

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under Section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Board may serve on such member or on any such person a notice ("a direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may in addition direct that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be

registered unless it is a transfer on sale to a *bona fide* unconnected third party, or by the acceptance of a take-over offer or through a sale through a recognised investment exchange as defined in the FSMA. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(h) *Directors*

- (i) At every annual general meeting of the Company as near as possible (but not exceeding) one third of the Directors for the time being shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.
- (ii) Save as provided in paragraph (iii) below, a Director shall not vote at a meeting of the Board or any committee of the Board on any resolution of the Directors concerning a matter in which he has an interest which together with any interest of any person connected with him is to his knowledge a material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.
- (iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company; (v) any resolution relating to an arrangement for the benefit of employees of the Company and which does not provide in respect of any Director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.
- (iv) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £250,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The Directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The Directors may pay pensions and other benefits to, *inter alia*, present and past employees and Directors and may set up and maintain schemes for the purpose.
- (v) The provisions of Section 293 of the Act relating to the mandatory retirement of Directors at age 70 do not apply to the Company.
- (vi) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two. There is no maximum number of Directors. A Director shall not be required to hold any shares of the Company by way of qualification.

(i) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(j) *General Meetings*

At least 21 clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and at least 14 clear days' notice of every other extraordinary general meeting shall be given, to such members as are, under the Articles, or the terms of issue of shares, entitled to receive such notices from the Company and to the Directors and the auditors.

## 5. Directors' and other Interests

- (a) The interests (all of which are beneficial unless otherwise stated) of the Directors and the Proposed Director, which have been notified by each Director pursuant to Sections 324 or 328 of the Act and are required to be entered in the register of directors' interests maintained under the provisions of section 325 of the Act (or in the case of the Proposed Director would be required to be notified were they a director), and of persons connected with the Directors and Proposed Director (within the meaning of section 346 of the Act) which, if such connected persons were directors of the Company, would be required to be disclosed or notified under the Act, as at the date of this document and as they are expected to be at Admission, are as follows:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>Percentage of the issued share capital prior to the Placing</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>Percentage of the issued share capital following the Placing</i>	<i>Number of Ordinary Shares under option following the Placing</i>
Christopher Crosthwaite	800,000	4.91%	1,100,000	0.45%	3,303,600
Alastair King	1,100,000	6.75%	1,200,000	0.49%	6,749,198
Gary Varley	0	0%	0	0%	2,242,960
Sir Christopher Benson	0	0%	400,000	0.16%	0

- (b) Save as disclosed in this sub-paragraph (b) the Directors are not aware of any interest (within the meaning of Part VI of the Act) in the Company's share capital which, as at the date of this document or immediately following the Placing and Admission, would amount to 3 per cent. or more of the Company's issued share capital or which would enable a shareholder to exercise control over the Company.

<i>Name</i>	<i>Existing number of Ordinary Shares</i>	<i>Existing percentage of issued share capital</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>Percentage of the issued share capital following the Placing</i>
BBHISL Nominees Limited	8,890,000 <sup>(1)</sup>	54.54%	20,311,400	8.30%
HSBC Global Custody Nominee (UK) Limited	1,150,000	7.06%	1,150,000	0.47%
Giltspur Nominees Limited	1,000,000 <sup>(2)</sup>	6.13%	2,000,000	0.82%
Smith & Williamson Nominees Limited	900,000	5.52%	8,100,000	3.31%
Cayzer Trust Company Limited	800,000	4.9%	8,000,000	3.27%

(1) 8,790,000 Ordinary Shares of those registered in the name of BBHISL Nominees Limited are beneficially owned by Ornaisons Foundation. Mrs. R. Arnold is interested in Ornaisons Foundation.

(2) The 1,000,000 Ordinary Shares registered in the name of Giltspur Nominees Limited are beneficially owned by Mr S. Rose.

- (c) Save as set out in sub-paragraph (a) above, following the Placing and Admission, no Director or Proposed Director or any person connected with such a Director or Proposed Director (within the meaning of Section 346 of the Act) is expected to have any interest in the share capital of the Company amounting to 3 per cent. or more of the Company's issued ordinary share capital.
- (d) There are no outstanding loans granted, or guarantees provided, by the Company to or for the benefit of any of the Directors or the Proposed Director.
- (e) No Director nor the Proposed Director or any member of a Director's or Proposed Director's family has a related financial product referenced to the Ordinary Shares.

- (f) Save as disclosed in this paragraph 5, no Director nor the Proposed Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and which remains in any respect outstanding or unperformed.

