

**CHARLES STREET CAPITAL PLC**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 APRIL 2011**

*Company Registration No. 05389216 (England and Wales)*

## COMPANY INFORMATION

<b>Directors</b>	Nicholas Lee ( <i>Chairman</i> ) Robert Hyndes Gregory Kuenzel Anthony Roberts (appointed 27 October 2011)
<b>Secretary</b>	Clifford & Co Secretaries Limited
<b>Company Number</b>	05389216
<b>Registered Office</b>	47 Charles Street London W1J 5EL
<b>Financial Advisor</b>	Beaumont Cornish Limited 2nd Floor, Bowman House 29 Wilson Street London EC2M 2SJ
<b>Auditors</b>	Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
<b>Bankers</b>	HSBC Bank plc 129 New Bond Street London W1J 2JA
<b>Solicitors</b>	Kerman & Co 200 Strand London WC2R 1DJ

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## **CHAIRMAN'S STATEMENT**

**For the year ended 30 April 2011**

During the year ended 30 April 2011, the Company has been actively identifying and reviewing appropriate projects to invest in that would provide the Company with a solid foundation for growth. Considerable time and effort was invested in the possible acquisition of a precious and base metal company, Bulgarian Mineral Resources Ltd. Ultimately the Board decided not to proceed with this acquisition and consequently, under AIM Rule 41, the Company's shares were cancelled from trading on AIM.

The Board has since been evaluating a range of prospective opportunities. Accordingly, the Company is pleased to report that it has signed a Heads of Agreement to acquire the exploration licences covering the Mitterberg Copper Project located near Salzburg in Austria, a district which contains one of the largest copper concentrations in the Eastern Alps.

The Mitterberg Copper Project includes an old mine that closed in 1976 for economic reasons and previously extracted about 120,000 tonnes of ore. The old underground workings have an extent of approximately 40 kilometres with three main adits and four shafts giving access to a main 11 kilometre ore vein which is 0.2-4 metres thick and 460 to 520 metres in minable vertical extent.

The potential acquisition which is subject, inter alia, to legal, technical and accounting due diligence as well as shareholder approval, is for a consideration of £1 million to be satisfied by the issue of new ordinary shares in the Company. A Competent Persons Report is currently being undertaken by Al Maynard & Associates. As part of this acquisition, the Board will apply for the Company's shares to be re-admitted to trading on AIM.

We are also pleased to announce the strengthening of the Board by the appointment of Mr Anthony ('Tony') Roberts.

Mr Roberts is an Australian Mining Engineer with over 40 years industry experience worldwide. He is a Mine Manager with many years of experience in logistically, socially and technically difficult environments in several jurisdictions. Mr Roberts commenced his career at BHP Billiton where he was responsible for mine operations at the company's operations in the Middleback Ranges, gaining experience in pellet, sinter and magnetite plant operations and fundamental steel making procedures, and at Koolan Island, a high grade iron ore district where he oversaw mine operations for nine years. During his time at BHP, he also worked with BHP Gold Ltd. In this role he conducted initial assessment and primary development at the Ora Banda A.U. leases.

More recently, Mr Roberts has spent the last 15 years as a consultant specialising in initial assessment and exploration of polymetallic projects (greenfields and brownfields) through to development and production. In this role, Mr Roberts played an integral role in bankable feasibility studies and optimisation work on a number of significant projects in Australia, Indonesia, Africa and South Africa. He also has experience in marketing strategy and off-take negotiations. His hands-on approach has been instrumental in the success of numerous projects.

A notice of the Company's annual general meeting, along with a copy of its annual report and accounts, have been posted to shareholders. A resolution has been included in the annual general meeting notice for the proposed change of the Company's name to Centurion Resources plc.

### **Financials**

We are reporting a loss for the year after taxation of £312,385 (2010: profit £376,672).

**Outlook**

Over the coming weeks, the Board will focus on the evaluation of the Mitterberg Copper Project to ensure that it meets the Company's stringent investment criteria and demonstrates potential to add value.

On behalf of the Board, I would like to take this opportunity to thank shareholders for their patience and reiterate our unwavering commitment to provide regular updates and ultimately create value for shareholders.

**Nicholas Lee**

Chairman

Dated: 31 October 2011

# **DIRECTORS' REPORT**

**For the year ended 30 April 2011**

The Directors present their report and financial statements for the year ended 30 April 2011.

## **Principal activities and business review**

The principal activity of Charles Street Capital plc ("the Company") is to make investments and/or acquire projects in the natural resources sector, which may include exploration, development or production projects in various minerals.

The principal activity of the Company was previously the investments in, and operation of businesses operating in the manufacture and marketing of confectionary and gift goods. On 7 May 2010, at the Company's AGM, the Shareholders approved a change to the principal activity of the Company along with a change in the Company's name from Sweet China plc to Charles Street Capital plc. All activities in relation to the Company's previous business were terminated upon dissolution of its former trading subsidiaries. This included a complete change in the management of the Company. All transactions in relation to the Company's previous principal activity have been classified as discontinuing in the Financial Statements.

A review of the business of the Company and an indication of likely future developments may be found in the Chairman's Statement on page 1. Risks and uncertainties are discussed on pages 6 to 7.

## **Results and dividends**

The loss for the year amounted to £312,385 (2010: profit £376,672).

The Directors do not recommend the payment of a dividend for the year (30 April 2010: £Nil).

## **Company registration**

The Company is incorporated and domiciled in the United Kingdom and is registered in England and Wales with Company Registration Number 05389216.

## **Key performance indicators**

The Board monitors the activities and performance of the Company on a regular basis. The primary performance indicator for the Company is the ability to target and acquire suitable investments in the minerals sector that will generate future returns for its shareholders. This continues to be monitored by the Directors. In the opinion of the Directors there are no other key performance indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

## **Subsequent events**

Subsequent events are set out in note 26 to the Financial Statements.

