YATRA CAPITAL

YATRA CAPITAL LIMITED

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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

INVESTMENT MANAGER

SAFFRONCAPITALADVISORS

Contents

Performance Highlights

- Yatra Capital Limited (“Yatra”) listed on Euronext, Amsterdam on 6 December, 2006.

- Yatra raised EUR 220 million by October 2007 and has committed 75% of net funds raised as at 30 September 2009.

- The value of the underlying Indian real estate investments in which Yatra has an interest, decreased by 7.97% as compared to 31 March 2009

- Net Asset Value* (“NAV”) per share decreased by 5.25% from EUR 10.86 at 31 March 2009 to EUR 10.29 at 30 September 2009.

- Adjusted Net Asset Value# (“Adjusted NAV”) per share decreased by 4.33% from EUR 11.55 at 31 March 2009 to EUR 11.05 at 30 September 2009.

- Net loss for the period ended 30 September 2009 was EUR 13.50 million as compared to net loss of EUR 40.29 for the period ended 30 September 2008.

- Earnings(Loss) Per Share for the period ended 30 September 2009 was EUR (0.63) as compared to EUR (1.85) for the period ended 30 September 2008.

- Yatra has entered into 15 investments, of which two are entity level investments, spread across eight cities resulting in a development potential of over 27 million square feet as at 30 September 2009.

- Construction on seven of Yatra’s investments has commenced and the first project, City Center Mall, Nashik became operational in Q1, 2009-10.

** Net Asset Value (“NAV”) is based on Yatra’s net assets as disclosed in the consolidated balance sheet as at 30 September 2009 divided by the number of shares outstanding on that date. This incorporates adjustments for taxation of India based Portfolio companies, exchange rate movements and carried interest.*

 # Adjusted Net Asset Value (“Adjusted NAV”) excludes provisioning for taxation of India based portfolio companies under the Group

Chairman's Statement

The last six months in the real estate market in India have mirrored the global economy. While the challenges certainly persist there have been signs that recovery might be on its way. We have continued to manage our portfolio actively looking to minimise the risks and change the balance where we think it necessary. It is against this background that I am pleased to report Yatra Capital's results for the six months which ended on 30 September 2009.

Market overview

The Indian economy has demonstrated its fundamental strength and resilience. The Government and the Reserve Bank of India introduced a package of measures designed to alleviate the worst effects of the global slowdown. The result has been seen in the index of industrial production which has grown 9.1% from a year earlier. A focus has been on infrastructure development both rural and urban. It is expected that over the next four years some USD 865 billion will be spent giving a stimulus to economic growth. Institutional investors have responded by expressing their confidence in the Indian economy by investing USD 30 billion of which some USD 15.3 billion was Foreign Direct Investment for the period under review.

Projected GDP growth for the current financial year is in the range of 5.8% to 6.5% increasing to 7.8% to 8.3% for 2010. A range of indicators suggest that confidence is returning in the economy and a healthy pick up from the lows of the crisis months is in train.

Portfolio Progress

The recovery in the real estate sector has been noticeable. It has been led by the residential sector, mostly in the middle and affordable housing segments. This has partly resulted from a reduction in mortgage interest rates, price cuts by developers and a feeling of greater confidence about job prospects from the general stabilisation of the economy. There have been a number of new launches at discount prices and with smaller unit sizes to reduce the overall cost to purchasers. The commercial and retail sectors have continued to lag the residential sector.

Among Yatra's investments we have seen an increase in the leasing of space in our retail Mall at Nashik, our first completed project. Leasing activity has also picked up at some of our other retail developments which are still under construction. On the residential side our project at Bijalpur in Indore which was launched in August had a good reception and has already pre-sold around 1 million square feet.

As far as our other projects are concerned the Board has, together with the Investment Manager, continued to take a critical look at each of them and the business plans for them. We also continue to monitor the stability of our development partners. In some cases we have altered or are considering altering the mix between, for example, retail and residential in our mixed use projects and the order in which we proceed with the different parts to accelerate cash flows from our investments. We made no new investments in this period.

Valuations

Yatra's Portfolio is valued at EUR 171.13 million, an increase of 12.18% against total acquisition costs of EUR 152.54 million.

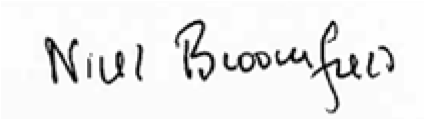
Net Asset Value (NAV) per share is EUR 10.29 a decrease of EUR 0.57 from 31 March 2009

Adjusted Net Asset Value (Adjusted NAV) per share decreased by 4.33% in period to EUR 11.05 from 31 March 2009

Outlook

As far as India is concerned the signs are for growth helped by the Government's stimulus package and the fundamental size and strength of the economy. Confidence and growth is feeding across to the real estate sector but the impact varies for different sectors and geographical areas. Active management and cost control is, as always, the key to success. But if the present indicators continue then the expectation for 2010 is for a less difficult year overall than 2009.

My thanks go as always to all those who have participated with us so far; our shareholders in first place, my colleagues on the Board, the Investment Manager and the Investment Committee among others. I look forward to continuing to work with you to build shareholder value.



Sir Nigel Broomfield

Non-Executive Chairman

YATRA CAPITAL

Directors' Report

The Directors present their report and the financial statements of Yatra Capital Limited ("the Company") and its subsidiaries (together the "Group") for the period ended 30 September 2009.

The Company

The Company was incorporated in Jersey on 26 May 2006. The Company was admitted to the Euronext Amsterdam Market on 6 December 2006. The Company has been established to invest in FDI-compliant Indian real estate opportunities. The Company will invest in a broad base of assets covering commercial, retail, residential, special economic zones, hospitality and logistics, enabling returns from development, long term capital appreciation and income. The consolidated financial statements comprise the results of the Company and its subsidiaries (together referred to as the "Group").

Business Review

A review of the Group's activities during the year is set out in the Chairman's Statement in pages 4 - 5 respectively.

Results and Dividend

The Group's results for the period ended 30 September 2009 are shown in the Consolidated Income Statement and related notes. The Directors do not propose to declare a dividend for the period under review (30 September 2009-Nil).

Directors

All the Directors are non-executive and the present membership of the Board of Directors ("Board") is set out on page 40. All directors served office throughout the year. At the Annual General Meeting of the Company, each Director is nominated for re-election.

