

**BERKELEY MINERAL RESOURCES PLC**  
**(FORMERLY TECTEON PLC)**

**ANNUAL REPORT AND ACCOUNTS**

**30 JUNE 2008**



**HEAD OFFICE**

2nd Floor  
19/20 Grosvenor Street  
London W1K 4QH

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**BERKELEY MINERAL RESOURCES PLC**  
(FORMERLY TECTEON PLC)

**DIRECTORS AND ADVISERS**

**DIRECTORS**

M A Alikhani

Executive Director

Y Ben Israel

Non-Executive Director

**REGISTERED OFFICE**

2nd Floor  
19/20 Grosvenor Street  
London W1K 4QH

Registered No. 2401127

**AUDITORS**

Whitefield & Co.  
8 Wolsey Mansions  
Wolsey Road, Moor Park  
Middlesex HA2 6HL

**SOLICITORS**

Beachcroft LLP  
100 Fetter Lane  
London EC4A 1BN

**STOCKBROKERS**

HB Corporate  
40 Marsh Wall  
Docklands  
London E14 9TP

**REGISTRARS**

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

## EXECUTIVE DIRECTOR'S REVIEW

### ZAMBIA

The comprehensive matrix survey of the metal values of the Kabwe dumps was recently completed and we are pleased to state that the material content is better than previously expected. The survey reported values of up to 4.54% lead and 8.61% zinc. The dumps also contain minor amounts of copper (up to 0.15%), manganese (up to 0.18%) and silver (up to 14.4g/t) which may be recoverable and thus contribute further smelter credits. The Company is currently negotiating off-take arrangements prior to commencing mining of the dumps. Results for possible rare earth elements are pending.

### PRIOR ACTIVITIES - VOICE QUALITY MARKET

The Company is in active negotiations to sell the patented technology to new contacts. The recovery of amounts receivable from Clement Clarke Communications is ongoing.

### GOING CONCERN

The convertible loan of £300,000 received in November 2007 from Quazer Group Corporation was converted into shares of 1p each in July 2008. The Zambian business represents an attractive opportunity and the off-take arrangements we are negotiating are not expected to require significant working capital. The Directors are confident to obtain finance via loans and/or share issues to meet working capital requirements.

### RESULTS FOR THE YEAR

The loss for the year ended 30 June 2008 amounted to £2,142,265 compared with a loss of £1,884,653 for the prior year. The overheads include provision against receivable of £nil (2007: £573,447) and amortisation of intangible assets of £1,710,048 (2007: £610,048).

### SUMMARY

The business is now in a position to move forward. The initial results from analysis of the Kabwe dumps show that we have a viable, valuable project despite recent resource price movements.

M A Alikhani  
Executive Director

29 December 2008

## DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements, for the year ended 30 June 2008.

## REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company's performance during the year and expected future developments are described in the Executive Director's Review on page 3.

## RESULTS AND DIVIDENDS

The results for the year are set out in the Company Income Statement on page 13. The directors do not recommend the payment of a dividend on the ordinary shares (2007: nil).

## CHANGE OF NAME

The Company changed its name from Tecteon plc to Berkeley Mineral Resources Plc on 3 March 2008.

## PRINCIPAL ACTIVITIES

During the year the Company has entered into a joint venture to trade in base metals and continued to market its voice quality technologies.

## DIRECTORS AND THEIR INTERESTS

The names of the directors who served throughout the period, except where shown otherwise, are as follows:

M A Alikhani

Y Ben Israel

In accordance with the Articles of Association, M A Alikhani retires and, being eligible, offers himself for re-election. None of the directors standing for re-election has a service contract with the Company.

The interests (as defined in the Companies Act 1985) of the directors holding office during the period to date or at date of resignation in the share capital are shown below.

	<i>ordinary shares of 1p 30 June 2008 or date of resignation</i>	<i>ordinary shares of 1p 30 June 2007 or date of appointment if later</i>
M A Alikhani*	3,378,954	1,428,994
Y Ben Israel	1,070,000	1,070,000

\* 1,950,000 shares disclosed under M Alikhani are held by W.B. Nominees Ltd.

Other than as set out above, none of the directors at 30 June 2008 held any interest in shares of the Company during the year. All of the interests reported are beneficial.

## NON-EXECUTIVE DIRECTOR

### Y BEN ISRAEL

Yoram Ben Israel, aged 41, is an experienced businessman with excellent management credentials.

In 1993 he moved to Moscow, and founded Mega Management, which was the exclusive distributor of Fila Sports, Wilson Sporting Goods, and Calvin Klein in all the CIS countries. Since 1994 Yoram has been heavily involved in all the strategic aspects of Bank Rossiya in Russia.

In 2000 he moved back to London, where he founded and still manages a private investment company, which invests in property, bonds, shares, and start up companies. He also owns a trading company, YBI Distributions Ltd, which distribute high-end loudspeakers in Europe.