## **Directors**

The Directors who served during the year were:

David Zulman (Resigned 7 May 2010)	Nicholas Lee (Appointed 7 May 2010)
Martin Frost (Resigned 7 May 2010)	Robert Hyndes (Appointed 2 August 2010)
Christopher Cleverly (Resigned 7 May 2010)	Gregory Kuenzel (Appointed 30 June 2010)
Damian Conboy (Appointed 1 October 2010 & resigned 14 April 2011)	

The emoluments of the Directors of the Company for the year were as follows:

	<i>Fees</i>	<i>Compensation</i>		<i>Fair value</i>	<i>Total</i>	<i>Total</i>
	<i>2011</i>	<i>Basic</i>	<i>for loss</i>	<i>of options</i>	<i>2011</i>	<i>2010</i>
	<i>£</i>	<i>salary</i>	<i>of office</i>	<i>issued</i>	<i>£</i>	<i>£</i>
	<i>2011</i>	<i>2011</i>	<i>2011</i>	<i>2011</i>	<i>2011</i>	<i>2010</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
David Zulman	–	–	71,870	5,763	77,633	47,831
Martin Frost	–	–	39,470	4,640	44,110	22,255
Christopher Cleverly	–	–	9,000	3,493	12,493	8,024
Nicholas Lee	–	23,714	–	5,717	29,431	–
Robert Hyndes	23,714	–	–	5,717	29,431	–
Gregory Kuenzel	–	23,714	–	5,717	29,431	–
Damian Conboy	–	12,933	–	–	12,933	–
<b>Total</b>	<b>23,714</b>	<b>60,361</b>	<b>120,340</b>	<b>31,047</b>	<b>235,462</b>	<b>78,110</b>

£58,950 of David Zulman's compensation for loss of office was paid for through the issuance of 13,100,000 new ordinary shares in the Company. The remaining £12,920 was paid for in cash.

£26,550 of Martin Frost's compensation for loss of office was paid for through the issuance of 5,900,000 new ordinary shares in the Company. The remaining £12,920 was paid for in cash.

Christopher Cleverly's compensation for loss of office of £9,000 was paid through the issuance of 2,000,000 new ordinary shares in the Company.

The fair value of compensation for loss of office paid for through the issue of ordinary shares in the Company was determined with reference to the market value of those shares on the date of issue.

### Directors' share interests

Details of Directors' interests in the shares of the Company, including family interests, are listed below:

	<i>Ordinary Shares of 1p each</i>	
	<i>At 30 April</i>	<i>At 30 April</i>
	<i>2011</i>	<i>2010</i>
Nicholas Lee	5,600,000	–
Robert Hyndes <sup>(1)</sup>	10,000,000	–
Gregory Kuenzel	–	–

(1) Robert Hyndes shares are held by Splendour Investments Pty Ltd

At 30 April 2011, the Directors' had the following beneficial interests in options over the shares of the Company:

	<i>Number</i>	<i>Date of grant</i>	<i>Exercise price</i>	<i>Expiry date</i>
Nicholas Lee	15,000,000	30 June 2010	0.25p	4 July 2012
Robert Hyndes	15,000,000	30 June 2010	0.25p	4 July 2012
Gregory Kuenzel	15,000,000	30 June 2010	0.25p	4 July 2012

No Directors exercised their options during the year. Further details on options can be found in Note 19 to the Financial Statements.

### Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

Risks are formally reviewed by the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Company.

The key business risks affecting the Company are set out below.

### **Investment risk**

The Company's future growth and profitability is dependent on the discovery and procurement of suitable investment opportunities in the mineral resources sector. Should the Company not be successful in the acquisition of a suitable business it will prevent the Company from relisting onto AIM and may have an adverse effect on the future business of the Company.

### **Dependence on key personnel**

The Company is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Company depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Company grows could have an adverse effect on future business and financial conditions.

### **Funding risk**

The only sources of funding currently available to the Company are through the issue of additional equity capital. The Company's ability to raise further funds will depend on the success of its investment strategy. The Company may not be successful in procuring funds on terms which are appropriate and, if such funding is unavailable, it may be required to reduce the scope of its investment strategy.

### **Financial Instruments and Risk Management**

The Company's principal financial instruments comprise, other receivables, other payables, and cash at bank. No bank loans or other financing arrangements have been made. No borrowings have been made to finance working capital. Therefore the Company's exposure to credit risk, liquidity risk and market risk is not significant at the moment.

Details of the Company's financial risk management policies are set out in Note 4 to the Financial Statements.

### **Going Concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on their assumptions and their conclusion thereon are included in the statement on going concern included in Note 2.3 to the Financial Statements.

### **Directors' and Officers' Indemnity Insurance**

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the year and remain in force at the date of this report.

### **Creditor payment policy**

The Company's current policy concerning the payment of trade creditors is to:

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;

- (b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with the company's contractual and other legal obligations.

At the year end accounts payable represented 46 days (2010: 120 days) of purchases.

#### **Disclosure of information to Auditors**

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Director have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **Auditors**

Littlejohn LLP was appointed as auditor on 10 November 2010 and has signified its willingness to continue in office.

This report was approved by the Board on 31 October 2011 and signed on its behalf.

**Gregory Kuenzel**

*Director*

Dated: 31 October 2011

# **REPORT ON CORPORATE GOVERNANCE**

**For the year ended 30 April 2011**

There is a commitment to high standards of corporate governance throughout the Company. The Board confirms that the Company has adopted policies and procedures which intend to reflect the Principles of Good Governance and Code of Best Practice (“the Combined Code”), as published by the Financial Reporting Council, to the extent they consider appropriate to a company of its present size and stage of development. The Board will take such measures, so far as is practicable, to comply with the Combined Code.

## **Internal control**

The Board is responsible for establishing and maintaining the Company’s system of internal control and places importance on maintaining a strong control environment.

The key procedures which the Directors have established with a view to providing effective internal control are as follows:

- the Company’s organisational structure has clear lines of responsibility;
- the Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks;
- responsibility for all major decisions, such as project expenditure, is retained by the Board and decisions are taken by the Board as a whole;
- the Company prepares an annual budget that is approved by the Board; monthly results are reported against the budget and variances are monitored by the Directors; and
- all significant payments are approved by at least two Directors.

## **Audit committee**

The Audit Committee, comprising of Nicholas Lee (Non-Executive Chairman) and Robert Hyndes (Non-Executive Director), reviews the Company’s annual and interim financial statements before submission to the Board for approval. The Committee also reviews regular reports from management and external auditors on accounting and internal control matters. Where appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment, and reviews the fees, of the external auditors. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors. A formal statement of independence is received from the external auditors each year.

## **Remuneration committee**

In view of the size of the Company a remuneration committee has not currently been established and remuneration policy is dealt with by the full Board. It is intended that a remuneration committee will be formed in the foreseeable future. The committee’s role will be to consider and approve the remuneration and benefits of the executive directors.

## **Securities Trading**

The Company has adopted a share dealing code for dealings in shares by directors and senior employees which is appropriate for an AIM company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors’ dealings and will take all reasonable steps to ensure compliance by the Company’s applicable employees.

