YATRA CAPITAL

YATRA CAPITAL LIMITED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

YATRA CAPITAL IS THE ONLY COMPANY LISTED ON NYSE EURONEXT
INVESTING IN REAL ESTATE IN INDIA

INVESTMENT MANAGER

IL&FS | IL&FS Investment Advisors LLC

YATRA CAPITAL

Contents

Performance Highlights

- **Yatra Capital Limited ("Yatra"), listed on NYSE Euronext, raised EUR 220 million (EUR 212.13 million net funds raised) by way of two offerings. Substantially all of the funds raised are committed and disbursed and thus the Group's acquisition program is largely complete.**

- **Net Asset Value ("NAV")* per share decreased by 2.98 % from EUR 6.00 at 31 March 2012 to EUR 5.82 at 31 March 2013.**

- **Net loss for the year ended 31 March 2013 was EUR 7.90 million as compared to net loss of EUR 43.07 million for the year ended 31 March 2012.**

- **Basic Loss Per Share for the year ended 31 March 2013 was EUR 0.38 as compared to Basic Loss Per Share of EUR 2.02 for the year ended 31 March 2012.**

- **Yatra has entered into 15 investments, of which two are entity level investments, spread across 9 cities resulting in a development potential of over 15.9 million square feet of saleable/leasable area (excluding car parking and other non revenue generating areas). Over 5.9 million square feet of development space has been pre-leased/ pre-sold as at 31 March 2013. During the year Yatra has exited from its mixed use investment project in Bhavnagar, in joint venture with Modi Organisors Private Limited.**

- **Construction work at 9 of Yatra's investment projects is in progress and two projects of the Company – City Centre Mall Nashik Private Limited at Nashik and Market City retail mall at Pune are operational.**

- **The Bangalore Market City project was launched in September 2012 post receipt of all approvals and has sold 307 units out of the 400 units launched till date.**

**NAV per share is based on Yatra's net assets as disclosed in the Statement of Financial Position as at 31 March 2013 divided by the weighted average number of shares outstanding on that date including shares held in treasury.*

Chairman's Statement

Dear Shareholders,

I am pleased to be able to present to you the audited financial statements of the Group for the year ended 31st March 2013.

Macro Economic Backdrop

In my statement of 27th November 2012 accompanying the interim financial statements of the Group for the period to 30th September 2012, I took a negative view of the economic outlook, and commented that the continued supply of unlimited quantities of effectively zero cost liquidity was all that prevented a sharp global recession. I still hold this view, and recent market movements arising from successive commentaries provided by US Fed Chairman Bernanke on the prospective withdrawal of liquidity injections have reminded market participants just how important this “free cash” is to continued confidence and stability. Nevertheless, it is true to say that in the majority of developed economies, a more bullish tone is now in evidence, and equity and bond markets have reacted accordingly. Whether this confidence is misplaced only time will tell.

Indian Operating Environment

It is rather disappointing to note that Indian indices have not responded better. The NIFTY index is virtually flat since 1st January, and many of the concerns that I have expressed previously regarding apparent political unwillingness or inability to make and force through difficult economic reforms, combined with a stubbornly high inflation rate and consequent limitations on the RBI to manoeuvre interest rates lower, continue to hamstring the Indian economy. Global markets have punished India for these problems by driving the Rupee to historic lows against major currencies, a move that hurts Yatra due to our inability to hedge away our foreign currency exposures at anything approaching reasonable cost. Indeed, the move of the Rupee against the Euro since 31st March has had the effect of driving our net asset value down by approximately 10% in Euro terms. We can only urge Indian policymakers to grapple urgently with the difficulties that they face and seek to restore overseas confidence in the country’s economic outlook.

Investment Manager Alignment

Shareholders will be well aware of the results of the extraordinary general meeting of the Company on 19th June 2013, and there is no need for me to comment on the overwhelming endorsement of the reforms in this report. I expect to see the results of the re-alignment of investment manager fees and other contractual arrangements flow through to the net asset value and performance of the Group. I will be reporting to you on progress made in my next statement, particularly in relation to asset disposals.

Performance Update

The net asset value of the Group has come in marginally lower than as reported at 30th September 2012, at EUR 5.82 per share. Some of the weakness can be attributed to the change in land use in the Indore Treasure Town project, Bijalpur, and a further write-down in the Forum IT SEZ project. Your Board, along with the Investment Manager, is assiduously involved in seeking to protect and where possible enhance shareholder value by working hard and closely with our development partners. Amongst the positives for the portfolio in this period, the Bangalore and Pune residential projects performed well and have seen positive sales traction. The residential project in Bangalore has the potential to add significant upside in the coming years once the anticipated increase in saleable area of this project is approved by the authorities. The continued focus will be on extracting value and monetising the Group's projects in line with the revised alignment arrangements.

Return of Capital

You will recall that the Company returned EUR 7.5 million of capital to the shareholders by way of a redemption of shares in the fourth quarter of 2012, and has continued to purchase on a weekly basis very small numbers of its shares in the market at prices which have been beneficial to the Company. The board has, however, noted the very limited supply of stock in the Company at attractive prices, and has also observed a decrease in the volatility in the Company's share price, the primary objective set by the Company in establishing the buy-back process. Accordingly, the Board has determined that the short term goals set for the share buy-back have now been substantially achieved, It is therefore intended unless circumstances warrant other actions to focus the Company's return of capital process solely on redemptions of shares, no less than annually and normally in the fourth quarter of each calendar year, utilising the same format established in 2012. I can confirm that the Company will be seeking to return capital to shareholders by way of a redemption of shares in the fourth quarter of calendar year 2013. The number of shares and the price that the board will set for redemption, have not yet been determined and will be the subject of a further announcement, I can, however, advise that the board intends, subject to market conditions and to unanticipated project financing needs, to return a minimum of EUR 7.5 million to shareholders in cash at that time.

Conclusion

I would like to take this opportunity to thank my fellow directors, our investment management team, and our advisors for their hard work during the period under review, particularly in relation to the protracted dialogue concerning alignment and the resulting extraordinary general meeting, and most importantly would like to sincerely thank you, our shareholders, for your continued confidence and support.

With best wishes

Richard Boléat

Chairman

25 July 2013

Investment Manager's report

Macro-economic developments in recent months have provided a sense of cautious optimism. The International Monetary Fund (IMF) in its World Economic Outlook Report released in April 2013 has mentioned about an improvement in global economic prospects. In advanced economies, economic activity is expected to gradually accelerate, starting in the second half of 2013. There are indications that private demand is increasingly robust in the United States, though it is still sluggish in the Euro area. Over the past six months, advanced economy policymakers have successfully defused two of the biggest short-term threats to the global recovery; the threat of a euro area breakup and a sharp fiscal contraction in the United States caused by a plunge off the "fiscal cliff". In response, financial markets have rallied on a broad front. Moreover, financial stability has improved, as underscored in the April 2013 Global Financial Stability Report (GFSR). The financial market rally has been helping economic recovery by improving funding conditions and supporting confidence.

In India as well, the financial year ending 2013 has been a challenging one. The year began with a difficult outlook and at one point it seemed that India was headed towards a period of severe economic slowdown. Economic growth was clouded by a high inflationary environment and mounting fiscal imbalance on account of elevated commodity prices, primarily oil and gold. The year did, in the end, witness a decadal low in GDP growth. On a positive note some of the factors contributing to this growth de-acceleration have begun to turn around. Inflation is softening, interest rates are expected to fall, and prices of oil and gold have corrected. This has given room to both the Government and the Central Bank to pursue a more lenient monetary and fiscal policy. The process of financial easing has begun as the Reserve Bank of India has cut interest rates. The difficult economic environment and fear of country rating downgrade also nudged the Government to bring in a slew of economic reforms and focus on balancing its books. These reforms are steps in the right direction and should hold the economy in good stead in the long term.

The real estate markets in India also continue to be impacted by the uncertainty prevailing in the economy. The residential segment has witnessed a decrease in new launches over the last quarter in most cities except Kolkata. Though absorption volumes of residential space increased, on a percentage term it dipped marginally during the quarter. Property developers in India are slowly coming out of a 4-year down cycle, wherein execution delays, project cost inflation and higher leverage given focus on land banking, saw minimal cash generation in the core business and delayed customer deliveries. A reduced number of developers are now finishing the deliveries of previously announced schemes and looking to restart the development business in a more conservative manner. The focus of most developers is now to ensure that they complete projects, improve cash flows and reduce the stress on their balance sheets which has been caused by elevated levels of indebtedness.

The residential markets have continued to outperform commercial, retail and hospitality sector markets. One of the key reasons for this is the inherent demand for a good product at the right price and in the right location from end users in residential space. The demand would have been even more had the interest rates been lower which would improve affordability from an end user perspective. As inflation cools down it is expected that the Reserve Bank of India ("RBI") will cut rates further and this may act as a trigger for further demand enhancement. However, in some speculative markets the price of residential products has escalated quite a bit and in those markets along with a rate cut a further cut in the price would be required. On the commercial front the slowdown in the economy has impacted demand and vacancies continue to be at elevated levels. However most participants are of the consensus that the vacancies have bottomed out as most developers are now focusing on residential projects and there is little commercial supply. This will translate into absorption improving in the commercial segment and vacancies reducing. Rentals continue to be subdued and until the vacancy rates reduce it is expected that rental growth will be difficult. On the back of supply rationalizations and lack of large completions, the overall vacancy level for retail space declined. Good quality malls continue to enjoy high occupancy levels while poor quality malls struggle with high vacancy as they fail to garner retailer interest. Rentals have seen marginal rise primarily due to quality malls becoming operational. Going forward, with the government approving FDI in multi brand retailing, the demand for Grade A retail space is likely to increase.

The hospitality sector was hit by downturn on the back of subdued business sentiment and lower than expected foreign tourist traffic. Hotel occupancies in metro cities have been stable but average room rates (ARR) are under pressure due to competitive pricing. Despite that new supply of rooms is coming up slowly across the country due to completion of 4-5 year old projects. The sector is expected to revive once the macro-economic factors improve and business travel increases.

The country has seen difficult times in the last few years post the global financial crisis. Having said that, all sectoral growth stories do have intermittent periods where growth tends to slow down. It appears that this is one of the periods. However most analysts are of the opinion that most negatives have bottomed out and things will turn for the better now. The gradual reduction in Inflation, the softening of the commodity prices, especially oil and gold, and the reforms implemented by the government should hold the economy in good stead. However the Current Account Deficit (CAD) continues to be elevated and the weakness in the rupee continues to be the area of concern. However if the positive steps to manage to reduce the stress then the CAD and the weakness of the rupee should also be taken care of. The real estate markets also show signs of having bottomed out and the right product will continue to do well.

Portfolio Highlights

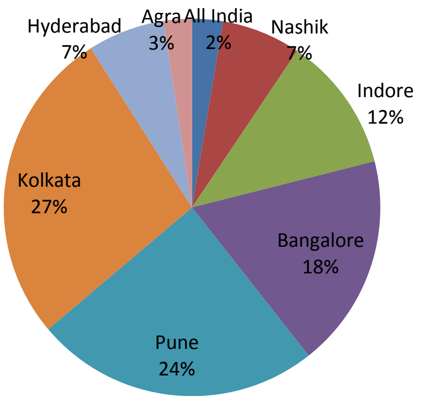
Execution of the projects and exits was our key focus during the year. The Company completed its first exit in April 2013 by divesting in mixed use Bhavnagar project for total consideration of EUR 1.01 million. The residential project in Bangalore was launched successfully and witnessed strong sales velocity as well as price appreciation. The residential project in Pune continues to maintain sales traction and the first operational school within this project was also sold during the last financial year. In the Market City retail mall Pune, PVR (one of the largest multiplex in India) opened with 9 screens during the year. The occupancy in this Pune mall has increased to 81% and led to significant increase in the footfalls. Leasing in the Nashik mall continues to hover around 58-63% with a small churn in the non-performing vanilla tenants. Indore mixed use retail project is unlikely to restart since no meaningful progress on securing financial closure has been achieved and the debt repayment obligations have not been fulfilled. In residential Batanagar project, the merger scheme has been filed with the Kolkata High Court.

