Yatra Capital

Yatra Capital Limited

Unaudited Interim Consolidated Financial Statements for the six months ended 30 September 2012

Yatra Capital is the only company listed on Euronext investing in real estate in India.

Investment Manager

IL&FS | IL&FS Investment Advisors LLC

YATRA CAPITAL

Contents

Performance Highlights

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

- **Net Asset Value ("NAV")* per share increased by 1.66 % from EUR 6.00 at 31 March 2012 to EUR 6.10 at 30 September 2012.**

- **Net gain for the period ended 30 September 2012 was EUR 1.59 million as compared to net loss of EUR 26.51 million for the period ended 30 September 2011.**

- **Profit per share for the period ended 30 September 2012 was EUR 0.07 as compared to loss per share of EUR 1.24 for the period ended 30 September 2011.**

- **Yatra has entered into 15 investments, of which two are entity level investments, spread across 9 cities resulting in a development potential of over 18.9 million square feet of saleable/leasable area (excluding car parking and other non revenue generating areas). Over 5.7 million square feet of development space has been pre-leased/ pre-sold as at 30 September 2012.**

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

- **The Bangalore Market City project has been launched post receipt of all approvals and has seen strong sales**

**NAV per share is based on Yatra's net assets as disclosed in the Statement of Financial Position as at 30 September 2012 divided by the number of shares outstanding on that date.*

Chairman's Statement

Dear Shareholders,

I wrote to you in July of this year, covering the announcement of our annual audited financial statements. At that time, I expressed an assessment of global economic conditions, and their effect on the Indian economy. I had little cause for optimism then, and I see little reason to change that view now. Leading commentators see a very problematic year ahead, and the willingness on the part of major Western treasuries to continue to supply apparently unlimited quantities of cost free liquidity appears to be the only market feature which is preventing a further widespread and ugly downturn. The Indian picture is no more rosy, with no improvements in the fiscal deficit / interest rate / growth complex appearing likely in the short term. Unsurprisingly, therefore, the markets in which we operate continue to be constrained by lack of availability of development finance and negligible secondary investor demand. We have continued therefore to seek to enhance what we have, and to require the Investment Manager to drive the projects, principally in the commercial sector, where there remain ongoing difficulties. On the plus side, the performance of our residential developments has met expectations over the period under review, leading to the modest uptick in net asset value which is noted in detail elsewhere in this report. Given the difficult macro environment, this represents a satisfactory outcome.

As to corporate matters, I reported previously your board's wish to provide an annual return of capital to shareholders. The 2012 return programme, which has been structured as an off-market redemption at a price of €3.50 per share, was designed to deliver both choice and fairness to all shareholders, whilst being demonstrably in the best interests of the Company. The programme is now well underway and will close in mid-December, as previously announced. Our on-market program continues, although it remains hampered by very low levels of market liquidity.

I am able to restate that the board is committed to return capital on an annual basis, of course if circumstances allow. The quantum of such annual return remains subject to the progress of our portfolio and operational needs, but the board firmly recognizes that the Company is now starting to approach the date when its first tranche of investment monies, that was raised from shareholders in 2006, comes due for maturity, and thus continues to plan its portfolio with a view to exits within the intended maturity profile. It is fair to say that some of the Company's projects particularly in the residential sector, have the potential to deliver greater value if held for a period longer than the originally documented term, and our Investment Manager has been tasked with making a case to the board in such circumstances, well in advance of the first investment maturity date in Q1 2014. Whilst there is no constitutional obligation to do so, it is the board's stated policy to bring any such proposed extension before shareholders in a general meeting.

You will no doubt be anxious also to hear from the board as to the previously announced extraordinary general meeting plans, whereby you will have an opportunity to consider and vote on a form of realignment of interests between the Company and its Investment Manager. I can report to you that a position has now been reached between the board and the Investment Manager that represents the best deal on offer from them. The nature of those arrangements is being formulated into the terms necessary to provide shareholders with the appropriate decision-making mechanism, and an announcement will be made shortly as to when the required extraordinary general meeting will be held. The board is exploring and considering other ways in which shareholder value may be enhanced, and those options will be explained to you in the relevant circular with an appropriate analysis of risk. I know that many of you are frustrated by the length of time that it has taken to draw this project to a close. I can assure you that these delays are not for want of diligence or effort on the part of all parties; rather, the matters concerned, and the risks and consequences associated with them, are extremely complex and have demanded significant consideration and reconsideration, in conjunction with the Company's professional advisors.