## 6. Directors' Service Agreements and Letters of Appointment

- (a) Christopher Crosthwaite holds office as non-executive Chairman pursuant to the terms of a letter of appointment dated 7 February 2005. The appointment under the letter will terminate upon Mr Crosthwaite ceasing to be a director of the Company. Since 1 January 2006, Mr Crosthwaite has been paid a fee of £25,000 per annum, which fee will increase to £40,000 per annum with effect from Admission.
- (b) Pursuant to a service agreement with the Company dated 7 February 2005 Alastair King has agreed to serve the Company as Chief Executive for an initial period of one year and thereafter (subject to early termination as provided therein) until terminated by the Company or Mr King by 6 months' notice given at any time. Mr King's salary is £100,000 per annum and will increase to £150,000 with effect from Admission. In addition, Mr King is entitled each year to the payment by the Company of pension contributions to a personal pension plan equal to 7.5 per cent. of his salary and the provision of private medical insurance. Mr King's contract does not provide for the payment of any benefit upon termination of his employment.
- (c) Pursuant to a service agreement with the Company dated 7 February 2005 Gary Varley has agreed to serve the Company as Executive Director and Company Secretary for an initial period of one year and thereafter (subject to early termination as provided therein) until terminated by the Company or Mr Varley by 6 months' notice given at any time. Mr Varley's salary is £75,000 per annum which will increase to £100,000 with effect from Admission. In addition, Mr Varley is entitled each year to the payment by the Company of pension contributions to a personal pension plan equal to 7.5 per cent. of his salary and the provision of private medical insurance. Mr Varley's contract does not provide for the payment of any benefit upon termination of his employment.
- (d) Pursuant to a letter of appointment dated 10 April 2006, and conditional upon Admission, Sir Christopher Benson will be appointed as a non-executive director. The appointment under the letter will terminate upon Sir Christopher Benson ceasing to be a director of the Company. Sir Christopher Benson will be paid a fee of £35,000 per annum.
- (e) Save as disclosed in paragraphs (a) to (d) above, there are no service or consultancy contracts, existing or proposed, between any Director or the Proposed Director and the Company.
- (f) It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors and the Proposed Director for the financial period ending 31 December 2006 will be approximately £380,000.

## 7. Additional Information on the Board and Proposed Director

- (a) In addition to their directorships of the Company, the Directors and the Proposed Director hold or have held the following directorships and are or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Christopher Crosthwaite	WelcomeChance Property Management Limited	Ashurst Global 2000 Development Planning Limited
Alastair King	King Capital Management Limited Eredene Mauritius Ltd	Forss Investments Limited Galahad Gold plc Internet Indirect plc The Madaket Foundation NewMedia SPARK B.V. NewMedia SPARK GmbH NewMedia SPARK Directors Limited

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Alastair King (continued)		NewMedia SPARK Secretaries Limited Purple Technologies Limited Shambhala Gold Limited Skaergaard Minerals Corp. SPARKIdea Limited SPARK Services Limited SPARK Investors Limited
Gary Varley	Eredene Mauritius Ltd	Eleven Management Company (West Byfleet) Limited Essence Management Company Limited Guildown Developments Limited Hub (High Street Maidenhead) Management Limited Nicholas King Homes plc Nicholas King Investments Limited Nicholas King Limited Orani Industrial Limited Sandisplatt One Limited Strata Management Company Limited Thames Vale Developments Limited Zest Management Company Limited
Sir Christopher Benson	Minories Holdings Limited Royal Flying Doctor Service of Australia, Friends in the United Kingdom Pauls Dene Properties Limited Dolphin Farms Limited Dolphin Property (Management) Limited IT Through Work Limited London Chamber of Commerce and Industry Commercial Education Trust	ROH Management Limited Royal Opera House, Covent Garden Limited Cross London Rail Links Limited AGT Energy Limited The Inns of Court School of Law Air Ambulance Foundation

- (b) In 1991 Mr. Crosthwaite was appointed a non executive director of L’Air Conditionné SA, a holding company whose subsidiary (founded in the 1960s by a member of his wife’s family), was a leading manufacturer in France, and a distributor, of air conditioning units. In 1993 L’Air Conditionné SA went into creditors voluntary liquidation with an estimated deficiency of approximately €9,500,000.
- (c) During the course of his employment with NewMedia SPARK PLC, an early stage technology venture capital investor, Mr. King was obliged to serve in a non-executive capacity on the boards of several companies in which NewMedia SPARK PLC was an investor. Of these companies (a) SPARKIdea Limited went into creditors voluntary liquidation on 10 June 2002 (after he had left the board) with an estimated total deficiency as regards members of £450,411 and (b) Purple Technologies Limited went into creditors voluntary liquidation on 7 February 2003 (after he had left the board) with an estimated total deficiency of £1,992,264.
- (d) Save as disclosed above, none of the Directors or the Proposed Director has:
- (i) any unspent convictions in relation to indictable offences;
  - (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;
  - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