**Communication**

The Company recognises the importance of communication with its shareholders. The full report and financial statements are sent to all shareholders, to other parties who have an interest in the Company's performance and are publically available on the Company's website. All shareholders have the opportunity to put questions at the Company's Annual General Meeting.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements ("the financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 IFRSs as adopted by the European Union 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# **INDEPENDENT AUDITOR'S REPORT**

**For the year ended 30 April 2011**

We have audited the Financial Statements of Charles Street Capital plc for the year ended 30 April 2011 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 Auditor**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Mark Ling** (*Senior statutory auditor*)  
For and on behalf of Littlejohn LLP  
Statutory auditor

1 Westferry Circus  
Canary Wharf  
London E14 4HD

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## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2011

		<i>Continuing Operations Year ended 30 April 2011 £</i>	<i>Discontinuing Operations Year ended 30 April 2011 £</i>	<i>Total Year ended 30 April 2011 £</i>	<i>Total Year ended 30 April 2010 £</i>
Administrative expenses		(583,733)	(134,236)	(717,969)	(324,370)
Other operating expenses		–	–	–	(1,499)
Other income	8	–	50,000	50,000	712,360
<b>Operating (loss)/profit</b>	6	<u>(583,733)</u>	<u>(84,236)</u>	<u>(667,969)</u>	<u>386,491</u>
Net finance income/(expense)	9	350	(11,291)	(10,941)	(9,819)
Exceptional income	10	–	356,132	356,132	–
<b>(Loss)/profit before taxation</b>		<u>(583,383)</u>	<u>260,605</u>	<u>(322,778)</u>	<u>376,672</u>
Taxation	11	–	10,393	10,393	–
<b>(Loss)/profit for the year attributable to equity holders of the Company</b>		<u>(583,383)</u>	<u>270,998</u>	<u>(312,385)</u>	<u>376,672</u>
<b>Total comprehensive income attributable to equity holders of the Company</b>		<u>(583,383)</u>	<u>270,998</u>	<u>(312,385)</u>	<u>376,672</u>
<b>Earnings per share attributable to the equity holders of the Company</b>					
Basic and diluted (pence per share)	12	<u>(0.065)</u>	<u>0.030</u>	<u>(0.035)</u>	<u>0.385</u>

### Discontinuing operations

All activities in the year ended 30 April 2010 are classified as discontinuing.

The notes on pages 18 to 36 are an integral part of these financial statements.

# BALANCE SHEET

As at 30 April 2011

	<i>Notes</i>	<i>2011</i> £	<i>2010</i> £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		–	–
Plant and equipment	13	–	–
		<u>–</u>	<u>–</u>
<b>Current assets</b>			
Trade and other receivables	14	66,588	30,188
Cash and cash equivalents	15	428,753	41,695
		<u>495,341</u>	<u>71,883</u>
<b>TOTAL ASSETS</b>		<u>495,341</u>	<u>71,883</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to Shareholders</b>			
Ordinary shares	16	1,043,148	984,746
Share premium	17	6,197,225	6,002,170
Deferred shares		886,271	–
Merger reserve		166,000	216,000
Option reserve		562,482	388,738
Other reserves	18	48,963	28,682
Retained earnings		<u>(8,505,230)</u>	<u>(8,206,913)</u>
<b>TOTAL EQUITY</b>		<u>398,859</u>	<u>(586,577)</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	20	–	86,318
<b>Current liabilities</b>			
Trade and other payables	21	96,482	572,142
<b>TOTAL LIABILITIES</b>		<u>96,482</u>	<u>658,460</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>495,341</u>	<u>71,883</u>

The financial statements were approved by the Board and authorised for issue on 31 October 2011. They were signed on its behalf by:

**Greg Kuenzel**  
*Director*

The notes on pages 18 to 36 are an integral part of these financial statements.

# CASH FLOW STATEMENT

For the year ended 30 April 2011

	<i>Notes</i>	<i>Year ended 30 April 2011 £</i>	<i>Year ended 30 April 2010 £</i>
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation		(322,778)	376,672
Adjustments for;			
Net finance expense		10,941	9,819
Depreciation and amortisation		–	387
Loss on disposal of fixed assets		–	1,112
Gain on write-off of creditors		(356,132)	–
Non-cash expenditure		94,500	–
Inter company loan written off		–	(287,300)
Share option expense		187,812	–
<b>Operating cash flows before working capital changes</b>		<b>(385,657)</b>	<b>100,690</b>
(Increase)/decrease in trade and other receivables		(36,400)	20,093
Increase in trade and other payables		1,407	412,499
Increase in amounts due to company undertakings		–	(632,373)
<b>Cash outflow from operations</b>		<b>(420,650)</b>	<b>(99,091)</b>
Interest paid		–	(7,310)
Tax refund		10,393	–
<b>Net cash outflow from operating activities</b>		<b>(410,257)</b>	<b>(106,401)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		–	(461)
Interest received		350	–
<b>Net cash (outflow)/inflow from investing activities</b>		<b>350</b>	<b>(461)</b>
<b>Cash flows from financing activities</b>			
Proceeds from subscription of ordinary shares		846,965	–
Purchase of own shares		(50,000)	–
Issue of convertible loan notes		–	115,000
<b>Net cash inflow from financing activities</b>		<b>796,965</b>	<b>115,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>387,058</b>	<b>8,138</b>
Cash and cash equivalents brought forward		41,695	33,557
<b>Cash and cash equivalents carried forward</b>	15	<b>428,753</b>	<b>41,695</b>

## Major non-cash transactions

During the year the Company issued 11,871,075 ordinary shares in settlement of outstanding liabilities from various creditors with an aggregate value of £118,711. The Company also issued 21,000,000 ordinary shares fully paid at 0.45 pence per share to outgoing Directors as part of a compromise agreement.

During the year the Company issued 128,800,000 ordinary shares on conversion of 12 per cent convertible loan notes. The aggregate value of the loans converted including accrued interest was £128,800.

## Discontinuing operations

Operating cash inflows from discontinuing operations for the year ended 30 April 2011 were £34,553 (2010: £100,690). All cash flows from investing and financing activities for the year ended 30 April 2011 relate to continuing activities. Cash flows from investing and financing activities in the year ended 30 April 2010 relate exclusively to discontinued operations.