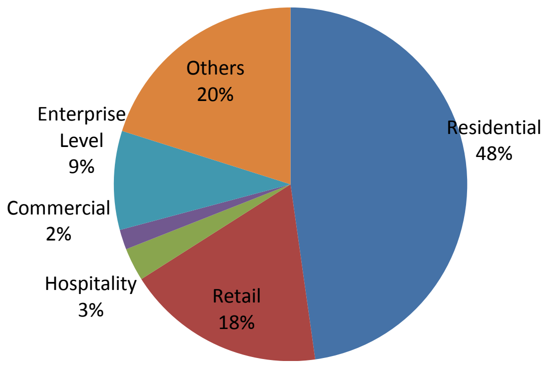
The Taj's Gateway hotel in Kolkata is expected to commence operation during Q3 CY2013. An Investment Banker has been retained for stake sale after restructuring exit terms in this hotel project. Similarly, the exit terms with the Promoter has been finalized to facilitate an exit in the Agra project.

Overall, we have let / sold / agreed terms for almost 5.9 million sq ft so far, compared to 4.4 million sq ft till last year.

Out of the total debt requirement estimated for the non - residential projects, 96% (2012- 71 %) of the debt has been sanctioned by the Banks/Financial Institutions and the balance 4% (2012 – 29 %) is not yet in place. Since there is no project construction activity in Indore Treasure Market City Private Limited and Forum IT Parks Private Limited, the debt requirements for these two projects have been removed from the calculations. The weighted average cost of debt across the portfolio stands at ~14.7% per annum.

Charts showing the geographical and sectoral portfolio allocation are presented below:





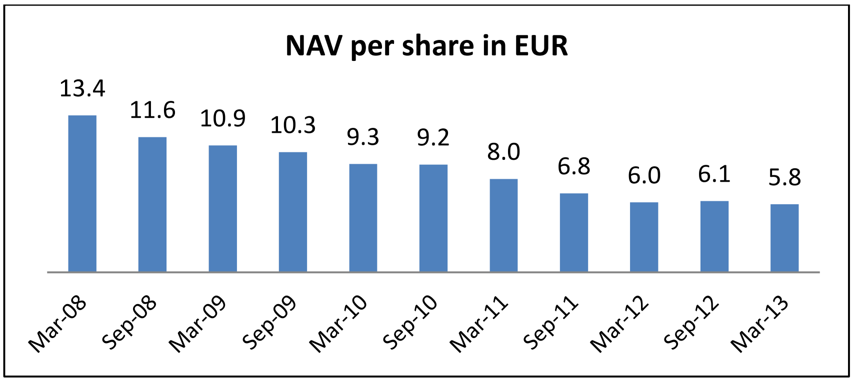
Valuation & NAV

The valuations for the portfolio were conducted as of 31 March, 2013 under the RICS guidelines by the independent valuers CBRE. Projects where business plans are not yet finalized (Agra) or those involving long gestation periods (some of the land parcels under Treasure Town - Bijalpur and Saket Engineers) were valued on a Direct Comparable basis while the others were valued on a Discounted Cash Flow basis.

The valuation highlights are as follows:

- Valuation of the portfolio based on independent RICS valuation as on 31 March, 2013 – EUR 134.33 million (2012 – EUR 139.4 million *excluding Market City Hospitality, Pune and Bhavnagar project)*
- Decrease from March 2012 valuation – (3.6%)
- Valuation assumptions:
  - Capitalization Yields: 10.0% - 11.0%
  - Weighted Average Cost of Capital: 18.0% (2012 – 18.3%)

The movement in the NAV per share of the Company over the last few years is as per the graph below:



The NAV per share in the graph is post redemption of shares carried out by the Company in December 2012

Going Forward

This year will see the initial opening of Taj Gateway hotel in Kolkata and launch of a further residential scheme in Pune (Alliance). The key focus continues to be on the exit from the projects which can be divested. This will enable distributions to shareholders through the sale of stake and through project cash flow.

Board of Directors

Richard Boléat

Richard Boleat qualified as a Chartered Accountant with Coopers & Lybrand in the UK in 1988. He subsequently worked in the Middle East, Africa and the UK for a number of commercial and financial services groups before returning to Jersey in 1990. He was formerly a Principal of Channel House Financial Services Group Limited prior to its acquisition by Capita Group plc ("Capita") in September 2005. Richard led Capita's financial services client practice in Jersey until September 2007, when he left the company to establish an independent corporate governance practice. He is the Chairman of CVC Credit Partners European Opportunities Limited, and also acts as an independent director of a number of other substantial collective investment and investment management entities.

Christopher Wright

Christopher Wright is Chairman and a co-founder of EMAlternatives LLC in Washington DC, an emerging markets focused private equity asset management firm and is also a director of Merifin Capital Group, a private European investment firm. Until mid-2003 he served as Head of Global Private Equity for Dresdner Kleinwort Capital and was formerly a Group Board Member of Dresdner Kleinwort. He acted as Chairman of various investment funds prior to and following the latter's integration with Allianz Private Equity.

He is currently non-executive Chairman of Maxcess International Corporation and a co-founding director of Roper Industries Inc (NYSE).

He has chaired the investment committees of and/or serves on several advisory boards of various third party managed LBO and venture capital funds and has advised several other financial institutions, including Hansa Capital, CdB Webtech, Standard Bank of South Africa, and IDeA Alternative Investments on their investments in private equity and other alternative assets around the world.

Mr. Wright was educated at Oxford University and holds a Certified Diploma in Accounting and Finance. He is Foundation Fellow, Corpus Christi College, Oxford.

David Hunter

David Hunter is Managing Director of Hunter Advisers, a property fund consultancy which offers advice on the launch and operation of property funds in the UK and overseas. Coupled with this role, he has a number of non-executive positions on the board of international property companies, focused on delivering value for shareholders.

Until 2005, David was a leading Pan-European property fund manager with over 20 years experience and an exceptional track record of building and running fund management businesses.

David was President of the British Property Federation 2003-04 and led the industry delegation which successfully negotiated with the UK Government for the introduction of REITs.

Shahzaad Dalal

Shahzaad Dalal has over 30 years of financial markets and investment experience. At IL & FS Investment Managers Limited (IIML), Shahzaad has made investments in private equity transactions with an aggregate capitalization value in excess of $9.5 billion. Prior to IIML, he served as the Chief Executive Officer of IL&FS's Asset Management Strategic Business Unit. Prior to that, he was at the Industrial Credit and Investment Corporation of India ("ICICI"). He was actively involved in the initial public offerings of Indraprastha Gas and Shoppers' Stop. He is a member of the India CEO Forum, which is affiliated with the IMA (International Market Assessment Group). He received a Bachelor's degree in Commerce from Bombay University (India) and a Masters degree in Business Administration from Northeast Louisiana University (United States). He was appointed to the Board of Yatra on 14 April 2011.

Malcolm King

After qualifying at a general practice firm in 1968, Malcolm was one of the first in his profession to gain an MBA by taking a full time two-year course at the Ivey Business School of the University of Western Ontario, Canada. Joining King & Co in 1970 he headed the investment part of the business for 23 years. In 1993 Malcolm restructured the asset management side of the business, which grew the properties under management from GBP 850 million to more than GBP 8 billion when he retired.

He was Senior Partner from 1987 to 2005 and International Chairman from 1992 - 2006. In 1992 he conceived and engineered the merger of King & Co with J P Sturge to form King Sturge. During his time as Senior Partner the company's turnover increased from just over GBP 11 million to approximately GBP 100 million and a staff of nearly 1600. He was senior non-executive director of Redrow Plc and a director of RICS Business Services. He is a non-executive director of three property companies in Jersey as well as the managing director of a UK based private property company and was a member of the Property Advisory Committee of Sue Ryder Care.

George Baird

George was born in Dundee, Scotland in 1950 and qualified with AYMM in 1974 before moving to Jersey in 1980 to work for the States of Jersey in the finance area. In 1991 he was appointed Treasurer of the States of Jersey, one of the most senior positions in the Civil Service reporting to the Finance and Economics Committee whose main responsibility was defining and implementing government financial and budget strategy. In 1999 he moved to Mourant as Group Finance and Operations Director until his retirement in 2002. Since then he has built up a portfolio of non executive directorships in the Channel Islands to include several property companies where he plays a prominent role on the Investment and Audit Committees. On joining Yatra Capital Ltd he was appointed Chairman of the Audit and Risk Committee.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of Yatra Capital Limited ("the Company") and its subsidiaries (together the "Group") for the year ended 31 March 2013.

The Company

The Company was established in Jersey on 26 May 2006. The Company's ordinary shares were admitted to listing on the NYSE Euronext Market on 6 December 2006. The Company has been established to invest in Foreign Direct Investment (FDI) compliant Indian real estate development opportunities. The Company invests in a broad base of assets covering commercial, retail, residential, special economic zones, hospitality and logistics, targeting returns from development, long term capital appreciation and income.

Business Review

A review of the Group's activities during the year is set out in the Chairman's Statement on pages 3-4. At the extraordinary general meeting of the Company held on 19 June 2013, the shareholders passed necessary resolutions approving changes to the existing investment policy of the Company and changes to the Investment Management Agreement ("IMA"). Further details are disclosed in note 14 of the financial statements.

Results and Dividend

The Group's results for the year ended 31 March 2013 are shown in the Consolidated Statement of Comprehensive Income and related notes (pages 24 to 59). The Directors do not propose to declare a dividend for the year under review (31 March 2012-Nil).

Directors

All the directors of the Company are independent and non-executive with the exception of Shahzaad Dalal who is also a director of the Group's Investment Manager. The membership of the Board of Directors ("Board") is set out below.

Director	Date of Appointment
David Hunter	5 June 2006
Shahzaad Dalal	14 April 2011
Malcolm King	5 June 2006
Richard Boléat	27 January 2010
Christopher Wright	27 January 2010
George Baird	8 March 2012

All the directors served in office throughout the year.

Directors' Interests

The following directors had interests in the shares of the Company as at 31 March 2013.

Director	Number of Ordinary Shares
Christopher Wright	6,800
David Hunter	6,667
Malcolm King	7,500

Malcolm King, David Hunter, Richard Boléat, Christopher Wright, Shahzaad Dalal and George Baird are also directors of K2 Property Limited, a subsidiary of the Company. Shahzaad Dalal is also a director of IL & FS Investment Advisors LLC, the Investment Manager to K2 Property Limited.

Directors' Remuneration

During the year, the directors received the following emoluments from the Company and the Group:

Directors of the Company	Remuneration (in EUR)
David Hunter	45,000
Shahzaad Dalal	Nil
Malcolm King	42,500
Richard Boléat	60,000
Christopher Wright	45,000
George Baird	47,500

Directors of the Subsidiary	Remuneration (in EUR)
Rajkamal Taposeea	1,370
Manogaran Thamothiram	2,520
David Hunter	40,000
Malcolm King	30,000
Shahzaad Dalal	Nil
Richard Boléat	10,000
Christopher Wright	10,000
George Baird	9,203

The above figures reflect the amount paid during the year, using exchange rate as on date of payment. The payments made to Rajkamal Taposeea and Manogaran Thamothiram are included in the administration fee charged by Minerva Fiduciary Services (Mauritius) Limited, the Mauritius administrator.

There are no service contracts in existence between the Company and its directors. However, each director was appointed by a letter of appointment, which sets out the main terms of the appointment.

Management

IL & FS Investment Advisors LLC ("IIAL" or "the Investment Manager") provides investment management services to the Group and project management, property advisory, property management and monitoring services to those members of the Group which acquire properties, in each case in accordance with the investment objective, investment policy and restrictions of the Group. IIAL is a wholly owned subsidiary of IL&FS Investment Managers Limited ("IIML"), which is in turn a subsidiary of Infrastructure Leasing & Financial Services Limited ("IL&FS") a company incorporated in India. IIML is listed on the National Stock Exchange and The Bombay Stock Exchange.

