

REGISTERED NUMBER
5330839
England and Wales

EREDENE CAPITAL PLC

Report and Financial Statements
for the Period from 12 January 2005
to 31 December 2005

EREDENE CAPITAL PLC
7 Pilgrim Street
London
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EREDENE CAPITAL PLC

REPORT AND FINANCIAL STATEMENTS

for the Period from 12 January 2005
to 31 December 2005

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EREDENE CAPITAL PLC

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am delighted to report on the first audited financial statements for Eredene Capital PLC for the period 12 January 2005 to 31 December 2005. During the period, the Company made a post tax loss of £267,000 (1.78 pence loss per share).

Your Board has been fully occupied in sourcing and reviewing a number of sizeable potential transactions in a variety of sectors. This work has included preliminary due diligence exercises on a small number of projects. During the period we reviewed over 30 projects in a number of jurisdictions and sectors. None of those projects met our rigorous standards.

Your Board is now proposing a strategy to invest in real estate in India. I will write a separate letter to you regarding that change of strategy. Your Board continues to work hard in order to drive shareholder value.

We look forward to 2006 with confidence.

Yours sincerely

Christopher Crosthwaite
Chairman

EREDENE CAPITAL PLC

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the period from incorporation on 12 January 2005 to 31 December 2005.

Principal Activity

The principal activity of the Company during the period under review was that of an investment company.

Business Review

During the period the Company has been actively identifying and examining potential acquisition candidates. None of these candidates met the Company's criteria during the period and the Company will continue to identify and assess projects in the future.

The loss after taxation for the period amounted to £267,000.

The Directors consider the results for the period to be satisfactory.

The Company did not pay dividends during the period, and does not propose to until the Company has sufficient distributable reserves.

Directors and their interests

The Directors of the Company during the period, their beneficial interests in the ordinary shares of the Company and their options to purchase such shares were;

Mr C D Crosthwaite, appointed 21 January 2005 (Chairman)

Mr A J N King, appointed 21 January 2005

Mr G D Varley, appointed 21 January 2005 (Company Secretary)

Ludgate Secretarial Services Limited, appointed 12 January 2005, resigned 21 January 2005

Ludgate Nominees Limited, appointed 12 January 2005, resigned 21 January 2005

| | <i>Number of shares held at 31 December 2005</i> | <i>Number of shares under option at 31 December 2005</i> |
|-----------------|--|--|
| C D Crosthwaite | 800,000 | 244,500 |
| A J N King | 1,100,000 | 1,304,000 |
| G D Varley | – | 407,500 |

EREDENE CAPITAL PLC

REPORT OF THE DIRECTORS

Terms of Payment of suppliers

As a general policy suppliers are paid after 30 days, or earlier where the suppliers terms dictate earlier payment. During the period the Company's average payment period was 30 days.

Auditors

BDO Stoy Hayward LLP were appointed as auditors to the Company on 14 July 2005. BDO Stoy Hayward LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Signed on behalf of the board of directors:

Alastair King
Director

10 April 2006

EREDENE CAPITAL PLC

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's 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.

EREDENE CAPITAL PLC

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EREDENE CAPITAL PLC

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

EREDENE CAPITAL PLC

PROFIT AND LOSS ACCOUNT

PERIOD FROM 12 JANUARY 2005
TO 31 DECEMBER 2005

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

All amounts relate to continuing activities.

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

The notes on pages 12 to 16 form part of these financial statements.

EREDENE CAPITAL PLC

BALANCE SHEET

AT 31 DECEMBER 2005

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

The financial statements were approved by the board of directors and authorised for issue on 10 April 2006.

Alastair King
Director

The notes on pages 12 to 16 form part of these financial statements.

EREDENE CAPITAL PLC

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> |
| Increase in cash | 11, 13 | <u><u>3,724</u></u> |

The notes on pages 12 to 16 form part of these financial statements.

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.

EREDENE CAPITAL PLC

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2005

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 |
| | <u>194</u> |

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

| | <i>2005</i> |
|----------------|-------------|
| Administrative | 3 |

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

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 |
| | <u>171</u> |

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.

*Number of shares under
option issued during the period*

| | |
|-----------------|-----------|
| C D Crosthwaite | 244,500 |
| A J N King | 1,304,000 |
| G D Varley | 407,500 |

EREDENE CAPITAL PLC

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2005

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 |
| | <hr/> |
| | 11 |
| | <hr/> <hr/> |

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 |
| | <hr/> |
| | 104 |
| | <hr/> <hr/> |

8. CALLED UP SHARE CAPITAL

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

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.

EREDENE CAPITAL PLC

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2005

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

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

10. SHARE PREMIUM ACCOUNT

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

11. ANALYSIS OF CHANGES IN NET CASH

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

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

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

13. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET CASH

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

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2005

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.