## SUBSTANTIAL SHAREHOLDINGS

On 17 December 2007 the Company was aware of the following interests in 3 per cent. or more of the Company's ordinary share capital:

<i>Shareholder</i>	<i>No. of ordinary shares</i>	<i>% holding</i>
Barclayshare Nominees Limited	23,259,167	9.09
I-Fin Services (IOM) Ltd	10,888,650	4.26
LR Nominees Ltd	11,875,731	4.64
Lynchwood Nominees Limited	17,679,380	6.91
TD Waterhouse Nominees Europe Ltd	19,223,749	7.51

## TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

There were no transactions with related parties.

## ISSUES OF SHARES AND WARRANTS

During the year no ordinary shares were issued.

The Board has approved in principle a number of Enterprise Management Incentive and unapproved share options for key directors, employees and consultants.

## ANNUAL GENERAL MEETING

### *SPECIAL BUSINESS*

Resolutions will be proposed at the Annual General Meeting, as set out in the formal notice on pages 30 to 32.

The following resolutions constitute Special Business:

Resolution number 4 is proposed as an Ordinary Resolution to provide the Directors with authority to allot relevant securities (within the meaning of section 80 (2) of the Act) and up to an aggregate nominal value of £2,441,179. Such authority shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company.

Resolution number 5 is to seek authority for the Directors to allot equity securities pursuant to the warrants granted by the Company prior to the date hereof and to allot equity securities on a pre-emptive basis up to an aggregate nominal amount of £2,441,179 provided that the authorities, unless duly renewed, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authority expires, and in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.

## ENVIRONMENTAL MATTERS

The Company undertakes a review of environmental matters prior to deciding to proceed with an investment in a new operation. Once the investment is made the environmental implications are monitored on a regular basis and where necessary improvements are proposed.

## CREDITOR PAYMENT POLICY

The Company's policy is normally to pay trade creditors according to agreed terms of business. These terms are usually agreed with the trade creditors before they provide any goods or services. The Company's policy is to adhere to the payment terms providing the relevant goods or services have been supplied in accordance with the agreements. The average number of days in respect of trade creditors at 30 June 2008 was 311 (2007: 187) days based on the average daily amount invoiced by supplier during the year.

**BERKELEY MINERAL RESOURCES PLC**  
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**AUDITORS**

Whitefield & Co have expressed their willingness to continue in office as auditors.

A resolution proposing the re-appointment of the auditors Whitefield & Co. will be put to shareholders at the Annual General Meeting.

Approved by the board of directors and signed on behalf of the board.

M A Alikhani  
Director  
19/20 Grosvenor Street  
London W1K 4QH

29 December 2008

## **CORPORATE GOVERNANCE**

The Directors recognise the importance of sound corporate governance and the guidelines set out in the Principles of Good Corporate Governance and Code of Best Practice (the “Combined Code”). Whilst AIM companies are not obliged to comply with the Combined Code, the Directors do intend to comply with the Combined Code so far as is appropriate having regard to the size and nature of the various companies making up the Group. The Board will take such measures so far as practicable to comply with the Combined Code and in addition, the Quoted Companies Alliance (“QCA”) Guidelines for AIM Companies.

The Board has put in place the corporate governance procedures they believe are appropriate for the Company.

The Board retains full and effective control over the Company. The Company holds regular Board meetings at which financial, operational and other reports are considered and, where appropriate, voted on. Apart from the regular meetings, additional meetings are arranged when necessary to review strategy, planning, operational, financial performance, risk and capital expenditure and human resources and environmental management. The Board is also responsible for monitoring the activities of the executive management. To enable the Board to perform its duties, all Directors have full access to all relevant information and to the service of the Company Secretary. If necessary the Non-Executive Directors may take independent professional advice at the Company’s expense.

A statement of the directors’ responsibilities in respect of the financial statements is set out on page 10. Below is a brief description of the role of the board and its committees, including a statement regarding the Company’s system of internal financial control.

## **THE WORKINGS OF THE BOARD AND ITS COMMITTEES**

### ***THE BOARD OF DIRECTORS***

The board currently comprises one executive and one non-executive director. The non-executive director is independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgement. The board meets on average every two months and is responsible, inter alia, for setting and monitoring Company strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to shareholders.

### ***THE AUDIT COMMITTEE***

The Audit Committee comprised the following directors during the period to date:

M Alikhani and Y Ben Israel.

The committee provides a forum for reporting by the Company’s external auditors. Meetings are held not less than twice annually.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the board and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee also advises the board on the appointment of external auditors and on their remuneration both for audit and non-audit work.

***THE REMUNERATION COMMITTEE***

The Remuneration Committee, which is currently chaired by Y Ben-Israel, comprised the following directors during the period to date:

Y Ben Israel  
M Alikhani

The Committee is responsible for recommending to the board the terms and conditions of employment of the executive directors.