Directors' Responsibility Statement

Companies (Jersey) Law 1991 ("Jersey Company Law") requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the Group and the profit and loss for that year. In addition, the directors have elected to prepare the financial statements of the Group in accordance with International Financial Reporting Standards ("IFRSs"). International Accounting Standard ("IAS") 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions of and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. The directors are also required to:

- Select suitable accounting policies and then apply them consistently;

- Make judgments and estimates that are reasonable and prudent;

- State whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements have been properly prepared in accordance with International Financial Reporting Standards and the historical cost convention as modified by the revaluation of investments and comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, errors and non-compliance with law or regulations.

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

Corporate Governance

A statement of Corporate Governance can be found on page 17.

Key Risks

There are a number of risks attributed towards the execution of the Group's strategy. The directors wish to highlight the following key risks:

- Real estate investments are long-term, illiquid investments and therefore the Group may not be able to realize the current NAV. The Group seeks to mitigate these risks by enhancing their marketability and exploring additional routes of disposing its interests.

- The slow pace of policy reforms, uncertain tax environment and underdeveloped secondary real estate markets in India could limit the potential exit opportunities for the Group's non residential portfolio.

- The commercial sector of the Indian real estate market is thinly traded and lacks depth, which may further compound the illiquidity risk to which the Group is exposed in respect of its investments.

- The Indian companies in which the Group invests obtain construction loans from banks and financial institutions. These are secured by way of a mortgage on the land and the property to be developed. In case of default in repayment, the lending banks have a first charge on the land and property so provided as well as the other assets of the land owning company.

- Changes to regulations governing foreign investments including repatriation of funds may adversely affect the Group's performance, the most recent one being the introduction of the buyback distribution tax on buyback of unlisted shares undertaken by an Indian Company. The Group, through the Investment Manager, monitors this risk and, where applicable, procures advice from specialist lawyers and tax advisors in respect of the structuring of its investments.

- The Group receives interest income on its variable rate bank balances and fixed rate treasury deposits and is exposed to interest rate risk in that regard.

- The Group invests in Indian companies and the fair value of these investments is denominated in Indian Rupees. The Company’s issued shares are denominated in EUR, and the Company and the Group are therefore exposed to currency risk whereby a movement in the Indian Rupee / EUR exchange rate will affect the value of the investments and the resultant unrealized and realized gain or loss thereon.

- The Group is exposed to counter party risk, principally as a result of the joint venture and leveraged nature of its investment portfolio. The Group is dependent upon the continued activity and performance of its joint venture real estate development partners. Additionally, the success of the Group’s development activities is contingent upon the continued willingness of domestic Indian financial institutions to provide development and construction finance on acceptable terms. This counter party risk can increase further due to concentration of common developers across Portfolio Companies.

- The Portfolio Companies are heavily dependent on obtaining consent from statutory bodies at key stages for the development process, the subsequent sign off/acceptance of completed schemes and subsequent release of funds. All these stages can involve protracted timescales.

- The Group has acquired minority stakes in the Portfolio companies and hence cannot control the day to day operations of these Portfolio Companies.

- The Group is also exposed to the risk of frivolous legal Intervention by third parties causing delays in execution of projects due to the relatively slow movement in the judicial processes in India.

The Board continues to monitor and, where possible, take steps to mitigate these key risks and other uncertainties to which the Group is exposed.

Annual General Meeting

The Annual General Meeting of the Company will be convened on 23 September 2013 with at least 42 day's prior notice to the shareholders.

Independent Auditors

The auditors, PricewaterhouseCoopers CI LLP, have indicated their willingness to continue in office as auditors.

By Order of the Board

Richard Boléat
Chairman

George Baird
Director and Audit & Risk Committee Chairman

25 July, 2013

Corporate Governance Report

It is the Group's policy to comply with best corporate governance practices. The Group recognizes that effective governance is a fiduciary responsibility fundamental to its long-term success. The Board endeavors to foster a management culture based on effective checks and balances, proper procedures for managing risks attached to opportunities, and accountability towards stakeholders with regard to the policies pursued. The Company has been a member of the Association of Investment Companies, UK since January 2012. The Company complies with all the principles of the AIC code of Corporate Governance.

Role of the Board

The Board has determined that its role is to consider and determine the following key matters, which it considers are of strategic and operational importance to the Group:

- the overall objectives for the Group and the Group's strategy for fulfilling those objectives within an appropriate risk framework;

- any shifts in strategy that may be appropriate in light of market conditions;

- the capital structure of the Group including consideration of any appropriate use of gearing both for the Group and in any joint ventures or similar arrangements in which the Group may invest from time to time;

- the engagement of the Investment Manager, Administrators and other appropriately skilled service providers and the monitoring of their effectiveness through regular reports and meetings;

- the key elements of the Group's performance including Net Asset Value and payment of dividends;

- compliance with company law and regulatory obligations, including the approval of the financial statements and the recommendation as to dividends (if any).

The directors bring independent views to the board and a diversity of experience including chartered surveying, civil service, banking, law, administration, treasury, financial accounting, corporate finance and fund management to add to the Board's effectiveness, particularly in the area of property performance of emerging markets, corporate strategy, governance and risk.

The directors take decisions objectively and in the best interests of the Group being collectively and individually responsible for its success. They are accountable to shareholders and take into consideration the need to foster the Group's business relationships with other stakeholders in discharging their obligations.

The Board has conducted a self assessment exercise for the year under review and will continue to do so annually. The Board members have reaffirmed their independence wherever appropriate other than as disclosed elsewhere in the financial statements.

Board Decisions

The Board ensures during its meetings that strategic matters are considered as well as matters of particular concern to shareholders. The operational obligations of the Board have been delegated through appropriate arrangements to the Investment Manager and the Administrators, as all members of the Board are non-executive. The independent directors of the board meet separately at least once a year to review the performance of the Board as a whole.

Board Meetings

The Board holds at least four meetings annually and also meets as and when required to consider specific issues reserved for decision by the Board. The Board met formally 9 times during the year under review. Attendance at Board meetings by individual board members is disclosed as follows:

Director	Attendance at Meetings
David Hunter	7
Richard Boléat	8
Malcolm King	8
Christopher Wright	8
Shahzaad Dalal	8
George Baird	8

Committees of the Board

Audit & Risk Committee

The Audit & Risk Committee (ARC) is comprised entirely of independent directors: George Baird (Chairman), Christopher Wright, Richard Boléat and Malcolm King who are each considered to have the requisite expertise in matters of finance and accounting. George Baird is also Chairman of the Audit & Risk Committee of K2 Property Limited. The ARC meets at least three times a year and, if required, meetings can also be attended by the Investment Manager, the Administrator and the Independent Auditors.

The ARC is responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. The ARC's primary responsibilities are to review accounting policies and the financial statements, understand and agree the key underlying principles, engage in discussions with external auditors and ensure that an effective internal control framework exists. The duties of the ARC are covered under the terms of reference of the ARC and include:

- To oversee the selection process of external auditors and make recommendations to the Board in respect of their appointment, re-appointment and remuneration;

- To ensure the integrity of the financial statements;

- To monitor and review the independence of the auditors, their objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements;

- To keep under review the effectiveness of internal financial controls;

- To ensure that a member of the ARC attends the Annual General Meeting of the Members;

Audit & Risk Committee (Continued)

- To oversee the effectiveness of the processes and controls used by the Company to monitor and manage risk within the parameters adopted by the Board;

- To review the Company's major risk exposures and the steps taken to monitor and control such exposures.

During the year under review, the ARC met formally 4 times. The table below shows the attendance of the ARC members at the formal meetings for the year under review.

Director	Attendance at Meetings
Richard Boléat	3
Malcolm King	4
Christopher Wright	4
George Baird	4

During the year under review the ARC met informally 2 times to discuss various issues which were attended by all the members.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises Richard Boléat, Shahzaad Dalal and David Hunter (Chairman) of which the majority is independent of the Investment Manager. This Committee is responsible for the terms of appointment and remuneration of the Company's directors and the incentive policies of the Group as a whole. The Remuneration Committee has met once during the year under review.

The table below shows the attendance of the Remuneration and Nominations Committee members at the formal meeting for the year under review.

Director	Attendance at Meetings
Richard Boléat	1
Shahzaad Dalal	Nil
David Hunter	1

Redemption Committee

The Redemption Committee was formed during the year under review to set up a mechanism for returning capital to the shareholders under the relevant Jersey laws and oversee the process of such return of capital. The Redemption Committee has met once during the year. The table below shows the attendance of the Redemption Committee members at the formal meeting for the year under review.

Director	Attendance at Meetings
Richard Boléat	1
George Baird	1

Shareholder Relations

Shareholder communications are a key priority of the Board and the Company maintains a regular dialogue with its shareholders. The Company promptly posts all relevant information and news to the Authority for Financial Markets, Euronext and on its website. The Chairman and representatives of the Investment Manager make themselves available to meet with key shareholders, analysts, current and future investors and the media. The Board is also fully informed on any market commentary on the Company made by the Group's Investment Manager and other professional advisors, including its brokers. The Board monitors its investor relations process consistently to ensure the effectiveness of the Company's communications. The notice of the Annual General Meeting is posted to the shareholders at least 42 clear days in advance of the meeting. Shareholders or their proxies are encouraged to attend and participate in the Annual General Meeting. The Chairman and representatives of the Investment Manager are available at the Annual General Meeting to address any questions that the shareholders wish to raise.

Independent Auditors' Report to the Members of Yatra Capital Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Yatra Capital Limited which comprise the consolidated statement of financial position and the consolidated statement of changes in equity as of 31 March 2013 and the consolidated statement of comprehensive income and consolidated cash flows for the year then ended and a summary of significant accounting policies and other explanatory information

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting and with the requirements of Jersey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Independent Auditors' Report to the Members of Yatra Capital Limited (Continued)

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the performance highlights, the chairman's statement, the investment manager's report, the portfolio highlights, information on the board of directors, the directors' report, the corporate governance report, CBRE valuation letter, corporate information and contact information.

In our opinion the information given in the directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Karl Hairon
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
25 July 2013

The maintenance and integrity of the Yatra Capital Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

YATRA CAPITAL

Consolidated Statement of Financial Position

As at 31 March, 2013

	Notes	Group 31 March 2013 EUR	Group 31 March 2012 EUR
ASSETS			
Non Current assets			
Financial assets at fair value through profit or loss	7(a)	**73,674,808**	83,242,603
		73,674,808	83,242,603
Current assets			
Financial assets at fair value through profit or loss	7(b)	**20,393,403**	13,079,179
Prepayments and other receivables	9	**5,011,168**	4,796,376
Cash and Cash equivalents	10	**13,970,811**	27,337,824
		39,375,382	45,213,379
Total assets		**113,050,190**	128,455,982
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	**-**	-
Share premium	11	**204,406,192**	211,906,108
Accumulated losses		**(91,420,542)**	(83,522,990)
Treasury shares	11	**(715,415)**	(267,569)
Total equity		**112,270,235**	128,115,549
Current liabilities			
Accruals and other payables	12	**779,955**	340,433
		779,955	340,433
Total equity and liabilities		**113,050,190**	128,455,982

The financial statements were approved by the Board of Directors and authorised for issue on 25 July, 2013. They were signed on its behalf by Richard Boléat and George Baird.