It remains for me to thank my tireless colleagues on the board, our advisors, our Investment Manager and other service providers for their hard work during the period, and you for your continuing observations, support and counsel, which is always greatly appreciated.

With best wishes

Richard Boléat

Chairman

27 November 2012

Directors' Report

The Directors present their interim report and the unaudited financial statements of Yatra Capital Limited ("the Company") and its subsidiaries (together the "Group") for the period ended 30 September 2012.

The Company

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

Business Review

A review of the Group's activities during the year is set out in the Chairman's Statement on pages 3 - 4. The Board of Yatra has approved a return of capital up to EUR 7.50 million to its shareholders. The shareholders approved this return of capital and the process of redemption in the Annual General Meeting of the Company held on October 31, 2012.

Results and Dividend

The Group's results for the period ended 30 September 2012 are shown in the Consolidated Statement of Comprehensive Income and related notes (pages 17 to 47). The Directors do not propose to declare a dividend for the period under review (31 March 2012-Nil).

Directors

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

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

All the directors served office throughout the period.

Directors' Interests

The following directors had interests in the shares of the Company as at 30 September 2012.

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

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

Directors' Remuneration

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

Directors of the Company	Remuneration (in EUR)
David Hunter	22,500
Shahzaad Dalal	Nil
Malcolm King	21,250
Richard Boléat	30,000
Christopher Wright	22,500
George Baird	23,750

Directors of the Subsidiary	Remuneration (in EUR)
Rajkamal Taposeea	588
Manogaran Thamothiram	588
David Hunter	20,000
Malcolm King	15,000
Shahzaad Dalal	Nil
Richard Boléat	5,000
Christopher Wright	5,000
George Baird	4,199

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

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

Management

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

Directors' Responsibility Statement

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

Corporate Governance

A statement of Corporate Governance can be found on page 10.

Key Risks

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

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

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

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

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

- Changes to regulations governing foreign investments including repatriation of funds may adversely affect the Group's performance. The Group, through the Investment Manager, monitors this risk and, where applicable, procures advice from specialist lawyers and tax advisors in respect of the structuring of its investments.

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

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

- The Group is exposed to counter party risk, principally as a result of the joint venture and leveraged nature of its investment portfolio. The Group is dependent upon the continued activity and performance of its joint venture real estate development partners. Additionally, the success of the Group’s development activities is contingent upon the continued willingness of domestic Indian financial institutions to provide development and construction finance on acceptable terms. This counterparty 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 Board continues to monitor and, where possible, take steps to mitigate these key risks and other uncertainties to which the Group is exposed.

Annual General Meeting

The Annual General Meeting of the Company was held on 31 October 2012.

Independent Auditors

The auditors, PricewaterhouseCoopers CI LLP, were reappointed at the Annual General Meeting, held on 31 October 2012.

By Order of the Board

Richard Boléat
Chairman

George Baird
Director and Audit & Risk Committee Chairman

27 November, 2012

Corporate Governance Report

It is the Group's policy to comply with best corporate governance practices. The Group recognizes that effective governance is a fiduciary responsibility fundamental to its long-term success. The Board endeavours 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 become a member of the Association of Investment Companies, UK since January 2012.

Role of the Board

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

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

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

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

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

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

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

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

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

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

Board Decisions

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

Board Meetings

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

Director	Attendance at Meetings
David Hunter	4
Richard Boléat	5
Malcolm King	4
Christopher Wright	5
Shahzaad Dalal	4
George Baird (appointed 8 March 2012)	6

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 committee of K2 Property Limited. The ARC meets at least three times a year and, if required, meetings can also be attended by the Investment Manager, the Administrator and the Independent Auditors.

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

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

- To ensure the integrity of the financial statements;

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

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

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

- 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.

Audit & Risk Committee (Continued)

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

During the period under review, the ARC met formally once.

The table below shows the attendance of the ARC members at the formal meeting for the period under review.

Director	Attendance at Meetings
Richard Boléat	Nil
Malcolm King	Nil
Christopher Wright	1
George Baird (appointed 8 March 2012)	1

During the period under review the ARC met informally twice to discuss various issues which were attended by all the members.