***THE NOMINATION COMMITTEE***

The Nomination Committee, which currently comprises Y Ben-Israel and M Alikhani, is responsible for proposing to the board any new appointments of executive or non-executive directors.

***Internal Financial Control***

The Board is responsible for establishing and maintaining the Company's system of internal financial control.

Internal financial control systems are designed to meet the particular needs of the Company and the risk to which it is exposed, and by their nature can provide reasonable assurance but not absolute assurance against material misstatement or loss.

The directors are conscious of the need to keep effective internal financial control, particularly in view of the cash constraints that the Company has faced over the year under review. Due to the relatively small size of the Company's operations, the directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Company.

***GOING CONCERN***

The Directors feel comfortable that with potential new opportunities available and with an appropriate business plan, there is a reasonable chance that they can raise the additional funds necessary to meet the needs for the next 12 months to 31 December 2009.

For the Zambian business, the Directors advise that initial trading will be done on an off-take basis whereby the Company will have no initial outlay and will secure shared revenue, giving the Company positive cash flow.

For these reasons the Directors continue to adopt the going concern basis in preparing the financial statements.

## REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee (the “Committee”) is chaired by Y Ben-Israel and comprised, during the period to date, Y Ben Israel and M Alikhani. Remuneration packages are determined with reference to market remuneration levels, individual performance and the financial position of the Company.

Executive directors are granted a retainer which is reviewed at regular intervals.

None of the executive directors have service contracts which are terminable on greater than one year’s notice.

### *Directors*

The remuneration of the individual directors is as follows:

<b>Director</b>	<b>Fees</b>	<b>Salary</b>	<b>Total 2008</b>	<b>Total 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
M A Alikhani	2,000	60,000	62,000	27,000
M Ahmadi (Resigned 25 April 2007)	–	–	–	65,797
Y Ben Israel	2,000	48,000	50,000	26,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total	4,000	108,000	112,000	118,797
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

On behalf of the Remuneration Committee.

### **Y Ben Israel**

Committee Chairman

29 December 2008

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the financial statements for the Company. The Directors are required to prepare financial statements for the Company in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires the financial statements to present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standard Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when the compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the requirements of the Companies Act 1985. The Board's statement on going concern is included in the Directors' Report on page 8.

The Directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
2. the management report, which is incorporated into the directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face.

By order of the Board  
M A Alikhani

29 December 2008

## **REPORT OF THE INDEPENDENT AUDITORS** **to the members of Berkeley Mineral Resources Plc (Formerly Tecteon plc)**

We have audited the financial statements of Berkeley Mining Resources Plc for the year ended 30 June 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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, whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance 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 further information outside the Annual Report

### **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 Company 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 IFRS as adopted by the European Union, of the state of the Company's affairs as at 30 June 2008 and of its losses for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

## **EMPHASIS OF MATTER – GOING CONCERN**

Without qualifying our opinion, we draw attention to the disclosures made in note 2 of the financial statements concerning the Company's ability to continue as a going concern which would depend upon obtaining additional financing to meet the ongoing costs. This indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern as it is not practicable to determine or quantify them.

### **Whitefield & Co**

Registered Auditors  
Wolsey Road  
Moor Park  
Middlesex  
HA2 6HL

29 December 2008

## INCOME STATEMENT

Year ended 30 June 2008

	<i>Notes</i>	<b>2008</b> £	2007 £
TURNOVER		–	28,506
Administrative expenses		<b>(2,115,150)</b>	<b>(1,926,247)</b>
OPERATING LOSS	6	<b>(2,115,150)</b>	<b>(1,897,741)</b>
Finance income		<b>129</b>	16,439
Finance costs	8	<b>(27,244)</b>	<b>(3,351)</b>
LOSS BEFORE TAXATION		<b>(2,142,265)</b>	<b>(1,884,653)</b>
Taxation	9	–	–
LOSS FOR THE YEAR		<b>(2,142,265)</b>	<b>(1,884,653)</b>
LOSS PER SHARE			
Basic and diluted	10	0.95 p	0.83p

All recognised gains and losses have been included in the income statement.

All of the activities are continuing.