- (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

## 8. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period from incorporation to the date of this document and are, or may be, material:

- (a) The Placing Agreement dated 10 April 2006 between the Company (1), HSBC (2) and Seymour Pierce (3) pursuant to which and conditional, *inter alia*, upon the passing at the AGM of the Resolutions numbered 4 to 7 (inclusive) in the Notice and Admission taking place on or before 8.30 a.m. on 11 May 2006 (or such later time and date as the Company, HSBC and Seymour Pierce may agree, being not later than 25 May 2006), HSBC has agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. HSBC and Seymour Pierce will be paid a commission equal to 3 per cent. of the value at the Placing Price of the Placing Shares placed by them (excluding Placing Shares in respect of which placees are procured by the Company or pursuant to the agreement summarised in paragraph 8(c) below).

The Placing Agreement contains certain indemnities and warranties from the Company in favour of HSBC and Seymour Pierce together with provisions which enable HSBC to terminate the Placing Agreement in certain circumstances prior to Admission, including in circumstances where any warranty is found to be untrue or inaccurate in any material respect. The liability of the Company for breach of warranty and under the indemnities is unlimited.

- (b) The Investment Advisory Agreement dated 10 April 2006 between Eredene Mauritius (1), the Company (2) and Saffron (3) providing for the appointment by Eredene Mauritius of Saffron on an exclusive basis to provide origination, evaluation, transaction, debt, development management, general management and strategic services to the Eredene Group in relation to real estate investment in India ("the Services"). Saffron may appoint any member of the Saffron Group to provide the Services under the Agreement. The agreement is conditional upon the service by Eredene Mauritius of a notice specifying the amount of funds (being not less than US\$60 million) ("the Equity") available for investment pursuant to the Agreement not later than 15 June 2006, the date of service of such notice being "the Commencement Date". Subject to early termination as set out below, the agreement is for a term of 7 years from the Commencement Date and will renew automatically for 2 successive 12 month periods from the seventh anniversary of the Commencement Date unless Eredene Mauritius shall have served notice on Saffron not later than three months' prior to the seventh or the eighth anniversary of the Commencement Date terminating the Agreement.

Saffron undertake that until all Equity shall have been applied by the Eredene Group in investments in real estate in India:

- (a) No member of the Saffron Group nor Mr. Rohin Shah or Mr. Ajoy Kapoor shall engage in the supply to any company (or subsidiary of a company) admitted to trading on the Official List of the UKLA and the London Stock Exchange's market for listed securities or AIM (a "Listed Entity") of services in the nature of the Services in relation to real estate investment opportunities in India (other than (i) activities associated with the management of Trammell Crow Meghraj, Trammell Crow Company, Meghraj Properties Limited, Meghraj SP Corporate Finance (Private) Limited, A.P. Taraporewalla & Sons Pvt. Ltd, Cordea Savills Limited and Savills plc in India ("Permitted Activities") or (ii) the management of, or the provision of investment advice to, an Indian resident fund investing in Indian real estate, excluding a fund which is a Listed Entity;

- (b) No member of the Saffron Group nor Mr. Shah or Mr. Kapoor shall without the prior written consent of Eredene Mauritius act as principal or on behalf of any other person in the purchase, development, management or sale of properties in India or establish or maintain co-investment vehicles for that purpose, save for Permitted Activities and the management of, or the provision of investment advice to, any fund, excluding any fund which is a Listed Entity;
- (c) The Saffron Group and Mr. Shah and Mr. Kapoor shall afford to the Eredene Group the first right of refusal in respect of all real estate investment opportunities in India sourced by or introduced to them ("Opportunities") provided that following the appointment of Saffron as manager of, or investment advice to, any other fund, the first right of refusal shall expire on the date when 60 per cent. of the Equity has been invested, or agreed by Eredene Mauritius to be invested, and thereafter Eredene Mauritius shall be offered the opportunity to invest in all Opportunities pro rata to the proportion which the Equity represents of the aggregate funds advised or under management by the Saffron Group for investment in Opportunities, subject to a minimum investment of 25 per cent. of the equity required to fund such investment.

The Company and Eredene Mauritius have undertaken to Saffron that until the agreement terminates no member of the Eredene Group will invest in real estate in India except through the Saffron Group.