Remuneration and Nominations Committee

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

The table below shows the attendance of the remuneration and nominations committee members at the formal meeting for the period under review.

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

Shareholder Relations

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

Unaudited Interim Consolidated Statement of Financial Position

As at 30 September, 2012

	Notes	Group 30 September 2012 EUR	Group 31 March 2012 EUR
ASSETS			
Non Current assets			
Financial assets at fair value through profit or loss	7(a)	**95,760,335**	88,189,932
Investments in subsidiary undertakings	8	**-**	-
		95,760,335	88,189,932
Current assets			
Financial assets at fair value through profit or loss	7(b)	**4,542,474**	8,131,850
Prepayments and other receivables	9	**4,609,104**	4,796,376
Cash and Cash equivalents	10	**24,837,380**	27,337,824
		33,988,958	40,266,050
Total assets		**129,749,293**	128,455,982
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	**-**	-
Share premium	11	**211,906,108**	211,906,108
(Accumulated losses)		**(81,928,760)**	(83,522,990)
Treasury shares	11	**(416,323)**	(267,569)
Total equity		**129,561,025**	128,115,549
Current liabilities			
Accruals and other payables	12	**188,268**	340,433
		188,268	340,433
Total equity and liabilities		**129,749,293**	128,455,982

The financial statements were approved by the Board of Directors and authorised for issue on 27 November, 2012. They were signed on its behalf by Richard Boléat and George Baird.

Richard Boléat

Chairman

George Baird

George Baird

Director and Audit & Risk Committee Chairman

The notes on pages 17 to 47 form an integral part of these unaudited interim financial statements.

Unaudited Interim Consolidated Statement of Comprehensive Income

For the 6 month period ended 30 September, 2012

	Notes	Group Period ended 30 September 2012 EUR	Group Period ended 30 September 2011 EUR
INCOME			
Interest income		**308,012**	410,516
Dividend income		**-**	-
Other income		**84**	3,417
Gain on foreign currency translation		**722**	-
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	**3,981,027**	(23,972,273)
		4,289,845	(23,558,340)
EXPENSES			
General Administration Expenses:			
Investment Manager fee	14	**1,909,154**	1,984,001
Custodian, secretarial and administration fees		**100,856**	93,923
Legal and professional costs		**146,065**	170,610
Directors' fees	14	**169,199**	125,297
Directors' insurance		**18,212**	17,875
Audit fees		**173,598**	132,995
Listing agents fees		**17,900**	2,268
Investment committee expenses		**9,150**	43,552
Other administrative expenses		**127,540**	161,684
Loss on foreign currency translation		**562**	181,940
		2,672,236	2,914,145
Total Comprehensive Profit/(Loss) for the period before tax		**1,617,609**	(26,472,485)
Taxation	5	**(23,379)**	(37,138)
Total Comprehensive Profit/(Loss) attributable to:			
Equity holders of the Company		**1,594,230**	(26,509,623)
		1,594,230	(26,509,623)
Profit /(loss) per share – basic and diluted	17	**0.07**	(1.24)

The notes on pages 17 to 47 form an integral part of these unaudited interim financial statements.

Unaudited Interim Consolidated Statement of Changes in Equity

For the period ended 30 September, 2012

		Attributable to Equity Holders		
	Stated Capital	**Share Premium**	**Retained earnings/ (accumulated losses)**	**Total equity**
	EUR	**EUR**	**EUR**	**EUR**
Group:				
At 31 March 2010	-	211,906,108	(13,167,523)	198,738,585
Total comprehensive loss for the year	-	-	(27,280,969)	(27,280,969)
At 31 March 2011	-	211,906,108	(40,448,492)	171,457,616
Total comprehensive loss for the year	-	-	(43,074,498)	(43,074,498)
Treasury shares	-	(267,569)	-	(267,569)
At 31 March 2012	-	211,638,539	(83,522,990)	128,115,549
Total comprehensive gain for the period	-	-	1,594,230	1,594,230
Treasury shares	-	(148,754)	-	(148,754)
At 30 September 2012	-	211,489,785	(81,928,760)	129,561,025

The notes on pages 17 to 47 form an integral part of these unaudited interim financial statements.