**BERKELEY MINERAL RESOURCES PLC**  
(FORMERLY TECTEON PLC)

**BALANCE SHEET**

**As at 30 June 2008**

	<i>Notes</i>	<b>2008</b> £	2007 £
<b>NON-CURRENT ASSETS</b>			
Research and development	11(b)	<b>182,574</b>	1,892,622
Plant and equipment	11(a)	–	30,373
Investment	12	<b>40,000</b>	–
		<u><b>222,574</b></u>	<u>1,922,995</u>
<b>CURRENTS ASSETS</b>			
Trade and other debtors	13	<b>9,300</b>	117,444
Cash and cash equivalents	14	<b>58,649</b>	83
		<u><b>67,949</b></u>	<u>117,527</u>
<b>TOTAL ASSETS</b>		<u><b>290,523</b></u>	<u>2,040,522</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>(1,266,720)</b>	(874,454)
<b>NET CURRENT LIABILITIES</b>		<b>(1,198,771)</b>	(756,927)
<b>TOTAL LIABILITIES</b>		<u><b>(1,266,720)</b></u>	<u>(874,454)</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u><b>(976,197)</b></u>	<u>1,166,068</u>
<b>EQUITY</b>			
Share capital	17	<b>9,709,771</b>	9,709,771
Share premium	18	<b>2,705,939</b>	2,705,939
Merger reserve	18	<b>1,824,000</b>	1,824,000
Accumulated loss	18	<b>(15,215,907)</b>	(13,073,642)
<b>TOTAL (DEFICIT)/EQUITY</b>		<u><b>(976,197)</b></u>	<u>1,166,068</u>
Non equity shareholders funds	18	<b>195,799</b>	195,799
Equity attributable to the shareholders of the Company		<u><b>(1,171,996)</b></u>	<u>970,269</u>
		<u><b>(976,197)</b></u>	<u>1,166,068</u>

These financial statements were approved by the Board of Directors on 29 December 2008.

Signed on behalf of the Board of Directors by  
M A Alikhani  
Director

## CASH FLOW STATEMENT

Year ended 30 June 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
<b>NET CASH OUTFLOW</b>			
<b>FROM OPERATING ACTIVITIES</b>	19	<b>(201,563)</b>	(317,695)
INVESTING ACTIVITIES			
Interest received		129	1,939
Purchase of plant and machinery		–	(866)
NET CASH GENERATED FROM INVESTING ACTIVITIES		<u>129</u>	<u>1,073</u>
FINANCING ACTIVITIES			
Interest paid	8	–	(3,351)
Loan received during the year		300,000	–
Investments		(40,000)	–
NET CASH USED IN FINANCING ACTIVITIES		<u>260,000</u>	<u>(3,351)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<b>58,566</b>	(319,973)
Cash and cash equivalents at beginning of year		<u>83</u>	<u>320,056</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><b>58,649</b></u>	<u>83</u>

## NOTES TO THE ACCOUNTS

Year ended 30 June 2008

### 1. TRANSITION TO IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### 2. GOING CONCERN

The Company was loss making in the current year, recording a loss of £2,142,265.

The Directors feel comfortable that with potential new opportunities available and with an appropriate business plan, there is a reasonable chance that they can raise the additional funds necessary to meet the needs for the next twelve months to 31 December 2009.

For the Zambian business, the Directors advise that initial trading will be done on an off-take basis whereby the Company will have no initial outlay and will secure shared revenue, giving the Company positive cash flow.

For these reasons the Directors continue to adopt the going concern basis in preparing the financial statements.

### 3. GENERAL INFORMATION

Berkeley Mineral Resources Plc is a company incorporated in England and Wales under the Companies Act 1985. It was incorporated on 5 July 1989 under the name of Ashchurch Exploration Plc. Following various change of names, it became Tecteon Plc on 14 September 2001. On 3 March 2008 the Company changed its name to Berkeley Mineral Resources Plc. The registered office is detailed on page 2. The Company's principal activities are stated in the Director's Report.

The financial information is presented in pounds sterling.

#### **Adoption of new and revised standards**

In the current year, the Company has adopted IFRS 7 Financial Instruments Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital (see note 17).

Five interpretations issued by the International Reporting Interpretations Committee are effective for the current period. These are:

IFRIC 7	Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary economies:
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 Group and Treasury Share Transactions
IFRIC 12	Service concessions
IFRIC 13	Customer Loyalty programmes
IFRIC 14	IAS19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of non-cash assets to owners.

The Directors have assessed that the adoption of the above standards and interpretations does not have a material impact on the financial statements of the Company.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective and in some cases have not yet been adopted by the EU.

Amendment to IFRS 1	First-time Adoption of International Financial Reporting Standards.
IFRS 8	Operating Segments
Amendments to IAS 27	Consolidated and Separate Financial Statements
Amendment to IFRS 2	Share-based payment – Vesting Conditions and Cancellations

Amendment to IAS 32	Financial Instruments: Presentation and IAS1: Presentation of Financial Statements puttable Financial Instruments and Obligations Arising on Liquidation
Revision to IAS 23	Borrowing costs
Revision to IFRS 3	Business combinations
Revision to IAS 1	Presentation of Financial Statements
Amendment to IAS 39	Financial Instruments: Recognition and Measurement

The Directors anticipate that the adoption of these Standards and Interpretations in later periods will not have a material impact upon the financial information of the Company.

The comparative figures cover the year ended 30 June 2007.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### ***Basis of accounting***

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are carried at fair value or amortised cost and in accordance with International Financial Reporting Standards. The principal accounting policies adopted, which have been consistently applied, are set out below.