Saffron has undertaken to procure that Mr. Kapoor shall devote at least 75 per cent. of his working day to the activities of the Saffron Group until all Equity is invested and thereafter such time as is required to provide the Services.

Eredene Mauritius has agreed to procure payment to Saffron by members of the Eredene Group of the following fees, costs and expenses:

- (i) an establishment fee capped at US\$969,400 (representing 1 per cent. of net proceeds of the Placing) (together with VAT) payable within 30 days of the Commencement Date ("the Establishment Fee");
- (ii) an annual Advisory Fee equal to 2 per cent. of the Equity (together with VAT) payable in two instalments in respect of the period of 12 months from the Commencement Date and thereafter quarterly in advance.

Saffron is entitled to recover any additional costs and expenses which it incurs in co-ordinating and supervising the facilities management of the Eredene Group's property investments.

In addition, within 20 days of the Commencement Date, Eredene Mauritius will make available to the Saffron Group an interest free loan of US\$500,000 ("the Loan") to be applied towards start up expenses pursuant to the agreement summarised in paragraph 8(d) below.

Saffron is entitled to terminate the Agreement by giving not less than 180 days' notice in writing to Eredene Mauritius if Eredene Mauritius shall go into liquidation (save for the purposes of reconstruction or amalgamation) or shall commit any act of bankruptcy or following the expiry of 30 days' notice given in writing to Eredene Mauritius of any material breach of the agreement by it that is not remedied within such period of 30 days.

Eredene Mauritius is entitled to terminate the Agreement:

- (a) On not less than 12 months' notice in writing given at any time to expire not earlier than the third anniversary of the date of the Agreement;
- (b) Immediately by giving notice in writing if any member of the Saffron Group shall go into liquidation (save for the purposes of reconstruction or amalgamation) or shall commit any act of bankruptcy;
- (c) Following notice given in writing to Saffron where it is in material breach of the Agreement and such breach is not remedied within a period of one month or such longer period as is reasonable (plus a further 30 business days where such breach can be remedied);
- (d) Following notice given in writing to Saffron if Saffron shall not be able to perform its obligations under the Agreement to a material extent for a continuous period of six months due to force majeure;
- (e) Immediately by giving notice in writing if Saffron shall commit any wilful misconduct or fraud or illegal or criminal action (excluding regulatory offences which do not cause material detriment).

The Agreement is also terminable by Eredene Mauritius on 30 days' notice if:

- (i) Saffron or Trammell Crow Meghraj shall be the subject of a Change of Control Event (as defined in the agreement) but in the case of Trammell Crow Meghraj, only if such change of control occurs before the later of the second anniversary of the date of the agreement and the date on which 70 per cent. of the Equity is committed for investment; or
- (ii) Mr. Shah or Mr. Kapoor shall cease to be employed or otherwise engaged by any member of the Saffron Group (other than by reason of death or incapacity); or
- (iii) Saffron shall fail to source at least 4 potential investments in two consecutive quarters (until such time as 80% of the Equity is committed); or
- (iv) Saffron or Mr. Shah or Mr. Kapoor shall breach the first right of refusal summarised above or the provisions of the agreement relating to their respective commitments of time to the provision of their services to Eredene Mauritius under the agreement.

On termination by Eredene Mauritius for material breach or any of the reasons in (i) to (iv) above Saffron is obliged to pay to Eredene Mauritius 100 per cent. of the Establishment Fee, where the termination is effected within the period of 3 years from the date of the agreement, and any amount of the Loan outstanding. Also following such termination within the period of three years from the date of the agreement Eredene Mauritius can deduct from any sums payable by Eredene Mauritius to Saffron, Mr. Shah or Mr. Kapoor or the management of Saffron, 75 per cent. of any amount of the Advisory Fees paid on any amount of the Equity which has not been contractually committed at the date of termination. Eredene Mauritius' obligations under the agreement are guaranteed by the Company.

The Investment Advisory Agreement is governed by English law.

