

# YATRA CAPITAL LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014

INVESTMENT MANAGER

 | IL&FS Investment Advisors LLC

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## Performance Summary

- Yatra Capital Limited (“Yatra” or “the Company”), listed on NYSE Euronext, has returned capital of EUR 10 million by way of tender mechanism during the year.
- Yatra through its investment in K2 Property Limited (K2) has exited from 3 out of a total of 15 investments in its portfolio up to 31 March 2014. This includes exits from a mixed-use project in Bhavnagar, and phased exits of our full interest in City Centre Mall in Nashik and Treasure Town in Bijalpur, Indore. As of 31 March 2014, Yatra remains invested in 12 projects, of which two are enterprise level investments. In May 2014, K2 exited fully from its investment in the listed company, The Phoenix Mills Limited.
- Current investments are spread across 8 cities resulting in a development potential of over 12.2 million square feet of saleable/leasable area (excluding car parking and other non revenue generating areas). Over 4.6 million square feet of development space has been pre-leased/ pre-sold as at 31 March 2014.
- During the year, K2 has partially exited from its investment in Treasure Town in Bijalpur, Indore for a consideration of EUR 5.24 million of which EUR 4.57 million was received in November 2013. The second partial exit is from City Centre Mall in Nashik for a gross consideration of EUR 4.98 million of which the first tranche consideration of EUR 1.78 million was received in January 2014. The remaining amount is expected to be received in four equal instalments over the next two years.
- In addition, Yatra received cash inflow distributions of EUR 3.2 million and EUR 2.9 million from K2 out of the investments in residential projects in Bangalore (being developed by The Phoenix Mills Limited) and in Kharadi Pune (being developed by Kolte Patil Developers Limited) respectively.
- Construction work at 6 of Yatra’s investment projects is in progress and two projects viz. Market City Retail in Pune and Taj Gateway Hotel in Kolkata are operational.
- Net Assets Value (“NAV”)\* per share decreased by 5.77 % from EUR 5.89 at 31 March 2013 (as restated) to EUR 5.55 at 31 March 2014. This decline in NAV per share is largely attributable to the depreciation in the INR to the EUR.
- The net loss for the year ended 31 March 2014 was EUR 12.61 million as compared to net loss of EUR 7.90 million for the year ended 31 March 2013 (as restated). Of the net loss for the year ended 31 March 2014, 92 % is attributable to the realised loss and net changes in the fair value of financial assets at fair value through profit or loss, which includes foreign exchange movements. Basic loss per share for the year ended 31 March 2014 was EUR 0.69 as compared to loss per share of EUR 0.38 (as restated) for the year ended 31 March 2013.

*\*NAV per share is based on Yatra’s net assets arrived from the Statement of Financial Position as at 31 March 2014 divided by the number of shares outstanding on that date excluding shares held in treasury.*

## **Chairman's Statement**

Dear Shareholders,

I am pleased to be able to report to you on the Company's progress for the year ended 31 March 2014.

### **Macroeconomic backdrop**

The liquidity-induced global economic recovery, if it can be called that, continues to stumble along, and it is difficult to draw meaningful comfort from the USA's apparent progress until it has demonstrated an ability to continue without the quantitative easing safety net. Set alongside the EU's patchy performance, Japan's ongoing monetary experiment and China's emerging bad debt bubble, it is difficult to be sanguine about the macroeconomic outlook. The effect of developed market monetary policy statements destabilised emerging markets generally in Q2/3 of 2013, particularly in Brazil and India, resulting in the dramatic and unprecedented decline in the Indian Rupee against global currency benchmarks on which I commented in my statement this time last year.

### **Conditions in the Indian context**

The impact of global economic conditions on the Indian capital markets and the Indian economy has been all but eclipsed by Narendra Modi's stunning election victory in May 2014, at least for now. An outright majority in parliament creates a viable platform for Mr Modi and his colleagues to drive the meaningful reforms that India has been craving for many years, but I have no doubt that he does not underestimate the challenges of implementing policy reform through the state system, and investors should watch for progress in achieving consensus at regional level as a sign that "behind the scenes" work is also paying off. Mr Modi will need both good judgment and good luck to deliver against the heightened expectations, and we wish him both. What we can say with some certainty is that FDI flows have picked up strongly in the wake of Mr Modi's elevation and that can only be positive for the country and for domestic asset pricing, including ours.

### **Portfolio performance**

Our Investment Manager continues to focus its efforts on the two-fold objectives of maximizing performance from our longer-term real estate portfolio and extracting cash flows therefrom while exiting our more challenging, mostly commercial, positions for cash. Our remaining portfolio assets are now heavily skewed by value towards residential developments, our preferred asset class: at the period end, residential assets comprised 78.3% of the portfolio (2013, 77.2%). Residential assets have outperformed other sectors and we believe that this is likely to continue to be the case as the political and economic conditions continue to benefit from the expanding Indian middle classes. The Investment Manager has provided a detailed portfolio analysis in its report, with which the Board concurs.

We measure the Investment Manager's performance in domestic currency terms, and in that context, our net asset value per share ex exchange rate movements would show an increase in NAV per share of approximately 10% over the period. When taken together with cash flows to K2 derived

from exits and share buybacks of EUR 4.07 million from 1 April 2014 to date, we regard this performance as creditable.

**Return of capital**

The Company and K2 presently hold free and uncommitted cash of EUR 16.41 million. In keeping with its actions in previous years your board expects to announce by 31 October how much it intends to return to shareholders this year.

I should draw shareholders' attention to the capital realisation targets established by the board and approved by shareholders at last year's Extraordinary General Meeting as part of the amendments to the investment management agreement with IL&FS Investment Advisors LLC (IIAL). Those amendments provided, inter alia, for a right to terminate that agreement if "Net Proceeds" (as defined) did not reach EUR 10 million by 31 March 2014, and EUR 30 million in total by 31 March 2015. As at 31 March 2014, Net Proceeds amounted to EUR 15.29 million. As a result, we announced on 31 March 2014 that the initial realisation threshold of EUR 10 million has been achieved. To date, Net Proceeds amount to EUR 19.48 million.

**Conclusion**

As always, my thanks go to my board colleagues, the team at Investment Manager IIAL, our advisors, and, most importantly, I would like to express my thanks to you, our shareholders, for your continuing support. 2014/15 will be a pivotal year for India and I look forward to reporting further to you in the Company's interim report which will be due at the end of November. I also hope to see as many of you as possible at the Company' Annual General Meeting which will take place in Jersey on 15 October 2014.

With best wishes



**Richard Boléat**

**Chairman**

**29 July 2014**

## **Investment Manager's Report**

Global growth continues to gain strength. The European economy has seen very low inflation and now there are worries of stagflation. The European Central Bank, for the first time, has taken its deposit rates into the negative territory. The liquidity in the European / US market is healthy and this trend is expected to continue. India had its worst time between June 2013 to August 2013 when Foreign Institutional Investors (FII) moved out around USD 13.0 billion (net) from Indian debt and equity markets. This sustained outflow took INR to its new low of 69/USD. Subsequent swift actions taken by the Government of India and Reserve Bank of India seem to have worked and INR has now stabilized at around INR 59-60/USD.

This moderately strong trend is expected to continue, if not accelerate, during 2014-2015. The positive outlook stems from the improvement in activity levels in the advanced economies where demand levels are back to pre-Lehman crisis days. The downside risks, as identified in the World Economic Outlook (WEO) of December 2013 by the International Monetary Fund, appear to be gradually diminishing. Further, the decisive mandate accorded by the Indian electorate to the Bharatiya Janata Party (BJP) led National Democratic Alliance (NDA) has improved investment sentiment towards India. The BJP has garnered simple majority on its own to form the government and fears of small regional parties coming up with anti-reforms agenda is firmly put to rest. The new government is expected to take tough measures to implement reforms and this is expected to lay down a framework for long term growth revival. The improved outlook however can get affected due to external factors like - Russian aggression in Ukraine, continued Syrian war, Kurdish attack in Iraq, Chinese economy slowdown and repeat of irrational exuberance in markets.