Richard Boléat

Chairman

George Baird

Director and Audit & Risk Committee Chairman

The notes on pages 27 to 59 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March, 2013

	Notes	Group Year ended 31 March 2013 EUR	Group Year ended 31 March 2012 EUR
INCOME			
Interest income on bank deposits		**166,361**	**510,493**
Interest income on investment		**442,002**	**379,597**
Dividend income		**22,083**	**20,492**
Other income		**149**	**22,077**
Gain on disposal of financial assets at fair value through profit or loss		**353,160**	**-**
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	**(1,951,835)**	**(38,122,384)**
		(968,080)	**(37,189,725)**
EXPENSES			
General Administration Expenses:			
Investment Manager fee	14	**3,792,167**	**3,923,556**
Custodian, secretarial and administration fees		**220,884**	**197,448**
Legal and professional costs		**1,606,487**	**341,197**
Directors' fees	14	**339,203**	**347,564**
Directors' insurance		**36,549**	**36,080**
Audit expenses			
• Audit fees		**324,397**	**248,754**
• Out of pocket expenses		**36,641**	**22,576**
Listing agents fees		**47,958**	**16,468**
Investment committee expenses		**91,818**	**61,628**
Other administrative expenses		**314,506**	**359,012**
Loss on foreign currency translation		**70,581**	**270,625**
		6,881,191	**5,824,908**
Total Comprehensive Loss for the year before tax		**(7,849,271)**	**(43,014,633)**
Taxation	5	**(48,215)**	**(59,865)**
Total Comprehensive Loss attributable to:			
Equity holders of the Company		**(7,897,486)**	**(43,074,498)**
		(7,897,486)	**(43,074,498)**
Basic Loss per share	17	**0.38**	**2.02**
Diluted loss per share	17	**0.38**	**2.01**

The notes on pages 27 to 59 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

As at 31 March, 2013

	Attributable to Equity Holders			
	Stated Capital	**Share Premium**	**Retained earnings/ (accumulated losses)**	**Total equity**
	EUR	**EUR**	**EUR**	**EUR**
Group:				
At 31 March 2011	-	211,906,108	(40,448,492)	171,457,616
Total comprehensive loss for the year	-	-	(43,074,498)	(43,074,498)
Purchase of Treasury shares	-	(267,569)	-	(267,569)
At 31 March 2012	-	211,638,539	(83,522,990)	128,115,549
Total comprehensive loss for the year	-	-	(7,897,486)	(7,897,486)
Share redemption		(7,499,916)	-	(7,499,916)
Reversal of profit on call of investment			(66)	(66)
Purchase of Treasury shares	-	(447,846)	-	(447,846)
At 31 March 2013	-	203,690,777	(91,420,542)	112,270,235

The notes on pages 27 to 59 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March, 2013

	Notes	Group Year ended 31 March 2013 EUR	Group Year ended 31 March 2012 EUR
Cash flows from operating activities			
Total Comprehensive Loss for the year before taxation		(7,849,271)	(43,014,633)
Adjustments for:			
Dividend income		(22,083)	(20,492)
Interest from investments		(442,002)	(379,597)
Interest from banks		(166,361)	(510,493)
Loss on foreign currency translation		56,183	262,564
Net changes in fair value of financial assets at fair value through profit or loss	6	1,951,835	38,122,384
Profit on call of investment		(66)	-
Gain on disposal of financial assets at fair value through profit or loss		(353,160)	-
Cash used in operations		(6,824,925)	(5,540,267)
Purchase of financial assets at fair value through profit or loss	6	(361,899)	(1,566,351)
Dividend received		22,083	20,492
Tax paid		(48,215)	(59,865)
Proceeds from sale of financial assets at fair value through profit or loss		839,068	-
Interest from investments		430,583	229,629
Decrease in prepayments and other receivables		159,791	83,056
Increase in accruals and other payables		439,522	69,390
Net cash used in operating activities		(5,343,992)	(6,763,916)
Cash flows from financing activities			
Interest from banks		165,243	539,909
Investment in fixed deposit of Bank of Cyprus		(240,502)	-
Redemption of shares		(7,499,916)	-
Purchase of treasury shares		(447,846)	(267,569)
Net cash from financing activities		(8,023,021)	272,340
Net decrease in cash and cash equivalents		(13,367,013)	(6,491,576)
Cash and cash equivalents at beginning of the year		27,337,824	33,829,400
Cash and cash equivalents at end of the year	10	13,970,811	27,337,824

The notes on pages 27 to 59 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Yatra Capital Limited (the "Company") is a limited liability company incorporated and domiciled in Jersey whose registered office address is at 43/45 La Motte Street, St Helier, JE4 8SD, Jersey. The Company is governed by the Collective Investment Funds (Jersey) Law 1988, as amended, and the subordinate legislation made there under and regulated by the Jersey Financial Services Commission. The purpose of the Company is to enable pooling of funds by investors for investment in K2 Property Limited ("K2") and its subsidiaries, together referred to as the "Group".

K2 was incorporated on 19 May 2006 and is domiciled as a limited liability company under the laws of the Republic of Mauritius. K2 holds a category 1 Global Business Licence issued by the Financial Services Commission in Mauritius. The Group makes investments in companies established to carry out real estate development and ownership across India ("Portfolio Companies").

IL&FS Investment Advisors LLC, an investment management company incorporated and domiciled in the Republic of Mauritius ("the Investment Manager") advises the Group with respect to its investment activities. The administration of the Company is undertaken by Minerva Fund Administration Limited.

The Company's ordinary shares are listed and traded on the NYSE Euronext Market, under ISIN JE00B1FBT077.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented unless otherwise stated and are set out below.

2.1 Basis of preparation

The consolidated financial statements are prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC").

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Notes 4 and 5.

Notes to the Financial Statements (Continued)

Summary of significant accounting policies (Continued)

K2 makes investments in Portfolio Companies established to undertake real estate investment in India. By virtue of the controlling interest held by the Company in K2 as at 31 March 2013, the Company has consolidated the position and results of K2 in accordance with the accounting policies set out in note 2.2. Details of the interests held by the Group in Portfolio Companies are set out in note 7.

As at 31 March 2013, neither the Company nor K2 held a controlling interest in any of the Portfolio Companies in respect of which K2 has invested. As set out in note 2.3, investments in Portfolio Companies are accounted for as financial assets at fair value through profit or loss. The estimates and assumptions applied in determining the fair value of these investments are set out in note 4.1.

(a) Standards and amendments to existing standards effective 1 April 2012

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 01 April 2012 that would be expected to have a material impact on the Group and Company.

(b) New standards ,amendments and interpretations effective after 1 April 2012 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2012, and have not been applied in preparing those financial statements. The following are those that could have an impact on the financial statements of the Group and the Company.

- IAS 27 (revised 2011), 'Separate financial statements' (effective date – 1 January 2013) – IAS 27 (revised 2011) includes the requirements relating to separate financial statements.
- IAS 28, 'Associates and Joint Ventures' (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. IAS 28 is renamed and the scope exception for venture capital organizations, or mutual funds, unit trusts and similar entities, including investment-linked insurance funds has been eliminated and has been characterised as a measurement exemption from the requirement to measure investments in associates and joint ventures using the equity method.
- IFRS 9, 'Financial instruments' (effective date – 1 January 2015). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- IFRS 10, 'Consolidated financial statements' (effective date - 1 January 2013). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the presentation of consolidated financial statements.
- IFRS 12, 'Disclosures of interests in other entities' (effective date - 1 January 2013). IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair measurement' (effective date - 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.
- Amendments to IFRSs 10, 11 and 12 on transition guidance (effective date – 1 January 2013). These amendments provide additional transitional relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.
- Annual improvements 2011 (Effective date – 1 January 2013) – These annual improvements address six issues in the 2009 – 2011 reporting cycle. It includes changes to IAS 1, 'Financial statements Presentation' and IAS 32, 'Financial instruments: Presentation'.

The Group and Company are yet to assess the impact of the above standards and intend to adopt the standards no later than the effective date. The Group and Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Group and Company.

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Notes to the Financial Statements (Continued)

Summary of significant accounting policies (Continued)

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred. The excess of the cost of acquisition, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated Statement of Comprehensive Income.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Transactions and non-controlling interests

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Foreign currency translation

(a) Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the Group operates (the "functional currency"). The Board considers the Euro as the currency that most faithfully represents the economic effects of the underlying events, transactions and conditions. The financial statements are presented in Euro ("EUR"), which is the Parent's and each of the subsidiaries' functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. The EUR exchange rate used at the date of Statement of Financial Position for the translation of monetary assets and liabilities denominated in INR was 69.54 (31 March 2012 - 68.34). Translation differences on non-monetary financial assets and liabilities such as equity instruments classified as financial assets at fair value through profit or loss are recognised in the Statement of Comprehensive Income within the net gain or loss on fair valuation of financial assets at fair value through profit or loss.

2.4 Financial assets at fair value through profit or loss

(a) Classification

The Group invests in joint ventures and associates and has also invested in the securities of a company listed on the Bombay Stock Exchange. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. An associate is an entity over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. As allowed under International Accounting Standards, IAS 31 (revised 2003), Interests in Joint

Ventures and IAS 28 (revised 2003), Investments in Associates, the Group has designated its investments in joint ventures and associates as financial assets held at fair value though profit or loss. All of the Group's interests in Portfolio Companies are accounted for in this manner.

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Board and the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

The Board, as advised by the Investment Manager, has taken an appropriate classification of investments at the time of purchase and re-evaluates the classification on a regular basis.

Financial assets that are not expected to be realised within 12 months of the reporting date are classified under non-current assets whereas those that are expected to be realised within a period of less than 12 months of the reporting date are classified under current assets.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the "trade date" – the date on which the Group contracts to purchase or sell the investment. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are recognized in the Statement of Comprehensive Income in the year in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Group's right to receive payments is established.

(d) Fair value estimation

The fair value of financial instruments traded on an active market is based on the closing quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on project status and market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants as recommended by the Royal Institution of Chartered Surveyors ("RICS").

2.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6 Financial assets at amortised cost

Financial assets at amortised cost include loan due from subsidiaries, amount due to shareholders and other receivables. These financial assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amounts due from counterparties is established when there is objective evidence that the Group or the Company will not be able to collect all amounts due from the relevant counterparty.

2.7 Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.8 Accruals and other payables

Accruals and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.9 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds of the issue. Ordinary shares which have been bought back during the year are recorded as Treasury shares.

2.10 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest method.

Dividends are recognised when the right to receive payment is established.

2.11 Transaction cost

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

Notes to the Financial Statements (Continued)

Summary of significant accounting policies (Continued)

2.12 Current and deferred income tax

The current income tax charge is calculated on the basis of currently enacted or substantively enacted tax laws at the reporting date in the countries in which the Group generates taxable income. The Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither counting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from tax losses carried forward. Deferred income tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

2.13 Financial instruments

Financial instruments carried in the Statement of Financial Position include financial assets at fair value through profit or loss, other receivables, cash at bank and accruals and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Disclosures regarding financial instruments to which the Group is a party are provided in Note 3.

2.14 Related parties

Related parties are both natural and legal persons where the person has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2.15 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. The Group is engaged in real estate development projects in India, being a single reportable geographical segment having an economic environment that is subject to risks and returns which are different from geographical segments operating in other economic environments.

Notes to the Financial Statements (Continued)

3 Financial risk management

3.1 Strategy in using financial instruments

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's overall risk management policy focuses on the management of risk at the Portfolio Company level and seeks to minimize potential adverse effects on the Group's financial performance and flexibility.

The Group's activities expose it to a variety of financial risks, the principal risks being credit risk, liquidity risk, and market risk. The Group's financial instruments comprise of financial assets at fair value through profit or loss, cash and cash equivalents and other items such as accruals and other receivables, accruals and other payables which arise from its operations.

This note presents information about the Group's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout these financial statements. The Group held no derivative instruments during the year ended 31 March 2013 (31 March 2012- Nil). A summary of the main risks is set out below:

3.2 Market risk

The Group is exposed to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market values. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

(a) Cash flow and fair value interest rate risk

Interest rate risk arises from the effect of fluctuations in the prevailing levels of market interest rates on the fair value of financial instruments and future cash flow. The Group's cash flow is monitored at regular intervals by the Board. The Group's interest bearing financial instruments are the balances held in bank accounts and the investment in compulsorily convertible debentures issued by a Portfolio Company. These financial instruments have fixed interest rates. Therefore the Group is not exposed to significant cash flow interest rate risk. The Group is not exposed to fair value interest rate risk since cash at bank is carried at cost in the Statement of Financial Position.