Director	Date of Appointment
Sir Nigel Broomfield	31 October 2006
David Hunter	5 June 2006
William Kay	26 May 2006
Ajoy Veer Kapoor	5 June 2006
Malcolm King	5 June 2006
Christopher Lovell	5 June 2006
Rohin Shah	5 June 2006

Directors' Interests

The following directors had interests in the shares of the company as at 30 September 2009:

Director	Number of Ordinary Shares
Sir Nigel Broomfield	4,761
David Hunter	6,667
Malcolm King	7,500

Mr Rohin Shah is also a director of:

- K2 Property Limited, a subsidiary of the Company
- Saffron Capital Advisors Limited, the appointed Investment Manager to K2 Property Limited

Mr Ajoy Veer Kapoor is also a director of:

- K2 Property Limited, a subsidiary of the Company
- Saffron Capital Advisors Limited, the appointed Investment Manager to K2 Property Limited

Mr William Kay is also a director of:

- Minerva Fund Administration Limited, the appointed administrator to the Company, and of its parent company Minerva Financial Services Limited, in which he also holds a beneficial interest.

Management

The Investment Manager provides investment management services to the Group and project management, property advisory, property management and monitoring services to those members of the Group which acquire properties, in each case in accordance with the investment objective, investment policy and restrictions of the Group.

Directors' Responsibility Statement

Company law requires the directors to prepare financial statements of the Company and the Group in accordance with applicable law and regulations. The directors are mandated to prepare financial statements of each financial year in accordance with the requirements of Jersey company law. In addition, the directors have elected to prepare the financial statements of the Group and Parent Company in accordance with International Financial Reporting Standards. 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 International Financial Reporting 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 and the Group will continue in business.

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

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

Corporate Governance

A statement of Corporate Governance can be found on page 9

Key Risks

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

- Real estate investments are long-term, illiquid investments and therefore the Group may not be able to exit at the time and price at which these investments were anticipated. The Group seeks to mitigate these risks by diversifying its portfolio across different asset classes, cities and development partners.
- Further to the above, the fact that the Indian real estate investments market is thinly traded and lacks significant volume of transactions, creates a further risk for the group's potential exit from its projects.
- Regulations governing foreign investments in India are subject to government changes that may adversely affect the Group's performance. The Group, through the Investment Manager, monitors this risk by seeking advice from specialist lawyers and tax advisors and by structuring its investments accordingly.
- The Group receives interest income on its variable rate bank balances and fixed rate treasury deposits. The Group is exposed to interest rate risk in respect of these balances and deposits.
- The Group invests in Indian companies and the fair value of these investments is denominated in Indian Rupees. A movement in foreign exchange rates would affect the value of the investments and the unrealised gain or loss.

The Board will continue to monitor and, where possible, control the risks and uncertainties that could affect the business.

Annual General Meeting

The Annual General Meeting of the company was held on 4 September 2009.

Auditors

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

By Order of the Board

Sir Nigel Broomfield

Chairman

William Kay

Director

24 November, 2009

Corporate Governance

It is the Group's policy to comply with best practices on good corporate governance. The Group recognizes that effective governance is a fiduciary responsibility fundamental to its long-term success. The Group and the Company's Board place great value on a management structure that incorporates effective checks and balances, proper procedures for managing risks attached to opportunities, and accountability towards stakeholders with regard to the policies pursued.

Role of the Board

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

• Review the overall objectives for the Group and set the Group's strategy for fulfilling those objectives within an appropriate risk framework;
• Consider any shifts in strategy that may be appropriate in light of market conditions;
• Review the capital structure of the Group including consideration of any appropriate use of gearing both for the Group and in any portfolio companies in which the Group may invest from time to time;
• Appoint the Investment Manager, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings;
• Review key elements of the Group's performance including Net Asset Value and payment of dividends;
• Companies (Jersey) Law, 1991 requirements such as the approval of the periodic financial statements and approval and recommendation of dividends (if any).

The directors bring independent views to the board. They have diverse experience having expertise in chartered surveying, the civil service, banking, law, administration and fund management to add to the Board's effectiveness particularly in the areas of corporate strategy, governance and risk.

Board Decisions

The Board ensures during its meetings that all strategic matters are considered. 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 directors.

Whilst administrative matters have been delegated, the Group takes inputs from an independent Investment Committee on all aspects of its investments and divestments as it considers that these are implementation matters that are significant enough to be of strategic importance and hence should be brought to the attention of the Board. Please see page 11 for details of the Investment Committee.

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

Board Meetings

The Board holds four meetings annually and also meets as and when required from time to time to consider specific issues reserved for decision by the board. The table below shows the attendance at the Board meetings for the period under review.

Director	Attendance at Scheduled Meetings
Sir Nigel Broomfield	2
David Hunter	2
William Kay	2
Ajoy Veer Kapoor	2
Malcolm King	2
Christopher Lovell	2
Rohin Shah	2

Committees of the Board

Audit Committee

The Board approved the establishment of an Audit Committee on 26 November, 2007. The committee is chaired by Malcolm King and also includes Ajoy Veer Kapoor and Christopher Lovell. The Audit Committee meets at least three times a year and, if required, the meetings can also be attended by the Investment Manager, the Administrator and the Independent Auditors.

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

- To oversee the selection process of external auditors of the Group and make recommendations to the board for their appointment and re-appointment and approval of fees;
- To ensure the integrity of the financial statements of the Company and the Group;
- To monitor and review the independence of the auditor, their objectivity and effectiveness, taking into consideration relevant professional regulatory requirements;
- To keep under review the effectiveness of internal financial controls;
- To ensure that a member of the Audit Committee attends the AGM to address any questions.

During the period the Committee met on five occasions with full attendance. It is up to the discretion of the Audit Committee members to meet as appropriate with the Company's valuers, Investment Manager and Administrators to discuss the scope and conclusion of their work.

Remuneration Committee

The Remuneration Committee, chaired by William Kay, includes the Chairman Sir Nigel Broomfield, Ajoy Veer Kapoor and Chris Lovell. The Committee is responsible for the terms of appointment and remuneration of the Company's Directors and the incentive policies of the Group as a whole.

Investment Committee

The Group has appointed an independent Investment Committee. The Investment Committee's role is to review and approve all investment decisions. The Committee is comprised of five members, three of whom are board directors of the Company. The Investment Committee is made up of five senior individuals who are subject matter experts. The Investment Committee is chaired by David Hunter and comprises Ajoy Kapoor, Anuj Puri, Malcolm King and Harkirat Singh.

Shareholder Relations

Communication with shareholders is given high priority and the Company undertakes regular dialogue with its shareholders. Members of the Investment Manager make themselves available to meet with key shareholders, analysts, future investors and the media.

The Board is provided with regular feedback by the Investment Manager at its board meetings. The Board is also fully informed on any market commentary on the Company made by its directors, Investment Manager and other professional advisors, including its brokers. The Board seeks to have an effective investor relations process and monitors it consistently to ensure the effectiveness of the Company's communications.