In India, GDP growth was recorded at 4.5% in FY2013 and 4.7% in FY2014. This marks two consecutive years of sub-5% growth, the worst slowdown in more than a quarter of a century. High interest rates, lack of liquidity in the banking system and domestic supply constraints are the attributed reasons. Led by falling infrastructure and corporate investment, the slowdown has slowly spread to other sectors too. Because of delayed projects, the assets of banks have become stressed and there is a growth in declared NPAs. During FY2014, the tightening of liquidity by the US Federal Reserve had its temporary effects on India and markets turned nervous. India's macroeconomic imbalances came to the fore due to high inflation, large current account and fiscal deficits and structural weaknesses like supply bottlenecks in infrastructure, and deficit in power became glaring.

Post FY2014, the situation has turned stable from deterioration. The current account deficit (CAD), after reaching a high of 4.7% in FY2013, has narrowed down to 1.7% in FY2014, and capital inflows have picked up. Reserve Bank of India continues to focus on keeping the inflation at bay. RBI continues to tweak the policy rates to tackle inflation at the same time not choking the banking system of the desired liquidity. In summation, propelled by global growth, improving export competitiveness and recent policy actions, India's GDP growth is expected to pick up to 5.5% in FY2015. However, persistent inflation, lower than normal monsoon and the resultant high interest rate regime could be negative factors. If the stock market movements are to be seen as a mirror to the future, the Indian economy is poised to do well in the coming months.

The real estate sector had witnessed low demand growth in the last 12 months and the scenario remained unchanged in the quarter ended March 2014. While, the developers have ensured

increased supply, especially in the residential and office segment, demand has not seen much improvement over the previous quarter end 31 December 2013. However, the end user demand is steady in established micro-markets, especially in projects undertaken by reputed developers.

After four quarters in a row of continued muted launch of new projects, the residential markets saw an improvement in project launches at country level in the last quarter of FY2014. Developers launched many projects to gain from anticipated recovery in market conditions based on expectations of favorable election results. However, cautious approach adopted by the buyers has resulted in increased inventory levels. Developers have been compelled to offer attractive pricing schemes and discounts to attract potential buyers. The scenario is expected to improve once interest rates come down and growth momentum picks up.

On the commercial front, the slowdown in the economy has impacted demand and vacancies continue to be at elevated levels. However, Bangalore, Pune and Hyderabad have witnessed lower vacancies compared to the national average due to lack of supply. Most market participants believe that vacancies have bottomed out. If the new government is successful in bringing about major reforms and remove bottlenecks around stalled projects, it will lead to a renewed demand for office space and rentals may start increasing gradually. On the retail side, limited availability of quality retail space in core locations is a bigger constraint rather than prohibitive rentals. Given this scenario, select quality developments will continue to witness greater than average increase in rentals, whereas, poorly planned malls will face high vacancy levels.

The hospitality sector continues to underperform due to sub-optimal occupancy rates and soft average room rates (ARRs). The hoteliers have very little leverage to increase the ARR, save for few extra ordinary days. It was heartening that FY2014 saw an increase in foreign tourist arrivals. Despite that, ARR continue to be under pressure due to competitive pricing. New supply of rooms is coming up slowly across the country due to completion of 4-5 years old projects. This sector is expected to recover once the macro-economic factors improve and business travel increases.

The growth scenario in India seems to have bottomed out after sub 5% growth in last two financial years. Consensus view is that the growth for current financial year would be in the range of 5-6% but with a caveat of possible below normal rainfalls as a downside risk. The gradual reduction in inflation, the softening of the commodity prices, especially oil and gold (which have major weightage in Indian foreign exchange outflow) should hold the economy in good stead. The CAD and related rupee volatility seems to have stabilized. Until now, the new government has made all the positive noises to create positive market sentiment. The first budget of the new government was presented by the Finance Minister on 10 July 2014. It is positive and promising and focuses to revive the sentiment of property buyers and investors and promoting investment with a view to give fillip to the construction and housing sector.

## Portfolio Highlights

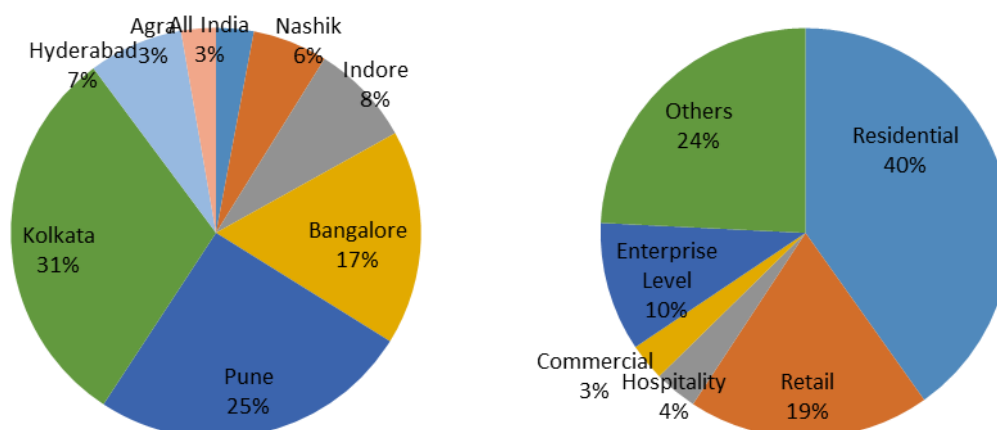
Execution of the projects and exits was our key focus during FY2014 which resulted in cash inflows of EUR 15.29 mn from the investment portfolio at K2 level. This cash flow was achieved through exit from three investments, distribution from two residential projects and partial refund of the investment in Tangerine.

In a portfolio of 15 investments, the Company has fully /partially exited from following projects: 1) Treasure Town, Bijalpur, 2) City Centre Mall, Nashik and 3) Bhavnagar. In addition, the Company received cash flows of EUR 6.1 mn from two residential projects viz. Residential projects in Bangalore and Pune (Kolte Patil). The Company also entered into definitive documents for a defined exit plan from Market City Retail, Pune and Phoenix United Mall, Agra, where the cash flows are expected to be received over the next 6-15 months.

After successful sales launch, the residential project in Bangalore commenced construction activities of five towers which are progressing in full swing with 22 levels completed in three out of five towers. Sales momentum in residential project at Kharadi in Pune (Kolte Patil) continues to remain healthy post launch of new commercial and residential buildings. Market City Residential (earlier Market City Hospitality) launched its luxury residential product in the market in last quarter of FY2014. In the Market City retail mall Pune, international brands like Hamleys and Starbucks started operating during the year. The occupancy level in this Pune mall has increased to 84% and footfalls as well as consumption levels have improved. In Nashik mall, occupancy remains stable at 62% with a regular churn in the non-performing vanilla tenants. In Treasure Market City at Indore, the consortium lenders have taken over possession of the property due to default in debt. The property went through an auction and failed to attract any bidders given a high reserve price set by the lenders. In Batanagar, the Company has initiated exit discussion with the promoters.

The Taj's Gateway hotel in Kolkata started operations during the year with part inventory. However the project is facing severe liquidity issues and the Investment Manager is working with the Promoter in exploring various options, including selling the asset.

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





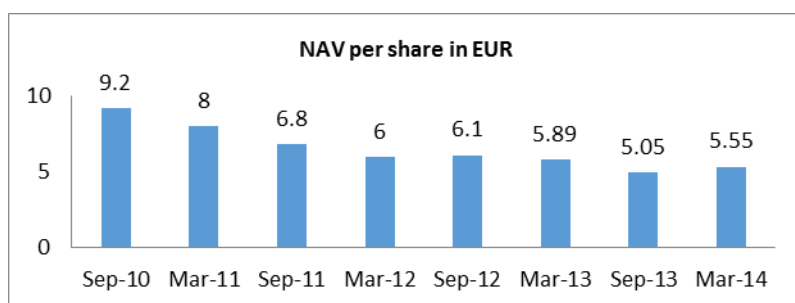
## Valuation & NAV

The valuations for the K2 portfolio were conducted as of 31 March 2014 under the Royal Institution of Chartered Surveyors (RICS) guidelines by the independent valuers CBRE. Projects where business plans are not yet finalized or those involving long gestation periods (some of the land parcels under Saket Engineers) were valued on Direct Comparable Method (DCM) basis while the others were valued on Discounted Cash Flow (DCF) basis.