(b) Foreign currency risk

Foreign currency risk arises when future transactions or recognised monetary assets and monetary liabilities are denominated in a currency other than the Parent's and each of the subsidiaries' functional currency.

The Group invests in India and holds both monetary and non-monetary assets and liabilities denominated in currencies other than the EUR, the functional currency. It is therefore exposed to foreign currency risk. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities, such as the Group's investments, to be a component of market price risk and

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

not foreign currency risk. However, the Group and Company monitor the exposure on all foreign currency denominated assets and liabilities.

The Group has in place a policy that requires Group companies to keep under review their foreign currency risk against the functional currency. Forward contracts may be used on a transaction by transaction basis with a view to hedging foreign currency exposure. The Group will continue to monitor foreign currency risk and the need for hedging transactions. During the year under review, no foreign currency hedging transactions took place, and the Group continues to have fully unhedged INR exposures comprising substantially all of the Group's Non-Current Assets and Current Assets.

The table below summarises the Group's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the EUR:

	At 31 March					
		2013			2012	
Group	INR	USD	GBP	INR	USD	GBP
Amounts in Euro						
Assets						
Monetary assets	3,595,831	-	21,957	3,462,665	32	25,790
Non-monetary assets	93,977,736	-	-	96,321,782	-	-
Liabilities						
Monetary liabilities	26,877	165,982	507,731	52,044	218,216	24,562

The table below summarises the sensitivity of the Group's monetary and non monetary assets and liabilities to changes in foreign currency movements at 31 March 2013. The analysis is based on the assumptions that the relevant foreign exchange rate appreciated/depreciated against the EUR by the percentage disclosed in the table below, with all other variables held constant. This represents the directors' best estimates of a reasonable possible shift in the foreign exchange rates, having regard to the historical volatility of those rates.

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

	Reasonably possible shift in rate		Reasonably possible shift in rate	
	2012-2013		2011-2012	
Group	%	EUR	%	EUR
Currency				
Indian rupee				
- Monetary assets	+ 10%/(10%)	0.40/(0.32) million	+ 10%/(10%)	0.38/(0.31) million
- Non – monetary assets	+ 10%/(10%)	10.40/(8.50) million	+ 10%/(10%)	10.70/(8.76) million

At 31 March 2013, the Group did not have any outstanding capital commitments. At 31 March 2012, the Group had outstanding capital commitment of EUR 2.01 million in connection with the investments in Modi Organisors Private Limited and Indore Treasure Market City Private Limited. With a 10% possible shift in INR/EUR exchange rate, the capital commitment would have been EUR 0.18 million lower or EUR 0.22 million higher.

(c) Price risk

The Group is exposed to price risk as the investments of the Group as stated in the consolidated Statement of Financial Position are classified as financial assets at fair value through profit and loss. Where non-monetary financial instruments, such as the Group's and the Company's investments are denominated in currencies other than the Euro, the price initially expressed in foreign currency and then converted into Euro will also fluctuate because of changes in foreign exchange rates.

Paragraph (b) 'Foreign exchange risk' above sets out how this component of price risk is managed and measured.

The Group has invested in unquoted companies domiciled in India, being the Portfolio Companies. An investment in an Indian company operating in the real estate development sector involves significant risks including ownership/title risk, development financing risk and development risk. The Group relies upon the services of the Investment Manager and key service providers in India, such as legal advisors, to help mitigate these risks through measures including the conduct of full and proper due diligence, negotiation and completion of investment and joint venture documentation with due regard to appropriate risk allocation, and close performance monitoring to manage risk on an ongoing basis.

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

The Group instructed an independent international property valuer, namely CB Richard Ellis South Asia Private Limited ("the Valuer"), to conduct an independent valuation of the property development projects held by the Portfolio Companies as at 31 March 2013. The table below provides a sensitivity analysis showing the impact of increases/decreases in the fair value of investments on the Group's post tax profits and losses respectively for the year and on its net assets. The analysis is based on the assumption that the valuation of the property development projects held by the Portfolio Companies as on 31 March 2013 increased/decreased by 20% (31 March 2012 - 20%), with other variables held constant.

Year ended 31 March 2013	**Increase in fair value by 20% (EUR)**	**Decrease in fair value by 20% (EUR)**
Increase/(decrease) in profit and Increase/(decrease) in net assets	EUR 17.78 million	(EUR 17.78 million)
Year ended 31 March 2012	**Increase in fair value by 20% (EUR)**	**Decrease in fair value by 20% (EUR)**
Decrease/(increase) in loss and Increase/(decrease) in net assets	EUR 16.20 million	(EUR 16.20 million)

3.3 Credit risk

Credit risk arises when a failure by a counter party to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. This counterparty risk may further increase due to concentration among developers in the portfolio.

The Group's credit risk arises principally from cash at bank and other receivables. The Group's policy is to maintain cash balances and short term deposits with a reputable banking institution and to monitor the placement of cash and deposit balances on an ongoing basis. As at 31 March 2013, all cash balances and short term deposits were placed with the HSBC Banking Group which had a credit rating of "AA-" from Standard and Poor's, Barclays Bank Plc which had a credit rating of "A+(Negative)" from Standard and Poor's and Mauritius Commercial Bank Limited which had a credit rating of "BAA1" from Moody's Global Credit Research.

The credit rating issued by Moody's Global Credit Research for the Bank of Cyprus was downgraded to "Ca" from Caa3 on 27 March 2013, following the introduction of capital controls for all banks of Cyprus operating in Cyprus. The credit risk is high from the cash at bank held by the Bank of Cyprus for the Cypriot subsidiary. The Group maximum exposure to credit risk on its cash balance available with Bank of Cyprus amounted to EUR.341,266.

The Group has invested less than 2% of its investible funds in the securities of a company listed on the Bombay Stock Exchange. It is the Group's policy that all the transactions in listed securities are settled /paid for upon delivery using appropriately licensed brokers. The risk of default with respect to such settlement is considered minimal, as delivery of securities sold is only completed once the broker

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.
The Group's credit risk also arises in respect of other receivables as disclosed in note 9 below. The Board has considered the recoverability of these balances as at 31 March 2013 and does not consider the risk of failing to recover these amounts to be significant. Additionally, before any company in the Group enters into transactions with another party it will make an assessment of the credit worthiness of that party.

3.4 Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can do so on terms that are materially disadvantageous. As a policy, the Group minimises these risks by maintaining sufficient cash and highly liquid current assets to meet all anticipated future payment obligations. As at 31 March 2013, the total financial liabilities of the Group amounted to EUR 0.78 million (31 March 2012: EUR 0.34 million).

The table below analyses the Group's and Company's non-derivative financial liabilities into relevant maturity groupings at the financial position date.

The Group has invested in unquoted companies domiciled in India, being the Portfolio Companies. The Group may be subject to liquidity risk in the event that the Group is unable to find a potential buyer to dispose its stake in the Portfolio Companies without undue delay at a price close to its market value to meet its financial obligations. At 31 March 2013, the Group had sufficient liquid financial assets to meet its current financial obligations.

The outstanding capital commitments of the Group amounted to EUR Nil as at 31 March 2013 (31 March 2012 – EUR 2.01 million).

Details	Group		Group	
	Due - less than 12 months		Due - more than 12 months	
	31 March 2013 EUR Millions	31 March 2012 EUR Millions	31 March 2013 EUR Millions	31 March 2012 EUR Millions
Accruals and other payables	0.78	0.34	-	-
Outstanding Commitments	-	2.01	-	-
Total payable	**0.78**	**2.35**	**-**	**-**

On the basis of the above, the Board considers liquidity risk to be low.

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

3.5 Fair values

The carrying amount of financial assets at fair value through profit or loss, loans to subsidiaries, other receivables, cash and cash equivalents, accruals and other payables and net asset attributable to holders of the Company's shares approximate their fair values.

Financial assets at fair value through profit or loss are the only assets carried at fair value. The fair values of those that are traded in active markets are based on quoted market prices at the close of trading on the year end date.

The fair values of financial assets at fair value through profit or loss that are not traded in an active market are determined by using valuation techniques. The techniques used by the Group are explained in Note 4.1 below.

IFRS 7 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 inputs are inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the related market.

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

The following table analyses within the fair value hierarchy the Group's financial assets measured at fair value:

Assets	EUR Level 1	EUR Level 2	EUR Level 3	EUR Total balance
31 March 2013 Group				
Financial assets designated at fair value through profit or loss	2,503,586	-	91,564,625	94,068,211
31 March 2012 Group				
Financial assets designated at fair value through profit or loss	1,945,669	-	94,376,113	96,321,782

The Group holds an investment in an entity listed on the National Stock Exchange. That investment whose value is based on quoted prices in active market has been classified within level 1. The Group does not adjust the quoted price for this instrument.

The other investments of the Group, designated at fair value through profit or loss, consist of unquoted shares in the Portfolio Companies. In the absence of observable prices, as described in Note 4.1, the Group makes use of valuation techniques to compute the fair value. The fair value is based on the valuation carried out by an independent international property valuer ("the Valuer"). The Valuer makes use of two main methods, namely Direct Comparable Method ("DCM") and Discounted Cash Flow ("DCF"), to value the different projects of the Group, depending on the stage of each project and depending on the availability of comparable transaction price on the market. Both methods make use of recent real estate transactions similar in nature to each individual project and of a number of assumptions and judgments obtained from the Investment Manager. Hence, the other investments of the Group are classified under level 3. The projects valued using the direct comparable method constitutes 4.20% (31 March 2012 – 4.52%) of the total financial assets at fair value through profit or loss.

There has been no transfer between levels during the year ended 31 March 2013 (31 March 2012 – Nil).

3.6 Capital risk management

The Group's objectives when managing capital are to safeguard the ability of each of the companies within the Group to continue as a going concern in order to provide returns and value for shareholders. The Group has no borrowings and accordingly it has a nil gearing ratio. The Portfolio Companies in which the Group has invested have borrowings related to their real estate development activities without any recourse to the Group.

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

3.7 Counterparty risk

Counterparty risk is defined as the current and prospective risk to earnings or capital arising from a counterparty's failure to meet the terms of any obligation to the Group or otherwise to perform as agreed. Counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements.

Counterparty risk to the Group arises primarily from two types of commercial arrangements:

1. The continuing willingness by banks and other financial institutions to provide finance on agreed terms to Portfolio Companies, to enable those companies to execute their planned real estate development within budget tolerances.

2. The ability and willingness of the Group's joint venture partners at Portfolio Company level to carry out the relevant real estate development project in accordance with agreed budgets, timescales and quality standards.

A failure by a constituent member of either of these commercial counterparty groups to perform as agreed could lead to a material negative performance of an individual Portfolio Company investment. The Investment Manager seeks to ensure that counterparty risk is mitigated by way of continuous monitoring of Portfolio Companies, the joint venture parties, banks and financial institutions with whom they contract. Identified risks are escalated and actions taken by the Group as necessary. In the case of Indore Treasure Market City Private Limited, the Promoter of the IPC in spite of several efforts has been unable to infuse cash flows into the project and hence the construction of the project has stopped since more than a year and the Portfolio Company is unable to repay the existing project debt. This project has been classified as a non performing asset by the lenders to this Portfolio Company. This Portfolio Company has also received a notice from the lenders on repossession of the asset for recovery of their outstanding debt.

In respect of Indore Treasure Town Private Limited, there remains a significant counterparty risk due to the current weak financial standing of the Promoter. In the case of K2's investment in Forum IT Parks Pvt Ltd, there exists a counterparty risk due to the unwillingness of the Promoter to complete the balance development as per agreed timelines.