Unaudited Interim Consolidated Statement of Cash Flows

For the period ended 30 September, 2012

	Notes	Group Period ended 30 September 2012 EUR	Group Period ended 30 September 2011 EUR
Cash flows from operating activities			
Total Comprehensive profit/(loss) for the period		**1,617,609**	(26,472,485)
Adjustments for:			
Dividend income		**-**	-
Interest income		**(308,012)**	(410,516)
Profit/(loss) on foreign currency translation		**(9,077)**	176,498
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	**(3,981,027)**	23,972,273
Cash used in operations		**(2,680,507)**	(2,734,230)
Purchase of financial assets at fair value through profit or loss	6	**-**	(1,566,351)
Dividend received		**-**	-
Tax paid		**(23,379)**	(37,138)
Decrease in prepayments and other receivables		**176,688**	98,577
(Decrease) in accruals and other payables		**(152,164)**	(13,718)
Net cash used in operating activities		**(2,679,362)**	(4,252,860)
Cash flows from financing activities			
Interest received		**327,672**	301,189
Treasury shares		**(148,754)**	-
Net cash from financing activities		**178,918**	301,189
Net decrease in cash and cash equivalents		**(2,500,444)**	(3,951,671)
Cash and cash equivalents at beginning of the period		**27,337,824**	33,829,400
Cash and cash equivalents at end of the period	10	**24,837,380**	29,877,729

The notes on pages 17 to 47 form an integral part of these unaudited interim financial statements.

Notes to the Unaudited Interim Financial Statements

1. General information

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

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The interim consolidated financial statements are prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting".

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

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

Notes to the Unaudited Interim Financial Statements (Continued)

Summary of significant accounting policies (Continued)

K2 makes investments in Portfolio Companies established to undertake real estate investment in India. By virtue of the controlling interest held by the Company in K2 as at 30 September 2012, the Company has consolidated the position and results of K2 in accordance with the accounting policies set out in note 2.2.

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

As at 30 September 2012, neither the Company nor K2 held a controlling interest in any of the Portfolio Companies in respect of which K2 has invested. As set out in note 2.3, investments in Portfolio Companies are accounted for as financial assets at fair value through profit or loss. The estimates and assumptions applied in determining the fair value of these investments are set out in note 4.1.

(a) Standards and amendments to existing standards effective on or after 1 April 2011

- The amendment to IAS 24, 'Related Party Disclosures', clarifies the definitions of a related party. The new definition clarifies in which circumstances, persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 7 (amendments), 'Financial Instruments: Disclosures' was part of the IASB's annual improvement project published in May 2010. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have a significant impact on the Group's financial statements.

- IAS 1, 'Presentation of Financial Statements' was part of the IASB's annual improvement project published in May 2010. It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Adoption of this amendment did not have a significant impact on the Group's financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that had a significant impact on the Group.

(b) New standards that are not yet effective for the financial year beginning 1 April 2011 and have not been early adopted:

- IAS 27 (revised 2011), 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

Notes to the Unaudited Interim Financial Statements (Continued)

Summary of significant accounting policies (Continued)

- IAS 28 (revised 2011) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates , to be equity accounted following the issue of IFRS 11.

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

  The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

  The new standard is not expected to have an impact on the Group's financial position or performance, as it is expected that the Group will continue to classify its financial assets as being at fair value through profit or loss;

- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is currently assessing the impact of the adoption of this standard;

- IFRS 11 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013) is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. The structure and form of the arrangement is only one of the factors to consider in assessing each party's rights and obligations. The terms and conditions agreed by the parties (for example, agreements that may modify the legal structure or form of the arrangement) and other relevant facts and circumstances should also be considered. If the facts and circumstances change, a venturer needs to reassess (i) whether it has joint control; and/or (ii) the type of joint arrangement in which it is involved. Changes in the definitions per IFRS 11 have reduced the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today. The standard is not expected to have an impact on the Group's financial position or performance as the Group does not equity account.

Notes to the Unaudited Interim Financial Statements (Continued)

Summary of significant accounting policies (Continued)

- IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is currently assessing the impact of the adoption of this standard.

- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient. The standard is not expected to have an impact on the Group's financial position or performance.

- Amendment to IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012) changes the disclosure of items presented in other comprehensive income (OCI) in the Statement of Comprehensive Income and required entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to the Statement of Comprehensive Income in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The standard is not expected to have an impact on the Group's financial position or performance.