The valuation highlights are as follows:

- Valuation of the portfolio based on independent RICS valuation excluding investments which are contracted for exit and written-off as on 31 March 2014 : EUR 67.2 mn (31 March 2013 – EUR 80.9 million)
- Decrease from March 2013 valuation – (16.9%)
- Valuation assumptions:
  - Capitalization Yields: 11.0% (31 March 2013 – 11%)
  - Weighted Average Cost of Capital: 18.3% (31 March 2013 – 18.0%)

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



## **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 currently acts as Chairman of CVC Credit Partners European Opportunities Limited, listed on the London Stock Exchange, and is 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 EM Alternatives LLC in Washington DC, emerging markets focused private equity asset management firm and 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.

Mr Wright joined Kleinwort Benson Limited in London in 1978 and in 1981 co-founded the Group's first office in California. In 1986 he relocated to New York to manage the Kleinwort Benson Limited portfolio of North American private equity, high-yield and mezzanine investments.

He is a co-founding director of Roper Industries Inc (NYSE) and was until February 2013 a board member of IDOX PLC (AIM).

Mr Wright has chaired the investment committees of and/or serves on several advisory boards of third party managed LBO and venture capital funds in North America and Europe 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 (M.A) and holds a Certified Diploma in Accounting and Finance (from the ACCA). 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 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**

Mr. Dalal has 26 years of financial markets and investment experience. At IL & FS Investment Managers Limited ("IIML"), Mr. Dalal has made investments in private equity transactions with an aggregate capitalization value in excess of \$9.5 billion. Prior to IIML, Mr. Dalal served as the Chief Executive Officer of IL&FS's Asset Management Strategic Business Unit. Prior to that, Mr. Dalal was at the Industrial Credit and Investment Corporation of India ("ICICI"). Mr. Dalal was actively involved in the initial public offerings of Indraprastha Gas and Shoppers' Stop. Mr. Dalal is a member of the India CEO Forum, which is affiliated with the IMA (International Market Assessment Group). Mr. Dalal received a Bachelor's degree in Commerce from Bombay University (India) and a Masters degree in Business Administration from Northeast Louisiana University (United States).

## **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 the current level of 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 is senior Non-Executive of Redrow Plc and a director of RICS Business Services. He is non-Executive Chairman of a Jersey based private property company; non-Executive of two other private property companies and Managing Director of a family property company.

## **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 Limited he was appointed Chairman of the Audit and Risk Committee.

## **Directors' Report**

The Directors present their annual report and the audited financial statements of Yatra Capital Limited ("the Company") for the year ended 31 March 2014.

## **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 was 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. During the year, the Company returned EUR 10 million to its shareholders by way of tender mechanism.

## **Business Review**

A review of the Company'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, shareholders passed the following principal resolutions:

1. The investment policy of the Company's Real Estate Shares be amended to restrict new investments solely to support existing investments for the purpose of protecting, preserving or enhancing such investments, including for completion of their development and to focus future investment management efforts on the realization of the Company's portfolio and the return of surplus capital and realization proceeds to shareholders.
2. Approval of a revised Investment Management Agreement which embodies a closer alignment between the Investment Manager and shareholders and revised remuneration and termination agreements.
3. Approval of changes to the Memorandum and Articles of the Company by introducing the ability to issue a new class of shares to invest in a portfolio of Indian infrastructure assets and also to introduce a number of other changes that seek to improve the corporate governance of the Company.

## **Change in Accounting Policy**

In the previous years, the Company prepared and reported consolidated financial statements and investments in Portfolio Companies were accounted for at fair value through profit or loss. For the year ended 31 March 2014, the Company has early adopted IFRS 10 – Consolidated Financial Statements – Amendments for investment entities. The standard has been applied retrospectively and comparative amounts have been restated. On adoption of IFRS 10, the Company determined that it met the definition of an investment entity. Further details are provided in note 2.1.1.

## **Results and Dividend**

The Company's results for the year ended 31 March 2014 are shown in the Statement of Profit or Loss and Other Comprehensive Income and related notes (pages 25 to 55). The Directors do not propose to declare a dividend for the year under review (31 March 2013-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 Investment Manager to K2 Property Limited. 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 (Chairman)	27 January 2010
Christopher Wright	27 January 2010
George Baird (Chairman of the Audit and Risk Committee)	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 2014.

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

All the directors 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:

Directors of the Company	Remuneration (in EUR)
David Hunter	58,333
Shahzaad Dalal	Nil
Malcolm King	49,167
Richard Boléat	76,667
Christopher Wright	55,000
George Baird	50,833

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 K2 Property Limited and project management, property advisory, property management and monitoring services to those subsidiaries of K2 Property Limited which acquire properties, in each case in accordance with the investment objective, investment policy and restrictions of the Company, K2 Property Limited and its subsidiaries. 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 of India Limited and the BSE Limited.

## **Statement of Directors' Responsibility**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

## **Responsibility statement**

With regard to Regulation 2004/1109/EC of the European Union (the "EU Transparency Directive"), the directors confirm to the best of their knowledge that:

- the financial statements for the year ended 31 March 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by law and in accordance with International Financial Reporting Standards; and
- the Directors' report and Chairman's statement give a fair view of the development of the Company's business, financial position and the important events that have occurred during the year and their impact on these financial statements.

The principal risks and uncertainties faced by the Company are disclosed below and in note 3 of these financial statements.

## **Corporate Governance**

A statement of Corporate Governance can be found on pages 16-18.

## **Key Risks**

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

- Real estate investments are long-term, illiquid investments and therefore the Company may not be able to realize the current NAV. The Company seeks to mitigate these risks by enhancing their marketability and exploring additional methods of disposing of its interests.
- The slow pace of policy reforms, uncertain tax environment and underdeveloped secondary real estate markets in India limits the potential exit opportunities for the Company'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 Company is exposed in respect of its investments.
- The Indian companies in which the Company invests through its subsidiaries 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 Company's performance, being the introduction of the distribution tax on buyback of unlisted shares undertaken by an Indian company. The Company, 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 Company 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 Company through its subsidiaries invests in Indian companies ("Portfolio Companies") and these investments are denominated in Indian Rupees. The Company's issued shares are denominated in EUR, and the Company and its subsidiaries 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 Company, through its subsidiaries, is exposed to counterparty risk, principally as a result of the joint venture and leveraged nature of its investment portfolio. There is dependence upon the continued activity, performance and solvency of its joint venture real estate development partners. Additionally, the success of the 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 Company through its subsidiaries has acquired minority stakes in the Portfolio Companies and hence cannot control the day-to-day operations of these Portfolio Companies.
- The Portfolio Companies are 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 Company and its subsidiaries are exposed.

### **Annual General Meeting**

The Annual General Meeting of the Company will be convened in due course upon the issuance of at least 42 days prior notice to the shareholders.

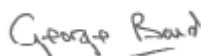
### **Independent Auditors**

KPMG Channel Islands Limited was appointed as auditors replacing PricewaterhouseCoopers CI LLP, at the Annual General Meeting held on 23 September 2013.

By Order of the Board



**Richard Boléat**  
**Chairman**



**George Baird**  
**Director and Audit & Risk Committee**  
**Chairman**

**29 July 2014**



## **Corporate Governance Report**

It is the Company's policy to comply with best corporate governance practices. The Company 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 has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. 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 Company:

- the overall objectives for the Company and the Company'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 Company and its subsidiaries including consideration of any appropriate use of gearing both for the Company and its subsidiaries and in any joint ventures or similar arrangements in which they 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 Company's performance including Net Asset Value and distributions;
- 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 Company being collectively and individually responsible for its success. They are accountable to shareholders and take into consideration the need to foster the Company's business relationships with other stakeholders in discharging their obligations.

The Board has conducted a self-assessment exercise for the year ended 31 March 2014 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.

The directors believe that this annual report and financial statements present a fair, balanced and understandable assessment of the Company's position and prospects.

## 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 Administrator, 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 8 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	7
Shahzaad Dalal	7
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 Company 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.

The directors believe that due to the structure and size of the Company, no internal audit function is required. 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	4
Malcolm King	4
Christopher Wright	3
George Baird	4

**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 Company, K2 Property Limited and its subsidiaries 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	1
David Hunter	1

**Shareholder Relations**

Shareholder communications are a 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 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 Auditor's Report to the Members of Yatra Capital Limited**

### **Report on the financial statements**

We have audited the financial statements of Yatra Capital Limited (the "Company"), which comprise the statement of financial position as at 31 March 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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 Standards, and 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.

### **Auditor's 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 about 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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.