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

3.8 Financial instrument by category

Group 31 March 2013 Non current and current assets	Loans and receivables EUR	Financial Assets at fair value through profit or loss EUR	Total EUR
Financial assets at fair value through profit or loss (Non Current)	-	73,674,808	73,674,808
Financial assets at fair value through profit or loss (Current)	-	20,393,403	20,393,403
Cash and cash equivalents	14,211,313	-	14,211,313
Prepayments and other receivables	4,770,666	-	4,770,666
Total	**18,981,979**	**94,068,211**	**113,050,190**
Group 31 March 2012 **Non current and current assets**			
Financial assets at fair value through profit or loss (Non Current)	-	83,242,603	83,242,603
Financial assets at fair value through profit or loss (Current)	-	13,079,179	13,079,179
Cash and cash equivalents	27,337,824	-	27,337,824
Prepayments and other receivables	4,796,376	-	4,796,376
Total	**32,134,200**	**96,321,782**	**128,455,982**

Group 31 March 2013 Current liabilities	Accruals and other payables EUR	Total EUR
Accruals and payables	779,955	779,955
Total	779,955	779,955
Group 31 March 2012		
Accruals and payables	340,433	340,433
Total	**340,433**	**340,433**

3.9 Market Turbulence

Restricted global liquidity, financial market tensions, investor scepticism, economic volatility and the hostile attitude to property investment in India continues to limit the extent of portfolio flows and foreign direct investment into India. This has reduced aggregate demand for the commercial real estate owned by the Group.

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

As part of its ongoing business, the Group, through the Board, makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are outlined below.

Fair value of financial assets at fair value through profit or loss

The Group holds financial instruments that are not quoted in active markets in the form of unquoted shares of the Portfolio Companies. The principal activities of these Portfolio Companies are to select sites, acquire land, construct, develop, let, sell and manage real estate projects in India. In the absence of an active market, the fair value of such unquoted investments has been determined based on the fair value of the underlying net assets of the Portfolio Companies. The major components of the net assets of each Portfolio Company are the land and any development and/or any capital work in progress, and its related borrowings. Their net assets also include other current assets and liabilities. The fair value of the Group's investments in the Portfolio Companies has been determined based on the net assets of these Portfolio Companies, as adjusted for:

(1) differences between IFRS and Indian GAAP; and

(2) fair valuation of all of the underlying assets and liabilities.

Adjustments have been made to the extent of tax expected to be suffered on any gain arising on the fair valuation of the projects (including land and the development costs of such land) based on the independent valuation conducted by the Valuer as on 31 March 2013. Tax adjustments are taken on the net gain on projects which have a saleable model whereas for leasable models the tax adjustments are on the taxable income from lease rentals instead of on exit value as the disposal of the investment in the leasable model at exit value is to be done at Portfolio Company level. Having determined the fair value of the net assets, the Group carries these investments based on its pro-rata share, with no discount or premium being applied to reflect control or liquidity. After taking advice from the Investment Manager, the Directors believe that there should be no adjustment on account of control as the investments are in joint ventures, where in accordance with the shareholders' agreements, all major decisions of the Portfolio Companies require the affirmative vote of the investing Group companies. They also believe that there should be no adjustment on account of the liquidity of the investments, despite that they are not traded on an active market, since they are intended to be held until the completion of the relevant development project or, if exited earlier based on the DCF of the project, the project liquidity if reflected in the DCF via that phasing of cost and revenue. The Board will continue to review this semi-annually.

Notes to the Financial Statements (Continued)

Critical accounting estimates and judgements (Continued)

The valuations of each project held by the Group through the Portfolio Companies have been carried out and certified by the independent international property valuer namely CB Richard Ellis South Asia Private Limited, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors Red Book (RICS), U.K. ("CBRE" or the "Valuer").

To value the properties, the Valuer has used the DCF technique, under the income approach, for projects where construction is either under progress or about to start and the DCM where the business plans of the Portfolio Company are yet to be finalised or where the project has been stopped. The Valuer has used a systematic approach to gather, classify and analyse the data which is required by both approaches to value an asset.

Under the DCF method of the income approach, all the future cash flows arising from the properties are forecasted using a combination of actual property data such as details of leases or sales completed and market information such as sales price, market rental rates, yields, disposal date and the cost of constructions. Assumptions made by the Directors and the Investment Manager and used for valuations include: the expected date of the start of the projects and the completion date, the time required for the projects to be fully occupied, the financing ratio (debt/equity), and the availability of finance. The Valuer considers but is not bound by these assumptions where it believes they are not appropriately reflecting the market conditions. These cash flows are then discounted to a present value using an appropriate discount rate, as determined by the Valuer at 31 March 2013. Under the DCM, recent transactions of land situated in the vicinity of subject land are considered and adjusted for discounts or premiums in prices to arrive at an appropriate price for subject property being valued. These discounts or premiums are necessary to reflect the specific features of the property (physical, legal and planning) due to the volatility of the Indian market, paucity of empirical evidence and lack of comparable transactional data. Some of the factors for which discounts or premiums are used are differences between specified land and comparable land on account of location advantage/disadvantage, frontage availability, permissible usage of land, permissible Floor Space Index (FSI) on the land, size of land parcel, approach and connectivity, special incentives if any etc. The market value of each property as on 31 March 2013, as reported by the Valuer, is then used in the fair valuation of the net assets of the Portfolio Companies.

As at 31 March 2013, the Board and the Investment Manager believed that the non residential Portfolio Companies (except Indore Treasure Market City Private Limited and Forum IT Parks Private Limited) will be able to meet their estimated financial commitments through a combination of equity and debt. Out of the total debt requirement estimated for the non residential projects, 96% (31 March 2012 – 71%) of the debt has been sanctioned by the Banks/Financial Institutions and the balance 4% (31 March 2012 – 29%) is not yet in place. Since there is no project construction activity in Indore Treasure Market City Private Limited and Forum IT Parks Private Limited, the debt requirements for these two projects have been removed from the calculations. Had these two projects been included in the debt requirement numbers, the percentages of sanctioned debt would have been 72% and balance 28%. There is a very small increase in the debt requirement for Jalan Intercontinental Hotels Private Limited (Taj Gateway Hotel Kolkata).

Notes to the Financial Statements (Continued)

Critical accounting estimates and judgements (Continued)

In the case of large residential projects, execution is generally carried out over several phases. Such residential projects will be partly financed by equity and internal accruals, being receipts from pre-sales and advance payments for the residential units sold and partly by small amount of debt which may be required to fund the projects. Typically, internal accruals for residential projects are in the range of 40-60% of the total cost of a residential project. When a residential project is launched, typically 15-20% of the total sales consideration for a unit is received upfront and further payments are linked to the construction milestones. This reduces exposure to debt requirements. In case of the Group's investment in Alliance Hospitality Services Private Limited, the business plan of this Portfolio Company has been amended to a residential development and hence this has been valued on the basis of DCF method of valuation.

Based on the aforementioned paragraphs, the directors believe that the liquidity risk for all current active projects has been adequately addressed. The fair value of the Group's investment in Indore Treasure Market City has been arrived at using the residual value method for this project. Further, because no construction activity has been undertaken at Forum IT Parks Private Limited as from June 2012, the fair value of the Group’s investment in this Portfolio Company has been arrived on the basis of DCM method of valuation along with other assets and liabilities in the Portfolio Company. Therefore, the Portfolio Companies have been valued on the basis of its net assets as provided in their unaudited financial statements as on 31 March 2013 and the Group has applied its share of the net assets in proportion to its equity share holding in the Portfolio Company as the fair value of its investment.

The valuation techniques adopted by the Valuer make use of observable data, assumptions and estimates, upon which the Board relies, for their valuation of the financial assets at fair value through profit or loss. Given the inherent uncertainty in valuing development projects of this nature and the underlying assumptions involved, the resulting fair value of those financial assets at fair value through profit or loss could materially differ from the value that would have been used had a ready market for those similar assets existed or from the value at which those assets could have been disposed of in arm’s length transactions.

Pursuant to the restructuring of the deposits held by the Group with the Bank of Cyprus, equity shares of Bank of Cyprus amounting to EUR 361,899 shall be issued to the Group. Due to the uncertainties involved in the valuation of these shares, the Board has considered an impairment of 75% of the value of the above shares.

4.2 Critical judgements

Functional currency

The Board considers the EUR as the currency that most faithfully represents the economic effects of the Group’s underlying events, transactions and conditions. EUR is the currency in which the Group measures its financial performance and reports its results. This determination also considers the competitive environment in which the Group operates compared to other European investment products.

Notes to the Financial Statements (Continued)

5 Taxation

5.1 Current tax – India

The Group invests in India and the Board expects that the Group will obtain benefits under the double taxation treaty between India and Mauritius ("Tax Treaty"). To obtain benefits under the Tax Treaty, each relevant company in the Group must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. Each of the Company's subsidiaries in Mauritius has obtained a tax residence certification from the Mauritian authorities and such certification is determinative of resident status for treaty purposes. A company which is tax resident in Mauritius under the Tax Treaty, but has no branch or permanent establishment in India, will not be subject to capital gains tax in India on the sale of securities but is subject to Indian withholding tax on interest earned on Indian securities at the rate of 20.60% (31 March 2012 - 20.60%).

No withholding tax is payable on dividends distributed by Indian companies and such dividends are exempt in the hands of shareholders. Indian companies making distributions are however liable to a Dividend Distribution Tax equivalent to 16.99% (31 March 2012 -16.22%) of the dividends distributed.

The Finance Bill 2013 has introduced a new buyback distribution tax effective 1 June 2013, according to which any Indian company undertaking buyback of unlisted shares shall be liable to pay tax at 20% on difference between proceeds of buyback and the amount that is received as subscription towards the shares bought back.

5.2 Current tax – Cyprus

The Company's indirect subsidiary, Mildren Holding Limited ("Mildren"), incorporated in Cyprus is subject to income tax on taxable profits at the rate of 10% up to 31 December 2012, and at the rate of 12.5% as from 1 January 2013. As from tax year 2012 brought forward losses of only five years may be utilised.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

Notes to the Financial Statements (Continued)

Taxation (Continued)

5.3 Current tax – Mauritius

Each of the companies in the Group in Mauritius is liable to pay income tax on its net income at the applicable rate of`15% (31 March 2012 - 15%). These are however entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% (31 March 2012 - 80%) of the Mauritius tax payable in respect of foreign source income tax thus reducing its maximum effective tax rate to 3% (31 March 2012 - 3%). A company holding at least 5% of the share capital of an Indian company and receiving dividends may claim a credit for tax paid by the Indian company on its profits out of which the dividends were distributed including Dividend Distribution Tax.

No Mauritius tax on capital gains is payable in respect of the Group's investments and any dividend and redemption proceeds paid by any company in the Group to its shareholders are not subject in Mauritius to any withholding or other tax. At 31 March 2013, the accumulated tax losses within the Group in respect of Mauritian tax amounted to EUR 2,277,918 (31 March 2012 - EUR 2,637,657) and therefore no provision for taxation in Mauritius has been made. The tax losses arising in a period can be carried forward for set-off against income derived in the five succeeding income years by the respective companies.

The foregoing is based upon current interpretation and practice and is subject to future changes in Mauritian tax laws and in the tax treaty between India and Mauritius.

The Group's Mauritius losses before tax differ from the theoretical amount that would arise using the respective Companies' applicable tax rates. Information in respect of the Group's Mauritius losses for the year ended 31 March 2013 is as follows:

	31 March 2013	31 March 2012
	EUR	EUR
Operating profit/(loss) for the year before taxation	**(5,740,896)**	(42,498,564)
Tax calculated at domestic rates applicable to profits in the respective countries	**(825,080)**	(6,389,682)
Impact of:		
Non-allowable expenses	**846,515**	6,337,872
Special defence contribution	**2,365**	1,156
10% Indian withholding tax	**44,200**	37,960
Exempt income – Net	**(533)**	(11,149)
Cyprus corporation tax	**1,649**	-
Income not subject to tax	**(52,974)**	(17,127)
Under provision of tax liability	**-**	20,750
Deferred tax asset not recognised	**32,073**	80,086
Actual income tax expense	**48,215**	59,865

Notes to the Financial Statements (Continued)

Taxation (Continued)

5.4 Current tax – Jersey

The Company is domiciled in Jersey, Channel Islands. Any profits arising in the company are subject to tax at the rate of 0%.