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

2.2 Consolidation

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

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

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

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

Transactions and non-controlling interests

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

Notes to the Unaudited Interim Financial Statements (Continued)

Summary of significant accounting policies (Continued)

2.3 Financial assets at fair value through profit or loss

(a) Classification

The Group invests in joint ventures and associates and has also invested in the securities of a company listed on the Bombay Stock Exchange. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. An associate is an entity over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. As allowed under International Accounting Standards, IAS 31 (revised 2003), Interests in Joint Ventures and IAS 28 (revised 2003), Investments in Associates, the Group has designated its investments in joint ventures and associates as financial assets held at fair value though profit or loss. All of the Group's interests in Portfolio Companies are accounted for in this manner.

Financial assets designated at fair value through profit or loss at inception are 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 and the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information. The majority of these financial assets are not expected to be realised within 12 months of the Statement of Financial Position 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.

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

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the "trade date" – the date on which the Group contracts to purchase or sell the investment. 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 Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are recognized in the Statement of Comprehensive Income in the year in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Group's right to receive payments is established and is shown gross of withholding tax.

(d) Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on project status and market conditions existing at the date of the Statement of Financial Position. 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").

2.4 Foreign currency translation

(a) Functional currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. The EUR exchange rate used at the date of Statement of Financial Position for the translation of monetary assets and liabilities (and stated commitments disclosed in note 3.4 below) denominated in INR was 68.15 (31 March 2012 - 68.34). Translation differences on non-monetary financial assets and liabilities such as equity instruments classified as financial assets at fair value through profit or loss are recognised in the Statement of Comprehensive Income within the net gain or loss on fair valuation of financial assets at fair value through profit or loss.

Notes to the Unaudited Interim Financial Statements (Continued)

Summary of significant accounting policies (Continued)

(c) Group companies

The results and 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 as follows:

i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position.
ii) income and expenses for each Statement of Comprehensive Income 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
iii) all resulting exchange differences are recognised as a separate component of equity.

2.5 Prepayments and other receivables & accruals and other payables

Prepayments and other receivables and accruals and other payables are recognised on an accruals basis and are fair valued at the financial position date.

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 Stated capital

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

2.8 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.

Notes to the Unaudited Interim Financial Statements (Continued)

Summary of significant accounting policies (Continued)

2.9 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither counting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of Statement of Financial Position 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.

2.10 Revenue recognition

Interest income is recognized on a time proportion basis using the effective interest method. Dividends are recognized when the shareholders have a right to receive payment.

2.11 Financial instruments

Financial instruments carried in the Statement of Financial Position include financial assets at fair value through profit or loss, other receivables, cash at bank and accruals and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

2.12 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.

2.13 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 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

Notes to the Unaudited Interim Financial Statements (Continued)

Summary of significant accounting policies (Continued)

those of segments operating in other economic environments. The Group is engaged in real estate development projects in India, being a single reportable geographical segment having an economic environment that is subject to risks and returns which are different from geographical segments operating in other economic environments.

3 Financial risk management

3.1 Strategy in using financial instruments

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

The Group's activities expose it to a variety of financial risks, the principal risks being credit risk, liquidity risk, counterparty 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.

This note presents information about the Group's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout these financial statements. The Group held no derivative instruments during the period ended 30 September 2012 (31 March 2012- Nil). A summary of the main risks is set out below:

3.2 Market risk

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

(a) Cash flow and fair value interest rate risk

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 exposed to the risk of fluctuating interest rates. Since the financial statements of the Group show cash at cost, the question of fair value risk for the same does not arise.

Notes to the Unaudited Interim Financial Statements (Continued)

Financial risk management (Continued)

(b) Foreign currency risk

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

The Group holds investments in Portfolio Companies operating in India and hence is exposed to foreign currency exchange risk as its investments and other receivables are denominated in Indian Rupees ("INR") and may be undertaken in phased stages. It also has bank balances and accruals and other payables denominated in United States Dollars ("USD"), INR and British Pounds 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 to keep under review their foreign currency risk against the functional currency. Forward contracts may be used on a transaction by transaction basis with a view to hedging foreign currency exposure. The Group will continue to monitor foreign currency risk and the need for hedging transactions. During the period under review, no foreign currency hedging transactions took place, and the Group continues to have fully unhedged INR exposures comprising substantially all of the Group's Non-Current Assets and Current Assets including an amount receivable equivalent to EUR 7.80 million.

