

CASSIAN INVESTMENTS PLC

REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2005



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30/01/2006

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OFFICERS AND ADVISERS

Directors

O J Vaughan (Chairman)
E Vandyk
A D Pereira

Secretary and registered office

N R Gordon
17 Hanover Square
London W1S 1HU

Company number

3928553

Auditors

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2005

The Directors present their report together with the audited financial statements for the year ended 30 June 2005.

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

The Company was established as a cash shell to identify a single transaction whereby the Company would acquire, or would be acquired by, an undertaking suitable for admission to a regulated market.

The result for the period is shown in the profit and loss account on page 6. The Directors do not recommend the payment of a dividend.

The company has raised further funds since the balance sheet date, as disclosed in note 13 to the financial statements

Following the Extraordinary General Meeting of 10 June 2005, the shareholders passed an Ordinary Resolution extending the Investment Period (as defined in the circular to shareholders dated 17 May 2005) until 31 December 2006. The Directors continue to seek a suitable transaction for investment.

DIRECTORS

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

	Warrants		<i>Issued and partly paid to 0.25p per share:</i> Ordinary Shares		<i>Issued and partly paid to 0.5p per share:</i> A Ordinary Shares		<i>Issued and full paid:</i> Ordinary Shares	
	30 June 2005	30 June 2004	of 1p each 30 June 2005	of 1p each 30 June 2004	of 2p each 30 June 2005	of 2p each 30 June 2004	of 1p each 30 June 2005	of 1p each 30 June 2004
A J C Bilton (resigned 18 July 2005)	—	—	—	—	—	—	—	—
J D A Aspinall (resigned 28 January 2005)	—	—	—	—	—	—	—	—
G S U Baker (resigned 18 July 2005)	5,000,000	5,000,000	—	2,500,000	2,500,000	—	—	—
A D Pereira	5,000,000	1,250,000	—	—	—	—	—	—
O J Vaughan (appointed 10 June 2005)	—	—	—	—	—	—	—	—
E Vandyk (appointed 10 June 2005)	—	—	—	—	—	—	—	—

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

EVENTS AFTER THE BALANCE SHEET DATE

On 18 July 2005, the Company allotted 12,500,000 new Ordinary 1 pence shares at a premium of 1 pence per share, raising additional funds of £250,000. (see note 13 of the accounts).

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2005

CONTINUED

DIRECTORS' RESPONSIBILITIES

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

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

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

POLICY AND PRACTICE ON THE PAYMENT OF CREDITORS

The Company's policy concerning the payment of its suppliers is to arrange the best possible terms with them and then pay as appropriate to those terms, subject to satisfactory performance by the suppliers. Any contractual or legal obligations are honoured with creditors being paid by the agreed dates to satisfy such commitments. At the year end the number of days' purchases outstanding was nil (2004: nil).

AUDITORS

A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the Annual General Meeting.

On behalf of the Board



E Vandyk
Director
30 January 2006

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF CASSIAN INVESTMENTS PLC

We have audited the financial statements of Cassian Investments Plc for the year ended 30 June 2005, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial investments 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 is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements in it. 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors Epsom, Surrey

30 January 2006

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
Note	£	£
Administrative expenses	<u>177,672</u>	<u>74,817</u>
OPERATING LOSS	3 (177,672)	(74,817)
Interest receivable	<u>47,432</u>	<u>38,738</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(130,240)	(36,079)
Taxation on loss from ordinary activities	4 <u>—</u>	<u>4,585</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(130,240)</u>	<u>(31,494)</u>

All amounts relate to continuing activities.

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

The notes on pages 9 to 14 form part of these financial statements.

BALANCE SHEET

AT 30 JUNE 2005

	Note	2005 £	2004 £
CURRENT ASSETS			
Called up share capital not paid	5,8	—	1,514,362
Debtors	6	1,769	1,385
Cash at bank and in hand		992,140	1,089,888
		993,909	2,605,635
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(96,900)	(11,927)
NET ASSETS		<u>897,009</u>	<u>2,593,708</u>
 CAPITAL AND RESERVES			
Share capital	8	1,139,575	634,787
Share premium	10	25,969	2,097,216
Profit and loss account	10	(268,535)	(138,295)
EQUITY SHAREHOLDERS' FUNDS	11	<u>897,009</u>	<u>2,593,708</u>