5.5 Deferred income tax

A deferred income tax asset has not been recognised in respect of tax losses carried forward, as the Board considers that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised. The unrecognised deferred tax balance at 31 March 2013 arising from accumulated tax losses amounted to EUR 68,338 (31 March 2012 – EUR 93,435) for the Group.

6 Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss

The non-current financial assets at fair value through profit or loss are as follows:

	Listed shares	Unlisted shares	Total
	EUR	**EUR**	**EUR**
Group			
At 1 April 2011	1,831,488	131,046,327	132,877,815
Additions	-	1,566,351	1,566,351
Transfer to current asset	-	(14,760,197)	(14,760,197)
Gain/(loss) on fair valuation	114,181	(36,555,547)	(36,441,366)
At 31 March 2012	1,945,669	81,296,934	83,242,603
Additions	-	361,899	361,899
Transfer to current assets	(1,945,669)	(8,435,646)	(10,381,315)
Transfer from current assets		1,258,205	1,258,205
Loss on fair valuation	-	(806,584)	(806,584)
At 31 March 2013	**-**	**73,674,808**	**73,674,808**

Notes to the Financial Statements (Continued)

Net Changes in fair value of financial assets and financial liabilities at fair value through profit or loss (Continued)

Financial asset at fair value through profit or loss classified under current assets during the year are as follows:

	Listed shares	Unlisted shares	Total
	EUR	EUR	EUR
Group			
At 01 April 2011	-	-	-
Transfer from non-current assets	-	14,760,197	14,760,197
Additions	-	-	-
Loss on fair valuation	-	(1,681,018)	(1,681,018)
At 31 March 2012	-	13,079,179	13,079,179
Transfer to non- current assets	-	(1,258,205)	(1,258,205)
Transfer from non-current assets	1,945,669	8,435,646	10,381,315
Disposal	-	(663,635)	(663,635)
Gain/(loss) on fair valuation	557,917	(1,703,168)	(1,145,251)
At 31 March 2013	2,503,586	17,889,817	20,393,403

7 (a) Financial assets at fair value through profit or loss - Non Current Assets

Financial assets classified under non-current assets are those that are not expected to be realised within a period of less than 12 months.

At 31 March 2013, the Group has an amount of EUR 73,674,808 (31 March 2012- EUR 83,242,603) classified as non-current assets comprising of the following investments:

Notes to the Financial Statements (Continued)

Financial assets at fair value through profit or loss (Continued)

Group	31 March 2013	31 March 2012
Name of Entity	**Holding %**	**Holding %**
Unlisted Equity Investment in Portfolio Companies		
Alliance Hospitality Services Pvt Ltd – Market City Hospitality, Pune	20%	20%
Indore Treasure Market City Pvt Ltd – Treasure Market City Retail, Indore (*)	27.9%	28.9%
Forum IT Parks Pvt. Ltd. – IT SEZ, Kolkata	49%	49%
Kolte Patil Real Estate. Pvt. Ltd. – Residential, Pune	49%	49%
Palladium Constructions. Pvt. Ltd. – Residential, Bangalore	30%	30%
Platinum Spaces Pvt Ltd. – Residential, Bangalore	30%	30%
Riverbank Holdings Pvt. Ltd – Residential Batanagar, Kolkata	50%	50%
Indore Treasure Town Pvt Ltd – Treasure Town Bijalpur, Indore (**)	42.77%	42.77%
Vamona Developers Pvt. Ltd – Market City Retail, Pune	24%	24%
Saket Engineers Pvt. Ltd. – Residential Entity Level, Hyderabad.	27.25%	26.05%
Bank of Cyprus	N.A.	N.A.
(*) The equity holding in this entity has come down as the undisbursed commitment was with drawn. **(**) The equity holding in this entity is 40% and the balance represents additional economic Interest.**		

7 (b) Financial assets at fair value through profit or loss - Current Assets

Financial assets classified under current assets are those that are expected to be realised within a period of less than 12 months.

At 31 March 2013, the Group has classified an amount of EUR 20,393,403 (31 March 2012- EUR 13,079,179) as current assets comprising of the following investments:

Notes to the Financial Statements (Continued)

Financial assets at fair value through profit or loss (Continued)

Group	31 March 2013	31 March 2012
Name of Entity	**Holding %**	**Holding %**
Listed Equity Investments		
Phoenix Mills Limited	<1%	<1%
Unlisted Equity Investment in Portfolio Companies		
Palladium Constructions. Pvt. Ltd. – Residential, Bangalore(to the extent of share buy-back)	30%	30%
Jalan Intercontinental Hotels Pvt. Ltd – Hotel Kolkata	40%	40%
Gangetic Developers Pvt Ltd – Phoenix United Mall, Agra	28%	28%
City Centre Mall Nashik Pvt. Limited – City Centre Mall, Nashik	50%	50%
Saket Engineers Private Limited	27.25%	27.25%

8 Investment in subsidiary undertakings

The Company has investments in both direct and indirect subsidiaries.

Indirect subsidiaries are those entities in respect of which the Company has the power to govern the financial and operating polices by virtue of an investment in a direct subsidiary.

A list of the significant investments in subsidiaries, including the name, principal activity, country of incorporation and the proportion of ownership interest is given below:

8.1 Direct subsidiary

Name of subsidiary	Principal Activity	Country of incorporation	Class of share	Percentage held by the Company
K2 Property Limited	Investment holding	Mauritius	Ordinary	100%

K2 issued 1,250,000 Class A shares on 16 January 2007, and 1,687,865 Class B shares on 7 January 2008 to Yatra Capital Limited and 75,000 Class C shares and 25,000 Class D shares to IFS Trustees (as Trustee of Saffron Investment Trust). All the shares have a par value of USD 0.01 each. During the year, K2 bought back 109,499 Class B shares of USD 0.01 each at a share premium of USD 99.99 amounting to EUR 7,500,000.

Notes to the Financial Statements (Continued)

Investment in subsidiary undertakings (Continued)

K2 has a finite life of 15 years, which can be extended by the Board of Directors of K2 by two successive terms each of one year. Class A and Class B shares are redeemable at the option of K2. The date of redemption of the Class A and B shares is 30 September 2016 Holders of Class A and Class B shares are referred to as “Investor Shareholders”, whereas holders of Class C and D shares are referred to as “Advisor Shareholders”. Both Investor and Advisor Shareholders are entitled to vote at shareholders’ meetings. Class C and Class D shares issued by K2 as referred to above are not held by the Company.

All classes of shares have identical rights except with respect to distributions and with respect to certain voting rights. Under the amended constitution of K2 post 31 March 2013, the Advisor Shareholders will now be entitled to a “Carried Interest” share from the realisations of the Group’s portfolio and this is payable as a percentage of the Net Proceeds of realisation of investments received by K2, calculated as percentages of base case valuations agreed for the entire portfolio of Indian real estate assets. As on 31 March 2013, Yatra has a commitment of EUR 12,307,073 (31 March 2012 – 24,807,073) representing unpaid share capital to its subsidiary K2. The Board of Yatra Capital Limited has returned capital of EUR 7.50 million to its shareholders and hence the commitment of Yatra to its subsidiary has reduced by this amount. The Board of K2 has taken note of this reduction and has approved this.

8.2 Indirect subsidiaries

Name of subsidiaries	Principal Activity	Country of incorporation	Class of share	Percentage held by the Group
K2 Private Equity Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Private Equity Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2F Residential Limited (formerly K2B Hospitality Limited)	Investment Holding	Mauritius	Ordinary	100%
K2C Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2E Residential Limited (formerly K2A Commercial Limited)	Investment Holding	Mauritius	Ordinary	100%
K2B Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2G Residential Limited (formerly K2D Retail Limited)	Investment Holding	Mauritius	Ordinary	100%
Mildren Holding Limited	Investment Holding	Cyprus	Ordinary	100%

9 Prepayments and other receivables

Particulars	Group 31 March 2013 EUR	Group 31 March 2012 EUR
Amount due from Tangerine Developers Private Limited	**3,199,597**	3,255,781
Prepayments on management fees (Note 14)	**1,004,334**	1,021,954
Amount due from Modi Organisors Private Limited	**177,728**	-
Investment in fixed deposit of Bank of Cyprus	**240,502**	-
Other receivables	**389,007**	518,641
Total	**5,011,168**	4,796,376

The Board has reviewed the above receivables at 31 March 2013 to determine whether any impairment provision is required. The Board concludes that there was no indication of impairment at 31 March 2013 and 2012.

The repatriation of the amount due from Tangerine Developers Private Limited to the Group is subject to Reserve Bank of India approval.

The amount from Modi Organisors Private Limited represents the sales proceeds for Second Tranche sale of 225,511 Equity Shares and as of 31 March 2013 this was not yet received.

Pursuant to Central Bank of Cyprus decree, the cash and cash equivalents held with Bank of Cyprus as at 26 March 2013 were restructured. Consequently, out of the total cash and cash equivalents of EUR 703,165 held as on that date, EUR 100,000 was treated as secured amount and of the remaining amount, 37.50% was converted into Class A shares of Bank of Cyprus, 22.50% is most likely to be converted into Class A shares of Bank of Cyprus, 30% will be under Central Bank of Cyprus restrictions and 10% released for usage by Mildren.

Mildren's Board has chosen to classify 60% of the cash and cash equivalents after reducing the secured amount of EUR 100,000 as at 26 March 2013 as Class A shares of Bank of Cyprus and it estimates that 22.50% of the balance as mentioned above will be converted into Class A shares of Bank of Cyprus. Details of the restructuring of cash and cash equivalents are as follows:

Notes to the Financial Statements (Continued)

Prepayment and other receivables (Continued)

	As at 26 March 2013
	EUR
Cash and cash equivalents	703,165
Less: Secured amount	100,000
Balance before restructuring	603,165
Less: Conversion of 37.50% balance into Class A shares of Bank of Cyprus	226,187
Less: Most likely conversion of 22.50% balance into Class A shares of Bank of Cyprus	135,712
Balance post issuance of Class A shares of Bank of Cyprus	241,266

Of the above balance of EUR 241,266, EUR 180,949 being 30% of the balance before restructuring is under Bank of Cyprus restrictions and EUR 60,316, being 10% of the balance before restructuring, is available for usage by Mildren. Therefore the total bank balance at reporting date is EUR 341,266, of which EUR 240,502 is under Bank of Cyprus liquidity restrictions.

10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	Group 31 March 2013 EUR	**Group 31 March 2012 EUR**
Cash and cash equivalents	**13,970,811**	27,337,824

Notes to the Financial Statements (Continued)

11 Stated capital and share premium

Authorised and issued stated capital

	Number of Ordinary shares of no par value	Stated Capital EUR	Share Premium EUR	Total EUR
As at 1 April 2012	21,342,122	-	211,638,539	211,638,539
Shares bought back during the year	(144,963)	-	(447,846)	(447,846)
Shares redeemed during the year	(2,142,833)		(7,499,916)	(7,499,916)
As at 31 March 2013	19,054,326	-	203,690,777	203,690,777

All issued ordinary shares of the Company are fully paid and have been admitted to the official list of NYSE Euronext. The Company's capital is represented by these ordinary shares, each of which carries one vote and has full entitlement to dividends when declared. The Company has no restrictions or specific capital requirements on the issue and re-purchase of ordinary shares. The relevant movements in capital are shown on the statement of changes in equity. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 3, the Company endeavours to invest the proceeds from the issue of ordinary shares in appropriate investments while maintaining sufficient liquidity to meet its working capital and investment needs on an ongoing basis, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

The Company had announced the commencement of a revised share buy-back program in its annual general meeting held on 31 October 2012 pursuant to which the Ordinary Shares in the Company may be repurchased subject to a maximum limit of 14.99% of the Ordinary Shares in issue as at 31 October 2012. This share buy-back program will terminate on the earlier of the following:

i. the date of the annual general meeting of the Company in 2013,

ii. the date on which the maximum number of existing shares are repurchased in which case, the program will end on the date on which this maximum is reached and such early termination will immediately be announced by the Company.

Further details on the share buy-back are provided in note 18.