##### ***Business combinations***

The acquisition of subsidiaries and minority interests is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquisition, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where the Company makes further acquisitions of investments it already holds, the assets and liabilities of the investment are reassessed and their revised fair values are recognised. Goodwill is accordingly adjusted.

##### ***Goodwill***

Goodwill arising on consolidation represents the excess of the fair value of consideration given over the Company’s interest in the fair value of identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition and is capitalised as an asset on the balance sheet. To the extent that such excess purchase consideration relates to the acquisition of mining properties and leases, that amount is capitalised within property, plant and equipment as mining properties and leases.

IFRS 3 requires that negative goodwill is recognised immediately in the income statement. The negative goodwill that arises on the acquisition of a subsidiary under IFRS 3 is credited in full to the income statement.

##### ***Revenue Recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

## NOTES TO THE ACCOUNTS (CONT)

Year ended 30 June 2008

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### **Revenue Recognition (cont)**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

In preparing the financial information of the individual company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss account for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the re-translation of non-monetary items where gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting financial information, the assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### **Operating loss**

Operating loss is stated before investment income and finance costs.

#### **Tax**

The tax expense represents the sum of the tax payable and deferred tax. The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### ***Property Plant and Equipment***

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

<input type="checkbox"/>	Plant and equipment	20%
<input type="checkbox"/>	Furniture and fittings	20%
<input type="checkbox"/>	Office and computer equipment	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

### ***Impairment of tangible assets***

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs (i.e. the mine).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### ***Intangible fixed asset***

Intangible fixed asset relates to voice quality and comfort listening solutions which the Company has been developing. This asset was being amortised at 15% per annum. The Company increased the amortisation taking into account, the level of activity and its likely residual value.

## NOTES TO THE ACCOUNTS (CONT)

Year ended 30 June 2008

### ***Trade receivables***

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### ***Financial liabilities***

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

### ***Bank borrowings***

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### ***Trade payables***

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### ***Provisions***

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### ***Financial Instruments***

#### **Initial recognition and measurement**

All financial instruments are recognised on the balance sheet. Financial instruments are initially recognised when the Company becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given for financial asset or received for financial liability or equity instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Subsequent to initial recognition these instruments are measured as set out below.

#### **Financial assets**

The Company's principal financial assets are subsidiary loans, other receivables, deposits and cash and cash equivalents at fair value.

#### **De-recognition**

Financial assets (or a portion thereof) are de-recognised when the Company realises the rights to the benefits specified in the contract, the rights expire or the Company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable is included in the income statement.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amount paid for it is included in the income statement.

5. REVENUE

An analysis of the Group's revenue is as follows:

	<i>Year ended</i> <b>30 June 2008</b>	<i>year ended</i> <b>30 June 2007</b>
	£	£
Sale of goods (see below)		
Other operating income	–	28,506
Investment Income	<b>129</b>	1,939
	<u><b>129</b></u>	<u>30,445</u>

6. OPERATING LOSS

Loss from operations has been arrived at after charging:

	<i>Year ended</i> <b>30 June 2008</b>	<i>year ended</i> <b>30 June 2007</b>
	£	£
Amortisation	<b>1,710,048</b>	610,048
Depreciation of property, plant and equipment	<b>30,373</b>	54,292
Staff costs (see note 7)	<b>181,719</b>	417,816

The analysis of auditors' remuneration is as follow:

	<i>2008</i>	<i>2007</i>
	£	£
Fees payable to the Company's auditors for the audit of the Company's annual accounts	<u>14,500</u>	<u>12,000</u>

7. STAFF COSTS

	<i>Year ended</i> <b>30 June 2008</b>	<i>year ended</i> <b>30 June 2007</b>
	No	No
The average monthly number of employees (excluding executive Directors) was	<b>1</b>	7
Number of Directors	<b>2</b>	2
	<u><b>3</b></u>	<u>9</u>
	£	£
Emoluments for qualifying services: Highest paid Director	<b>62,000</b>	65,797
Staff costs including Directors: Wages and salaries	<u><b>181,719</b></u>	<u>417,816</u>

Total staff costs include amounts payable to Directors of £112,000 (2007: £118,797).

No retirement benefits are accruing to Directors under pension schemes. There is no amount payable in respect of retirement benefits to either Directors or employees under any pension scheme in either period.

NOTES TO THE ACCOUNTS (CONT)

8. FINANCE COSTS

	<i>Year ended</i> <b>30 June 2008</b>	<i>year ended</i> <b>30 June 2007</b>
	£	£
Interest on loans	<b>27,244</b>	3,351
Total finance costs	<b>27,244</b>	3,351

9. CURRENT TAX

The Company is carrying forward estimated tax losses of £5.4m (2007: £4.7m) in the United Kingdom. No deferred tax provision has been made in respect of these carried forward losses due to the uncertainty over the availability of taxable profit against which these losses may be offset in the foreseeable future.