- (c) Agreement dated 24 February 2006 between (1) the Company, (2) Crossover Capital Limited ("Crossover"), (3) Tamarind Capital Limited ("Tamarind"), (4) George Sitwell, (5) Raj Saxena and (6) Christopher Jones. The agreement provides for the Company to invest in the K2 Fund proposed to be established by Crossover and/or Tamarind and/or any of Messrs Sitwell, Saxena and Jones to invest in Indian Real Estate, and to which fund members of the Saffron Group would be appointed as investment advisor. Subject to Admission, if at least US\$100 million is committed to the K2 Fund by 1 August 2006, the Company has agreed to invest US\$10 million to the K2 Fund. If the Company raises in aggregate between US\$200 million and US\$300 million before 1 August 2006 it has agreed to invest in aggregate US\$15 million in the K2 Fund and if the Company raises in excess of US\$300 million by such date it has agreed to invest in aggregate US\$25 million in the K2 Fund. The Company agreed to pay Crossover a commission of 2.5 per cent. of funds raised by Crossover for the Company and a finders fee of £150,000 payable as to £50,000 by 17 April 2006 and as to £100,000 within 28 days of Admission. The Company has also agreed to procure the allotment and issue to Crossover of C Shares in the capital of Eredene Mauritius pursuant to which Crossover will be entitled to the Catch Up Carry and Carry as described in paragraph 3 of this Part VI. The Company has agreed, conditional upon Admission, to grant to George Sitwell an option to subscribe for up to 428,274 Ordinary Shares exercisable at the Placing Price. The option will become exercisable in respect of one third of the Ordinary Shares over which it is granted on the first, second and third anniversary of Admission. To the extent the option becomes exercisable, it may be exercised at any time up to the tenth anniversary of Admission. The option will become exercisable in respect of all of the Ordinary Shares in respect of which it is granted in the event of an offer for the Company becoming unconditional in all respects. If the Investment Advisory Agreement is terminated pursuant to clause 12.2(b) or 12.3 thereof the option will lapse. Exercise of the option will not be subject to the satisfaction of any performance criteria. The number and/or nominal value of Ordinary Shares subject to the option and/or the exercise price is subject to adjustment in certain circumstances, including upon any sub-division, consolidation or reduction of capital or any offer of shares by the Company made to all Shareholders.
- (d) The Loan Agreement dated 10 April 2006 between (1) the Company and (2) Saffron Capital Securities Limited ("SCSL") providing for the Company to make an interest free loan of up to US\$500,000 available to SCSL to meet expenses. The loan is repayable on 10 April 2008 or earlier upon demand by the Company if Saffron shall suffer or permit an event of default thereunder or upon termination of the Investment Advisory Agreement.
- (e) Agreements dated 10 April 2006 between each of Christopher Crosthwaite, Alastair King, Gary Varley, Rohin Shah and Ajoy Kapoor (each an "Optionholder") and the Company pursuant to which

the Company has agreed, conditional upon Admission, to grant to each Optionholder respectively an option to subscribe for the following number of Ordinary Shares exercisable at 25 pence per share:

	<i>No. of Ordinary Shares</i>
Christopher Crosthwaite	3,059,100
Alastair King	5,445,198
Gary Varley	1,835,460
Rohin Shah	611,820
Ajoy Kapoor	611,820

The options become exercisable in respect of one third of the Ordinary Shares over which they are granted on the first, second and third anniversary of the date of Admission. To the extent that an option becomes exercisable, it may be exercised at any time up to the tenth anniversary of Admission. The options will become exercisable in respect of all of the Ordinary Shares in respect of which they are granted in the event of an offer for the Company becoming unconditional in all respects. If Alastair King or Gary Varley cease to be both a director and an employee before the third anniversary of Admission, and if Christopher Crosthwaite ceases to be a director before the third anniversary of Admission, their options will lapse to the extent they have not then become exercisable, unless the Board resolves otherwise. If Rohin Shah or Ajoy Kapoor ceases to be a director of Saffron or the Investment Advisory Agreement is terminated pursuant to clause 12.2(b) or 12.3 thereof their options will lapse, unless the Board resolves otherwise. Exercise of the options will not be subject to the satisfaction of any performance criteria.

The number and/or nominal value of Ordinary Shares subject to the options and/or exercise price is subject to adjustment in certain circumstances, including upon any sub-division, consolidation or reduction of capital or any offer of shares by the Company made to all shareholders.

- (f) The placing agreement dated 7 February 2005 between the Company (1), the Directors (2) and Seymour Pierce (3) pursuant to which Seymour Pierce procured subscribers for 15,800,000 Ordinary Shares at 25p per share.

The placing agreement contained certain indemnities and warranties from the Company, and warranties from the Directors, in favour of Seymour Pierce. The liability of the Directors for breach of warranty was limited.