The notes on pages 18 to 36 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2011

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Deferred shares</i> £	<i>Merger reserve</i> £	<i>Option reserve</i> £	<i>Other reserves</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At 30 April 2009	976,412	6,010,504	–	216,000	388,738	–	(8,583,585)	(991,931)
<b>Comprehensive income</b>								
Profit for the year	–	–	–	–	–	–	376,672	376,672
<b>Total comprehensive income</b>	–	–	–	–	–	–	376,672	376,672
<b>Transactions with owners</b>								
Adjustment to value of shares issued in prior year	–	(50,000)	–	–	–	–	–	(50,000)
Proceeds from share issue	8,334	41,666	–	–	–	–	–	50,000
Equity recognised on loan notes issued	–	–	–	–	–	28,682	–	28,682
<b>Total transactions with owners</b>	8,334	(8,334)	–	–	–	28,682	–	28,682
<b>At 30 April 2010</b>	984,746	6,002,170	–	216,000	388,738	28,682	(8,206,913)	(586,577)
<b>Comprehensive income</b>								
Loss for the year	–	–	–	–	–	–	(312,385)	(312,385)
<b>Total comprehensive income</b>	–	–	–	–	–	–	(312,385)	(312,385)
<b>Transactions with owners</b>								
Share split	(886,271)	–	886,271	–	–	–	–	–
Conversion of loan notes	128,800	–	–	–	–	(28,682)	–	100,118
Purchase of own shares	(36,463)	–	–	(50,000)	–	36,463	–	(50,000)
Shares issued	852,336	195,055	–	–	–	–	–	1,047,391
Shares allocated but not allotted	–	–	–	–	–	12,500	–	12,500
Issue of options and warrants	–	–	–	–	187,812	–	–	187,812
Exercise of warrants	–	–	–	–	(14,068)	–	14,068	–
<b>Transactions with owners</b>	58,402	195,055	886,271	(50,000)	173,744	20,281	14,068	1,297,821
<b>At 30 April 2011</b>	1,043,148	6,197,225	886,271	166,000	562,482	48,963	(8,505,230)	398,859

The notes on pages 18 to 36 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2011

## 1. General information

Charles Street Capital plc is a public limited company incorporated and domiciled in England and Wales. The Company's shares were listed on the Alternative Investment Market of the London Stock Exchange up to 17 June 2011 (see note 26). Its registered office and business address is 47 Charles Street, London, W1J 5EL. The nature of the Company's operations and principal activities are set out on page 5 of the Financial Statements.

At the AGM held on 7 May 2010 shareholders voted in favour of changing the Company name from Sweet China plc to Charles Street Capital plc.

## 2. Summary of significant accounting policies

The principal Accounting Policies applied in the preparation of these Financial Statements are set out below. These Policies have been consistently applied to all years presented, unless otherwise stated.

### 2.1 Basis of preparation

The Financial Statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. The Financial Statements have been prepared under the historical cost convention other than financial assets and financial liabilities at fair value through profit or loss.

The Financial Statements are presented in Pounds Sterling rounded to the nearest pound.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

### 2.2 Changes in accounting policies

- (a) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 May 2010 but not currently relevant to the Company*

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 May 2010, but are not relevant to the Company.

A revised version of IFRS 3 "Business Combinations" and consequential amendments to IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures" were effective prospectively to business combinations occurring in accounting periods beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date. All acquisition costs are expensed.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" addressed concerns that retrospectively determining the cost of an investment in separate financial statements and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. These amendments were effective for periods beginning on or after 1 July 2009.

Further amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” addressed the retrospective application of IFRSs to particular situations (oil and gas assets and leasing contracts), and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IFRS 2 “Share-based Payment” clarified the accounting for group cash-settled share-based payment transactions. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IAS 32 “Financial Instruments: Presentation” addressed the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments were effective for periods beginning on or after 1 February 2010.

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” provided additional guidance on what can be designated as a hedged item. These amendments were effective for periods beginning on or after 1 July 2009.

IFRIC 17 “Distributions of Non-cash Assets to Owners” standardised practice in the measurement of distributions of noncash assets to owners. This interpretation was effective for periods beginning on or after 1 July 2009.

IFRIC 18 “Transfers of Assets from Customers” clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation was effective for periods beginning on or after 1 July 2009.

- (b) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 May 2010 and not early adopted*

The Company’s assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 “Financial Instruments” specifies how an entity should classify and measure financial assets, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Company’s financial statements.

In October 2010, the requirements for classification and measurement of financial liabilities were added to IFRS 9. This amendment was effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact on the Company’s financial statements.

IAS 27 “Separate Financial Statements” replaces the current version of IAS 27 “Consolidated and Separate Financial Statements” as a result of the issue of IFRS 10 (see below). This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and is not expected to have an impact on the Company’s financial statements.

IFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and is not expected to have an impact on the Company’s financial statements.

IAS 28 “Investments in Associates and Joint Ventures” replaces the current version of IAS 28 “Investments in Associates” as a result of the issue of IFRS 11 (see below). This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and is not expected to have an impact on the Company’s financial statements.

IFRS 11 “Joint Arrangements” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and is not expected to have an impact on the Company’s financial statements.

IFRS 12 “Disclosure of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and is not expected to have an impact on the Company’s financial statements.

IFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Company’s financial statements.

A revised version of IAS 24 “Related Party Disclosures” simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This revision is effective for periods beginning on or after 1 January 2011 and is not expected to have an impact on the Company’s financial statements.

An amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by “Improving Disclosures about Financial Instruments” (Amendments to IFRS 7). This amendment is effective for period beginning on or after 1 July 2010 and is not expected to have an impact on the Company’s financial statements.

Further amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” replace references to a fixed date of 1 January 2004 with “the date of transition to IFRSs”, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs, and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. These amendments are effective for periods beginning on or after 1 July 2011, subject to EU endorsement and are not expected to have an impact on the Company’s financial statements.

Amendments to IFRS 7 “Financial Instruments: Disclosures” are designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position. These amendments are effective for periods beginning on or after 1 January 2011, subject to EU endorsement. The Directors are assessing the possible impact on the Company’s financial statements.

Amendments to IAS 1 “Presentation of Financial Statements” require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two

consecutive statements. These amendments are effective for periods beginning on or after 1 July 2012, subject to EU endorsement. The Directors are assessing the possible impact on the Company's financial statements.

Amendments to IAS 12 "Income Taxes" introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will normally be through sale. These amendments were effective for periods beginning on or after 1 January 2012, subject to EU endorsement, and are not expected to have an impact on the Company's financial statements.

Amendments to IAS 19 "Employment Benefits" eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. These amendments were effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and are not expected to have an impact on the Company's financial statements.