## **Independent Auditor's Report to the Members of Yatra Capital Limited (Continued)**

### **Opinion**

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 March 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Other matter**

The Company's consolidated financial statements for the year ended 31 March 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 July 2013.

### **Report of Other Legal and Regulatory Requirements**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Heather J MacCallum

for and on behalf of KPMG Channel Islands Limited  
*Chartered Accountants and Recognized Auditor*

29 July 2014

37 Esplanade

St Helier

Jersey

JE4 8WQ

### **Notes:**

- The maintenance and integrity of the websites on which these financial statements are published is the responsibility of third parties; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 29 July 2014. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 29 July 2014 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

## Statement of Financial Position

As at 31 March 2014

	Notes	As at 31-Mar-14 EUR	As at 31-Mar-13 EUR Restated*	As at 01-Apr-12 EUR Restated*
<b>ASSETS</b>				
<b>Non Current assets</b>				
Financial assets at fair value through profit or loss	6	<b>84,631,314</b>	101,199,876	101,989,005
		<b>84,631,314</b>	101,199,876	101,989,005
<b>Current assets</b>				
Prepayments and other receivables	7	<b>101,203</b>	124,970	295,284
Cash and cash equivalents	8	<b>4,769,466</b>	11,521,159	25,891,837
		<b>4,870,669</b>	11,646,129	26,187,121
<b>Total assets</b>		<b>89,501,983</b>	112,846,005	128,176,126
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Stated capital	9	-	-	-
Share premium	9	<b>194,406,198</b>	204,406,192	211,906,108
Accumulated losses		<b>(104,030,420)</b>	(91,420,542)	(83,522,972)
Treasury shares	9	<b>(949,106)</b>	(715,415)	(267,569)
<b>Total equity</b>		<b>89,426,672</b>	112,270,235	128,115,567
<b>Current liabilities</b>				
Accruals and other payables	10	<b>75,311</b>	575,770	60,559
		<b>75,311</b>	575,770	60,559
<b>Total equity and liabilities</b>		<b>89,501,983</b>	112,846,005	128,176,126
Number of ordinary shares in issue		16,123,141	19,054,326	21,342,122
Net asset value per share	16	5.55	5.89	6.00

\* See note 2.1.1

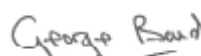
The financial statements were approved by the Board of Directors and authorised for issue on 29 July 2014. They were signed on its behalf by Richard Boléat and George Baird.

**Richard Boléat**



**Chairman**

**George Baird**



**Director and Audit & Risk  
Committee Chairman**

The notes on pages 25 to 55 form an integral part of these financial statements.

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Notes	Year ended 31 March 2014 EUR	Year ended 31 March 2013 EUR Restated*
<b>INCOME</b>			
Interest income on bank deposits		16,106	147,042
Net (loss) / gain on foreign exchange		(4,732)	640
Realized loss on financial assets at fair value through profit or loss	6	(7,527,567)	-
Unrealized loss on fair valuation of financial assets at fair value through profit or loss	6	(4,040,995)	(5,789,129)
		<u>(11,557,188)</u>	<u>(5,641,447)</u>
<b>EXPENSES</b>			
Custodian, secretarial and administration fees		131,341	132,942
Legal and professional costs		433,250	1,495,034
Directors' fees	12	290,000	240,000
Directors' insurance		31,753	36,549
Audit expenses		53,178	88,782
Listing agents fees		46,411	47,958
Travelling expenses		57,777	179,612
Other administrative expenses		8,980	35,246
		<u>1,052,690</u>	<u>2,256,123</u>
<b>Total Comprehensive Loss for the year before tax</b>		<u>(12,609,878)</u>	<u>(7,897,570)</u>
Taxation	5	-	-
<b>Total Comprehensive Loss attributable to:</b>			
Equity holders of the Company		<u>(12,609,878)</u>	<u>(7,897,570)</u>
		<u>(12,609,878)</u>	<u>(7,897,570)</u>
Basic and diluted loss per share	15	(0.69)	(0.38)

\* See note 2.1.1

The notes on pages 25 to 55 form an integral part of these financial statements.

## **Statement of Changes in Equity**

**For the year ended 31 March 2014**

**EUR**

<b>As at 1 April 2012 as restated</b>	<b>128,115,567</b>
Redemption of shares	(7,499,916)
Treasury shares	(447,846)
Loss for the year (note 2.1.1)	<u>(7,897,570)</u>
<b>As at 31 March 2013 as restated</b>	<b>112,270,235</b>
Redemption of shares	(9,999,994)
Treasury shares	(233,691)
Loss for the year	<u>(12,609,878)</u>
<b>As at 31 March 2014</b>	<b><u>89,426,672</u></b>

The notes on pages 25 to 55 form an integral part of these financial statements.



## Statement of Cash Flows

For the year ended 31 March, 2014

	Notes	Year ended 31 March 2014 EUR	Year ended 31 March 2013 EUR Restated*
<i>Cash flows from operating activities</i>			
Total comprehensive loss for the year before taxation		(12,609,878)	(7,897,570)
Adjustments for:			
Interest income from bank deposits		(16,106)	(147,042)
Realized loss on financial assets at fair value through profit or loss	6	7,527,567	-
Unrealized loss on fair valuation of financial assets at fair value through profit or loss	6	4,040,995	5,789,129
Cash used in operations		<u>(1,057,422)</u>	<u>(2,255,483)</u>
Decrease in prepayments and other receivables		23,767	170,314
(Decrease) / increase in accruals and other payables		<u>(500,459)</u>	<u>515,211</u>
Net cash used in operating activities		<u>(1,534,114)</u>	<u>(1,569,958)</u>
<i>Cash flows from investing activities</i>			
Proceeds from redemption of shares in K2	6	5,000,000	-
Repayment of amount due to K2	6	-	(5,000,000)
Interest income received from bank deposits		16,106	147,042
Net cash generated from / (used in) investing activities		<u>5,016,106</u>	<u>(4,852,958)</u>
<i>Cash flows from financing activities</i>			
Redemption of shares	9	(9,999,994)	(7,499,916)
Purchase of treasury shares	9	<u>(233,691)</u>	<u>(447,846)</u>
Net cash used in financing activities		<u>(10,233,685)</u>	<u>(7,947,762)</u>
Net decrease in cash and cash equivalents		(6,751,693)	(14,370,678)
Cash and cash equivalents at beginning of the year		11,521,159	25,891,837
Cash and cash equivalents at end of the year	8	<u>4,769,466</u>	<u>11,521,159</u>

\* See note 2.1.1

The notes on pages 25 to 55 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.

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. K2 and its subsidiaries make 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 Company and K2 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost basis, as modified by the fair valuation of investments.

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

As at 31 March 2014, the Company did not hold a controlling interest in any of the Portfolio Companies in which it has invested through its direct and indirect subsidiaries. The estimates and assumptions applied in determining the fair value of these investments are set out in note 3.5.

## **Notes to the Financial Statements (Continued)**

### **Summary of significant accounting policies (Continued)**

The Company has adopted IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) IFRS 12 (Disclosure of Interests in Other Entities), IFRS 13 (Fair Value Measurement), as well as the consequential amendments to IAS 28 Investment in Associates and Joint Ventures (2011), with a date of initial application of 1 April 2013.

The Company has early adopted the Amendments to IFRS 10, IFRS 12 and IAS 27 (2012) (the "Amendments") with a date of initial application of 1 April 2013. The Board of Directors have concluded that the Company meets the definition of an Investment Entity (see note 2.1.1). As a result, the Company has changed its accounting policy concerning accounting for its investments in subsidiaries, to measure them at fair value through profit or loss. Before adoption of the amendments, the Company consolidated its direct and indirect subsidiaries.

#### **2.1.1 Changes in accounting policies**

New standards and amendments to standards and interpretations which have been adopted by the Company are set out below:

##### *IFRS 10 Consolidated Financial Statements*

The amendments apply to annual periods beginning on or after 1 January 2013. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. The determination of power is based on current facts and circumstances (including substantive potential voting rights) and is continuously assessed. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances. However, an investor could have power over the investee even when it holds less than the majority of the voting rights in certain cases. IFRS 10 provides guidance on participating and protective rights, and brings the notion of "de facto" control firmly within the guidance. The standard also requires an investor with decision making rights to determine if it is acting as a principal or an agent and provides factors to consider. If an investor acts as an agent, it would not have the requisite power and, hence, would not consolidate.