- (g) A Nominated Adviser Agreement dated 7 February 2005 between the Company (1), the Directors (2) and Seymour Pierce (3) pursuant to which the Company has appointed Seymour Pierce to act as Nominated Adviser to the Company for the purposes of the AIM Rules. The Company agreed to pay Seymour Pierce a fee of £10,000 per annum for its services as Nominated Adviser under the agreement, which fee will increase to £20,000 per annum on Admission. The agreement contains certain undertakings by the Company and the Directors in respect of, *inter alia*, compliance with all applicable laws and regulations and an indemnity by the Company in favour of Seymour Pierce. The agreement is subject to termination on three months' notice given by the Company or Seymour Pierce.
- (h) A Broker Agreement dated 7 February 2005 between the Company (1), the Directors (2) and Seymour Pierce (3) pursuant to which the Company has appointed Seymour Pierce to act as Broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Seymour Pierce a fee of £10,000 per annum for its services as Broker under the agreement, which fee will increase to £15,000 per annum on Admission. The agreement is subject to termination on three months' notice given by the Company or Seymour Pierce.
- (i) Option agreements between each of Christopher Crosthwaite, Alastair King and Gary Varley and the Company dated 7 February 2005 pursuant to which the Directors have been granted options to subscribe for the following numbers of Ordinary Shares exercisable at 25 pence:

Christopher Crosthwaite	244,500
Alastair King	1,304,000
Gary Varley	407,500

The options become exercisable in respect of one third of the Ordinary Shares over which they are granted on the first, second and third anniversary of 10 February 2005. To the extent that an option becomes exercisable it may be exercised at any time up to 10 February 2015. The options will

become exercisable in respect of all of the Ordinary Shares in respect of which they are granted on Admission.

The number and/or nominal value of Ordinary Shares subject to the options and/or the exercise price is subject to adjustment in certain circumstances, including upon any subdivision, consolidation or reduction of capital or any offer of shares by the Company made to all shareholders.

- (j) Lock-in agreements dated 10 April 2006, whereby, the Directors and the Proposed Director have undertaken that they will not dispose of any Ordinary Shares for a period of 12 months from the date of Admission and then for a further period of 12 months will only dispose of any Ordinary Shares following consultation with Seymour Pierce and HSBC and then only through the Company's broker.

Save as set out in this document, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes on which the business of the Company is dependent.

## **9. Litigation**

The Company is not and has not during the twelve months prior to the publication of this document been involved in any governmental legal or arbitration proceedings which may have, or have had since incorporation, a significant effect on the Company's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

## **10. Working capital**

The Company is of the opinion, having made due and careful enquiry, that the working capital available to the Company at Admission, will, from the time of Admission, be sufficient for its present requirements, that is for at least 12 months from Admission.

## **11. Share Option Plans**

### ***Approved Share Option Plan***

Subject to the passing of the resolution numbered 8 set out in the Notice to be proposed at the Annual General Meeting, application will be made to the Revenue & Customs for the approval of the Approved Plan under the provisions of the Income Tax (Earnings and Pensions) Act 2003. Set out below is a summary of the principal terms of the Approved Plan:

- (a) Any employee (including executive directors) of the Company and any of its subsidiaries is eligible to participate in the Approved Plan. An option may not be granted to an employee less than two years before he is bound to retire under the terms of his contract of employment.
- (b) Options may be granted by the Company to eligible employees selected by the Remuneration Committee. Options may normally be granted only during the period of 42 days following the approval of the plan by Revenue & Customs or the announcement of the Company's interim or final results for any period. Options may not be granted under the Approved Plan after 31 March 2016 nor during a period when the grant of options would not be in accordance with the AIM Rules. No payment is required for the grant of an option.
- (c) An option will entitle the holder to subscribe for Ordinary Shares in the Company at a price determined by the Remuneration Committee, which may not be less than the higher of:
  - (i) the middle-market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant of an option (if the Company is then admitted to the Official List);
  - (ii) the market value of an Ordinary Share determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed with the Revenue & Customs Shares Valuation in advance, not being more than 30 days prior to the date of grant;
  - (iii) the middle-market quotation of an Ordinary Share as derived from the AIM Supplement to the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant of an option (if the Company is then admitted to dealings on AIM);
  - (iv) the nominal value of an Ordinary Share.