In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was enacted in June 2007. With effect from the balance sheet date any deferred tax balances will be stated at 28% of those amounts.

10. LOSS PER SHARE

***From continuing operations:***

The calculation of the basic and diluted loss per share is based on the following data:

	<i>Year ended</i> <b>30 June 2008</b>	<i>year ended</i> <b>30 June 2007</b>
	£	£
Loss for the purposes of basic and diluted loss per share being attributable to equity holders of the Company	<b>2,142,265</b>	1,884,653
<b>Statutory number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>225,882,097</b>	225,882,097
Basic and diluted loss per share	<b>0.95</b>	0.83

The outstanding share warrants are anti-dilutive as the Company has made a loss during the current and prior year.

11(a). PROPERTY PLANT AND EQUIPMENT

	<i>Office Equipment</i> £
Cost or valuation	
At 1 July 2006	270,595
Addition	866
At 30 June 2007 and 2008	<u>271,461</u>
Accumulated Depreciation	
At 1 July 2006	186,796
Charge for the year	54,292
At 30 June 2007	<u>241,088</u>
Charge for the year	30,373
<b>At 30 June 2008</b>	<u>271,461</u>
<b>Net book value</b>	
30 June 2008	-
30 June 2007	<u>30,373</u>

11(b). RESEARCH & DEVELOPMENT AMORTISATION

**Cost**

	£
Cost brought forward at 30 June 2006 and 2007	4,066,984
Additions	-
Cost at 30 June 2008	<u>4,066,984</u>

**Amortisation**

	£
Balance at 1 July 2006	(1,564,314)
Charge for the year	(610,048)
Balance at 30 June 2007	<u>(2,174,362)</u>
Charge for the year	(1,710,048)
Balance at 30 June 2008	<u>(3,884,410)</u>

**Net book value**

	£
At 30 June 2008	<u>182,574</u>
At 30 June 2007	<u>1,892,622</u>

**NOTES TO THE ACCOUNTS (CONT)**  
**Year ended 30 June 2008**

**12. INVESTMENTS**

	<i>£</i>
<b>Zambia</b>	
As at 1 July 2007	–
Investments made in the year	40,000
	40,000
As at 30 June 2008	40,000

This investment is for the joint venture with a Zambian company.

**13. TRADE AND OTHER DEBTORS**

	<i>30 June</i>	<i>30 June</i>
	<i>2008</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Other debtors	<b>9,300</b>	117,444
	<b>9,300</b>	117,444
	<b>9,300</b>	117,444

The Directors consider that the carrying amount of other receivables approximates their fair value.

**14. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand and balances in bank, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value and have an original maturity of three months or less.

**15. TRADE AND OTHER PAYABLES**

	<i>30 June</i>	<i>30 June</i>
	<i>2008</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Trade creditors	<b>155,817</b>	163,783
Loans	<b>400,000</b>	100,000
Other creditors	<b>279,386</b>	65,423
Taxation	<b>352,630</b>	414,583
Accruals	<b>78,887</b>	130,665
<i>Total</i>	<b>1,266,720</b>	874,454

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 311 (2007: 187) days.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Included under loans are the following:

- £300,000 loan from Quazer Group Corporation which has been converted to shares after the year end (see Note 22).
- £100,000 loan from Amato Invest & Trade Ltd (Belize) which has been secured by a debenture charge over the tangible and intangible assets of the Company. Interest charge of 10% per annum is payable on the loan.

## 16. FINANCIAL INSTRUMENTS

### **Capital Risk Management**

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Company at 30 June 2008 consists of cash and cash equivalents, financial assets carried at fair value and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 18.

### **Externally Imposed Capital Requirement**

The Company is not subject to externally imposed capital requirements.

### **Significant Accounting Policies**

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised, in respect of each class of asset, financial liability and equity instrument are disclosed in note 3 to the financial statements

### **Categories of Financial Instruments**

	<i>30 June 2008</i>	<i>30 June 2007</i>
	£	£
<b>Financial assets</b>		
Cash and cash equivalents	<b>58,649</b>	83
Financial asset investments	<b>40,000</b>	–
<b>Financial Liabilities</b>		
Trade and other payables	<b>1,266,720</b>	874,455

### **Financial Risk Management**

The Board of Directors monitors the financial risks relating to the operations of the Company. These risks include market risk (primarily liquidity currency and interest rate risk) and credit risk.

### **Foreign Currency Risk Management**

The Company is exposed to foreign exchange risk associated with fluctuations in the relative value of the Zambian Kwacha. These risks are mitigated to the extent considered necessary by the Board of Directors.

### **Foreign Currency Sensitivity Analysis**

The Company is mainly exposed to Zambian Kwacha. At present there is no foreign exchange risk as no transactions have occurred in Zambian Kwacha.