## **Notes to the Financial Statements (Continued)**

### **Summary of significant accounting policies (Continued)**

#### *IFRS 12 Disclosure of Interests with Other Entities*

The amendments apply to annual periods beginning on or after 1 January 2013. IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. The objective of IFRS 12 is to require entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's involvement with subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Specific disclosures include the significant judgments and assumptions made in determining control as well as detailed information regarding the entity's involvement with these investees.

Adoption of the above standard did not have any material impact on the financial statements of the Company.

#### *IFRS 10 Consolidated Financial Statements – Consolidation relief for Investment entity*

The Company has early adopted the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27 (2012) (the "Amendments") with a date of initial application of 1 April 2013. The Board of Directors concluded that the Company meets the definition of an Investment entity (see note 2.1.1 below). As a result, the Company has changed its accounting policy on accounting for its investments in subsidiaries, to measure them at fair value through profit or loss. Before adoption of the amendments, the Company consolidated its direct and indirect subsidiaries.

A qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exemption is mandatory for qualifying investment entities.

An investment entity typically has the following characteristics:

- It should have more than one investment. The Company has invested in K2. K2, through its direct and indirect subsidiaries, has invested in Portfolio Companies;
- It should have more than one investor. The Company has multiple investors;
- It should have Investors that are not related parties. None of the Company's investors are, to its knowledge, related parties; and
- It should have ownership interests in the form of equity or similar interests. The Company's ownership interests are in the form of equity.

In accordance with the transitional provisions of the amendments, the Company has applied the new accounting policy retrospectively and restated the comparative information. The effect on the comparatives figures following early adoption of the amendments have been disclosed in this note.

**Notes to the Financial Statements (Continued)**
**Summary of significant accounting policies (Continued)**

The change in accounting policy resulted, in aggregate, to no material adjustment to the net assets attributable to holders of the Company's shares. The following table presents, in respect of the period immediately preceding the date of initial application, the resulting changes for each financial statement line item affected. The transitional provisions of the amendments do not require disclosure of similar information in respect of the current period.

**Statement of Financial Position as at 31 March 2013**

	Consolidated 31 March 2013 as previously reported EUR	Adjustments EUR	Company 31 March 2013 as restated EUR
<b>ASSETS</b>			
<b>Non Current assets</b>			
Financial assets at fair value through profit or loss	73,674,808	27,525,068	101,199,876
	73,674,808	27,525,068	101,199,876
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20,393,403	(20,393,403)	-
Prepayments and other receivables	5,011,168	(4,886,198)	124,970
Cash and Cash equivalents	13,970,811	(2,449,652)	11,521,159
	39,375,382	(27,729,253)	11,646,129
<b>Total assets</b>	<b>113,050,190</b>	<b>(204,185)</b>	<b>112,846,005</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	-	-	-
Share premium	204,406,192	-	204,406,192
Accumulated losses	(91,420,542)	-	(91,420,542)
Treasury shares	(715,415)	-	(715,415)
<b>Total equity</b>	<b>112,270,235</b>	<b>-</b>	<b>112,270,235</b>
<b>Current liabilities</b>			
Accruals and other payables	779,955	(204,185)	575,770
	779,955	(204,185)	575,770
<b>Total equity and liabilities</b>	<b>113,050,190</b>	<b>(204,185)</b>	<b>112,846,005</b>

**Notes to the Financial Statements (Continued)**
**Summary of significant accounting policies (Continued)**
**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2013**

	Consolidated Year ended 31 March 2013 as previously reported EUR	Adjustment EUR	Company Year ended 31 March 2013 as restated EUR
<b>Income</b>			
Interest income on bank deposits	166,361	(19,319)	147,042
Gain on foreign currency translation	-	640	640
Interest income on investment	442,002	(442,002)	-
Dividend income	22,083	(22,083)	-
Other income	149	(149)	-
Gain on disposal of financial assets at fair value through profit or loss	353,160	(353,160)	-
Loss on fair valuation of financial assets at fair value through profit or loss	(1,951,835)	(3,837,294)	(5,789,129)
	(968,080)	(4,673,367)	(5,641,447)
<b>Expenses</b>			
Investment Manager fee	3,792,167	(3,792,167)	-
Custodian, secretarial and administration fees	220,884	(87,942)	132,942
Legal and professional costs	1,606,487	(111,453)	1,495,034
Directors' fees	339,203	(99,203)	240,000
Directors' insurance	36,549	-	36,549
Audit expenses			
- Audit fees	324,397	(235,615)	88,782
- Out of pocket expenses	36,641	(36,641)	-
Listing agents fees	47,958	-	47,958
Travel and entertainment	-	179,612	179,612
Investment committee expenses	91,818	(91,818)	-
Other administrative expenses	314,506	(279,260)	35,246
Loss on foreign currency translation	70,581	(70,581)	-
	6,881,191	(4,625,068)	2,256,123
<b>Total Comprehensive Loss for the year before tax</b>	(7,849,271)	(48,299)	(7,897,570)
Taxation	(48,215)	48,215	-
<b>Total Comprehensive Loss attributable to:</b>			
<b>Equity holders of the Company</b>	<b>(7,897,486)</b>	<b>(84)</b>	<b>(7,897,570)</b>
Basic and diluted loss per share	(0.38)		(0.38)

**Notes to the Financial Statements (Continued)**
**Summary of significant accounting policies (Continued)**
**Statement of Financial Position as at 31 March 2012**

	Consolidated 31 March 2012 as previously reported EUR	Adjustments EUR	Company 31 March 2012 as restated EUR
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	83,242,603	18,746,402	101,989,005
	<b>83,242,603</b>	<b>18,746,402</b>	<b>101,989,005</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	13,079,179	(13,079,179)	-
Prepayments and other receivables	4,796,376	(4,501,092)	295,284
Cash and Cash equivalents	27,337,824	(1,445,987)	25,891,837
	<b>45,213,379</b>	<b>(19,026,258)</b>	<b>26,187,121</b>
<b>Total assets</b>	<b>128,455,982</b>	<b>(279,856)</b>	<b>128,176,126</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	-	-	-
Share premium	211,906,108	-	211,906,108
Accumulated losses	(83,522,990)	18	(83,522,972)
Treasury shares	(267,569)	-	(267,569)
<b>Total equity</b>	<b>128,115,549</b>	<b>18</b>	<b>128,115,567</b>
<b>Current liabilities</b>			
Accruals and other payables	340,433	(279,874)	60,559
	<b>340,433</b>	<b>(279,874)</b>	<b>60,559</b>
<b>Total equity and liabilities</b>	<b>128,455,982</b>	<b>(279,856)</b>	<b>128,176,126</b>

## **Notes to the Financial Statements (Continued)**

### **Summary of significant accounting policies (Continued)**

#### *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1 Presentation of financial statements)*

The amendments to IAS 1 have been adopted by the Company for the first time for its financial reporting period ended 31 March 2014. The standard has been applied retrospectively.

The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, the entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

The above amendments resulted in the new title and presentation of the Statement of Comprehensive Income. The new title being "Statement of profit or loss and other comprehensive income".

#### *IFRS 13 Fair value measurement*

The standard has been adopted by the Company for the first time for its financial reporting period ended 31 March 2014.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

The above standard has resulted in additional disclosures as disclosed in note 3.5.



## **Notes to the Financial Statements (Continued)**

### **Summary of significant accounting policies (Continued)**

#### *IAS 27 Separate Financial Statements (2011)*

The amendments apply to annual periods beginning on or after 1 January 2013. The standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.

#### *IAS 28 Investments in Associates and Joint Ventures (2011)*

The amendments apply to annual periods beginning on or after 1 January 2013. IAS 28 makes the following amendments:

- IFRS 5 applies to an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

Adoption of the above amendments to IAS 27 and IAS 28 did not have an impact on the financial statements of the Company.

## **2.2 New and amended standard not yet effective**

#### *IFRS 9 Financial Instruments (2013), IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together, IFRS 9)*

IFRS 9 (2009) addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9, there are two options in respect of classification of financial assets, namely, financial assets measured at amortized cost or at fair value. Financial assets are measured at amortized cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

## Notes to the Financial Statements (Continued)

### Summary of significant accounting policies (Continued)

The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognized in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9, derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2013) introduces new requirement for hedge accounting that align hedge accounting more closely with risk management. The tentative effective date of the standard is for periods beginning 1 January 2018. However, early application of IFRS 9 is permitted. The impact on the financial statements for the Company has not yet been determined. Currently, management is planning to adopt IFRS 9 on its effective date.

