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Annual Report 2007

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Promethean India plc

Directors and Advisors

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PROMETHEAN INDIA

Chairman's Statement

Promethean India plc listed on 25 April 2007 and consequently the Report and Accounts covers a relatively short period from inception to 31 August 2007. However, we have made a good start with satisfactory progress.

We have successfully established two offices, one in Delhi and the other in Mumbai and built a six person team led by Mohit and Gaurav Burman. Four investments were made during the period in which we have invested £14.4 million. A brief report on these investments follows this statement. Investments are actually made through two Mauritian based funds, one for investments in public companies, the other for investments in private companies. Although complicated, this is the normal route for private equity investment in India.

India continues to grow rapidly and to attract substantial inward investment. Not surprisingly the result has been a rapid increase in prices. Particularly marked in the public markets, perhaps especially in the property sector, the inflation in asset prices has been very significant. This obviously has made it more difficult to find attractive investments at a reasonable price. Regulatory changes both before and subsequent to our period end have not helped. For regulatory reasons, it has been necessary to make a change to our proposed original structure. The Burman family, our Indian partners, were unable to get Reserve Bank of India (RBI) approval to make a direct offshore investment directly in Promethean India plc. Consequently we now have a co-investment arrangement, whereby Burman family vehicles will invest £7.5 million pro rata with Promethean India plc on the same terms and conditions. This has had the additional benefit that we had a larger investment pool than expected of £57.5 million before deducting listing expenses.

The Group faces challenges due to changes introduced in November by the RBI in regard to offshore companies investing in public companies. There are two routes: either one invests via 'P' notes issued by an authorised bank or one seeks approval as a Foreign Institutional Investor (FII) under the SEBI (Foreign Institutional Investor) Regulations. 'P' notes are a simple depository receipt: a bank buys the shares but the economic interest in those shares belongs to the investor. Although we have applied for FII status, we have yet to receive it and indeed there is no certainty that we shall receive it. So our public company investments to date have been made via 'P' notes.

The RBI also decided in November 2007 to cap 'P' notes at their then level. In other words, banks can now only issue new 'P' notes when the sale of an investment releases an existing 'P' note. As the 'P' note capacity belongs to the issuing bank, there is no guarantee that the bank which releases 'P' note capacity as a result of an offshore investor selling an investment will give that investor use of the released 'P' note capacity – the bank can use it for another client.

While one understands the RBI's concern about the inflow of substantial amounts of overseas capital, it is unfortunate that long-term investors such as ourselves are potentially restricted in our dealings in the public market. However, this perhaps is a less obvious problem given the current level of prices in the public market in India.

In short, I think it is fair to say that we have made a solid start. It is early days and there are a number of challenges which we have to overcome. We obviously will be producing an Interim Report for the period to February 2008 in the near future, however to date our initial efforts are bearing some fruit as you can see from the summary of the investments as at the end of August 2007 below.

Sir Peter Burt
22 February 2008

Investment Manager's Review

Introduction

During the period Promethean India plc has invested £14.4m via the Mauritian based entities Promethean India Investments Fund I and Promethean India Investments Fund II (the "Funds") into Indian related businesses. Promethean India plc also agreed a co-investment facility of £7.5 million with the Burman Family. The co-investment facility will invest its pro-rata amount in all the deals to which Promethean India plc subscribes. The Funds are managed by Promethean Investments LLP (the "Manager" or "Promethean") a limited liability partnership which is in turn advised by Promethean India Advisors Pvt. Ltd (the "Advisor"), of which the senior executives in India are all members.

The Manager and the Advisor's investment team which is led by Mohit Burman and Gaurav Burman, includes the members of the Advisor all of whom have extensive experience within the private equity and financial services industry. The stated intention is to invest the capital committed by Promethean India plc in the Funds by 31 May 2009.

Investment Strategy

The Company was established in order to execute a value activist investment strategy in both public and private businesses, building a concentrated portfolio of investments in which the Manager and Advisor can act as a catalyst for change and value creation. The Advisor and Manager will target companies which they believe have the potential to add value and growth to the portfolio by way of domestic growth, international expansion or restructuring. The Advisor and Manager will hope to utilise their knowledge of the region, and networks both inside and outside of India to assist investee companies in developing a plan to ensure value creation.

All investments, whether in public or private companies, are preceded by extensive due diligence to assess the risks and opportunities in any one investment. This will include an overview of the target's market, management, business model, financial track record, prospects and the likely realisation strategy.