The financial statements were approved by the Board on 30 January 2006



E Vandyk
Director

The notes on pages 9 to 14 form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	£	£
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW		
Operating loss	(177,672)	(74,817)
Increase in debtors	(384)	(1,374)
Increase/(decrease) in creditors	84,973	(7,534)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(93,083)</u>	<u>(83,725)</u>

CASH FLOW STATEMENT	2005	2005	2004	2004
	£	£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(93,083)		(83,725)
Returns on investments and servicing of finance				
Interest received	<u>47,432</u>		<u>38,738</u>	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>47,432</u>		<u>38,738</u>
CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		<u>(45,651)</u>		<u>(44,987)</u>
MANAGEMENT OF LIQUID RESOURCES				
Decrease in short term deposits	<u>72,095</u>		<u>54,852</u>	
Cash inflow from management of liquid resources		<u>72,095</u>		<u>54,852</u>
FINANCING				
Expenses of cancellation and issue of shares		<u>(52,097)</u>		<u>—</u>
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u>(25,653)</u>		<u>9,865</u>

		2005	2004
	Note	£	£
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/Increase in cash in the year		(25,653)	9,865
Cash outflow from movement in liquid resources		<u>(72,095)</u>	<u>(54,852)</u>
Movement in net funds in the year		(97,748)	(44,987)
Net funds at start of year		<u>1,089,888</u>	<u>1,134,875</u>
Net funds at end of year	9	<u>992,140</u>	<u>1,089,888</u>

The notes on pages 9 to 14 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

1. ACCOUNTING POLICIES

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

DEFERRED TAXATION

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

LIQUID RESOURCES

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

2. DIRECTORS

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

The share options of the Directors are set out below:

	1 July 2004 number	Exercised number	Lapsed number	30 June 2005 number	Exercise price	Date from which exercisable	Expiry date
J D A Aspinall	5,000,000	—	(5,000,000)	—	2p	1/11/00	30/10/07
A J G Bilton	5,000,000	—	(5,000,000)	—	2p	1/11/00	30/10/07

Following the special resolutions of 10 June 2005 in respect of the cancellation of the partly paid 1 pence ordinary shares and the issue of new A Ordinary shares of 2 pence each, and the Court's sanctioning of the Scheme of arrangement, the share options above have lapsed.

3. OPERATING LOSS

	2005 £	2004 £
This is stated after charging:		
Auditors remuneration:		
— audit services	5,875	3,375
— non audit services	—	2,500
	<u> </u>	<u> </u>

4. TAXATION ON LOSS FROM ORDINARY ACTIVITIES

	2005 £	2004 £
Current tax		
UK corporation tax	—	—
Adjustment in respect of previous periods	—	(4,585)
Total current tax	<u> </u>	<u> </u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

4. TAXATION ON LOSS FROM ORDINARY ACTIVITIES *continued*

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

	2005	2004
	£	£
Loss on ordinary activities before tax	(130,240)	(36,079)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30 per cent. (2004: 30 per cent.)	(39,072)	(10,824)
Effects of:		
Excess management expenses	39,072	10,824
Adjustment in respect of previous periods	—	(4,585)
Current tax charge for period	<u>—</u>	<u>(4,585)</u>

5. CALLED UP SHARE CAPITAL NOT PAID

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

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

On 27 June 2005, the capital of the company was reduced by cancelling and extinguishing all 201,905,000 partly paid ordinary shares of 1p each in issue, thereby reducing the amount of called up share capital not paid to nil.

6. DEBTORS

	2005	2004
	£	£
Payments and accrued income	<u>1,769</u>	<u>1,385</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Other creditors	4,450	—
Accruals and deferred income	<u>92,450</u>	<u>11,927</u>
	<u>96,900</u>	<u>11,927</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

8. SHARE CAPITAL

At 30 June 2005, the share capital of the Company was as follows:

	2005	2004
	£	£
Authorised		
298,085,000 Ordinary shares of 1p each (2004: 500,000,000)	2,980,850	5,000,000
201,915,000 A Ordinary shares of 2p each (2004: nil)	4,038,300	—
	7,019,150	5,000,000
	2005	2004
	£	£
Issued and fully paid:		
13,000,000 Ordinary shares of 1p each	130,000	130,000
Issued and partly paid to 0.25p per share		
201,915,000 Ordinary shares of 1p each	504,787	504,787
Cancellation of 201,915,000 Ordinary shares of 1p each	(504,787)	—
Issued and partly paid to 0.5p per share		
201,915,000 A Ordinary shares of 2p each	1,009,575	—
	1,139,575	634,787

The authorised share capital of the company was by virtue of a Special Resolution passed on 10 June 2005, and of a Scheme of Arrangement sanctioned by an Order of the High Court of Justice on 27 June 2005 reduced from 500,000,000 Ordinary Shares of 1 pence each to 298,085,000 Ordinary shares of 1 pence each by the cancellation of the 201,915,000 allotted Ordinary shares of 1 pence each issued at 2 pence per share partly paid as to 0.25 pence nominal value per share.