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 Company.

### 2.3 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the Company 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 Company’s 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 Profit or Loss and Other Comprehensive Income. The EUR exchange rate used at the date of Statement of Financial Position for the translation of monetary assets and

**Notes to the Financial Statements (Continued)****Summary of significant accounting policies (Continued)**

liabilities denominated in INR was 82.58 (31 March 2013 - 69.54), an 18.75 % depreciation in the INR against the EUR. Translation differences on non-monetary financial assets and liabilities re-measured at each reporting date, such as equity instruments classified as financial assets at fair value through profit or loss, are recognised in the Statement of Profit or Loss and Other 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*

K2 is a wholly owned subsidiary of the Company. K2 through its subsidiaries invests in joint ventures and associates. At the year end, K2 also held securities of a company listed on the Stock Exchanges in India which has been sold post year end. Subsidiaries are investments controlled by the Company.

The Company has early adopted the Investment Entities exemption (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, such that all the subsidiaries shall not be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 13 instead of consolidating those subsidiaries in its consolidated financial statements. Accordingly, the principles of consolidation under IFRS 10 are not applicable to the Company for the year ended 31 March 2014.

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 Company's documented investment strategy. The Company's policy is for the Investment Manager and the Board 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.

*(b) Recognition/derecognition*

Purchases and sales of investments are recognised on the "trade date" – the date on which the Company 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 Company has transferred substantially all risks and rewards of ownership. Net gain from financial assets at fair value through profit and loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

**Notes to the Financial Statements (Continued)****Summary of significant accounting policies (Continued)***(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 Profit or Loss and Other 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 Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income using the effective interest rate method.

*(d) Fair value estimation*

‘Fair Value’ is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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 are determined by using valuation techniques.

The Company has early adopted the investment entity exemption under IFRS 10 and records the adjusted net asset value of its direct subsidiary as the fair value of its investment in its direct subsidiary.

In determining the fair value of financial instruments in K2, and the Portfolio Companies, the Company 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 prescribed by the Royal Institution of Chartered Surveyors (“RICS”). The methodologies, processes and significant unobservable inputs used in the valuation derived by the independent valuer are detailed in notes 3.5 and 4.1 below.

**2.5 Financial assets at amortised cost**

Financial assets at amortised cost include prepayments and other receivables. These financial assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method (EIR), less provision for impairment. The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

## **Notes to the Financial Statements (Continued)**

### **Summary of significant accounting policies (Continued)**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A provision for impairment of amounts due from counterparties is established when there is objective evidence that the Company will not be able to collect all amounts due from the relevant counterparty.

#### **2.6 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.

#### **2.7 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.

#### **2.8 Stated capital**

Ordinary shares are classified as equity. Ordinary shares which have been bought back during the year are recorded as Treasury shares other than shares bought back by the Company via its annual tender, which have been cancelled.

#### **2.9 Interest income**

Interest income is recognised on a time-proportionate basis using the EIR.

#### **2.10 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 Profit or Loss and Other Comprehensive Income as an expense.

#### **2.11 Expenses**

All expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

#### **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 Company's activity generates taxable income. The Board periodically evaluates positions taken in tax returns with respect to

## **Notes to the Financial Statements (Continued)**

### **Summary of significant accounting policies (Continued)**

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 a business combination that at the time of the transaction affects neither accounting 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, prepayments and other receivables, cash at bank, 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 Company is a party are provided in Note 3.

#### **2.14 Treasury shares**

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. Treasury shares are not held for sale or subsequent reissue and will be cancelled at the Board's discretion.

#### **2.15 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.

#### **2.16 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 Company, through K2 and its subsidiaries, is engaged in real estate development projects in India, being a single reportable

## **Notes to the Financial Statements (Continued)**

### **Summary of significant accounting policies (Continued)**

geographical segment having an economic environment that is subject to risks and returns which are different from geographical segments operating in other economic environments.

#### **2.17 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### **3 Financial risk management**

#### **3.1 Strategy in using financial instruments**

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

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

This note presents information about the Company's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk and management of capital. Further quantitative disclosures are included throughout these financial statements. The Company held no derivative instruments during the year ended 31 March 2014 (31 March 2013- Nil). A summary of the main risks is set out below:

#### **3.2 Market risk**

The Company 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 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 Company's cash flow is monitored at regular intervals by the Board. As at 31 March 2014, the Company did not have any interest bearing financial instruments, therefore the Company is not exposed to significant cash flow interest rate risk.

**Notes to the Financial Statements (Continued)**
**Financial risk management (Continued)**
**(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 Company's functional currency.

The Company, through K2 and its subsidiaries, 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 Company's investments, to be a component of market price risk and not foreign currency risk. However, the Company monitors the exposure on all foreign currency denominated assets and liabilities.

The Company has in place a policy that requires it 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 Company 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 Company continues to have fully unhedged INR exposures comprising substantially all of the Company's Non-Current Assets. The table below summarises the Company's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the EUR:

<b>Company</b>	31 March 2014			31 March 2013 restated		
	INR	USD	GBP	INR	USD	GBP
<i>Amounts in Euro</i>						
<b>Assets</b>						
Monetary assets	-	-	27,786	-	-	21,349
<b>Liabilities</b>						
Monetary liabilities	-	149	30,161	2,991	4,497	553,487

The table below summarises the sensitivity of the Company's monetary and non-monetary assets and liabilities to changes in foreign currency movements at 31 March 2014. 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)**

Company	Reasonably possible shift in rate		Reasonably possible shift in rate	
	31 March 2014		31 March 2013	
	%	EUR	%	EUR
Currency				
GBP				
- Monetary assets	+ 15 %/(15 %)	31,954/(23,618)	+ 10 %/(10 %)	23,484/(19,214)
- Monetary liabilities	+ 15 %/(15 %)	34,686/(25,637)	+ 10 %/(10 %)	608,836/(498,138)
USD				
- Monetary liabilities	+ 15 %/(15 %)	171/(127)	+ 10 %/(10 %)	4,947/(4,047)
INR				
- Monetary liabilities	+ 15 %/(15 %)		- + 10 %/(10 %)	3,290/(2,692)

**(c) Price risk**

The Company is exposed to price risk as the investments of the Company as stated in the Statement of Financial Position are classified as financial assets at fair value through profit and loss. Where non-monetary financial instruments, such as 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.

**3.3 Credit risk**

Credit risk arises when a failure by counterparty 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 Company's credit risk arises principally from cash at bank and other receivables. The Company'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 2014, all cash balances were placed with Barclays Bank Plc which had a long term credit rating of "A (Negative)" from Standard and Poor's and with Royal Bank of Scotland which had a long term credit rating of "BBB+" from Standard and Poor's.

The Company's credit risk also arises in respect of other receivables as disclosed in note 7 below. The Board has considered the recoverability of these balances as at 31 March 2014 and does not consider the risk of failing to recover these amounts to be significant. Additionally, before the

## Notes to the Financial Statements (Continued)

### Financial risk management (Continued)

Company enters into transactions with another party, it makes an assessment of the credit worthiness of that party.

#### 3.4 Liquidity risk

Liquidity risk is the risk that the Company 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 Company minimises these risks by maintaining sufficient cash to meet all anticipated future payment obligations. As at 31 March 2014, the total financial liabilities of the Company amounted to EUR 0.08 million (31 March 2013: EUR 0.58 million).

At 31 March 2014, the Company had sufficient liquid financial assets to meet its current financial obligations.

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

Details				
	Due - less than 12 months		Due - more than 12 months	
	31 March 2014 EUR Millions	31 March 2013 EUR Millions Restated	31 March 2014 EUR Millions	31 March 2013 EUR Millions Restated
Accruals and other payables	0.08	0.58	-	-
<b>Total payable</b>	<b>0.08</b>	<b>0.58</b>	-	-

On the basis of the above, the Board considers that the company has no significant liquidity risk.

**Notes to the Financial Statements (Continued)****Financial risk management (Continued)****3.5 Fair values**

The carrying amount of prepayments and other receivables, cash and cash equivalents and accruals and other payables approximate their fair values. The financial assets at fair value through profit or loss represent the fair value of the Company's investment in K2.