Unaudited Consolidated Company Balance Sheet

As at 30 September 2009

	Notes	**Group 30 September 2009 EUR**	Group 31 March 2009 EUR	**Company 30 September 2009 EUR**	Company 31 March 2009 EUR
ASSETS					
Non current assets					
Financial assets at fair value through profit or loss	7	**171,125,359**	175,535,862	**-**	-
Investments in subsidiary undertakings	8	**-**	-	**212,132,319**	212,132,319
Advance on equity contribution	9	**-**	296,560	**-**	-
		171,125,359	175,832,422	**212,132,319**	212,132,319
Current assets					
Prepayments and other receivables	10	**4,524,970**	4,807,686	**37,466**	142,583
Cash and cash equivalents	11	**45,134,366**	53,831,581	**27,231,502**	47,332,557
		49,659,336	58,639,267	**27,268,968**	47,475,140
Total assets		**220,784,695**	234,471,689	**239,401,287**	259,607,459
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	12	-	-	-	-
Share premium	12	**211,906,108**	211,906,108	**211,906,108**	211,906,108
Retained earnings		**8,668,196**	20,827,908	**2,626,191**	2,846,039
Total equity		**220,574,304**	232,734,016	**214,532,299**	214,752,147
Minority interest	13	**-**	1,341,367	**-**	-
		220,574,304	234,075,383	**214,532,299**	214,752,147
Current liabilities					
Amount due to subsidiary	15	-	-	**24,807,073**	44,807,073
Accruals and other payables	16	**209,607**	395,522	**61,915**	48,239
Other financial liabilities	14	**784**	784	**-**	-
		210,391	396,306	**24,868,988**	44,855,312
Total equity and liabilities		**220,784,695**	234,471,689	**239,401,287**	259,607,459

The financial statements were approved by the Board of Directors and authorised for issue on 24 November 2009. They were signed on its behalf by Sir Nigel Broomfield and William Kay.

Sir Nigel Broomfield	**William Kay**
Nigel Broomfield	
Chairman	**Director**

The notes on pages 16 to 39 form an integral part of these financial statements.

Unaudited Consolidated Income Statement

For the Six Month Period Ended 30 September 2009

	Notes	Group Period ended 30 September 2009 EUR	Group Period ended 30 September 2008 EUR
INCOME			
Interest income		**110,880**	1,218,824
Dividend income		**-**	9,824
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	**(10,626,700)**	(38,186,655)
		(10,515,820)	(36,958,007)
EXPENSES			
General Administration Expenses:			
Investment manager fee	18	**2,169,226**	2,119,173
Custodian, secretarial and administration fees		**97,824**	84,659
Legal and professional costs		**181,487**	560,087
Directors' fees	18	**101,233**	110,726
Directors' insurance		**14,904**	65,826
Audit fees		**156,345**	149,972
Setup Costs		**-**	694
Listing agents fees		**2,378**	6,600
Other administrative expenses		**136,944**	65,254
Loss on foreign currency translation		**124,918**	173,645
		2,985,259	3,336,636
Loss for the period		**(13,501,079)**	(40,294,643)
Attributable to:			
Equity holders of the Company		**(13,501,079)**	(39,707,208)
Minority interest	13	**-**	(587,435)
		(13,501,079)	(40,294,643)
Loss per share - basic and diluted (EUR per share)	21	**(0.63)**	(1.85)

The notes on pages 16 to 39 form an integral part of these financial statements.

Unaudited Consolidated Statement of Changes in Equity

For the Six Month Period Ended 30 September 2009

	Attributable to Equity Holders					
	Stated capital	Share premium	Retained earnings/ (accumulated losses)	Total equity	Minority interests	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Group:						
At 31 March 07	-	97,000,000	(1,513,840)	95,486,160	-	95,486,160
Arising on acquisition	-	-	-	-	5	5
Issue of Shares	-	119,999,996	-	119,999,996	-	119,999,996
Placement costs	-	(5,093,888)	-	(5,093,888)	-	(5,093,888)
Profit for the year	-	-	77,464,297	77,464,297	2,642,856	80,107,153
At 31 March 08	-	211,906,108	75,950,457	287,856,565	2,642,861	290,499,426
Loss for the Year	-	-	(55,122,549)	(55,122,549)	(1,301,494)	(56,424,043)
31 March 09	-	211,906,108	20,827,908	232,734,016	1,341,367	234,075,383
Loss for the Period	-	-	(12,159,712)	(12,159,712)	(1,341,367)	(13,501,079)
30 September 09	**-**	**211,906,108**	**8,668,196**	**220,574,304**	**-**	**220,574,304**

The notes on pages 16 to 39 form an integral part of these financial statements.

Unaudited Consolidated Cash Flow Statement

For the Six Month Period Ended 30 September 2009

	Notes	Group Period ended 30 September 2009 EUR	Group Period ended 30 September 2008 EUR
Cash flows from operating activities			
Loss for the period		**(13,501,079)**	(40,294,643)
Adjustments for:			
Dividend income		**-**	(9,824)
Interest income		**(110,880)**	(1,218,824)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	**10,626,700**	38,186,655
		(2,985,259)	(3,336,636)
Increase in prepayments and other receivables		**282,716**	1,890,241
Decrease in accruals and other payables		**(185,915)**	(319,275)
Cash used in operating activities		**(2,888,458)**	(1,765,670)
Interest received		**110,880**	1,218,824
Net Cash used in operating activities		**(2,777,578)**	(546,846)
Cash flow from investing activities			
Purchase of financial assets at fair value through profit or loss	7	**(5,919,637)**	(14,706,700)
Advance paid on equity contribution	9	**-**	(158,328)
Dividend received		**-**	9,824
Net cash used in investing activities		**(5,919,637)**	(14,855,204)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	-
Interest received		**-**	-
Net cash from financing activities		**-**	-
Net decrease in cash and cash equivalents		**(8,697,215)**	(15,402,050)
Cash and cash equivalents at beginning of the period		**53,831,581**	79,542,255
Cash and cash equivalents at end of the period	11	**45,134,366**	64,140,205

The notes on pages 16 to 39 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 in Jersey whose registered office address is 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 thereunder. The purpose of the Company is to enable pooling of funds by investors for investment in K2 Property Limited ("K2"), together referred to as the "Group".

K2 was incorporated on 19 May 2006 and is domiciled as a limited liability company under the laws of the Republic of Mauritius. K2 holds a category 1 Global Business Licence issued by the Financial Services Commission in Mauritius.