### **Interest Rate Risk Management**

The Company is exposed to interest rate risk through the cash and cash equivalents and short term financial assets. The Company's exposure to interest rates is detailed in the interest rate sensitivity section of this note.

### **Interest Rate Sensitivity**

The sensitivity analysis below has been determined based on the exposure to interest rates for the average balance of interest bearing financial asset investments held during the year. A 1% increase or decrease in interest rates has been applied in this analysis, which represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 1% higher / lower and all other variable were constant, the Company's loss for the year ended 30 June 2008 would increase/ decrease by £1,000 (2007) loss reported Loss would decrease/ increase by £1,000.

### **Credit Risk Management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and credit ratings of its counterparties are monitored by the Board of Directors and limits have been established to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Company's principal financial assets are cash and cash equivalents, financial asset investments and trade receivables. Cash equivalents and financial asset investment represent investments in money market and liquidity investment funds and amounts held on deposit with financial institutions.

The credit risk on money market and liquidity investments funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk.

### **Liquidity Risk Management**

Ultimate responsibility for the liquidity risk management rests with the Board of Directors. The Board of Directors monitors the level of liquid assets available to the Company and the level of funding required to meet its short, medium and long-term requirements.

### **Liquidity and interest risk tables**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest (one year for long term loans and 6 months for short term loan) and principal cash flows.

	Weighted average effective interest rate %	Up to 1 year £	1–5 years £	Total £
30 June 2008				
Long term loans	10.0	–	105,000	105,000
	<u>10.0</u>	<u>–</u>	<u>105,000</u>	<u>105,000</u>
30 June 2007				
Long term loans	10.0	–	100,000	100,000
	<u>10.0</u>	<u>–</u>	<u>100,000</u>	<u>100,000</u>

The repayment terms in respect to the loans are detailed in note 15.

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Up to to 1 year £	1–5 years £	Total £
30 June 2008				
Variable interest rate instruments	2.0	58,649	–	58,649
	<u>2.0</u>	<u>58,649</u>	<u>–</u>	<u>58,649</u>
30 June 2007				
Variable interest rate instruments	2.0	83	–	83
	<u>2.0</u>	<u>83</u>	<u>–</u>	<u>83</u>

Refer to note 2 for details in relation to material uncertainties in respect to the Company's ability to meet its future obligations.

### Commodity Price Risk

Historically, commodity prices have displayed wide ranges and are affected by numerous factors over which the Company does not have any control. These include world production levels, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events.

### Other risks

Due to the nature and extent of the Company's financial assets and liabilities, it is not unduly exposed to price risks and cash flow risks.

## 17. SHARE CAPITAL

			2008 No.	2008 £
<b>Authorised:</b>				
500,000,000 ordinary shares of 1p each			<b>500,000,000</b>	<b>5,000,000</b>
19,579,925 Non-equity deferred shares of 1p each			<b>19,579,925</b>	<b>195,799</b>
181,378,766 Deferred shares of 4p each			<b>181,378,766</b>	<b>7,255,151</b>
			<u><b>700,958,691</b></u>	<u><b>12,450,950</b></u>
			2008 No.	2008 £
			2007 No.	2007 £
<b>ISSUED AND FULLY PAID:</b>				
225,882,097 Ordinary shares of 1p each	<b>225,882,097</b>	<b>2,258,821</b>	225,882,097	2,258,821
19,579,925 Non-equity deferred shares of 1p each	<b>19,579,925</b>	<b>195,799</b>	19,579,925	195,799
Deferred shares of 4p each	<b>181,378,766</b>	<b>7,255,151</b>	181,378,766	7,255,151
	<u><b>426,840,788</b></u>	<u><b>9,709,771</b></u>	<u>426,840,788</u>	<u>9,709,771</u>

The deferred 1p shares confer no rights to vote at a general meeting of the Company or to a dividend. On a winding-up the holders of the deferred shares are only entitled to the paid up value of the shares after the repayment of the capital paid on the ordinary shares and £5,000,000 on each ordinary share

The deferred shares of 4p each have no rights to vote or to participate in dividends and carry limited rights on return of capital

At an EGM held in February 2008, a resolution was passed authorising the Company to increase the authorised share capital from £3.3 million to £5 million by the creation of 170 million new Ordinary shares of 1 pence each, such new Ordinary shares rank pari passu with the existing Ordinary shares.