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 Company are explained in Note 4.1 below.

For the purpose of these financial statements the Company determines the fair value of its investment based on the latest available financial information provided by K2. The Investment Manager reviews the details of the reported information obtained and considers, among other things, the following factors: (a) the valuation of K2 Property Limited; (b) the value date of the net asset value provided; (c) the basis of accounting. When deemed necessary, adjustments to the NAV for relevant factors, such as liquidity and/or credit risks, are made to obtain the best estimate of fair value. As at the reporting date, the Board and the Investment Manager believe that the adjusted NAV of K2 is representative of its fair value.

The table below sets out information about significant unobservable inputs used as at 31 March 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

<b>Description</b>	<b>Amount (EUR)</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range</b>
Unquoted investment	84,631,314 *	Adjusted NAV	NAV of K2 Property Limited	NA

\* The NAV of K2 has been adjusted for the Company's liability to K2 amounting to EUR 12,307,073 in determining the fair value of the Company's investment in K2.

The net asset value of the Company is sensitive to the fair value of K2.

IFRS 13 requires the Company 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).

**Notes to the Financial Statements (Continued)****Financial risk management (Continued)**

- 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 is determined on the basis of the lowest level input that is significant to 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 Company. The Company 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.

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

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>Balance</b>
				<b>EUR</b>
<b>31 March 2014</b>				
Financial assets designated at fair value through profit or loss	-	-	<b>84,631,314</b>	<b>84,631,314</b>
<b>31 March 2013 Restated</b>				
Financial assets designated at fair value through profit or loss	-	-	101,199,876	101,199,876

There has been no transfer between levels during the year ended 31 March 2014 (31 March 2013 – Nil).

## Notes to the Financial Statements (Continued)

### Financial risk management (Continued)

The changes in the financial assets at fair value through profit or loss classified at level 3 are as follows:

	2014 EUR	2013 EUR Restated
Balance as at 1 April in prior year	101,199,876	101,989,005
Repayment of amount due to K2	-	12,500,000
Redemption of shares	(5,000,000)	(7,500,000)
Realized loss on financial assets at fair value through profit or loss	(7,527,567)	-
Unrealised loss on fair valuation of financial assets at fair value through profit or loss	(4,040,995)	(5,789,129)
Balance as at 31 March	<u>84,631,314</u>	<u>101,199,876</u>

Transfers between levels of the fair value hierarchy, if any, are deemed to have occurred at the end of the reporting period.

The Company through K2 and its subsidiaries, has invested in unquoted shares in the Portfolio Companies. In the absence of observable prices, as described in Note 4.1, valuation techniques are used to compute their fair value. The fair value of these shares 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, depending on the stage of each project and 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, where available and relevant, and of a number of assumptions and judgments obtained from the Investment Manager. Hence, the investments which comprise substantially all of the net assets of K2 are classified under level 3.

The projects valued using the DCM constitutes 2.34 % (31 March 2013 – 4.20%) of the total fair values of the assets held by the Portfolio Companies and the remainder are valued using DCF.

The investments made by the Company through K2 and its subsidiaries comprise the following real estate categories:

- a. Residential development
- b. Hospitality development

#### a. Residential development

The valuation of residential developments are carried out using the Earnings Before Interest Taxes and Depreciation and Amortisation (EBITDA) level Discounted Cash Flow (DCF) method discounted using a weighted average cost of capital (WACC), which the Valuer deems appropriate for the project being valued. The four significant inputs used in the DCF method are:

## Notes to the Financial Statements (Continued)

### Financial risk management (Continued)

- i. Sale price: it is the price per unit of area expected to be realized over the life of the project with estimated adjustments made for periodic escalations. The estimated fair value would increase (decrease) if sale prices were higher (lower).
- ii. Construction cost: it is the cost per unit of area to be incurred over the life of the project with estimated adjustments made for periodic escalations. The estimated fair value would decrease (increase) if construction costs were higher (lower).
- iii. WACC: it is a combination of expected weighted cost of equity and debt with adjustments made to the ratio and individual costs for each project. The estimated fair value would decrease (increase) if WACC were higher (lower).
- iv. Tax computation: The assumptions selected in computing corporate tax for estimating a post-tax valuation, such as the timing of sales, recognition of taxable income as per Indian Generally Accepted Accounting Principles and the prevailing corporate tax rate.

#### b. Hospitality development

The valuation is carried out using the DCF method and capitalizing the gross operating profit before interest and taxes and then applying a WACC. The four significant inputs used in the DCF method are:

- i. Room rate: it is the room rates expected to be realized over the period of valuation with adjustments for estimated escalations. The estimated fair value would increase (decrease) if room rates were higher (lower).
- ii. Operating costs: these are the costs estimated to be incurred over the period of valuation to earn the revenues as adjusted for estimated escalations. The estimated fair value would decrease (increase) if operating costs were higher (lower).
- iii. Capitalization rate: it is the rate at which the gross operating profit is capitalized to arrive at the exit value of the hotel in the year of planned exit. The estimated fair value would decrease (increase) if capitalization rates were higher (lower).
- iv. WACC: it is a combination of the estimated weighted cost of equity and debt of the project. The estimated fair value would decrease (increase) if WACC were higher (lower).

The table below presents the sensitivity of the fair value of K2 incorporated in the Company's Statement of Financial Position to changes in the significant unobservable inputs for residential developments:

Significant unobservable inputs	2014 Movements EUR mn
Increase in sale price 5%	4.67
Decrease in sale price 5%	(4.67)
Increase in construction cost 5%	(3.37)
Decrease in construction cost 5%	3.37
Increase in WACC 5%	(1.51)
Decrease in WACC 5%	1.58
Tax basis changed to percentage of completion basis	(5.46)

## Notes to the Financial Statements (Continued)

### Financial risk management (Continued)

The significant unobservable inputs used in the valuation in the case of sale price and construction cost vary from project to project depending upon on the product mix of each project, location etc. In case of the discount rate, the range of this variable across the portfolio is from 16.14% to 22%.

The table below presents the sensitivity of the fair value of K2 to changes in the significant unobservable inputs for Hospitality developments:

Significant unobservable inputs	2014 Movements EUR mn
Increase in room rates (base rate EUR 69.63) 5%	0.42
Decrease in room rates (base rate EUR 69.63) 5%	(0.42)
Increase in operating costs (base cost EUR 44.05) 5%	(0.43)
Decrease in operating costs (base cost EUR 44.05) 5%	0.49
Increase in WACC rate (base rate 16.40%) 5%	(0.11)
Decrease in WACC rate (base rate 16.40%) 5%	0.11
Increase in capitalization rate (base rate 11.00%) 5%	(0.35)
Decrease in capitalization rate (base rate 11.00%) 5%	0.39

The significant unobservable inputs used in the valuation of the hospitality projects vary for different locations depending upon on the demand/ supply of the rooms, room rates, category of the hotel etc.

### 3.6 Capital risk management

The Company's objectives when managing capital are to safeguard its ability and the ability of its subsidiaries to continue as a going concern in order to provide returns and value for shareholders. The Company and its subsidiaries have no borrowings and accordingly the gearing ratios are nil. The Portfolio Companies in which the Company's indirect subsidiaries have invested have borrowings related to their real estate development activities without any recourse to the Company.

### 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 Company and its subsidiaries 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 Company 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 budgeted tolerances.
2. The ability and willingness of the 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.

## Notes to the Financial Statements (Continued)

### Financial risk management (Continued)

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 which could have a material impact on the Company's Statement of Financial Position. 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 as necessary.