- (d) The number of Ordinary Shares in respect of which options may be granted under the Approved Plan on any day, when added to the number of Ordinary Shares in respect of which options have been granted under the Approved Plan and the Unapproved Plan and any other share option scheme or share incentive scheme adopted by the Company, (and, in each case, if such options have not been exercised, have not then ceased to be exercisable) in the preceding period of 10 years is not to exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.
- (e) No option may be granted to an eligible employee if the result of the grant would be that the aggregate market value at the date of grant of Ordinary Shares the subject of the options held by him under the Approved Plan or any other Revenue & Customs approved share option plan (other than options granted under an Revenue & Customs approved savings related share option plan) adopted by the Company or an “associated company” (as defined in the Approved Plan) would exceed £30,000.
- (f) An option will normally be exercisable only during the period between three and ten years following the date of grant. An option will normally lapse if the option holder ceases to be employed by the Company. However, options may be exercised during a limited period in certain specified circumstances, such as the death, injury, disability, redundancy or retirement of the option holder or the take-over or voluntary winding-up of the Company. If any option holder ceases to be employed by the Company in any other circumstances, the Directors have a discretion to allow the option holder to exercise his options.
- (g) The exercise of an option may, but is not required to be, conditional upon the performance of the Company and/or upon the performance of the option holder over such period(s) and measured against such objective criteria as shall be notified to the option holder when the option is granted.
- (h) An option is not transferable and may be exercised only by the person to whom it is granted or, in the case of a deceased option holder, his personal representatives.
- (i) In the event of a capitalisation issue, a rights issue or a sub division, consolidation or reduction in the capital of the Company, the number of Ordinary Shares subject to an option and the exercise price of an option may be adjusted by the Directors, subject (other than in the case of a capitalisation issue) to the auditors of the Company confirming in writing to the Directors that such adjustment is, in their opinion, fair and reasonable and provided no adjustment will be made unless the Inland Revenue have confirmed that the approved status of the Approved Plan will not be affected.
- (j) Ordinary Shares allotted on the exercise of an option granted under the Approved Plan will rank equally in all respects with the Ordinary Shares of the Company in issue at the date of allotment, except as regards dividends and other entitlements arising by reference to a record date prior to the date of allotment.
- (k) The Remuneration Committee may amend the rules of the Approved Plan, provided no adjustment will be made unless the Revenue & Customs have confirmed that the approved status of the plan will not be affected by the amendment.
- (l) The rules of the Approved Plan provide that the plan does not form part of the contract of employment of any employee and that any claim by an employee for loss of employment will not include the loss of any benefit or advantage under the Approved Plan.
- (m) The Approved Plan is governed by English Law and any dispute concerning the Approved Plan is subject to the jurisdiction of the English courts.

### ***Unapproved Share Option Plan***

The principal terms of the Unapproved Plan are substantially the same as the Approved Plan. The Unapproved Plan will not be approved by the Revenue & Customs under the provisions of the Income Tax (Earnings and Pensions) Act 2003. The principal differences between the Approved and Unapproved Plans are:

- (a) the aggregate market value of Ordinary Shares over which options may be granted to an eligible employee, when added to the aggregate market value (at the date of grant) of Ordinary Shares over which options are then held by the eligible employee (under the Approved and Unapproved Plans and any other share incentive plan established by the Company) shall not exceed four times the eligible employee's then annual emoluments (excluding benefits in kind);

- (b) options granted under the Unapproved Plan will generally vest in three equal instalments on the first, second and third anniversaries of the date of grant;
- (c) the price payable upon the exercise of an option is not subject to agreement with the Revenue & Customs Shares Valuation;
- (d) the amendment of the rules of the Unapproved Plan does not require Revenue & Customs approval;
- (e) the Unapproved Plan does not contain provisions providing for an option holder on the takeover of the Company to exchange an outstanding option for an equivalent option over shares of the acquiring company.

### **Share Option Agreements**

The Company has granted or agreed to grant options to subscribe for Ordinary Shares pursuant to the agreements summarised in paragraphs 8(c), (e) and (i) of this Part VI.

## **12. General**

- (a) The gross proceeds of the Placing are expected to be £57,107,000. The total costs and expenses relating to Admission and the Placing are payable by the Company and are estimated to amount to approximately £1,655,488 (excluding Value Added Tax).
- (b) Seymour Pierce has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- (c) HSBC has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- (d) Other than the admission to AIM on 10 February 2005 and the current application for Admission, the Ordinary Shares have not been admitted to dealing on any investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- (e) The accounting reference date of the Company is 31 December.
- (f) The Placing Price represents a premium of 15 pence over nominal value of 10 pence per Ordinary Share.
- (g) It is expected that definitive share certificates will be dispatched by hand or first class post by 19 May 2006. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 10 May 2006.
- (h) The Directors are unaware of any exceptional factors which have influenced the Company's activities.
- (i) The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- (j) Save as disclosed in this Part VI, no person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) since incorporation has received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.
- (k) There are no arrangements in force for the waiver of future dividends.
- (l) The arrangements for paying for the Placing Shares to be issued pursuant to the Placing are set out in the placing letters referred to in the Placing Agreement. All monies received from applicants will be held by HSBC until Admission. If the Placing does not proceed, monies will be returned by cheque

crossed "A/C Payee" in favour of the first named applicant. Any monies returned will be sent by first class post at the risk of the addressee within 3 days of the termination of the Placing Agreement.