18. RESERVES

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Merger reserve</i> £	<i>Accumulated loss</i> £	<i>Total</i> £
At 1 July 2006	9,709,771	2,705,939	1,824,000	(11,188,989)	3,050,721
Net loss for the year	–	–	–	(1,884,653)	(1,884,653)
At 30 June 2007	9,709,771	2,705,939	1,824,000	(13,073,642)	1,166,068
Net loss for the year	–	–	–	(2,142,265)	(2,142,265)
<b>At 30 June 2008</b>	<b>9,709,771</b>	<b>2,705,939</b>	<b>1,824,000</b>	<b>(15,215,907)</b>	<b>(976,197)</b>

19. NOTES TO THE CASHFLOW STATEMENT

	<i>30 June 2008</i>	<i>30 June 2007</i>
Operating loss from continuing operations	<b>(2,115,150)</b>	(1,883,241)
Depreciation & amortisation of fixed assets	<b>1,740,421</b>	664,340
Decrease in debtors	<b>108,144</b>	562,245
Increase in creditors	<b>65,022</b>	338,962
Net cash outflow	<b>(201,563)</b>	(317,695)

20. SHARE-BASED PAYMENTS

Three were no share based payments during the year.

21. RELATED PARTY TRANSACTIONS

**Year ended 30 June 2008**

Directors

Name	<i>Directors'</i>		<i>Total</i> £
	<i>fees</i> £	<i>Salary</i> £	
M A Alikhani	2,000	60,000	62,000
Y Ben-Israel	2,000	48,000	50,000
Total	4,000	108,000	112,000

**Year ended 30 June 2007**

Directors

Name	<i>Directors'</i>		<i>Total</i> £
	<i>fees</i> £	<i>Salary</i> £	
M A Alikhani	2,000	25,000	27,000
Y Ben-Israel	2,000	24,000	26,000
M Ahmadi	1,630	64,167	65,797
Total	5,630	113,167	118,797

**22. EVENTS AFTER THE BALANCE SHEET DATE**

Included in creditors is a loan of £300,000 from Quazer Group Corporation. On 24 July 2008, this loan was converted into 30 million ordinary shares of 1p each.

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the Company will be held at 12.00 noon on 30 January 2009 at 19-20 Grosvenor Street, London W1K 4QH for the purpose of considering and if thought fit, passing the following resolutions, of which Resolutions 1 to 4 will be proposed as Ordinary Resolutions and Resolution Number 5 will be proposed as a Special resolution.:

### **Ordinary business**

1. To receive the Company's annual accounts for the financial year ended 30 June 2008 together with the directors' report and auditors' report on these accounts.
2. To re-appoint Whitefield & Co to hold office as auditor from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the Directors to agree their remuneration.
3. To re-elect Masoud Alikhani as a Director of the Company.

### **Special business**

4. THAT for the purposes of section 80 of the Companies Act 1985 as amended (the "Act") (and so that the expressions used in this resolution shall bear the same meanings as in the said section 80) the Directors of the Company be and are generally and unconditionally authorised to allot relevant securities (within the meaning of section 80 (2) of the Act):
  - 4.1 up to an aggregate nominal amount of £2,441,179, provided that the authorities, unless duly renewed, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this Resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this Resolution, but such authorities shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authorities expire and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this Resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.
5. THAT subject to the passing of the Resolution 4, the Directors of the Company be hereby empowered pursuant to section 95 of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) wholly for cash to allot or make offers or agreements pursuant to the authority conferred by the Resolution 4 as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - 5.1 the allotment of equity securities in connection with any invitation made to the holders of ordinary shares to subscribe by way of rights in the same proportions (as nearly as maybe) to their respective holdings but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with ordinary shares representing fractional entitlement or on account of either legal or practical problems arising in connection with the laws of any territory or of the requirements of any applicable regulatory body or stock exchange in any territory;
  - 5.2 the allotment (otherwise than pursuant to sub-paragraph 5.1 above) of equity securities pursuant to warrants granted by the Company prior to the date hereof;
  - 5.3 the allotment (otherwise than pursuant to sub-paragraphs 5.1 and 5.2 above) of equity securities up to an aggregate nominal amount of £2,441,179:

provided that the authorities, unless duly renewed, varied or revoked prior to their expiry date, shall

expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authorities expire and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authorities conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this Resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.

*Registered office*  
19/20 Grosvenor Street  
London W1K 4QH

*By order of the Board*  
M A Alikhani  
29 December 2008

## **Notes to the Notice of Annual General Meeting**

### **Entitlement to attend and vote**

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
  - 6 p.m. on 28 January 2009; or,
  - if this Meeting is adjourned, at 6 p.m. on the day two days prior to the adjourned meeting,shall be entitled to attend and vote at the Meeting.

### **Appointment of proxies**

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact the Company's registrars, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

**Appointment of proxy using hard copy proxy form**

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Registrars no later than 12 noon on 28 January 2009.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

**Appointment of proxy by joint members**

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

9. In order to revoke a proxy instruction you will need to inform the Company using the following method:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4TU.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4TU no later than 12 noon on 28 January 2009.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

**Issued shares and total voting rights**

10. As at 12 noon on 22 December 2008, the Company's issued share capital comprised 255,882,097 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12 noon on 22 December 2008 is 255,882,097.