The Group makes investments in companies established to carry out real estate development and ownership across India (“Portfolio Companies”).

Saffron Capital Advisors Limited, an investment management company incorporated in Mauritius (“SCAL”) advises the Group with respect to its investment activities. The administration of the Company is undertaken by Minerva Fund Administration Limited.

The Company's ordinary shares are listed and traded on Eurolist by Euronext, operated by Euronext Amsterdam.

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 periods presented unless otherwise stated and are set out below.

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”) and under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

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

As set out in Note 1, the Company makes investments in K2 which are disclosed as investments in subsidiary undertakings in the balance sheet of the Company. K2 makes investments in Portfolio Companies established to undertake real estate investment in India. By virtue of the controlling interest held by the Company in K2 as at 30 September 2009, the Company has consolidated the position and results of K2 in accordance with the accounting policies set out in note 2.2.

Summary of significant accounting policies (Continued)

Details of the interests held by the Group in Portfolio Companies are set out in note 7.

As at 30 September 2009, neither the Company nor K2 hold a controlling interest in any of the Portfolio Companies in respect of which K2 has invested. As set out in note 2.3, investments in Portfolio Companies are accounted for as financial assets at fair value through profit or loss. The estimates and assumptions applied in determining the fair value of these investments is set out in note 4.1.

(a) Standards, amendments and interpretations effective but not relevant to the Group:

The following interpretations to published standards is mandatory for accounting periods beginning on or after 01 April 2008 but none are relevant to the Group's operations:

IFRIC 11, 'IFRS 2 – Group and treasury share transactions';

IFRIC 12, 'Service concession arrangements'; and

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

(b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the group

Several standards, amendments and interpretations to existing standards have been published and are not yet applicable. The Group will apply those standards, amendments and interpretations to existing standards in the period they become applicable.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the net book value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the net book value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests may result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Investments in subsidiary undertakings

Investments in subsidiaries are initially recognised and subsequently carried at cost in the Balance Sheet of the Company.

Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of an investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised in the income statement.

2.3 Financial assets at fair value through profit or loss

(a) Classification

The Group invests in joint ventures and associates. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. An associate is an entity over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. As allowed under International Accounting Standards, IAS 31 Interests in Joint Ventures and IAS 28, Investments in associates, the Group has designated its investments in joint ventures and associates as financial assets held at fair value though profit or loss.

Summary of significant accounting policies (Continued)

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Board to evaluate the information about these financial assets on a fair value basis together with other related financial information. These financial assets are not expected to be realised within 12 months of the balance sheet date and are therefore classified under non current assets.

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 Group commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. 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 recognised in the income statement in the year in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the income statement using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within dividend income when the Group's right to receive payments is established and is shown gross of withholding tax.

(d) Fair value estimation

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

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

Notes to the Financial Statements (Continued)

Summary of significant accounting policies (Continued)

2.4 Foreign currency translation

(a) Functional currency

Items included in the financial statements are measured using the currency of primary economic environment in which the Group operates (the "functional currency"). The Board considers the Euro as the currency that most faithfully represents the economic effects of the underlying events, transactions and conditions. The financial statements are presented in Euro ("EUR"), which is the Company's functional currency. The exchange rate used in the financial statements as on 30 September 2009 is I EUR = INR 69.98.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss.

(c) Group companies

The results of the financial position of the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency of Euro as follows:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

   income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

ii. all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Summary of significant accounting policies (Continued)

2.5 Trade receivables and payables

Trade receivables and payables are recognised on accrual basis and are fair valued as on the balance sheet date.

2.6 Interest and Dividend

Interest income is recognised on accrual basis. Dividends are recognised when the shareholders has a right to receive payment

2.7 Cash and cash equivalents

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

2.8 Stated capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds of the issue

2.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where the effect of the time value of money is material, the amount of a provision is calculated as the present value of the amounts expected to be required to settle the obligation. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

2.10 Current and deferred income tax

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

Deferred income tax is provided, 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Summary of significant accounting policies (Continued)

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.

2.11 Financial instruments

Financial instruments carried on the balance sheet include financial assets at fair value through profit or loss, advances on equity contributions, other receivables, cash at bank and accruals and other payables which approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the Group is a party are provided in Note 3.

2.12 Related parties

Related parties are individuals and companies where the individual or company 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.

2.13 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 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.

3. Financial risk management

3.1 Strategy in using financial instruments

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's overall risk management policies focus on the volatility of financial markets and seek to minimise potential adverse effects on the Group's financial performance and flexibility.

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk. The Group's financial instruments comprise investments held at fair value through profit or loss, cash and cash equivalents and other items such as accruals and other payables and receivables which arise from its operations. The Group and the Company held no derivative instruments as at 30 September 2009 (31 March 2009- Nil).

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

3.2 Market risk

(a) Cash flow and fair value interest rate risk

The Group's cash flow is monitored at regular intervals by the Board. The interest rates at which cash and deposits are placed are fixed in nature and hence the Group is not exposed to the risk of fluctuating interest rates except for the variable rate interest income on the bank balances. Since the financial statements of both the Group and the Company show cash at amortised cost, the question of fair value risk for the same does not arise.

(b) Foreign currency risk

i. Transactions

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

The Group holds investments in entities operating in India and hence is exposed to foreign currency exchange risk as its investments are denominated in Indian Rupees ("INR") and may be undertaken in phased stages. It also has accruals and other payables denominated in United States dollars ("USD") and INR but those are not material. All the other financial assets and liabilities are denominated in Euro. The Group has in place a policy that requires Group companies including the Company to manage their foreign currency risk against the functional currency. Forward contracts may be used on a transaction by transaction basis with a view to hedging foreign currency exposure. The Group will continue to monitor foreign currency risk and the need for hedging transactions.

ii. Financial assets at fair value through profit or loss

At 30 September 2009, the fair value of investments denominated in INR amounted to EUR 171.13 million (31 March 2009- EUR 175.53 million). Consequently, the Group is exposed to the risks that the exchange rate of the EUR relative to the INR may change in a manner, which has an adverse effect on the reported fair value of its investments.

However, the investments are carried at fair value and the impact of changes in INR to the EUR is included in the fair value movements, considered in price risk below. At 30 September 2009, assuming the price of the financial assets denominated in INR remains unchanged, if INR had strengthened by 8% (31 March 2009- 8%) against the EUR, the fair value would have increased by EUR 14.88 million (31 March 2009- EUR 15.56 million) and had the INR weakened by 8% the fair value would have decreased by EUR 12.68 million (31 March 2009- EUR 13.26 million).