Should an investment lead to the Fund becoming a majority or controlling shareholder in a company, the Manager and Advisor will work with the investee company's management team to develop a plan outlining specifically how value is to be created and detailed actions taken to realise this opportunity. The Manager and Advisor will maintain a high ratio of investment executives to investee companies in order to enable it to play a hands-on role with the investee company in implementing and continually developing this plan.

Where the Fund is a minority shareholder in a publicly listed company, the Manager and Advisor will engage actively with the Board of the investee company to find ways to realise the additional value.

The Company has no fixed life and it is expected that it will continue to re-invest the proceeds of any realisations net of gains with an appropriate provision for actual or expected future losses.

Investment Origination and Activity

In the period to 31 August 2007 the Manager and Advisor were focused on trying to execute the pipeline of transactions that they had identified prior to concluding the fundraising of Promethean India plc. While the Manager and Advisor worked diligently to execute the deal pipeline, the Advisor received and actively reviewed a number of investment opportunities, of which the majority were originated directly by the Advisor approaching the target company. The Advisor has also reviewed a number of opportunities brought to it by various professional intermediaries with whom the Advisor has relationships.

The Manager and Advisor are very satisfied with the quality of the investment opportunities they are originating and they believe that their origination activities will support the continued growth of the business.

The Manager and Advisor are confident of achieving their aim to have the Fund fully invested by 31 May 2009. Furthermore they believe that in the absence of unforeseen circumstances, the investment portfolio will show strong positive returns in the current financial year.

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Investment Activity

During the period Promethean India plc made four new investments in the following companies:

Mahindra Forgings Mauritius Limited (held via Promethean 1 Limited)

In May 2007 Promethean India Plc secured exclusivity to purchase a 10% stake in Mahindra Forgings Mauritius Limited (MFML). MFML in turn owned 100% of Schoneweiss & Co. GmbH., one of the leading private forging companies in Germany with 140 years of experience which had allowed it to become one of the top five axle beam manufacturers in the world, specialising in suspension, power train and engine parts.

The Mahindra Group is one of the best known industrial groups in India and a leader in the automotive space with over US$4 billion per year in revenues. The Mahindra group had decided that the automotive component sector had significant growth potential and was key to their automotive strategy. As a result they had adopted a buy and build strategy in this sector.

We were pleased to be investing alongside them in an asset which they intend to grow aggressively by scaling the company's manufacturing in India and by using its history, goodwill, and relationships in Europe to supply the European OEMs with automotive components.

Obopay Inc.

In June of 2007 the Advisor was introduced to Obopay, an exciting privately held California based company. After spending some time with the company and its management the Advisor was impressed by their comprehensive mobile payment technology. The Obopay service allows an individual to instantly obtain, spend, and send money anywhere, anytime with anyone using their mobile phone. Given India is home to over 200 million mobile phone subscribers and this base is growing rapidly, the Advisor approached Obopay to discuss the possibility of helping them scale their operations in India.

Obopay already had considerable traction and was about to close a Series 'C' round of funding in the amount of £12.5 million with a number of leading technology investors including Richmond, Redpoint, Onset and with a strategic investment from Citibank who had announced a trial of their technology for their current account holders. Obopay have also recently appointed Jim Wolfensohn, the ex-head of the World Bank to their board. Obopay viewed Promethean plc as a valuable ally in their India strategy and agreed to work with us to scale their operation there. We agreed to invest in their heavily oversubscribed Series 'C' financing.

Nitco Tiles Limited

The Advisor first became interested in Nitco Tiles Ltd in June 2007. It was clear that the Advisor wanted to participate in the significant real estate growth in India but was finding it difficult to justify the high valuations that the private or listed property companies in India were demanding. As a result the Advisor started to look at businesses that it felt would benefit from the significant amount of commercial, residential and retail construction in India. Nitco was interesting for a number of reasons, the first and foremost being that the company since being founded in 1956 had grown to become the second largest branded tile manufacturer in India producing in excess of 250 million square feet of floor tiles per year. Over and above this the Advisor was very impressed by the management team and their ambitions for the future growth of the business.

Nitco had also recently announced that they were moving their production out of the Mumbai region to take advantage of tax subsidies that some of the less industrial states in India were offering to businesses that set up manufacturing units in those regions. As a result some valuable real estate that the company owned would be released and potentially developed into lucrative residential or commercial use. Given all the positive attributes of the company and given that it was not well covered by the research community in India we started to buy the stock and build our position.