The said Special Resolution also provided that the authorised share capital of the company should be increased by the creation of 201,915,000 new A ordinary shares of 2 pence each and the allotment of 201,915,000 A Ordinary shares of 2 pence each as partly paid to the amount of 0.5 pence per share.

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

Rights on Ordinary shares

The new A Ordinary shares of 2 pence each have exactly the same rights as the Ordinary 1 pence shares as to voting, income and capital rights.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

8. SHARE CAPITAL

(Continued)

Conversion of the A Ordinary shares of 2 pence into 1 pence Ordinary shares and Deferred Shares

On the twenty-eight day immediately following the date on which all amounts outstanding in respect of any A Ordinary share of 2 pence shall have been paid in full, such A Ordinary share of 2 pence shall be automatically sub-divided and converted into:-

- (a) one Ordinary 1 pence share ranking *pari passu* in all respects and forming part of one uniform class with the Fully Paid Ordinary 1 pence shares then in issue.
- (b) one Deferred share, and so that the rights attaching to the Deferred shares shall be as follows:
- a. no dividend or other distribution shall be paid or made in respect of the Deferred shares;
 - b. the holders of Deferred shares shall not be entitled to receive notice of, or attend or vote at, any general meeting of the Company;
 - c. on a return of capital whether on a winding-up or otherwise the holders of the Deferred shares shall be entitled to receive only the amount credited as paid up on each share but only after the holder of each Ordinary share shall have received the amount paid up or credited as paid up on such a share together with the payment of £1,000,000 per share but the holder of the Deferred shares shall not be entitled to participate further;
 - d. the creation of the Deferred shares by conversion as aforesaid, shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer and/or an agreement to transfer the same, without making any payment to the holders thereof, to such persons as the Company may determine and to acquire the same in accordance with the provisions of the Companies Acts without making any payment to the holders thereof and pending such transfer and/or cancellation to retain the certificates (if any) thereof.

Warrants and Subscription Rights

At 30 June 2005, the following warrants and subscription rights were outstanding in respect of ordinary shares of 1p each.

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

9. ANALYSIS OF NET FUNDS

	At 1 July 2004 £	Cash flow £	At 30 June 2005 £
Cash at bank and in hand	26,039	(25,653)	386
Liquid resources	1,063,849	(72,095)	991,754
Total	<u>1,089,888</u>	<u>(97,748)</u>	<u>992,140</u>

10. RESERVES

	Share premium account £	Profit and loss account £
Balance at 1 July 2004	2,097,216	(138,295)
Cancellation of 201,915,000 Ordinary Shares of 1p each	(2,019,150)	—
Expenses of cancellation and issue of shares	(52,097)	—
Loss for the year	—	(130,240)
Balance at 30 June 2005	<u>25,969</u>	<u>(268,535)</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Loss for the year	(130,240)	(31,494)
Issue of shares	1,009,574	—
Cancellation of shares	(2,523,936)	—
Share issue costs	(52,097)	—
Opening shareholders' funds	2,593,708	2,625,202
Closing shareholders' funds	<u>897,009</u>	<u>2,593,708</u>

12. RELATED PARTY TRANSACTIONS

During the year, Bilton House Investments Limited charged the Company £17,850 (2004: £16,535) in connection with expenses incurred on potential acquisitions.

A J G Bilton is a director and majority shareholder of Bilton House Investments Limited.

At 30 June 2005, £4,405 (2004: £nil) was due to Bilton House Investments Limited and included within other creditors.

The Company also incurred costs of £17,890 (2004: £16,391) and £17,850 (2004: £16,405) in connection with expenses incurred on potential acquisitions by G Baker and A D Pereira respectively.

There were no outstanding amounts due to G Baker or A D Pereira at, either 30 June 2005 or 30 June 2004.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

13. EVENTS AFTER THE BALANCE SHEET DATE

On 18 July 2005, following the special resolutions of 10 June 2005 and the Court's sanctioning of the Scheme of Arrangement under section 425 of the Companies Act 1985 on 27 June 2005, the company allotted 12,500,000 new ordinary 1p shares at a premium of 1p per share.