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

iii. Capital commitments

At 30 September 2009, the Group had outstanding capital commitments of EUR 6.12 million (31 March 2009 –EUR 10.24 million). Had the INR depreciated against the EUR by 8% over the last period then the Group would have had at 30 September 2009 an outstanding capital commitment of EUR 5.63 million (31 March 2009 - EUR 9.42 million). Had the INR appreciated against the EUR by 8% over the last period then the Group would have had at 30 September 2009 an outstanding capital commitment of EUR 6.60 million (31 March 2009 - EUR 11.06 million).

(c) Price risk

The Group is exposed to price risk as the investments of the Group as stated in the consolidated balance sheet are classified as financial assets at fair value through profit and loss.

The valuation of the property development projects of the Indian Portfolio Companies (IPCs) as at 30 September 2009 has been done by an internal desktop valuation conducted by the Investment Manager.

The table below provides a sensitivity analysis showing the impact of increases/decreases in the fair value of investments on the Group's post tax profit for the period and on its net assets. The analysis is based on the assumption that the valuation of the property development projects held by the IPCs increased/decreased by 20% (31 March 2009 - 20%) reflecting the current market trend, with other variables held constant.

Period ended 30 September 2009	**Increase in fair value by 20% (EUR)**	**Decrease in fair value by 20% (EUR)**
Increase/(decrease) in loss and net assets	EUR 37.53 million	(EUR 37.53 million)
Year ended 31 March 2009	**Increase in fair value by 20% (EUR)**	**Decrease in fair value by 20% (EUR)**
Increase/(decrease) in profit and net assets	EUR 39.39 million	(EUR 39.39 million)

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

Financial risk management (Continued)

3.3 Credit risk

Credit risk arises when a failure by a counter party to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The Group's credit risk arises principally from cash at bank. The Group's policy is to maintain cash balances and short term deposits with a reputable banking institution and to monitor the placement of cash and deposit balances on an ongoing basis. As at 30 September 2009, all cash balances and short term deposits were placed with the HSBC Banking Group and Mauritius Commercial Bank (MCB), the approved bankers to the Group, which had a rating as on 30 September 09 of "-AA" and "Baa2" respectively from Standard and Poors.

The Group has invested less than 1% of its investible funds in the securities of a company listed on the Bombay Stock Exchange. It is the Company's policy that all the transactions in listed securities are settled /paid for upon delivery using appropriately licensed brokers. The risk of default with respect to such settlement is considered minimal, as delivery of securities sold is only completed once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Group's credit risk also arises in respect of other receivables. The Board has considered the recoverability of these balances as at 30 September 2009 and does not consider the risk of failing to recover these amounts to be significant.

3.4 Liquidity risk

Liquidity risk arises when the maturity of assets and liabilities of a company do not match. As a policy, the Group minimises these risks by maintaining sufficient cash and highly liquid current assets.

As at 30 September 2009, the total financial liabilities of the Group amounted to EUR 0.21 million, of this total EUR 784 is classified within the balance sheet as 'other financial liabilities'. This amount represents the share capital of the advisor shares in K2, had it been liquidated as on 30 September 2009.

The outstanding capital commitments of the Group amounted to EUR 6.12 million as at 30 September 2009. The cash balance of the Group as at 30 September 2009 amounted to EUR 45.13 million and hence the Group maintains sufficient liquid assets available to finance the outstanding capital commitments.

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

Name of subsidiary	Description	30 September 2009 Commitment		31 March 2009 Commitment	
		Total (EUR millions)	Balance (EUR millions)	Total (EUR millions)	Balance (EUR millions)
K2 A Residential Limited	Residential Projects, Pune	**17.04**	**0.00**	17.05	0.00
K2 C Retail Limited	Market City, Pune	**17.05**	**0.00**	17.05	0.00
K2 A Hospitality Limited	Market City, Pune	**4.58**	**0.00**	4.58	0.00
K2 Property Limited	Listed Entity level investment	**3.73**	**0.00**	3.73	0.00
K2 C Residential Limited	Nashik City Centre, Nashik	**11.09**	**0.00**	8.89	0.00
K2 C Residential Limited	Treasure Market City, Indore	**10.95**	**0.83**	10.99	4.75
K2 C Residential Limited	Treasure City, Bijalpur	**7.71**	**0.00**	7.88	0.00
K2 A Retail Limited	Phoenix United Mall, Agra	**4.04**	**0.00**	4.04	0.00
K2 B Retail Limited	Himalaya Mall, Bhavnagar	**6.24**	**1.86**	6.31	1.93
K2 A Commercial Limited	Batanagar IT SEZ, Kolkata	**20.28**	**0.00**	20.28	0.00
K2 B Commercial Limited	Forum IT Parks, Kolkata	**16.68**	**0.00**	16.68	0.00
K2 D Retail Limited	Market City, Bangalore	**20.04**	**0.00**	20.04	0.00
K2 B Hospitality Limited	Market City, Bangalore	**8.03**	**0.00**	8.03	0.00
K2A Private Equity Limited	Unlisted Entity Level, Hyderabad	**6.84**	**0.00**	6.84	0.00
K2C Hospitality Limited	Taj Gateway, Kolkata	**4.35**	**3.43**	4.48	3.56
Total initial / outstanding commitments		**158.65**	**6.12**	156.87	10.24

Notes to the Financial Statements (Continued)

Financial risk management (Continued)

Details	Group		Group	
	Due - less than 12 months		Due - more than 12 months	
	30 September 2009 EUR Millions	31 March 2009 EUR millions	**30 September 2009 EUR Millions**	31 March 2009 EUR millions
Accruals and other payables	**0.21**	0.39	**-**	-
Outstanding Commitments	**6.12**	8.46	**-**	1.78
Total payable	**6.33**	8.85	**-**	1.78

On the basis of the above, the Board considers liquidity risk to be low. The amount of outstanding commitments as on 30 September 2009 has been converted using the exchange rate of INR/EUR of 69.98 (31 March 2009- 67.44) prevailing at the balance sheet date.

3.5 Fair Values

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

3.6 Capital risk management

The Group's objectives when managing capital are to safeguard the ability of each of the companies within the Group to continue as a going concern in order to provide returns and value for shareholders. The Group has no borrowings and accordingly it has a nil gearing ratio.

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.

Notes to the Financial Statements (Continued)

Critical accounting estimates and judgements (Continued)

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

The Group holds financial instruments that are not quoted in active markets in the form of unquoted shares of the IPCs. The principal activities of these IPCs are to select sites, acquire land, construct, develop, let, sell and manage real estate projects in India. The fair value of such unquoted investments has been determined by using recognised valuation techniques.