Project Hospitality

The Advisor has for some time been looking at one of the largest branded hospitality businesses in India. Given the growth in tourism both domestic and international and the growth in the aviation sector which has resulted in both Indians and foreign visitors having access to air travel we are witnessing a period of major growth in the hospitality and catering industries. The hospitality sector in India historically has suffered from significant under investment and as a result there are less 5 star luxury hotel rooms in India than there are in Manhattan. The Advisor believes they have found an asset which, despite being one of the best portfolio of properties in India, has not been correctly valued by the public markets. The Advisor believes this undervaluation may change in the medium term and has identified ways in which Promethean India can act as a catalyst for this change. We are currently in the process of building our stake and have not yet disclosed the name of this target.

As at 31 August 2007, the portfolio was as follows:

Company	Sector		Cost £000	Valuation* £000	Gain £000
Mahindra Forgings Mauritius Limited**	Automotive	Unlisted	2,453	2,453	–
Obopay Inc.	Mobile Banking Services	Unlisted	729	729	–
Nitco Tiles Limited	Building Materials	Listed	4,053	4,138	85
Project Hospitality ***	Hospitality	Listed	7,139	7,398	259
Total			14,374	14,718	344

* The valuations are in accordance with IFRS / IPEVCA guidelines. Valuation of listed investments is based on the closing bid price as at 31 August 2007. Unlisted investments are held at fair value which for a limited period is cost. All investments are recognised at the transaction date.
** The investment in Mahindra Forgings Mauritius Limited is held via an intermediary holding company, Promethean 1 Limited (Mauritius).
*** Company name undisclosed, with the underlying investment purchased by via P-notes.

Realisations
During the year the Company made no substantial realisations of any of its investments.

Principles of valuation of unlisted investments
Investments are stated at amounts considered by the directors to be a reasonable assessment of their fair value, where fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

All investments are valued according to one of the following bases:
- Cost (less any provision required)
- Price of recent transaction
- Earnings multiple
- Net assets
- Sale price

Investments are only valued at cost for a limited period after the date of acquisition, otherwise investments are valued on one of the other bases described above, and the earnings multiple basis of valuation will be used unless this is inappropriate, as in the case of certain asset based businesses.

When valuing on an earnings multiple basis, profits before interest and tax of the current year will normally be used, depending on whether or not more than six months of the accounting period remain and the predictability of future profits. Such profits will be adjusted to a maintainable basis, taxed at the full corporation tax rate and multiplied by an appropriate and reasonable price/earnings multiple. This is normally related to comparable quoted companies, with adjustments made for points of difference between the comparator and the company being valued, in particular for risks, earnings growth prospects and surplus assets or excess liabilities.

Where a company has incurred losses, or if comparable quoted companies are not primarily valued on an earnings basis, then the valuation may be calculated with regard to the underlying net assets and any other relevant information, such as the pricing for subsequent recent investments by a third party in a new financing round that is actively being sought, then any offers from potential purchasers would be relevant in assessing the valuation of an investment and are taken into account in arriving at the valuation.

Where appropriate, a marketability discount (as reflected in the earnings' multiple) may be applied to the investment valuation, based on the likely timing of an exit, the influence over that exit, the risk of achieving conditions precedent to that exit and general market conditions.

When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the Company's relevant accounts (interim or final), the valuation is based on the sale price.

In arriving at the value of an investment, the percentage ownership is calculated after taking into account any dilution through outstanding warrants, options and performance related mechanisms.

Principles of valuation of listed investments
Investments are valued at bid-market price or the conventions of the market on which they are quoted.

Valuation review procedures
Valuations are initially prepared by the Advisor. These valuations are then subject to review by external auditors, prior to final approval by the directors.

Events after the balance sheet date
Events after the balance sheet date are disclosed in note 17 to the financial statements.

Promethean Investments LLP
22 February 2008

PROMETHEAN INDIA

Promethean India plc

Directors' Report

The directors present their report and accounts for the period 16 May 2006 (date of incorporation) to 31 August 2007.

Principal activities, trading review and future developments

Promethean India plc ("the Company") is an investment company established to build a concentrated portfolio of investments in India that are actively managed by Promethean Investments LLP ("the Manager") to realise long-term capital gains. The Company was dormant until its listing on 25 April 2007.

Results and dividends

The Group's consolidated financial statements are set out on pages 11 to 22. The Group reported net assets at the balance sheet date of £48.7 million and in the period to 31 August 2007 gains attributable to the shareholders of £0.4 million.