12 Accruals and other payables

	Group 31 March 2013 EUR	Group 31 March 2012 EUR
Amount due to related parties	**2,000**	-
Other payables	**26,877**	12,476
Accruals	**751,078**	327,957
Total	**779,955**	340,433

Notes to the Financial Statements (Continued)

13 Distribution payable

No dividend was paid during the year ended 31 March 2013 (31 March 2012 - Nil).

14 Related party transactions

The Group entered into transactions with related parties in respect of Investment management fees, secretarial and administration fees and director's remuneration as set out below:

Investment Manager Fee

The Group is advised by the Investment Manager. The annual fees payable under the IMA were equivalent to 2% of the Net Capital Commitments as defined in the Investment Management Agreement. Total fees paid to the Investment Manager for the year amounted to EUR 3,792,167 (31 March 2012 - EUR 3,923,556). The investment management fees are payable in advance for a six month period and the amount prepaid to the Investment Manager as at 31 March 2013 is EUR 1,004,334 (31 March 2012 - EUR 1,021,954).

Recharged expenses

The Company has a receivable as at 31 March 2013 of EUR 92,767 (31 March 2012 – EUR 92,767) being expense recharged to the Investment Manager.

Shahzaad Dalal, who is a director of Yatra Capital Limited and K2 Property Limited, is also a director of the Investment Manager.

Secretarial and administration fee

Group

Minerva Fiduciary Services (Mauritius) Limited ("K2 Administrator") has been appointed to provide administrative, registrar and secretarial services to K2 and its subsidiaries. The administration, secretarial and other fees paid to the K2 Administrator for the year amounted to EUR 81,095 (31 March 2012 – EUR 75,245). The services of the K2 Administrator may be terminated by either party by giving not less than ninety days' notice. Amount payable at the end of the year was EUR 2,000 (31 March 2012 - EUR 12,127).

Manogaran Thamothiram and Rajkamal Taposeea who are directors of K2 Administrator, are also directors of K2.

Directors' remuneration

Group

The total remuneration paid to Directors who are related parties for the year was EUR 339,203 (31 March 2012 - EUR 347,564).

15 Ultimate controlling party

In the opinion of directors, there is no party who meets the definition of Ultimate Controlling Party.

16 Capital and other commitments

The capital commitments of the Group are disclosed under Notes 3.4 and 8.1.

17 Profit/ (loss) per share

Basic profit/ (loss) per share is calculated by dividing the net loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	31 March 2013 EUR	**31 March 2012 EUR**
Profit/(loss) attributable to equity holders of the Company	**(7,897,486)**	(43,074,498)
Weighted average number of ordinary shares in issue	**20,776,915**	21,342,122
Basic profit/(loss) per share – Basic (EUR per share)	**(0.38)**	(2.02)

The diluted loss per share for the year ending 31 March 2013 is EUR 0.38 (31 March 2012 – 2.01)

The shares in issue include shares held in treasury as these have not been cancelled.

The Company has not issued any other shares or instruments that are considered to have dilutive potential.

18 Subsequent Events

The Company announced the commencement of a reinstated share buyback program at its annual general meeting held on 31 October 2012 pursuant to which Ordinary Shares in the Company may be repurchased subject to a maximum limit of 14.99% of the Ordinary Shares in issue as at that date.
The Company has repurchased 215,703 of its Ordinary Shares at an average price of EUR 3.12 per share for a total consideration of EUR 673,482 during the period from 1 April 2013 until 22 July 2013.

On 19 April 2013, the Group received the balance proceeds of EUR 177,728 from the sale of shares of its investment in Modi Organisors Private Limited.

On 19 April 2013, the Portfolio Company Riverbank Holdings Private Limited, where the Group had invested through K2E Residential Limited, has filed for a merger application with the High Court of Kolkata for its merger with its parent company, Riverbank Developers Private Limited. On 23 May 2013, the Group has passed the necessary corporate resolutions to wind up its subsidiary K2B Retail Limited.

On 31 May 2013, an amount of EUR 3,059,982 was received by the Group for the proportionate buy back of 1,874,660 shares of INR 10 each held in Palladium Construction Private Limited.

Notes to the Financial Statements (Continued)

Subsequent events (Continued)

On 19 June 2013, the Board and Shareholders of the Company approved the following:

- Amendment to the Company's existing investment policy which restricts new investments solely to support existing investments for the purpose of protecting, preserving or enhancing such investments, including for completing their development and to focus on future investment management efforts on the realization of the Group's portfolio and return of surplus capital and realization proceeds to its shareholders.

- Change in the investment management fees from 2% of the Net Capital Commitments ("NCC") to 1.25 % of NCC. The definition of NCC has also been amended to exclude any items which have been written off in K2's accounts or subjected to an impairment provision such that the fair value of that asset is reduced to an amount representing 5% or less of the original book cost. This reduction is due to management fees compensated by payment of carried interest at agreed percentages out of the Net Proceeds of that investment received by the Company.

- As on the date of approval of the financial statements of K2, i.e. 9 July 2013, the INR has moved 11.35% adversely against the EUR at INR 77.43 to the EUR. Had this rate been considered, the value of the financial assets at fair value through profit or loss would be lower by 10.19%.

19 Segment information

The chief operating decision maker ("CODM") in relation to the Group is deemed to be the Board of the Company itself. The factor used to identify the Group's reportable segments is geographical area. Based on the above and a review of information provided to the Board it has been concluded that the Group is currently organised into one reportable segment; India.

There are four types of real estate projects within the above segment; these are commercial, hospitality, residential and retail property. The CODM considers on a quarterly basis the results of the aggregated position of all property types as a whole as part of their ongoing performance review.

The CODM receives regular reports on the Group's assets by the Investment Manager. In addition, period end valuation reports are reviewed and reported on by the Investment Manager to the Board of Directors.

Other than cash and cash equivalents and related interest and charges, the results of the Group are deemed to be generated in India.

CBRE Valuation Letter

CBRE

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5th July, 2013

K2 Property Limited
C/o Minerva Fiduciary Services (Mauritius) Limited
Suite 2004, Level 2, Alexander House
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Ebene, Mauritius

Dear Sirs

Valuation and Report as at 31st March, 2013 of the Property Portfolio for K2 Property Limited

In accordance with instructions from K2 Property Limited dated 17th January, 2013, CBRE South Asia Private Limited has carried out a valuation of 20 properties located in different parts of India on behalf of K2 Property Limited for accounting and reporting purposes. The properties valued are:

- **Saket Engineers Private Limited (Unlisted Entity Level Investment)** – Hyderabad and Bangalore
- **Riverbank Holdings Private Limited** – Residential Development, Batanagar, Kolkata, West Bengal
- **Forum IT Parks Pvt. Ltd.** – IT Park, Bantala, Kolkata, west Bengal
- **Palladium Constructions and Platinum Spaces Private Limited** – Residential Development, Yeshwanthpur, Bangalore
- **Jalan Intercontinental Hotels Pvt. Ltd** – Hospitality Development, E M Bye Pass, Kolkata, West Bengal
- **Gangetic Developers Pvt. Ltd.** – Land for Development, Fatehabad Road, Agra, Uttar Pradesh
- **Indore Treasure Town Pvt. Ltd.** – Residential led development, Major Route (MR) 3, Bijalpur, Indore, Madhya Pradesh
- **City Centre Mall Nashik Pvt. Ltd.** – Retail Development, Lawate Nagar, Nashik, Maharashtra
- **Kolte Patil Real Estate Private Limited** – Residential led Development, Kharadi, Pune, Maharashtra
- **Vamona Developers Pvt. Ltd.** – Retail Development, Nagar Road, Pune, Maharashtra
- **Indore Treasure Market City Pvt. Ltd.** – Retail led Development, Major Route (MR) 10, Indore, Madhya Pradesh

All the properties discussed above are development assets except City Center Mall, Nashik and a retail development owned by Vamona Developers Pvt. Ltd. which are operational income generating assets and Agra which is a vacant land parcel envisaged for retail development. Further, the last property comprising of a retail and hospitality development by Indore Treasure Market City Pvt Ltd located in Indore has been valued by adopting Residual Approach.

The valuations for the above properties were carried out as at 31st March, 2013 and the basis and the assumptions on which the valuation have been carried out are as provided in the valuation reports of respective properties.

All the properties were inspected between January 2013 and February 2013.

The discount rate has been calculated on the basis of the weighted average cost of capital. The assumptions on cost of equity and debt along with the debt equity ratios for each property are set out below:

Property	Methodology	Debt Cost	Equity Rate	Debt : Equity Ratio	WACC
Kolkata – Jalan	DCF	14.00%	22.50%	60:40	17.40%
Kolkata – Batanagar	DCF	14.00%	27.50%	60:40	19.40%
Kolkata – Bantala	Direct Comp				
Agra	Direct Comp				
Indore – Bijalpur	DCF	14.00%	22.50%	60:40	17.40%
Indore – MR 10	Residual Approach				
Pune – Kharadi	DCF	14.00%	25.00%	60:40	18.40%
Pune – Nagar Road Retail	DCF	13.50%	20.00%	50:50	16.75%
Pune – Nagar Road office and Bazaar	DCF	14.00%	22.50%	60:40	17.40%
Nashik	DCF	13.75%	20.00%	50:50	16.88%
Bangalore – Market City	DCF	11.90%	22.50%	60:40	16.40%
Saket					
- Bangalore (JDA)	DCF	14.00%	25.00%	60:40	18.40%
- Heights	Direct Comp				
- Commercial	Direct Comp				
- Sriyam	DCF	14.00%	20.00%	60:40	16.40%
- Pranaam	DCF	14.00%	22.50%	60:40	17.40%
- Gowdavelly 8 acres	Direct Comp				
- Gowdavelly 66 acres	DCF	14.00%	30.00%	50:50	22.00%
- Edul Nagulpally	Direct Comp				
- Yadgarpally	Direct Comp				
- Plots	Direct Comp				
- Club	Direct Comp				

The rationale for various parameters adopted for this exercise is detailed below:

- Debt equity ratio: the proportion of debt and equity has been adopted based on market norms for projects in different stages of completion except for Bangalore, Pune – Nagar Road Retail and Nashik where we have adopted actual cost of debt as per books
- Cost of debt: the interest cost on debt has been adopted as per the average prevailing rates for debt in the country for commercial real estate, except for Nashik / Pune Retail where

debt has been assumed as per existing 'lease rent discounting' rates of borrowing and Yeshwanthpur, Bangalore where actual cost of debt has been adopted

- Cost of equity: the cost of equity for each project is based on market return expectations for assets depending on the relative riskiness of each asset, the completion status, etc.

The valuations have been prepared in accordance with The RICS Appraisal and Valuation Standards, Seventh Edition. We have valued the properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole. As instructed, the schedule of capital values contained in the property report provides the 100% value of properties / value of development rights in their current state and does not account for the ownership % share that K2 Property Limited has in each project except for joint development interests in some cases.

The properties have been valued by a valuer who is qualified for the purposes of the valuation in accordance with the RICS Appraisal and Valuation Standards. The valuations have been carried out by the valuation teams from CBRE in Delhi, Mumbai, Hyderabad, Bangalore and Kolkata. The process has been overseen and managed by CBRE South Asia Pvt. Ltd. head office in Delhi. CBRE have acted as External Valuers.

The property details on which each valuation is based are as set out in our respective property report and we have relied on information provided by K2 Property Limited, including the proposed sites for the projects, buildable areas, construction timelines and cost of funds. Appropriate checks were made by CBRE on various assumptions to cross check with the standard market practices. We have assumed that all information provided is correct and comprehensive.

We have not undertaken, nor are we aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. We have not carried out any investigations into the past or the present uses of the properties, nor of any neighborhood land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Our report dated 31st March, 2013 and this letter, is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Yours faithfully

For and on behalf of **CBRE South Asia Private Limited**

Vamshi Krishna Kanth
Head – Valuation and Advisory Services,
CBRE South Asia Private Limited, India

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INVESTMENT MANAGER

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