In determining the fair value of the IPC's, in the absence of an active market, consideration is given by the Directors and the Investment Manager to the fair value of the underlying net asset value ("NAV") of each IPC. The major components of the NAV of each IPC are the land and any development and/or capital work in progress on it. Their net assets also include other current assets and liabilities. The fair value of the Group's investments has been determined based on the net assets of these IPCs, as adjusted for (1) differences between IFRS and Indian GAAP and (2) fair valuation of all of the underlying assets and liabilities. Adjustments also have been made to the extent of undisbursed capital commitment and tax expected to be suffered on the gain arising on the fair valuation. Having determined the fair value of the NAV, the Group carries these investments based on its pro-rata ownership, no discount or premium to the NAV being applied to reflect control or liquidity.

The fair value of IPCs, recorded as financial assets at fair value through profit or loss, could differ from the value that would have been used had a ready market for those similar assets existed or from the value of which those assets could have been disposed of at arm's length transactions and such differences could be material.

The valuations of each project held by each IPC in the Group has been carried out through an internal desktop valuation conducted by the Investment Manager. The internal desktop valuation has used a systematic approach to gather, classify and analyse the data which is required by the income approach to value an asset. Under the discounted cash flow method of the income approach, all the future cash flows arising from the property are forecasted using stated assumptions and market information such as rental rates and the cost of construction. These cash flows are then discounted to a present day value at an appropriate discount rate. This gives the market value of each project as on 30 September 2009, which is then used in the fair valuation of the NAV of each IPC.

The valuation techniques adopted by the internal desktop valuation make use of observable data, assumptions and estimates, upon which the Board relies on. Given the inherent uncertainty in performing the valuation of the development projects of this nature and underlying assumptions involved, the value ultimately realised for these projects may differ from the current valuation and such difference may be material.

Notes to the Financial Statements (Continued)

Critical accounting estimates and judgements (Continued)

4.2 Critical judgements

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 Euro 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.

5. Taxation

5.1 Current Tax – Jersey

With effect from the 2009 year of assessment Jersey abolished the exempt company regime for existing companies. Profits arising in the company for the 2009 year of assessment and future periods will be subject to tax at the rate of 0%. In the prior year the company was exempt from taxation under the provisions if Article 123A of the Income tax (Jersey) Law 1961 as amended.

5.2 Current Tax – Mauritius

The Board expect that all Group companies which are located in Mauritius shall obtain benefits under the double taxation treaty between India and Mauritius ("Tax Treaty"). To obtain benefits under the Tax Treaty, each relevant company in the Group must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The Company and each of its subsidiaries in Mauritius have obtained tax residence certification from the Mauritian authorities and such certification is determinative of resident status for treaty purposes. A company which is tax resident in Mauritius under the Tax Treaty, but has no branch or permanent establishment in India, will not be subject to capital gains tax in India on the sale of securities but is subject to Indian withholding tax on interest earned on Indian securities at the rate of 20.60% (31 March 2009 – 20.60).

All Group companies in Mauritius are liable to pay income tax on net income at a rate of 15% (2008 – 15%). K2 and each of its subsidiaries in Mauritius are however entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% (31 March 2009 – 80%) of the Mauritius tax payable in respect of foreign source income tax thus reducing its maximum effective tax rate to 3% (31 March 2009 – 3%). A company holding at least 5% of the share capital of an Indian company and receiving dividends may claim a credit for tax paid by the Indian company on its profits out of which the dividends were distributed including the Dividend Distribution Tax. No Mauritius tax on capital gains is payable in respect of the Group's investments and any dividend and redemption proceeds paid by any company in the Group to its shareholders are not subject in Mauritius to any withholding tax. At 30 September 2009, K2 had accumulated tax losses of EUR 2,269,451 (31 March 2009 - EUR 1,977,498) and EUR 1,098,335 (31 March 2009 – EUR 1,058,778) respectively, which can be carried forward to

Notes to the Financial Statements (Continued)

Taxation (Continued)

set-off against income derived in the five succeeding income years and therefore no provision for taxation in Mauritius has been made.

The expiry dates for the tax losses of K2 are as follows:

	EUR	Expiry date
31 March 2008	464,850	31 March 2013
31 March 2009	82,397	31 March 2014
30 September 2009	39,557	31 March 2015
	1,058,778	

The extent to which Group profits/losses are taxable in Mauritius is attributable to the results of K2. K2's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 15%. Information in respect of K2's results for the period ended 30 September 2009 is set out below :

	Unaudited Period ended 30 September 2009	Audited Period ended 31 March 2009
	K2 Group	K2 Group
	EUR	EUR
Operating profit/(loss) for the period/year	**(13,281,231)**	(75,818,568)
Tax calculated at domestic rates applicable to profits in the respective countries	**(1,991,952)**	(11,371,816)
Impact of:		
Non allowable expenses	**1,948,616**	11,333,936
Net Exempt Income	**(223)**	(61,525)
Deferred tax asset not recognised	**43,559**	99,405
Actual income tax expense	**-**	-

Taxation (continued)

5.3 Current Tax – Cyprus

K1 Property is incorporated in Cyprus, and is subject to corporation tax on its taxable profits at the rate of 10% (31 March 2009 – 10%), in Cyprus. At 30 September 2009, K1 Property had accumulated tax losses of EUR 38,417 (31 March 2009 – EUR 36,179). Under certain conditions interest income in Cyprus may be subject to defence contribution at the rate of 10%. In such cases, 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of 15%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15% in Cyprus.

5.4 Current Tax – India

The Group invests in India and the Board expects that the Group will obtain benefits under the double taxation treaty between India and Mauritius ("Tax Treaty"). To obtain benefits under the Tax Treaty, each relevant company in the Group must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. Each of K2 and its subsidiaries in Mauritius have obtained tax residence certification from the Mauritian authorities and such certification is determinative of resident status for treaty purposes.

No withholding tax is payable on dividends distributed by Indian companies and such dividends are exempt in the hands of shareholders. Indian companies making distributions are however liable to a Dividend Distribution Tax equivalent to 16.995% of the dividends distributed.

5.5 Deferred income tax

A deferred income tax asset has not been recognised in respect of tax losses carried forward as the directors consider it is not probable that future taxable profit will be available against which the unused tax losses can be utilised. The unrecognised deferred tax balance at 30 September 2009 for K2 arising from accumulated tax losses amounted to EUR 66,859 (31 March 2009 – EUR 58,240).