Directors

The directors of the Company during the period and to date were as follows:

- Sir Peter Alexander Burt (appointed 6 July 2006)
- Francis Anthony Hancock (appointed 6 July 2006)
- James Norman Hauslein (appointed 23 March 2007)
- Niraj Agarwal (appointed 23 March 2007)
- Elizabeth Tansell (appointed 6 July 2006)
- Robert Keith Corkhill (appointed 6 July 2006, resigned 23 March 2007)
- Andrew James Baker (appointed 16 May 2006, resigned 6 July 2006)
- Derek Edward Myers (appointed 16 May 2006, resigned 6 July 2006)

Creditors payment policy and practice

It is the Group's policy to agree terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Group pays, wherever possible, in accordance with these agreed terms.

Key performance indicators

The directors monitor the business through growth in the net asset value (total amount less total liabilities) as disclosed on page 12.

Financial risk management

It is the responsibility of management to ensure that proper controls are in place to maintain effective risk management in every aspect of the Company's business. The main risks comprise market risk, currency risk, interest rate risk, price risk, credit risk and fair value risk. Details of how the management manages the risks are set out in note 16 to the financial statements.

Auditors

Grant Thornton (Isle of Man), Chartered Accountants, retire under the provisions of section 12(2) of the Isle of Man Companies Act 1982 and being eligible they offer themselves for re-election at the forthcoming AGM.

Directors' responsibilities

The directors of Promethean India plc are responsible for preparing the Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards. 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 the Group and of the profit or loss of the Company and the Group for that period.

In preparing those financial statements, the directors are required to:

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

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In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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 Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

On Behalf of the Board

Frank Hancock

Director
22 February 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PROMETHEAN INDIA PLC

We have audited the Group and parent Company financial statements (the ''financial statements") of Promethean India plc for the period 16 May 2006 to 31 August 2007 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of changes in equity and notes 1 to 18. 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 15 of the Companies Act 1982. 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 Isle of Man law and International Financial Reporting Standards (IFRSs) 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 Acts 1931 to 2004 and Article 4 of the IAS Regulation and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 Group and parent Company financial statements are in accordance with the Companies Acts 1931 to 2004 and Article 4 of the IAS Regulation. The financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the parent Company's affairs as at 31 August 2007 and of the Group's profit for the period 16 May 2006 to 31 August 2007;
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements for the period 16 May 2006 to 31 August 2007

Grant Thornton

GRANT THORNTON
CHARTERED ACCOUNTANTS
ISLE OF MAN
22 February 2008

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Promethean India plc

Group Income Statement for the period 16 May 2006 to 31 August 2007

	Notes	Period ended 31 Aug 2007 £'000
Revenue		
Investment and other income	2	885
Realised and unrealised gain on financial investments	2	344
		1,229
Management expenses		(779)
Profit before finance costs and taxation		450
Finance costs	4	(1)
Profit before tax from trading operations		449
Income tax expense	6	–
Group profit after tax from trading operations		449
Attributable to:		
Equity holders of the parent		449
		449
Earnings per share – (basic and diluted)	7	0.01p

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Promethean India plc

Group Balance Sheet as at 31 August 2007

	Notes	31 August 2007 £'000
Non-current assets		
Investments held at fair value through profit or loss	9	14,718
Non-current loans	10	3,766
		18,484
Current assets		
Trade and other receivables	11	947
Cash and cash equivalents	12	32,920
		33,867
Total assets		52,351
Current liabilities		
Trade and other payables	13	3,650
Net assets		48,701
Equity		
Share capital	14	500
Share premium		47,752
Unrealised investment revaluation reserve		352
Retained earnings		97
Equity attributable to equity holders of the parent		48,701
Net asset per share	7	£0.97

The financial statements on pages 11 to 22 were approved by the board of directors on 22 February 2008 and authorised for issue on and are signed on its behalf by

Frank Hancock

____________________ Director
Francis Hancock

E. Tansell

____________________ Director
Elizabeth Tansell

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Promethean India plc

Company Balance Sheet as at 31 August 2007

	Notes	31 August 2007 £'000
Non-current assets		
Investments held at fair value through profit or loss	8	18,985
Current assets		
Trade and other receivables	11	431
Cash and cash equivalents	12	29,854
		30,285
Total assets		49,270
Current liabilities		
Trade and other payables	13	342
Net assets		48,928
Equity		
Share capital	14	500
Share premium		47,752
Retained earnings		676
Equity attributable to equity holders of the parent		48,928

The financial statements on pages 11 to 22 were approved by the board of directors on 22 February 2008 and authorised for issue on and are signed on its behalf by