"Improvements to IFRSs" are collections of amendments to IFRSs resulting from the annual improvements project, a method of making necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project. This improvement has various implementation dates: for April 2009 improvements, earliest is periods beginning on or after 1 July 2009; for May 2010 improvements, earliest are periods beginning on or after 1 July 2010, subject to EU endorsement. The Directors are assessing the possible impact on the Company's financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation is effective for periods beginning on or after 1 July 2010, and is not expected to have an impact on the Company's financial statements.

An amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment is effective for periods beginning on or after 1 January 2011, and is not expected to have an impact on the Company's financial statements.

### 2.3 ***Going concern***

The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 3. In addition, Notes 3 and 4 to the Financial Statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis notwithstanding that the Company has made a net loss of £312,385 during the year ended 30 April 2011. Although the Company's assets are not generating revenues and an operating loss has been reported, the Directors believe that the Company has sufficient funds to undertake its operating activities over the next 12 months from the date of signing these financial statements. As projects and acquisition targets are identified additional funding may be required. The amount of funding is unforeseen at the point of approval of these Financial Statements and the Company will be required to raise additional funds

either via an issue of equity or through the issuance of debt. The Directors are confident that funds will be forthcoming if and when they are required.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. On 20 September 2011 the Directors agreed to defer their fees to preserve the Company's cash balance, along with all other non-essential expenditure. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 2.4 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. All of the Company's activities occur in the UK and relate to administrative duties, so segmental reporting is not required.

#### 2.5 *Plant and equipment*

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the item, as follows:

Office equipment                      3 – 4 years

Fixtures and fittings                4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

#### 2.6 *Cash and cash equivalents*

In the Company's cash flow statement and balance sheet cash and cash equivalents includes cash at bank.

#### 2.7 *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds provided there is sufficient premium available. Should sufficient premium not be available placing costs are recognised through profit or loss.

Deferred shares are classified as equity. Deferred shares have no rights to receive dividends, or to attend or vote at general meetings of the Company and are only entitled to a return of capital after payment to holders of new ordinary shares of £100,000 per each share held.

#### 2.8 *Share-based payments*

The Company operates a number of equity-settled, share-based schemes, under which the entity receives services from employees or third party suppliers as consideration for equity instruments

(options and warrants) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement or charged to equity depending on the nature of the service provided. The total amount to be expensed or charged is determined by reference to the fair value of the options or warrants granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

## 2.9 *Taxation*

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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 bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

#### 2.10 *Compound financial instruments*

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is measured initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

#### 2.11 *Trade Payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

#### 2.12 *Operating Leases*

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the period of the respective leases.

#### 2.13 *Foreign currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in British Pounds, which is the Company’s functional and presentation currency.

#### 2.14 *Employee benefits*

Contributions payable to defined contribution retirement benefit plans are charged to the income statement as they fall due.

Termination benefits are recognised when, and only when, the Company commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Employee entitlements to annual leave and long service payment due on retirement or termination are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long-service payment as a result of services rendered by employees up to the balance sheet date. The estimated liability is calculated net of expected reduction from benefits available from social security funds.

Employee entitlements to sick leave and other non-accumulating compensated absences are not recognised until the time of leave.

## 2.15 *Finance income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

## 3. **Critical accounting estimates**

The preparation of the combined financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

### *Share based payment transactions*

The Company has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and suppliers for various services received.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 19.

## 4. **Financial risk management**

### *Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### *Risk management*

The Company's operations expose it to a variety of financial risks that include the effects of changes in interest rate risk, credit risk, liquidity risk and foreign currency risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance. The Company has not entered into derivatives transactions and does not trade in financial instruments as a matter of policy.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

### *Interest rate risk*

As the Company has no borrowings in the current period, it is not exposed to interest rate risk on financial liabilities. The Company's interest rate risk arises from its cash held on short-term deposit, which is not significant.

### *Credit risk*

Credit risk arises from cash and cash equivalents as well as outstanding receivables. The Company considers the credit ratings of banks in which it holds funds in order to reduce its exposure to credit risk.

### *Liquidity risk*

Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts to ensure the adequacy of working capital. Short-term liquidity is managed through short-term borrowing facilities and short-term deposits.

### ***Fair Value Estimation***

The carrying value less impairment provision of trade receivables and payables is assumed to approximate to their fair values, due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. As this is an observable input all fair value estimates fall within level two.

### **5. Investment in subsidiary undertakings**

	£
<b>Cost</b>	
At 1 May 2009 and 30 April 2010	5,680,454
Disposals	(5,680,454)
At 30 April 2011	–
<b>Provision for impairment</b>	
At 1 May 2009 and 30 April 2010	5,680,454
Disposals	(5,680,454)
At 30 April 2011	–
<b>Net book value</b>	
At 30 April 2011	–
At 30 April 2010	–
At 1 May 2009	–

Charles Street Capital plc held more than 20 per cent of the share capital of the following companies prior to each of their dissolution during the year:

<i>Subsidiary Undertaking</i>	<i>Country of incorporation</i>	<i>Class</i>	<i>% Shares held</i>
Sweet Essentials Limited* (see note 1 below)	Hong Kong	Ordinary	100
Sweet China Trading Limited (see note 2 below)	England and Wales	Ordinary	100
Sweet Essentials International Limited	England and Wales	Ordinary	100

\* Denotes that the subsidiary was indirectly held. All other subsidiaries were directly held.

Note 1: The main activity of Sweet Essentials Limited (“SEL”) was the selling and distribution of confectionery. In December 2009 a provisional liquidator was appointed to SEL. SEL was dissolved during the year.

Note 2: The main activity of Sweet China Trading Limited (“SWCT”) was the selling and distribution of confectionery in the United Kingdom. On 25 May 2010 a liquidator was appointed to SWCT and the company is currently in liquidation. The Directors consider that there will be no residual value to the shareholders.

Sweet Essentials International Limited was dissolved on 28 June 2011. The Company has not produced consolidated financial statements incorporating the results of Sweet Essentials International Limited because the subsidiary was dormant throughout the current and prior year and therefore had no impact on the results of the Group.

The Company also indirectly held 100% of the share capital of Lings Limited and Candycraft (Quality Superb) Limited, which were both dissolved on 27 April 2011.

## 6. Operating loss

The operating loss is stated after charging:

	2011	2010
	£	£
Fees payable to the Company's auditors for the audit of the accounts	13,000	15,000
Fees payable to the Company's auditors for other services pursuant to legislation	3,250	2,500
Depreciation charge for year	–	387
Share option and warrant costs	187,812	–
Loss on disposal of property, plant and equipment	–	1,112
Operating lease charges	36,000	–
	<u>          </u>	<u>          </u>

During the year Welbeck Associates resigned as the Company's auditors and, in accordance with section 489 of the Companies Act 2006, Littlejohn LLP were appointed.