- (m) There has been no significant change in the financial or trading position of the Eredene Group since 31 December 2005.
- (n) The ISIN for the Ordinary Shares is GB00B064S565.
- (o) Save as set out in this document, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.

### **13. Availability of this Document**

Copies of this document are available free of charge from the Company's registered office and at the offices of Seymour Pierce, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and shall remain available for at least one month after Admission.

Dated: 10 April 2006

## NOTICE OF ANNUAL GENERAL MEETING

# Eredene Capital PLC

Notice is hereby given that the Annual General Meeting of Eredene Capital PLC will be held at 7 Pilgrim Street, London EC4V 6LB on Thursday the 4th day of May 2006 at 10.00 a.m. for the following purposes:

1. To receive the Company's Report and Accounts for the period ended 31 December 2005.
2. To re-elect as a Director Mr. A J N King who retires by rotation.
3. To re-appoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

### Special Business

To consider and, if thought fit, to pass the following resolutions as to the resolutions numbered 4, 5, 6, 8 and 9 as Ordinary Resolutions and as to the resolution numbered 7 as a Special Resolution:

#### Ordinary Resolutions

4. THAT the investment policy of the Company, as set out in the Chairman's Letter contained in the admission document to shareholders of the Company dated 10 April 2006 ("the Admission Document") be and it is hereby approved.
5. THAT the authorised share capital of the Company be and it is hereby increased to £40,000,000 divided into 400,000,000 ordinary shares of 10p each.
6. THAT the Directors be and they are hereby authorised generally and unconditionally for the purposes of Section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £33,447,680 provided that this authority shall expire five years from the date of the passing of this Resolution save that the Company may make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the Directors pursuant to Section 80 of the Act.

#### Special Resolution

7. THAT the Directors be and they are hereby generally empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by Resolution numbered 6 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of the Placing Shares pursuant to the Placing, as defined and described in the Admission Document;
  - (b) the allotment of equity securities in connection with a rights issue, open offer or other offer in favour of ordinary shareholders where the equity securities attributable to the respective interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them on the record date for such allotment, but subject to such exclusions as the Directors may deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and
  - (c) the grant of options to subscribe for up to 24,472,800 Ordinary Shares of 10p each;
  - (d) the allotment (otherwise than pursuant to paragraphs (a), (b) and (c) of this Resolution) of equity securities for cash up to an aggregate nominal amount of £1,223,640 such power to expire at the earlier of the date fifteen months from the date of passing of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2007;

provided that the Company may make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant thereto as if the power conferred hereby had not expired.

## Ordinary Resolution

8. THAT:
- (a) the Eredene Capital PLC Approved Share Option Plan ("the Approved Plan"), the rules of which are produced to the meeting and for the purposes of identification signed by the Chairman, be adopted;
  - (b) the Directors of the Company be authorised to do all acts and things necessary to establish and carry into effect the Approved Plan, including the making of such amendments to the Approved Plan as may be necessary to obtain its approval by the Commissioners of Inland Revenue pursuant to the Income Tax (Earnings & Pensions) Act 2003; and
  - (c) if and in so far as necessary the Articles of Association of the Company be relaxed so that each director may be counted in the quorum and authorised to vote on any matter arising in connection with the Approved Plan, save in respect of his own individual rights of participation (if any) in the Approved Plan notwithstanding that he is or may be interested in such matter.
9. THAT:
- (a) the Eredene Capital PLC Unapproved Share Option Plan ("the Unapproved Plan"), the rules of which are produced to the meeting and for the purposes of identification signed by the Chairman, be adopted;
  - (b) the Directors of the Company be authorised to do all acts and things necessary to establish and carry into effect the Unapproved Plan; and
  - (c) if and in so far as necessary the Articles of Association of the Company be relaxed so that each director may be counted in the quorum and authorised to vote on any matter arising in connection with the Unapproved Plan save in respect of his own individual rights of participation (if any) in the Unapproved Plan notwithstanding that he is or may be interested in such matter.

*Registered Office:*  
7 Pilgrim Street  
London EC4V 6LB

*By Order of the Board*  
Gary Varley  
*Company Secretary*

10 April 2006

### Notes

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power or authority should be sent to the Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA so as to arrive not less than forty-eight hours before the time fixed for the meeting.
3. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered in the Register of members at 10.00 a.m. on 2 May 2006 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