Frank Hancock
Director
Francis Hancock

E. Tansell
Director
Elizabeth Tansell

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Promethean India plc

Cash Flow Statement for the period ended 31 August 2007

	Group 2007 £'000	Company 2007 £'000
Cash flows from operating activities		
Profit after taxation	449	676
Adjustments for :		
Interest income	(885)	(794)
Realised and unrealised gain on financial investments	(344)	–
Increase in trade and other receivables	(947)	(431)
Increase in payables	3,650	342
Net cash from operating activities	1,923	(207)
Income tax paid	–	–
Cash flows from investing activities		
Purchase of investments	(18,715)	(18,985)
Proceeds from sale of investments	4,341	–
Interest received	885	794
Net cash used in investing activities	(13,489)	(18,191)
Proceeds from issue of share capital	48,252	48,252
Issue of loan	(3,766)	–
Net cash used in financing activities	44,486	48,252
Net increase in cash and cash equivalents	32,920	29,854
Cash and cash equivalents at beginning of period	–	–
Cash and cash equivalents at end of period	32,920	29,854

Promethean India plc

Statement of changes in equity for the period 16 May 2006 to 31 August 2007

Group

	Share capital £'000	Share premium £'000	Unrealised investment revaluation reserve £'000	Retained earnings distributable £'000	Total £'000
Balance as at 16 May 2006	–	–	–	–	–
Issue of share capital	500	–	–	–	500
Premium on shares issued	–	49,500	–	–	49,500
Expenses relating to the issue of shares	–	(1,748)	–	-	(1,748)
Unrealised gains reserve transfer	–	–	352	(352)	–
Profit for the period	–	–	–	449	449
Balance as at 31 August 2007	**500**	**47,752**	**352**	**97**	**48,701**

Company

	Share capital £'000	Share premium £'000	Unrealised investment revaluation reserve £'000	Retained earnings distributable £'000	Total £'000
Balance as at 16 May 2006	–	–	–	–	–
Issue of share capital	500	–	–	–	500
Premium on shares issued	–	49,500	–	–	49,500
Expenses relating to the issue of shares	–	(1,748)	–	–	(1,748)
Profit for the period	–	–	–	676	676
Balance as at 31 August 2007	**500**	**47,752**	**–**	**676**	**48,928**

Notes to the financial statements for the period 16 May 2006 (date of incorporation) to 31 August 2007

1. Accounting policies

Basis of accounting
The financial statements have been prepared in accordance with applicable International Financial Reporting Standards.

The Company was incorporated in the Isle of Man and as such is regulated by Isle of Man company law. The ordinary shares of the company are quoted on AIM. The principal accounting policies adopted are set out below.

Under Protocol 3 of the UK's Treaty of Accession, the Isle of Man is part of the custom's territory of the European Union. The Group has therefore chosen to prepare financial statements in accordance with the applicable International Financial Reporting Standards.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (and its subsidiaries) made up to 31 August each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

The consolidated financial statements of the group include the results of the Company. For the period to 31 August 2007 the company achieved a profit of £0.7 million.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Critical accounting estimates and judgements
The preparation of financial statements requires the use of estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unlisted financial investments held at fair value through profit or loss, which are valued on the basis noted below.

Revenue recognition
Investment income comprises interest income from treasury deposits and from loans advanced.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Expenses
All expenses are accounted for on an accruals basis.

Taxation
The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Notes to the financial statements for the period 16 May 2006 (date of incorporation) to 31 August 2007 (continued)

1. Accounting policies (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non current loans
Non current loans are initially recognised at fair value and then held at amortised cost using the effective interest method.

Financial investments
Where a financial investment is not required to be consolidated, the equity, loan and similar instruments are designated at fair value through profit or loss, and their fair value is determined in accordance with the International Private Equity and Venture Capital Association valuation guidelines, principles of which are set out in the Investment Manager's Review on pages 4-7. Gains and losses on the realisation of financial investments are dealt with through the income statement.

The Company's and the Group's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the company's Board of directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company and its subsidiaries as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off in the Income Statement, and allocated to "capital" at the time of acquisition). Subsequently, the investments are valued at "fair value".

The difference between the fair value of financial investments and cost to the Group is shown as an unrealised gain or loss in the income statement, and taken to the unrealised investment revaluation reserve.

Investments in subsidiaries are valued at cost.

Foreign Currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risks of changes in value.

Trade receivables
Trade receivables are initially recognised at fair value and then held at amortised cost using the effective interest method.

Trade payables
Trade payables are stated at fair value less issue cost and then held at amortised cost using the effective interest method.