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

Net changes in fair value on financial assets and liabilities at fair value through profit or loss are comprised as follows:

	Note	**Group 30 September 2009 EUR**	**Group 30 September 2008 EUR**
Loss on fair valuation of financial assets	7	**(10,626,700)**	(48,226,475)
Gain on fair valuation of financial liabilities	14	**-**	10,039,820
Total net loss		**(10,626,700)**	(38,186,655)

Notes to the Financial Statements (Continued)

7. Financial assets at fair value through profit or loss

Details of the listed and unlisted shares are as follows:

Group	Listed shares EUR	Unquoted shares EUR	Subscription monies EUR	Total EUR
At 31 March 2009	670,995	169,746,367	5,118,500	175,535,862
Additions	-	5,919,637	-	5,919,637
Transfer from advance on equity contribution	-	296,560	-	296,560
Profit/(Loss)on fair valuation	946,059	(11,572,759)	-	(10,626,700)
At 30 September 2009	**1,617,054**	**164,389,805**	**5,118,500**	**171,125,359**

Following are the financial assets at Fair Value through Profit or loss held by the Group:

Name of Entity	Cost EUR	Fair Value EUR	Percentage Holding
Listed Equity Investments			
Phoenix Mills Limited	3,735,949	1,617,054	<1.00%
Unlisted Equity Investments			
Alliance Hospitality Services Pvt. Ltd – Market City, Pune	4,580,931	5,006,752	20.00%
City Centre Mall Nashik Pvt. Ltd. – Nashik City Centre	11,086,463	9,221,732	50.00%
Indore Treasure Market City Private Limited – Treasure Market City, Indore	10,127,314	15,338,351	28.90%
Forum IT Parks Private Limited – Forum IT Parks, Kolkata	16,680,328	22,441,984	49.00%
Gangetic Developers Pvt. Ltd. – Phoenix United Mall, Agra	4,035,167	3,991,505	28.00%
Kolte Patil Real Estate Private Limited – Residential Projects, Pune	17,042,647	15,215,629	49.00%
Modi Organisors Pvt. Ltd. – Himalaya Mall, Bhavnagar	4,380,156	2,699,837	50.00%
Palladium Constructions Private Limited – Market City, Bangalore	20,042,747	18,782,059	30.00%
Platinum Hospitality Services Private Limited – Market City, Bangalore	8,034,286	12,613,761	30.00%
Riverbank Holdings Private Limited – Batanagar IT SEZ, Kolkata	20,282,856	23,575,599	50.00%
Indore Treasure Town Pvt. Ltd. – Treasure City, Bijalpur	7,706,047	12,299,848	42.77%
Vamona Developers Private Limited – Market City, Pune	17,047,066	15,159,472	24.00%
Saket Engineers Private Limited – Unlisted Entity level	6,844,478	9,398,677	26.05%
Jalan Intercontinental Hotels Pvt Ltd – Taj Gateway, Kolkata	917,083	3,763,099	40.00%
At 30 September 2009	**152,543,518**	**171,125,359**	**-**
At 31 March 2009	146,408,291	175,535,862	-

8. Investment in subsidiary undertakings

Company	Group 30 September 2009 EUR	Group 31 March 2009 EUR
At 1 April 2009	**212,132,319**	212,132,319
Investments in subsidiary undertakings during the year	**-**	-
At 30 September 2009	**212,132,319**	212,132,319

The Group has investments in both direct and indirect subsidiaries.

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

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

8.1 Direct Subsidiary

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

8.2 Indirect Subsidiaries

Name of Subsidiaries	Principal Activity	Country of incorporation	Class of share	Percentage held by Group
K2 Private Equity Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K1 Property Investments Limited	Investment Holding	Cyprus	Ordinary	100%
K2A Private Equity Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2D Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Commercial Limited	Investment Holding	Mauritius	Ordinary	100%

Notes to the Financial Statements (Continued)

Investment in subsidiary undertakings (continued)

Name of Subsidiaries	**Principal Activity**	**Country of incorporation**	**Class of share**	**Percentage held by Group**
K2B Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2D Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2E Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2F Retail Limited	Investment Holding	Mauritius	Ordinary	100%

The Board has reviewed the carrying value of all investments as at 30 September 2009 to determine whether an impairment provision is required. The directors conclude that there was no indication of impairment as at 30 September 2009 (31 March 2009-Nil). The subsidiary company, K2C Residential Limited, bought back its redeemable preference shareholders which represented 3% of the stated capital on 19 June 2009 and the equity holding by the Group is now 100%.

9. Advance on equity contributions

As on 30 September 2009, there were no advance equity contribution and on 31 March 2009 the Group had made an advance payment of EUR 296,560 representing payment of INR 20 million for additional share application monies in Modi Organisers Private Limited.

10. Prepayments and other receivables

	Group 30 September 2009 EUR	Group 31 March 2009 EUR	**Company 30 September 2009 EUR**	Company 31 March 2009 EUR
Amount due from Tangerine Developers Private Limited	**3,179,480**	3,299,229	**-**	-
Prepayments on management fees (Note 18)	**1,141,099**	1,189,003	**-**	-
Other receivables	**61,493**	171,174	**37,466**	142,583
Amount paid to Jarul Promoter & Developers Private Limited	**142,898**	148,280	**-**	-
	4,524,970	4,807,686	**37,466**	142,583

11. Cash and cash equivalents

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

	Group 30 September 2009 EUR	Group 31 March 2009 EUR	**Company 30 September 2009 EUR**	Company 31 March 2009 EUR
Cash at bank	**45,134,366**	53,831,581	**27,231,502**	47,332,557

12. 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 2009	21,428,571	-	211,906,108	211,906,108
During the period	**-**	**-**	**-**	**-**
As at 30 September 2009	**21,428,571**	**-**	**211,906,108**	**211,906,108**

All issued ordinary shares of the Company are fully paid and have been admitted to the official listing of Eurolist by 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 on capital are shown on the statement of changes in equity. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 3, the Company endeavours to invest the proceeds from the issue of ordinary shares in appropriate investments while maintaining sufficient liquidity to meet re-purchase requirements when necessary, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

13. Minority interests

Minority interests arise at the level of K2 and its subsidiaries and represent the carried interest share of profits of K2C Residential Limited, an indirect subsidiary of the Group that would be allocated to the holders of carried interest shares of K2C Residential Limited. During the period ended 30 September 2009 the Group acquired these shares therefore eliminating any minority interest entitlement at the level of K2C Residential Limited.