## 7. Wages and salaries

	2011	2010
	£	£
Wages and salaries	71,142	78,110
Reversal of prior year bonus accrual	–	(150,000)
Compensation for loss of office	120,340	–
Employer's NIC	6,507	–
	<u>          </u>	<u>          </u>
	197,989	(71,890)

Compensation for loss of office costs include £94,500 paid for through the issuance of 21,000,000 new ordinary shares in the company fully paid up at 0.45p per share. The fair value of the compensations for loss of office settled in shares was determined with reference to the market value of the shares on the date of issue.

The average number of administration staff employed during the year including executive directors was 3 (2010: 2). Directors remuneration including directors salaries are included in the Directors' report.

## 8. Other income

	2011	2010
	£	£
Sale of intellectual property rights	50,000	–
Management fees	–	423,485
Intercompany loan write-off	–	287,300
Miscellaneous income	–	1,575
	<u>          </u>	<u>          </u>
	50,000	712,360

## 9. Net finance income/(expense)

	2011	2010
	£	£
Bank interest received	350	–
Interest payable on convertible loan notes	(11,291)	(2,509)
Other loan interest	–	(7,310)
	<u>          </u>	<u>          </u>
	(10,941)	(9,819)

## 10. Exceptional income

	2011	2010
	£	£
Gain on write-off of creditors	356,132	–
	<u>356,132</u>	<u>–</u>

On 7 May 2010 the shareholders approved a settlement agreement with the Company's creditors which was agreed with the creditors on 23 March 2010. The creditors agreed to accept a reduction of 75 per cent. in respect of amounts owed to them at 31 January 2010, and further agreed to accept in full settlement of the remaining debt, 1 new share for every 1p due to them. The aggregate balance subject to this agreement was £474,843, of which £356,132 was forgiven and £118,711 repaid through the issuance of 11,871,075 new ordinary shares in the Company.

## 11. Taxation

### Income tax expense

	2011	2010
	£	£
Analysis of tax charge		
Current tax (credit) for the year	(10,393)	–
<b>Tax (credit) on loss for the year</b>	<u>(10,393)</u>	<u>–</u>
(Loss)/profit before tax	(322,778)	376,672
Tax at the applicable rate of 27.8% (2010: 28%)	(89,732)	105,468
Effects of:		
Expenditure not deductible for tax	48,229	–
Refund in respect of prior periods	(10,393)	–
Utilisation of brought forward losses	–	(105,468)
Capital losses carried forward	14,095	–
Losses carried forward	27,408	–
Tax charge	<u>(10,393)</u>	<u>–</u>

Due to changes in UK tax legislation the applicable tax rate has changed from 28% to 27.8%.

No charge to taxation arises due to the losses incurred. No deferred tax asset has been recognised on accumulated tax losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

## 12. Profit/(loss) per share

The basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of shares in issue. In calculating the diluted profit/(loss) per share, share options outstanding have been taken into account where the impact of these is dilutive.

			<i>2011</i>	<i>2010</i>
			<i>Number</i>	<i>Number</i>
Weighted average number of shares			<u>898,675,227</u>	<u>97,849,577</u>
	<i>Continuing</i>	<i>Discontinued</i>		
	<i>operations</i>	<i>operations</i>	<i>Total</i>	
	<i>2011</i>	<i>2011</i>	<i>2011</i>	<i>2010</i>
	£	£	£	£
Loss/(profit) attributable to equity shareholders	<u>(583,383)</u>	<u>270,998</u>	<u>(312,385)</u>	<u>376,672</u>
<b>Basic and diluted (loss)/profit per share:</b>	<u>(0.065)p</u>	<u>0.030p</u>	<u>(0.035)p</u>	<u>0.385p</u>

In accordance with IAS 33, no diluted earnings per share is presented for continuing and total operations for the year ended 30 April 2011 as the effect on the exercise of share options and warrants would be to decrease the loss per share. The diluted earnings per share for discontinued operations in the year ended 30 April 2011 and the year ended 30 April 2010 is identical to the basic earnings per share as no share options or warrants were materially dilutive.

Details of share options and warrants that are currently anti-dilutive but may be dilutive in the future are set out in note 19.

### 13. Property, plant and equipment

	<i>Office equipment</i> £	<i>Furniture and fixtures</i> £	<i>Total</i> £
<b>Cost</b>			
At 1 May 2009	897	192	1,089
Additions	461	–	461
Disposals	(1,358)	(192)	(1,550)
At 30 April 2010	–	–	–
Additions	–	–	–
Disposals	–	–	–
At 30 April 2011	–	–	–
<b>Depreciation</b>			
At 1 May 2009	23	28	51
Charge for the year	339	48	387
On disposals	(362)	(76)	(438)
At 30 April 2010	–	–	–
Charge for the year	–	–	–
On disposals	–	–	–
At 30 April 2011	–	–	–
<b>Net book value</b>			
At 30 April 2011	–	–	–
At 30 April 2010	–	–	–
At 1 May 2009	874	164	1,038

Depreciation expense of £Nil (2010: £387) has been charged in administration expenses.

### 14. Trade and other receivables

	<i>2011</i> £	<i>2010</i> £
VAT receivable	37,635	9,682
Other receivables	4,813	6,250
Other prepayments and accrued income	24,140	14,256
	<u>66,588</u>	<u>30,188</u>

The fair value of all current receivables is as stated above. At the reporting date, all receivables were fully performing.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The carrying amounts of the Company's trade and other receivables are denominated in UK pound sterling.

### 15. Cash and cash equivalents

	<i>2011</i> £	<i>2010</i> £
Cash at bank and in hand	<u>428,753</u>	<u>41,695</u>

All of the Company's cash at bank is held with institutions with an AA credit rating.

## 16. Issued capital

	<i>2011</i>	<i>2010</i>
	£	£
<b>Authorised:</b>		
500,000,000 Ordinary Shares of 1p each	–	5,000,000
5,000,000,000 Ordinary Shares of 0.1p each	5,000,000	–
	<hr/>	<hr/>
<b>Issued and fully paid:</b>		
1,043,148,027 Ordinary Shares of 0.1p each (2010: 98,474,577 Ordinary Shares of 1p each)	1,043,148	984,746
	<hr/>	<hr/>

On 7 May 2010, at the Annual General Meeting, the shareholders approved the restructuring of the Company's equity whereby each existing ordinary share of 1p was converted into 1 new ordinary share of 0.1p and 9 deferred shares of 0.1p each. The deferred shares have no rights to receive dividends, or to attend or vote at general meetings of the Company and are only entitled to a return of capital after payment to holders of new ordinary shares of £100,000 per each share held.