Notes to the financial statements for the period 16 May 2006 (date of incorporation) to 31 August 2007 (continued)

2. Revenue

	2007 £'000
Investing operations	
Interest income	885
Realised loss on financial investments	(8)
Unrealised gain on financial investments	352
Realised and unrealised gain on financial investments	344
	1,229

3. Profit before tax from trading operations

	2007 £'000
Profit before tax from trading operations arrived at after charging:	
Audit remuneration:	
Audit of company's annual accounts	25
Audit of subsidiaries' annual accounts	14
Non-audit services	41

4. Finance costs

	2007 £'000
Finance charges	1

5. Employees and directors

	2007 £'000
The total costs for the Group were:	
Directors' fees	42

	£'000
The amount paid to the highest paid director during the year was as follows:	
Directors' fees	9

The Company has no other employees.

Notes to the financial statements for the period 16 May 2006 (date of incorporation) to 31 August 2007 (continued)

6. Taxation

The standard rate of income tax for companies in the Isle of Man is 0%. No provision for taxation has, therefore, been made. As the Company is wholly owned by non-resident members and is listed on a recognised stock exchange, it meets the definition of a 'distributing company' and is therefore exempt from the distributable profits charge.

The Mauritian entities are Global Business Licence Category 1 (GBL1) companies in Mauritius and under the current laws and regulations liable to pay income tax on their net income at a rate of 15%. The entities are, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of the Mauritian tax payable in respect of their foreign source income thus reducing their maximum effective tax rate to 3%. No Mauritian capital gains tax is payable on profits arising from the sale of securities, and any dividends and redemption proceeds paid by the entities to their member will be exempt in Mauritius from any withholding tax.

Deferred taxation

No deferred tax asset has been recognised in respect of the tax loss carried forward in Promethean India Investment Fund 1 as no taxable income is probable in the foreseeable future. No deferred tax liability has been recognised in respect of the unrealised gain on investments in Promethean India Investment Fund 2 on the grounds of materiality.

A reconciliation of the actual income tax expenses based on accounting profit and the actual income tax expenses is as follows:

	2007 **£'000**
Analysis of charge for the year	
Income tax charge	–
Total tax expense	–
Profit before taxation	449
Taxation at standard rate in Isle of Man nil%	–
Taxation at standard rate in Mauritius 15%	(34)
Notional foreign tax credit	(21)
Non deductible expenses	2
Unutilised tax loss for the period	53
Income tax charge	–

7. Earnings and net asset value per share

	2007
Profit attributable to ordinary shareholders	£449,483
Issued ordinary shares	50,000,000
Earnings per share (basic and diluted)	0.01p
Net asset value per share (statutory)	£0.97
Net asset value per share (statutory) is based on the statutory net assets at period end	£48,701,526

There were no options in issue to dilute the earnings per share.
Details of warrants issued are disclosed in note 14.

Notes to the financial statements for the period 16 May 2006 (date of incorporation) to 31 August 2007 (continued)

8. Investments in Subsidiaries

Company	2007 £'000
Company shares in group undertakings:	
Promethean India Investments Fund I (Mauritius)	6,985
Promethean India Investments Fund II (Mauritius)	12,000
	18,985

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion ownership interest	Proportion of voting power	Principal activity
Promethean India LP	England	100%	100%	Limited partner
Promethean India Investments Fund I	Mauritius	100%	100%	Holding Company for unlisted investments
Promethean India Investments Fund II	Mauritius	100%	100%	Holding Company for listed investments
Promethean 1 Limited	Mauritius	40%	40%	Holding company for MFML investment

9. Investments

Group	2007 £'000
India listed investments	
Cost	11,853
Disposal	(661)
	11,192
Unrealised gain	344
Listed investments	11,536
India unlisted investments	
Cost	6,862
Disposal	(3,680)
Unlisted investments	3,182
Total Investments	**14,718**

10. Non current loans

	2007 £'000
Non current loan	3,766

During the period the Company granted a loan to Krammer Holdings Pvt. Ltd as consideration to the disposal of its 60% interest in the share capital of Promethean 1 Limited.

The loan is repayable on 22 June 2009 and accrues interest at a rate of 9% per annum, payable annually.