At 30 September 2012, the fair value of the Group's investments including other receivables, denominated in INR amounted to EUR 103,567,667 (31 March 2012 – EUR 99,577,563). Consequently, the Group is exposed to the risk 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 2012, assuming the price of the financial assets denominated in INR remains unchanged, if INR had strengthened by 10% (31 March 2012-10%) against the EUR, the Group's losses would have decreased by EUR 11.14 million (31 March 2012- EUR 11.06 million) and had the INR weakened by 10% the Group's losses would have increased by EUR 9.12 million (31 March 2012- EUR 9.05 million) with a reverse impact on net assets.

At 30 September 2012, the Group had outstanding capital commitments of EUR 2.01 million (31 March 2012 – EUR 2.01 million). Had the INR depreciated against the EUR by 10% (31 March 2012 – 10%) the Group would have had at 30 September 2012 an outstanding capital commitment of EUR 1.83 million (31 March 2012 - EUR 1.83 million).

Notes to the Unaudited Interim Financial Statements (Continued)

Financial risk management (Continued)

Had the INR appreciated against the EUR by 10% over the last year then the Group would have had at 30 September 2012 an outstanding capital commitment of EUR 2.23 million (31 March 2012 – EUR 2.23 million).

(c) Price risk

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

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

The valuation of the property development projects held by the Portfolio Companies as at 30 September 2012 has been done by way of internal desktop valuation conducted by the CIS Manager and explained in note 4.1 below. The table below provides a sensitivity analysis showing the impact of increases/decreases in the fair value of investments on the Group's post tax profits and losses respectively for the period and on its net assets. The analysis is based on the assumption that the valuation of the property development projects held by the Portfolio Companies as on 30 September 2012 increased/decreased by 20% (31 March 2012 - 20%), with other variables held constant.

Period ended 30 September 2012	**Increase in fair value by 20% (EUR)**	**Decrease in fair value by 20% (EUR)**
Increase/(decrease) in profit and Increase/(decrease) in net assets	EUR 20.06 million	(EUR 20.06 million)
Year ended 31 March 2012	**Increase in fair value by 20% (EUR)**	**Decrease in fair value by 20% (EUR)**
Decrease/(increase) in loss and Increase/(decrease) in net assets	EUR 16.20 million	(EUR 16.20 million)

Notes to the Unaudited Interim Financial Statements (Continued)

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 date of the Statement of Financial Position. This counterparty risk may further increase due to concentration among developers in the portfolio.

The Group's credit risk arises principally from cash at bank and other receivables. The Group's policy is to maintain cash balances and short term deposits with a reputable banking institution and to monitor the placement of cash and deposit balances on an ongoing basis. As at 30 September 2012, all cash balances and short term deposits were placed with the HSBC Banking Group which had a credit rating of "AA-" from Standard and Poor's, Barclays Bank Plc which had a credit rating of "A+(Negative)" from Standard and Poor's, the Mauritius Commercial Bank Limited which had a credit rating of "Baa1" from Moody's Global Credit Research and the Bank of Cyprus which had a credit rating of "Caa1" from Moody's Global Credit Research.

The Group has invested less than 2% of its investible funds in the securities of a company listed on the Bombay Stock Exchange. It is the Group's policy that all the transactions in listed securities are settled /paid for upon delivery using appropriately licensed brokers. The risk of default with respect to such settlement is considered minimal, as delivery of securities sold is only completed once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Group's credit risk also arises in respect of other receivables as disclosed in note 9 below. The Board has considered the recoverability of these balances as at 30 September 2012 and does not consider the risk of failing to recover these amounts to be significant. Additionally, before any company in the Group enters into transactions with another party it will make an assessment of the credit worthiness of that party.

3.4 Liquidity risk

Liquidity risk arises when the maturity dates of assets and liabilities of a Company do not match and the Group is unable to meet its payment obligations when they fall due. As a policy, the Group minimises these risks by maintaining sufficient cash and highly liquid current assets to meet all anticipated future payment obligations. As at 30 September 2012, the total financial liabilities of the Group amounted to EUR 0.19 million (31 March 2012: EUR 0.34 million).

As detailed in the table below, the outstanding capital commitments of the Group amounted to EUR 2.01 million as at 30 September 2012 (31 March 2012 – EUR 2.01 million). The Board believes that this outstanding capital commitments will not be called for by the Portfolio Companies. The cash balance of the Group as at 30 September 2012 amounted to EUR 24.83 million (31 March 2012 – 27.34 million) and is sufficient to finance the current financial liabilities and outstanding capital commitments.