Minority Interest (continued)

Minority interests as on 30 September 2009 comprised as follows:

	Group 30 September 2009 EUR	Group 31 March 2009 EUR
Minority interest – K2C Residential Limited	**-**	**1,341,367**

14. Other financial liabilities

At 30 September 2009, the Company's subsidiary K2 Property Limited had issued 1,250,000 Class A shares and 1,687,865 Class B shares to Yatra Capital Limited, 67,500 Class C shares to Saffron Capital Securities Limited, 7,500 Class C shares to Yasu Management Limited and 25,000 Class D shares to Saffron Capital Advisors Limited. 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 of one year. The terms of issue of the Class A Shares and the Class B Shares provide that the portfolio of assets underlying each share class are to be wound up and proceeds distributed to the Company within seven years of the date of subscription by the Company for the shares of the relevant class. This period may be extended by the board of the Company by one or two further periods of one year each. The shares issued by K2 are therefore classified as Financial Liabilities within the balance sheet of K2 for the period ended 30 September 2009.The Company owns the entire issued Class A and Class B shares of K2. In accordance with the accounting policy set out in note 2.2, intra-group balances are eliminated on consolidation. Because the Class C and Class D shares are not held by the Company, a Financial Liability is recognised within the consolidated balance sheet as at 30 September 2009 representing the estimated fair value of the amounts attributable to the holders of Class C and Class D shares.

Issued shares of K2 as at 30 September 2009 as follows:

	Class of Shares	**EUR**
Issued and fully paid		
1,250,000 Shares of USD0.01 each	A	9,652
1,687,865 Shares of USD0.01 each	B	11,560
75,000 Shares of USD0.01 each	C	588
25,000 Shares of USD0.01 each	D	196
		21,996

Class A and Class B shares are redeemable at the option of K2 Property Limited. Holders of Class A and Class B shares are referred to as Investor shareholders whereas holders of Class C and Class D shares are referred to as Advisor shareholders. Both Investor and Advisor shareholders are entitled to vote at shareholders' meetings.

All classes of shares have identical rights except with respect to dividends and other distributions and with respect to certain voting rights. Advisor shareholders will be entitled to a "carried

Other financial liabilities (Continued)

interest" share of profits of K2 equivalent to 20% of all the profits arising on K2 provided that the Investor shareholders have been paid, by way of distributions, a sum equivalent to their respective contributions plus a "hurdle rate of return", being an annual compound return of 11% on their net contributions. For the avoidance of doubt, the "carried interest" share of profits shall be applied to all profits arising from K2, including the hurdle rate of return specified above.

The "carried interest" shall be divided between the Advisor shareholders pro rata to the number of such Class C shares and Class D shares held at the time of the distribution provided that the carried interest shall not be paid to the extent that it shall have the effect of reducing the hurdle rate of return payable to Investor shareholders. This amount represents the reduction in the carried interest share of profits of K2 that would be allocated to the Advisor shareholders had K2 been liquidated on 30 September 2009 based on the carrying value of the net assets within the balance sheet of K2 as at 30 September 2009.

For the avoidance of doubt, any entitlement of Class C and Class D shareholders to a carried interest share of profits will only become payable once K2 has distributed to the Investor

Shareholders an amount equivalent to their respective contributions plus a hurdle rate of return as set out above.

The fair value of Other Financial Liabilities as at 30 September 2009 is therefore comprised as follows:

	Group 30 September 2009 EUR	**Group 31 March 2009 EUR**
Opening fair value as at 1st April 2009	**784**	18,500,572
Loss on fair valuation of financial liabilities	**-**	(18,499,788)
Total	**784**	784

15. Amount due to subsidiary

The amount due by the Company to its subsidiary K2 is EUR 24,807,073 (31 March 2009 – EUR 44,807,073) and represents unpaid share capital. The balance payable is interest free and is payable within one year.

16. Accruals and other payables

	Group 30 September 2009 EUR	Group 31 March 2009 EUR	**Company 30 September 2009 EUR**	Company 31 March 2009 EUR
Other payables & Accruals	**209,607**	395,522	**61,915**	48,239

17. Distribution payable

No dividend was paid during the period ended 30 September 2009 (31 March 2009 - Nil).

18. Related party transactions

The Group entered into transactions with related parties in respect of Investment management fees, directors and administration fees as mentioned underneath:

(a) Investment Manager fee

The Group is advised by Saffron Capital Advisors Limited, (the “Investment Manager”), an investment management group incorporated in Mauritius. The annual fees payable under the Investment Management Agreement are equivalent to 2% of the capital committed to K2 by its shareholders. Total fees paid to the Investment Manager for the period amounted to EUR 2,169,226 (30 September 2008 - EUR 2,119,174). The investment management fees are payable in advance for a six month period and the amount prepaid to the Investment Manager as at 30 September 2009 is EUR 1,141,099 (30 September 2008 - EUR 1,177,946).

Rohin Shah and Ajoy Kapoor, who are directors of Yatra Capital Limited are also directors of the Investment Manager

(b) Secretarial and administration fee

Minerva Fiduciary Services (Mauritius) Limited (“K2 Administrator”) has been appointed to provide administrative, registrar and secretarial services to K2. The administration, secretarial and other fees paid to the K2 Administrator for the period amounted to EUR 19,500 (30 September 2008 - EUR 17,499). The services of the K2 Administrator may be terminated by either party by giving not less than ninety days notice.

Minerva Fund Administration Limited (“Administrator”) has been appointed by the Company to provide administrative, registrar and secretarial services to the Company.

Total administration fees paid to the Jersey administrator for the period amounted to EUR 60,195 (30 September 2008 – EUR 67,160).

Mr William Kay, a director of the Company is also a director of Minerva Fund Administration Limited, the appointed administrator to the Company, and of its parent company Minerva Financial Services Limited, in which he also holds a beneficial interest.

(c) Directors’ remuneration

The total remuneration paid to Directors for the period under review was EUR 101,233 (30 September 2008 - EUR 110,726).

Related party transactions (Continued)

(d) Ultimate Controlling Party

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

19. Events after the balance sheet date

On 23 October 2009, an amount of EUR 1.72 million was disbursed to Jalan Intercontinental Hotel Private Limited.

On 15 October 2009 an amount of EUR 0.73 million was disbursed to Modi Organisers Private Limited.

20. Capital commitments

The capital commitments of the Group are disclosed under Note 3.4.

21. Loss per share

Basic earnings per share is calculated by dividing the net profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	30 September 2009 EUR	30 September 2008 EUR
Loss attributable to equity holders of the Company	**(13,501,079)**	(39,707,208)
Weighted average number of ordinary shares in issue	**21,428,571**	21,428,571
Basic loss per share – basic and diluted (per share)	**(0.63)**	(1.85)

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

22. Segment information

The Group is organised into one main business segment, focusing on achieving medium term capital growth by investing in property related investments. The Group's secondary reporting format is geographical segments based on the location of the investments, all of which are located in India.

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INVESTMENT MANAGER

SAFFRONCAPITALADVISORS