Notes to the financial statements for the period 16 May 2006 (date of incorporation) to 31 August 2007 (continued)

11. Trade and other receivables

	Group 2007 £'000	Company 2007 £'000
Other receivables	924	21
Prepayments and accrued income	23	410
	947	431

12. Cash and cash equivalents

	Group 2007 £'000	Company 2007 £'000
Cash at bank and in hand	32,920	29,854

13. Trade and other payables - current

	Group 2007 £'000	Company 2007 £'000
Trade payables	112	58
Accruals and deferred income	3,538	284
	3,650	342

14. Share Capital

Share capital	Group 2007 £'000
Authorised	
300,000,000 ordinary shares of 1p each	3,000
Issued and fully paid	
50,000,000 ordinary shares 1p each	500

The Company's share capital comprises ordinary shares. Rights attached to ordinary shares include the right to vote at the Company's AGM and receive future dividends. On listing, warrants were allocated to initial placees of the ordinary shares in the ratio of one warrant for every five five ordinary shares. Each warrant will entitle the holder to subscribe for ordinary shares at a subscription price of £1.25 (being a 25% premium to the placing price), from 2007 to 2012, within 30 days of the Company's interim unaudited accounts being sent to shareholders, subject to certain conditions.

Copies of the warrant instrument are available on application to the Company's registered office.

15. Related party transactions

	2007 £'000
Sir Peter Burt is a member of Promethean Investments LLP (the Investment Manager) and a director of Promethean India plc. During the year the Company had the following related party transactions with Promethean Investments LLP:	
Management Fees – Fixed Fee	71
Management Fees – Manager's Balance Fee	136
The balance outstanding to Promethean Investments LLP as at 31 August 2007 was:	207
Elizabeth Tansell is a principal of Chamberlains Fund Services and a director of Promethean India plc. During the year the Company had the following relating party transactions with Chamberlain Fund Services Limited:	
Registrar and administrator services charged:	7
The balance outstanding to chamberlain Fund Services as at 31 August 2007	7

All transactions were undertaken in the normal course of business.

Notes to the financial statements for the period 16 May 2006 (date of incorporation) to 31 August 2007 (continued)

16. Financial Instruments

Market risk
Market risk embodies the potential for both losses and gains and includes currency risk, fair value interest rate risk and price risk. The Group's strategy on the management of market risk is driven by its investment objective, as outlined in the Manager's report. The Group invests in a range of investments, including quoted and unquoted equity securities in a range of sectors. The board monitors the Group's investment exposure against internal guidelines specifying the proportion of total assets that may be invested in various sectors.

Currency risk
Management monitors the currency fluctuations of underlying investments as part of its investment strategy.

Interest rate risk
Interest bearing financial assets and interest-bearing financial liabilities mature or reprice in the short term. As a result the Group is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. The non-current loan of £3.7 million to Krammer Holdings Pvt. Ltd to purchase 60% of Promethean 1 Limited has a fixed interest rate of 9% per annum.

Price risk
Price risk is risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. As the majority of the Company's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in the market conditions will directly affect net investment income.

Price risk is mitigated by constructing a diversified portfolio of instruments and direct involvement in the management of the investment portfolio.

As stated in the Prospectus the Company will not invest more than 25% of its Net Asset Value in any more than one investment.

Credit risk
The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The recoverability of debts from investee companies is monitored by directors attending board meetings and review of management accounts. The £3.7 million non current loan to Krammer Holdings Pvt. Ltd. is secured via a share pledge over the 60% investment in Promethean 1 Limited for which the loan proceeds were utilised. The loan is fully guaranteed and is repayable on 22 June 2009.

Fair value risk
The Group's investments are carried at fair value on the balance sheet. The carrying value of certain other financial instruments, specifically trade and other receivables and payables approximates to fair value due to the short term nature of these instruments.

17. Events after the balance sheet date

The group has not made any additional investment in "Project Hospitality" since 31 August 2007. As at 14 February 2008, based on the closing bid price the investment was valued at £11.2 million, which represents an uplift of £3.8 million.

At the period end our investment in Nitco Tiles was held at £4.1 million, based on a closing bid price of INR 238.75. As at 14 February 2008 the closing bid price was INR 255.10, resulting in an uplift of £0.6 million on our initial investment to a current valuation of £4.7 million.

Subsequent to the balance sheet date, Mahindra Forgings Mauritius Ltd has been amalgamated with Mahindra Forgings Ltd, a company listed on the Bombay stock exchange. As at 14 February 2008, the closing bid price was INR 206.4, which has resulted in a slight reduction of £0.1m in our investment valuation (held via an intermediary holding company Promethean 1 Ltd) to £2.3 million.

18. Ultimate Controlling Party

The directors are of the opinion that there is no ultimate controlling party.

PROMETHEAN
INDIA

Promethean India Plc

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Promethean India Plc (the "Company") will be held at 3rd Floor Exchange House, 54-62 Athol Street, Douglas, Isle of Man on 20th March 2008 at 10:00am for the purposes of considering and, if thought fit, passing the following resolutions.