Notes to the Unaudited Interim Financial Statements (Continued)

Financial risk management (Continued)

Name of K2 subsidiary	Name of Indian Portfolio Company and Description	30 September 2012		31 March 2012	
		Commitment		Commitment	
		Total (EUR millions)	Balance (EUR millions)	Total (EUR millions)	Balance (EUR millions)
K2 C Residential Limited	Indore Treasure Market City Pvt Ltd – Treasure Market City Retail, Indore	10.97	0.84	10.97	0.84
K2 B Retail Limited	Modi Organisors Pvt Ltd – Himalaya Mall, Bhavnagar	6.28	1.17	6.28	1.17
Total initial / outstanding commitments		**17.25**	**2.01**	17.25	2.01

The Board believes that this amount will not be called upon by the above Portfolio Companies.

Details	Group		Group	
	Due - less than 12 months		Due - more than 12 months	
	30 September 2012 EUR Millions	31 March 2012 EUR Millions	30 September 2012 EUR Millions	31 March 2012 EUR Millions
Accruals and other payables	0.19	0.34	-	-
Outstanding Commitments	2.01	2.01	-	-
Total payable	**2.20**	**2.35**	**-**	**-**

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

3.5 Fair values

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

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

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

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

Notes to the Unaudited Interim Financial Statements (Continued)

Financial risk management (Continued)

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

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

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

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

Assets	EUR Level 1	EUR Level 2	EUR Level 3	EUR Total balance
30 September 2012 Group				
Financial assets designated at fair value through profit or loss	1,834,382	-	98,468,427	100,302,809
31 March 2012 Group				
Financial assets designated at fair value through profit or loss	1,945,669	-	94,376,113	96,321,782

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

The other investments of the Group, designated at fair value through profit or loss, consist of unquoted shares in the Portfolio Companies. In the absence of observable prices, as described in Note 4.1 below, the Group makes use of valuation techniques to compute the fair value. The fair value is based on the valuation carried out by the Investment Manager derived from the valuations prepared by the independent international property valuer CB Richard Ellis South Asia Private Limited (the "Valuer") at 31 March 2012. The Investment Manager makes use of two main methods, namely Direct Comparable Method ("DCM") and Discounted Cash Flow ("DCF"), to value the

Notes to the Unaudited Interim Financial Statements (Continued)

Financial risk management (Continued)

different projects of the Group, depending on the stage of each project and depending on the availability of comparable transaction price on the market. Both methods make use of recent real estate transactions similar in nature to each individual project and of a number of assumptions and judgments obtained from the Investment Manager. Hence, the other investments of the Group are classified under level 3. The projects valued using the direct comparable method constitutes 4.78% (31 March 2012 – 4.52%) of the total financial assets at fair value through profit or loss.

There has been no transfer between levels during the period ended 30 September 2012 (31 March 2012 – Nil).

3.6 Capital risk management

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

3.7 Counterparty risk

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

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

1. The continuing willingness by banks and other financial institutions to provide finance on agreed terms to Portfolio Companies, to enable those companies to execute their planned real estate development within budget tolerances.
2. The ability and willingness of the Group's joint venture partners at Portfolio Company level to carry out the relevant real estate development project in accordance with agreed budgets, timescales and quality standards.

A failure by a constituent member of either of these commercial counterparty groups to perform as agreed could lead to a material negative performance of an individual Portfolio Company investment. The Investment Manager ensures that counterparty risk is mitigated by way of continuous monitoring of Portfolio Companies, the joint venture parties, banks and financial institutions with whom they contract. Identified risks are escalated and actions taken by the Group as necessary. In the case of Indore Treasure Market City Private Limited, the promoter of the IPC has not been able to infuse liquidity into the project which has led to substantial delays in construction work at site. However, the promoter is in the process of evaluating various funding options until the tying up of which, construction work at site has temporarily stopped.