On 7 May 2010 the Company issued 161,671,075 ordinary shares of 0.1 pence per share. This comprises, 11,871,075 ordinary shares that were issued in settlement of amounts owed to creditors totalling £118,711 that had not previously been forgiven, 128,800,000 ordinary shares issued on conversion of the 12 per cent convertible loan notes totalling £128,800 including accrued interest and 21,000,000 ordinary shares issued as part of a compromise agreement with the outgoing directors of the Company. The fair value of the ordinary shares issued as part of the compromise agreement was £94,500, being the market price of 0.45 pence per share on the date of issue.

On 7 May 2010 the Company repurchased 36,463,000 of its own ordinary shares of 0.1 pence per share for a consideration of £50,000. On the same date, the Company cancelled the shares and credited their nominal value to a capital redemption reserve within equity. The amount paid to repurchase the shares has been offset against distributable reserves of the Company as detailed in the Statement of Changes in Equity.

On 30 June 2010 the Company issued 805,488,000 ordinary shares at a price of 0.1p per share through a placing. In addition, the subscribers of the placing received warrants to acquire shares at 0.25p per share on the basis of one warrant for every two shares subscribed for.

On 27 October 2010, warrants to acquire 7,500,000 ordinary shares of 0.1 pence each in the Company were exercised. The exercise price for the warrant shares was 0.25 pence per share which was received by the Company.

On 22 November 2010, warrants to acquire 2,476,325 ordinary shares of 0.1 pence each in the Company were exercised. The exercise price for the warrant shares was 0.1 pence per share which was received by the Company.

On 30 November 2010, warrants to acquire 1,501,050 ordinary shares of 0.1 pence each in the Company were exercised. The exercise price for the warrant shares was 0.1 pence per share which was received by the Company.

On 2 December 2010, warrants to acquire 2,500,000 ordinary shares of 0.1 pence each in the Company were exercised. The exercise price for the warrant shares was 0.25 pence per share which was received by the Company.

## 17. Share premium account

	2011	2010
	£	£
At beginning of period	6,002,170	6,010,504
*Adjustment in respect of shares issued in prior year	–	(50,000)
On issue of shares	88,500	41,666
Settlement of creditors	106,555	–
At end of period	<u>6,197,225</u>	<u>6,002,170</u>

\*In February 2008, 1,666,667 shares were issued at 9p each in settlement of a loan obligation. It was subsequently determined that the shares should have been issued at 6p each, resulting in a reduction to the share premium account of £50,000. In March 2010, 833,334 additional shares were issued at 6p each to settle the difference.

## 18. Other reserves

	<i>Shares to be issued</i>	<i>Redemption reserve</i>	<i>Loan note holders reserve</i>	<i>Total</i>
	£	£	£	£
At 1 May 2009	–	–	–	–
On issue of 12% convertible loan notes	–	–	28,682	28,682
At 30 April 2010	–	–	28,682	28,682
Share buyback and cancellation	–	36,463	–	36,463
Conversion of loan note	–	–	(28,682)	(28,682)
Shares allocated but not allotted	12,500	–	–	12,500
<b>At 30 April 2011</b>	<u>12,500</u>	<u>36,463</u>	<u>–</u>	<u>48,963</u>

On 9 December 2010, warrants to acquire 5,000,000 ordinary shares of 0.1 pence each in the Company were exercised. The exercise price for the warrant shares was 0.25 pence per share which was received by the Company. At the time these warrants were exercised the company was suspended from trading and as such application could not be made for the shares to be admitted to trading on AIM. The value of these shares has been credited to a separate reserve called shares to be issued.

On 7 May 2010, at the Annual General Meeting, the shareholders approved the restructuring of the Company's equity whereby each existing ordinary share of 1p was converted into 1 new ordinary share of 0.1p and 9 deferred shares of 0.1p each. The deferred shares have no rights to receive dividends, or to attend or vote at general meetings of the Company and are only entitled to a return of capital after payment to holders of new ordinary shares of £100,000 per each share held.

On 7 May 2010 the Company repurchased 36,463,000 of its own ordinary shares of 0.1 pence per share for a consideration of £50,000. On the same date, the Company cancelled the shares and credited their nominal value to a capital redemption reserve within equity. The amount paid to repurchase the shares has been offset against distributable reserves of the Company as detailed in the Statement of Changes in Equity.

## 19. Share options and warrants

Share options and warrants outstanding and exercisable at the end of the year have the following expiry dates and exercise prices:

<i>Expiry date</i>	<i>Exercise price in £ per share</i>	<i>Shares</i>	
		<i>2011</i>	<i>2010</i>
22 March 2012	0.001	1,993,925	–
4 July 2012	0.0025	510,908,640	–
31 March 2013	0.09	10,549,350	10,549,350
31 March 2013	0.10	1,981,111	1,981,111
		<u>525,433,026</u>	<u>12,530,461</u>

The options and warrants are exercisable starting immediately from the date of grant and lapse between 18 months and five years of the date of grant. The Company has no legal or constructive obligation to settle or repurchase the options or warrants in cash.

The fair value of the share options and warrants was determined using the Black Scholes valuation model. The parameters used are detailed below:

	<i>2010 Options</i>	<i>2010 Warrants</i>	<i>2010 Options</i>	<i>2008 Options and warrants</i>
Option granted on:	30/06/2010	30/06/2010	16/09/2010	31/03/2008
Option life (years)	2 years	2 years	1.5 years	5 years
Share price (pence per share)	0.23	0.23	0.33	9.95
Number granted	85,000,000	440,908,640	5,971,300	12,530,461
Risk free rate	2.21%	2.21%	1.81%	4.45%
Expected volatility	34%	34%	34%	30.51%
Expected dividend yield	–	–	–	–
Marketability discount	20%	20%	20%	–
Total fair value of options granted	£141,518	£32,398	£13,896	£388,738

The expected volatility is based on historical volatility for the 6 months prior to the date of granting. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

The reconciliation of options and warrants during the year ended 30 April 2011 is shown below:

	<i>2011</i>		<i>2010</i>	
	<i>Number</i>	<i>Weighted average exercise price</i>	<i>Number</i>	<i>Weighted average exercise price</i>
Outstanding at 1 May	12,530,461	9.16p	12,530,461	9.16p
Granted during the year	531,879,940	0.25p	–	–
Exercised during the year	(18,977,375)	0.22p	–	–
Outstanding at 30 April	<u>525,433,026</u>	<u>0.46p</u>	<u>12,530,461</u>	<u>9.16p</u>
Exercisable at 30 April	<u>525,433,026</u>	<u>0.46p</u>	<u>12,530,461</u>	<u>9.16p</u>

The weighted average share price on the date of exercise for options and warrants exercised during the year ended 30 April 2011 was

Range of exercise prices (£)	2011				2010			
	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0 – 0.0025	0.0025	512,902,565	1.17	1.17	–	–	–	–
0.0025-0.1	0.0916	12,530,461	1.92	1.92	0.0916	12,530,461	2.92	2.92

The total fair value of options and warrants granted has resulted in a charge to the Income Statement for the year ended 30 April 2011 of £187,812 (2010: £Nil). The total fair value of options and warrants exercised has resulted in a credit to retained earnings for the year ended 30 April 2011 of £14,068 (2010: £Nil).

## 20. Borrowings

	2011 £	2010 £
<i>Non-current</i>		
<b>Unsecured borrowings at amortised cost</b>		
12% convertible loan notes	–	86,318
	–	86,318

### Convertible loan

The Company issued 12% convertible loan notes with a par value of £115,000 on 8 March 2010. The loan notes were redeemable on 30 September 2011 at their nominal value of £115,000 or could be converted into shares at the holder's option at a rate of 0.1 pence per share at any time up to the date of maturity. The values of the liability component and the equity conversion component were determined at the issuance of the loan notes.

The fair value of the liability component, included within current borrowings, was calculated using the interest rate for an equivalent non-convertible loan. The residual amount, representing the fair value of the equity conversion option, was included in shareholders' equity in other reserves (Note 18), net of taxes.

On 25 May 2010 all of the convertible loan note holders exercised their option to convert their loan notes into shares including accrued interest on the loan notes up to that date.

The movement in the convertible loan in the balance sheet is as follows:

	2011 £	2010 £
Liability component at 1 May	88,827	–
Face value of convertible loan notes issued in period	–	115,000
Equity component (Note 18)	–	(28,682)
Liability component on initial recognition	–	86,318
Interest expense (note 9)	11,291	2,509
Finance costs paid	–	–
Conversion of loan notes	(100,118)	–
Liability component at 30 April	–	88,827

The fair value of the liability component of the convertible bond at 30 April 2011 amounted to £Nil (2010: £88,827). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 20%.

At 30 April 2010 accrued interest in respect of the loan notes of £2,509 was included within trade and other payables.

## 21. Trade and other payables

	2011	2010
	£	£
Trade payables	62,214	351,304
Other payables	210	210
Other taxes and social security costs	–	–
Accruals and deferred income	34,058	66,676
Amounts owed to group undertakings	–	153,952
	<u>96,482</u>	<u>572,142</u>

At the year end the carrying amounts of the Company's trade and other payables were denominated in sterling.

## 22. Capital commitments

The Company leases office premises under a non-cancellable operating lease agreement. The initial lease term is for two years and is renewable at the end of the initial lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	2011	2010
	£	£
Not later than one year	36,000	–
Later than one year and no later than five years	27,000	–
	<u>63,000</u>	<u>–</u>

## 23. Expenses by nature

	2011	2010
	£	£
Director fees	204,415	78,110
Reversal of prior year bonus accrual	–	(150,000)
Wages & salaries (excluding directors)	8,597	61,829
Professional fees	238,371	268,544
Share option expense	46,293	–
Placing costs	173,485	–
Other	46,808	65,887
Administrative expenses	<u>717,969</u>	<u>324,370</u>

## 24. Related party transactions

On 26 March 2011 the Company entered into an agreement to sell the intellectual property rights of certain brands owned by the Company to the shareholder Ian Walker for a consideration of £50,000, and on the same date entered into a second agreement with Ian Walker to acquire his shareholding of 36,463,000 shares in the Company for a consideration of £50,000. Both these agreements were approved by the shareholders and completed on 7 May 2011.

Details of remuneration relating to key management personnel are provided in the directors' report.

On 7 May 2011, Martin Frost, David Zulman and Christopher Cleverly resigned as directors and the Company entered into compromise agreements with them, resulting in compensation payments totalling £25,840 and the issue of 21,000,000 new ordinary shares of 0.1p each.

During the year ended 30 April 2011 the Company leased office premises from Exchange Minerals Limited. Damian Conboy, who was a director of the Company during the year is also a director of Exchange Minerals

Limited. During the period that Mr Conboy was a director, the Company incurred rental charges of £18,000 in respect of the lease with Exchange Minerals Limited.

As part of the creditors' agreement detailed in note 10 to these financial statements the Company settled liabilities to Sweet Essentials Limited and Sweet China Trading Limited, both subsidiaries of the Company at the date of settlement. In accordance with the agreement both companies agreed to the forgiveness of 75% of the balance due to them and accept 1 ordinary share for every 1p of remaining debt. The transaction resulted in the following:

	<i>Balance due at 30 April 2010</i>	<i>Amount forgiven</i>	<i>Amount settled through the issue of shares</i>	<i>Balance due at 30 April 2011</i>
	£	£	£	£
Sweet Essentials Limited	123,153	(92,365)	(30,788)	–
Sweet China Trading Limited	30,799	(23,099)	(7,700)	–
	<u>153,952</u>	<u>(115,464)</u>	<u>(38,488)</u>	<u>–</u>

The amount of debt forgiven by Sweet Essentials Limited and Sweet China Trading Limited has been recognised in the Company's income statement within exceptional income.

Amounts due to Sweet Essentials Limited were settled through the issuance of 3,078,800 ordinary shares in the Company. Amounts due to Sweet China Trading Limited were settled through the issuance of 770,000 ordinary shares in the Company.

## **25. Ultimate Controlling Party**

The Directors believe there to be no ultimate controlling party.

## **26. Subsequent events**

On 17 June 2011 the Company's admission to trading on AIM was cancelled under AIM Rule 41, as a result of the Company not being able to complete the proposed acquisition of Bulgarian Mineral Resources Ltd within the necessary timeframe.

On 28 September 2011 the Company announced to shareholders that the Directors had decided it was not in the Company's best interest to proceed with the proposed acquisition of Bulgarian Mineral Resources Ltd and therefore terminated the process.