1. THAT the Company's audited Report and Financial Statements for the period 16 May 2006 (date of incorporation) to 31 August 2007, in the form produced to the Annual General Meeting, be and is received and adopted.
2. THAT the re-appointment of Grant Thornton (Isle of Man) as auditors to hold office from the conclusion of the Annual General Meeting to the conclusion of the next meeting at which accounts are laid before the Company, at a remuneration to be determined by the directors, be and is approved.
3. THAT the re-appointment of Sir Peter Alexander Burt as director, who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next Annual General Meeting following his appointment, be and is approved.
4. THAT the re-appointment of Francis Anthony Hancock as director, who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next Annual General Meeting following his appointment, be and is approved.
5. THAT the re-appointment of Niraj Agarwal as director, who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next Annual General Meeting following his appointment, be and is approved.
6. THAT the re-appointment of James Norman Hauslein as director, who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next Annual General Meeting following his appointment, be and is approved.
7. THAT the re-appointment of Elizabeth Tansell as director, who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next Annual General Meeting following her appointment, be and is approved.
8. THAT, in accordance with rule 8 of the AIM Rules, the Company's investing strategy, of acquiring and managing both private and public businesses that are established or operating in India, across the small, mid and large-cap range of companies, be and is approved.

26 February 2008
3rd Floor Exchange House
54-62 Athol Street
Douglas
Isle of Man

By order of the Board
Elizabeth Tansell
Secretary

NOTES

Only holders of the shares in the Company are entitled to attend the meeting.

A shareholder is entitled to appoint one or more proxies to attend the meeting, and, on a poll, vote instead of him. A proxy need not be a shareholder.

A form of proxy is enclosed for the use of shareholders which, if required, should be completed in accordance with the instructions thereon.

EXPLANATION FOR RESOLUTIONS

Resolutions 1-8 (inclusive)
Resolutions 1-8 are required in order for the Company to adopt its audited Report and Financial Statements for the period ended 31 August 2007, to reappoint the existing directors of the Company whose appointments will expire on the date of the Annual General Meeting and to approve the Company's investing strategy as required by the AIM rules.

PROMETHEAN
INDIA

Prometheon India plc
FORM OF PROXY

To: The Registrar
Chamberlain Fund Services Limited
3rd Floor Exchange House
54-62 Athol Street
Douglas, Isle of Man, IM1 1JD
Tel: 44 (0) 1624 641560
Fax: 44 (0) 1624 641561

I/We ____
(BLOCK CAPITALS PLEASE)

of ____

being (a) member(s) of the above named Company, hereby appoint the Chairman of the Meeting or

* ____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 20th March 2008 and at any adjournment thereof.

*An alternative proxy may be named if desired

I/we direct my/our proxy to vote as follows:

	For	Against
Resolution No. 1 To receive and adopt the Company's audited Report and Financial Statements for the period 16th May 2006 (date of incorporation) to 31st August 2007.		
Resolution No. 2 To re-appoint Grant Thornton (Isle of Man) Limited as Auditors for the current year, and to authorise the Directors to fix their remuneration.		
Resolution No. 3 To re-appoint Sir Peter Alexander Burt as director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next annual general meeting following his appointment.		
Resolution No. 4 To re-appoint Francis Anthony Hancock as director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next annual general meeting following his appointment.		
Resolution No. 5 To re-appoint James Norman Hauslein as director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next annual general meeting following his appointment.		
Resolution No. 6 To re-appoint Niraj Agarwal as director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next annual general meeting following his appointment.		
Resolution No. 7 To re-appoint Elizabeth Tansell as director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next annual general meeting following her appointment.		
Resolution No. 8 In accordance with rule 8 of the AIM Rules to seek the consent of shareholders for the Company's investing strategy, of acquiring and taking control of underperforming small and mid cap businesses in India and managing them as a private equity investor.		

If this form is signed and returned without indication as to how the proxy is to vote, he will exercise this discretion both as to how he votes and whether or not he abstains from voting.

Signature ____

Dated this ______________________ day of ______________________ 2008

Initials and Surname ____

Notes
1. Please indicate how you wish your vote to be cast. If you do not so do, your proxy will abstain or vote at their discretion.
2. In the case of a corporation, this proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders any one may sign but the vote of the first-named on the register of members will be accepted to the exclusion of the votes of the other joint holders.
4. To be effective, this proxy must be lodged at the office of the Administrator of the Company (Chamberlain Fund Services Limited, 3rd Floor Exchange House, 54-62 Athol Street, Douglas, Isle of Man IM1 1JD, British Isles) not less than 48 hours before the time fixed for the meeting.

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