### 3.8 Financial instrument by category

<b>31 March 2014</b> <b>Non current and current assets</b>	<b>Loans and receivables</b>  <b>EUR</b>	<b>Financial Assets at fair value through profit or loss</b>  <b>EUR</b>	<b>Total</b>  <b>EUR</b>
Financial assets at fair value through profit or loss (Non Current)	-	84,631,314	84,631,314
Cash and cash equivalents	4,769,466	-	4,769,466
Prepayments and other receivables	101,203	-	101,203
<b>Total</b>	<b>4,870,669</b>	<b>84,631,314</b>	<b>89,501,983</b>
<b>Company 31 March 2013 restated</b>			
<b>Non current and current assets</b>			
Financial assets at fair value through profit or loss (Non Current)	-	101,199,876	101,199,876
Cash and cash equivalents	11,521,159	-	11,521,159
Prepayments and other receivables	124,970	-	124,970
<b>Total</b>	<b>11,646,129</b>	<b>101,199,876</b>	<b>112,846,005</b>

<b>31 March 2014</b> <b>Current liabilities</b>	<b>Accruals and other payables</b>  <b>EUR</b>	<b>Total</b>  <b>EUR</b>
Accruals and payables	75,311	75,311
<b>Total</b>	<b>75,311</b>	<b>75,311</b>
<b>Company 31 March 2013 restated</b>		
Accruals and payables	575,770	575,770
<b>Total</b>	<b>575,770</b>	<b>575,770</b>



## **Notes to the Financial Statements (Continued)**

### **4 Critical accounting estimates and judgements**

#### **4.1 Critical accounting estimates and assumptions**

As part of its ongoing business, the Company, 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 Company through K2 and its subsidiaries 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 investments of K2 and its subsidiaries 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.

#### **4.2 Critical judgements**

##### **Functional currency**

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

## Notes to the Financial Statements (Continued)

### 5 Taxation

#### 5.1 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%.

### 6 Financial assets at fair value through profit or loss

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

	EUR
<b>Company</b>	
At 1 April 2012 restated	101,989,005
Repayment of amount due to K2	12,500,000
Redemption of shares	(7,500,000)
Unrealized loss on fair valuation of financial assets at fair value through profit or loss	(5,789,129)
At 31 March 2013 restated	101,199,876
Redemption of shares	(5,000,000)
Realized loss on financial assets at fair value through profit or loss	(7,527,567)
Unrealized loss on fair valuation of financial assets at fair value through profit or loss	(4,040,995)
At 31 March 2014	<b>84,631,314</b>

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

The Company has investments in both direct and indirect companies.

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

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

#### Direct investment

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

**Notes to the Financial Statements (Continued)**
**Financial assets at fair value through profit or loss (Continued)**

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.

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 dated 19 June 2013, the Advisor Shareholders are entitled to a “Carried Interest” share from the realisations of the portfolio held by K2 and its subsidiaries 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 Class A and Class B shares in the Indian real estate assets.

K2 has redeemed a total of 162,232 Class A shares for EUR 5 million until 31 March 2014 (31 March 2013 – EUR Nil) thereby reducing the total outstanding Class A shares to 1,087,768. K2 had redeemed a total of 109,499 Class B shares for EUR 7.5 million until 31 March 2013 thereby reducing the total outstanding Class B shares to 1,578,366. There has been no redemption of Class B shares during the year ended 31 March 2014.

**Indirect holding companies**

Name of subsidiaries	Principal Activity	Country of incorporation	Class of share	Percentage held indirectly by The Company
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	Investment Holding	Mauritius	Ordinary	100%
K2C Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2E Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2G Residential Limited	Investment Holding	Mauritius	Ordinary	100%
Mildren Holding Limited	Investment Holding	Cyprus	Ordinary	100%

## Notes to the Financial Statements (Continued)

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

The Company's indirect holding company K2B Retail Limited was wound up on 13 January 2014.

#### 7 Prepayments and other receivables

	31 March 2014 EUR	31 March 2013 EUR Restated
Prepayments	38,436	32,203
Other receivables	62,767	92,767
<b>Total</b>	<b>101,203</b>	<b>124,970</b>

The Board has reviewed the above receivables at 31 March 2014 to determine whether any impairment provision is required. The Board has concluded that there was no indication of impairment at 31 March 2014.

#### 8 Cash and cash equivalents

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

	31 March 2014 EUR	31 March 2013 EUR Restated
Cash and cash equivalents	4,769,466	11,521,159

#### 9 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 31 March 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 (11 December 2012)	(2,142,833)	-	(7,499,916)	(7,499,916)
<b>As at 1 April 2013</b>	<b>19,054,326</b>	<b>-</b>	<b>203,690,777 *</b>	<b>203,690,777</b>
Shares bought back during the year	(74,044)	-	(233,691)	(233,691)
Shares redeemed during the year (23 December 2013)	(2,857,141)	-	(9,999,994)	(9,999,994)
<b>As at 31 March 2014</b>	<b>16,123,141</b>	<b>-</b>	<b>193,457,092 *</b>	<b>193,457,092</b>

## Notes to the Financial Statements (Continued)

### Stated capital and share premium (Continued)

\* The table below provides a breakdown of share premium

	<b>31 March 2014 EUR</b>	<b>31 March 2013 EUR Restated</b>
Share premium	<b>194,406,198</b>	204,406,192
Treasury shares	<b>(949,106)</b>	(715,415)
	<b>193,457,092</b>	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 in 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.

At the annual general meeting held on 23 September 2013, shareholders voted at the recommendation of the Board, not to renew the share buy-back programme, noting the expressed intention of the Board to return capital to shareholders by means of an annual tender to be held in the fourth quarter of each calendar year.

### 10 Accruals and other payables

	<b>31 March 2014 EUR</b>	<b>31 March 2013 EUR Restated</b>
Amount due to related parties	<b>2,025</b>	15,580
Other payables	<b>28,286</b>	512,784
Accruals	<b>45,000</b>	47,406
<b>Total</b>	<b>75,311</b>	575,770

### 11 Distribution payable

No dividend was paid during the year ended 31 March 2014 (31 March 2013 - Nil).

### 12 Related party transactions

The Company entered into transactions with related parties in respect of director's remuneration and expenses, redemption of shares by K2 and receivable from the Investment Manager as set out below:

## **Notes to the Financial Statements (Continued)**

### **Related party transactions (Continued)**

#### *Directors' interests*

Directors' interests in the shares of the Company is as disclosed in the Directors' report on Page 12.

#### *Directors' remuneration and expenses*

The total remuneration paid to Directors who are related parties (being all the directors of the Company) for the year was EUR 290,000 (31 March 2013 - EUR 240,000).

The amount payable to the Directors for reimbursement of travelling expenses as at 31 March 2014 was EUR 2,025 (31 March 2013 – EUR 6,868).

#### *Share redemption by K2*

K2 redeemed Class A shares valued at EUR 5,000,000 during the year (31 March 2013 – K2 redeemed Class B shares valued at EUR 7,500,000).

#### *Amount receivable from and payable to Investment Manager*

##### *Amount receivable*

During the year the EUR 30,000 was payable to the Investment Manager which was offset against receivable on account of expense recharged.

The balance receivable as at 31 March 2014 was EUR 62,767 (31 March 2013 – EUR 92,767).

##### *Amount payable*

The amounts payable to the personnel of the Investment Manager for reimbursement of travelling expenses as at 31 March 2014 was EUR Nil (31 March 2013 – 8,712).

### **13 Ultimate controlling party**

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

### **14 Capital and other commitments**

There are no capital commitments of the Company (2013 – Nil).

**Notes to the Financial Statements (Continued)****15 Loss per share**

Basic 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.

	<b>31 March 2014 EUR</b>	<b>31 March 2013 EUR Restated</b>
Loss attributable to equity holders of the Company	<b>(12,609,878)</b>	<b>(7,897,570)</b>
Weighted average number of ordinary shares in issue	<b>18,219,960</b>	<b>20,615,748</b>
Basic and diluted loss per share	<b>(0.69)</b>	<b>(0.38)</b>

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.

**16 Net assets value per share**

	<b>31 March 2014 EUR</b>	<b>31 March 2013 EUR Restated</b>
Net assets	<b>89,426,672</b>	112,270,235
Number of ordinary shares in issue	<b>16,123,141</b>	19,054,326
Net assets value per share	5.55	5.89

**17 Subsequent Events**

There have been no material events which took place after 31 March 2014.

**18 Segment information**

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

There are three types of real estate projects within the above segment; these are 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 quarterly updates on its investment in K2 from the Investment Manager of K2. In addition, quarterly portfolio reports and period end valuation reports are reviewed and reported on by the Investment Manager to the Board of Directors

**Notes to the Financial Statements (Continued)**

**Segment information (Continued)**

**Operating segments**

The Company has only one reportable operating segment and the performance of this segment accounts for the performance of the Company as a whole.

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



## Corporate Information

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JE4 8SD  
Jersey

**Investment Manager to K2**

IL& FS Investment Advisors LLC  
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34 Cybercity Ebene  
Mauritius

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**INVESTMENT MANAGER**

 **IL&FS Investment Advisors LLC**