Notes to the Unaudited Interim Financial Statements (Continued)

Financial risk management (Continued)

3.8 Financial instrument by category

Group 30 September 2012 Non current and current assets	Loans and receivables EUR	Financial Assets at fair value through profit or loss EUR	Total EUR
Financial assets at fair value through profit or loss (Non Current)	-	95,760,335	95,760,335
Financial assets at fair value through profit or loss (Current)	-	4,542,474	4,542,474
Cash and cash equivalents	24,837,380	-	24,837,380
Prepayments and other receivables	4,609,104	-	4,609,104
Total	**29,446,484**	**100,302,809**	**129,749,293**
Group 31 March 2012 Non current and current assets			
Financial assets at fair value through profit or loss (Non Current)	-	88,189,932	88,189,932
Financial assets at fair value through profit or loss (Current)	-	8,131,850	8,131,850
Cash and cash equivalents	27,337,824	-	27,337,824
Prepayments and other receivables	4,796,376	-	4,796,376
Total	**32,134,200**	**96,321,782**	**128,455,982**

Group 30 September 2012 Current liabilities	Accruals and other payables EUR	Total EUR
Accruals and payables	188,268	188,268
Total	**188,268**	**188,268**
Group 31 March 2012		
Accruals and payables	340,433	340,433
Total	**340,433**	**340,433**

3.9 Market Turbulence

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

Notes to the Unaudited Interim Financial Statements (Continued)

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

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

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

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

(1) differences between IFRS and Indian GAAP; and

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

Adjustments have been made to the extent of tax expected to be suffered on any gain arising on the fair valuation of the projects (including land and the development costs of such land) derived from the valuation data provided by the Investment Manager as of 30 September 2012. Tax adjustments are taken on the net gain on projects which have a saleable model whereas for leasable models the tax adjustments are on the taxable income from lease rentals instead of on exit values as the disposal of the investment in the leasable model at exit value is to be done at Portfolio Company level. Having determined the fair value of the net assets, the Group carries these investments based on its pro-rata share, with no discount or premium being applied to reflect control or liquidity. After taking advice from the Investment Manager, the Directors believe that there should be no adjustment on account of control as the investments are in joint ventures, where in accordance with the relevant shareholders' agreements; all major decisions of the Portfolio Companies require the affirmative vote of the investing Group companies. They also believe that at this stage there should be no adjustment on account of the liquidity of the investments, notwithstanding that they are not traded on an active market, since they are intended to be held until the optimum realization point at least which would be until the completion of the relevant development project or exited earlier based on the DCF of the project. The Board will continue to review this semi-annually.

Notes to the Unaudited Interim Financial Statements (Continued)

Critical accounting estimates and judgements (Continued)

The valuations of each project held by the Group through the Portfolio Companies have been carried out through an internal desktop valuation conducted by the Investment Manager. Such desktop valuations are based on the valuations provided by the Valuer at 31 March 2012. The Investment Manager has taken into account and reflected all the significant changes at the Portfolio Company level during the period in the desktop valuation.

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

Under the DCF method of the income approach, all the future cash flows arising from the properties are forecasted using a combination of actual property data such as details of leases or sales completed and market information such as sales price, market rental rates, yields, disposal date and the cost of constructions. Assumptions made by the Directors and the Investment Manager and used for valuations include: the expected date of the start of the projects and the completion date, the time required for the projects to be fully occupied, the financing ratio (debt/equity), and the availability of finance. These assumptions are however reviewed by the Investment Manager where the latter believes they do not appropriately reflect the market conditions. These cash flows are then discounted to a present value using an appropriate discount rate, as determined by the Investment Manager at 30 September 2012. Under the DCM, recent transactions of land situated in the vicinity of subject land are considered and adjusted for discounts or premiums in prices to arrive at an appropriate price for subject property being valued. These discounts or premiums are necessary to reflect the specific features of the property (physical, legal and planning) due to the volatility of the Indian market, paucity of empirical evidence and lack of comparable transactional data. Some of the factors for which discounts or premiums are used are differences between specified land and comparable land on account of location advantage/disadvantage, frontage availability, permissible usage of land, permissible Floor Space Index (FSI) on the land, size of land parcel, approach and connectivity, special incentives if any etc.

The market value of each property as on 30 September 2012, as reported by the Investment Manager, is then used in the fair valuation of the Net Assets of the Portfolio Companies.

As at 30 September 2012, the Board and the Investment Manager believed that the non residential Portfolio Companies (except Indore Treasure Market City Private Limited) will be able to meet their estimated financial commitments through a combination of equity and debt. Out of the total debt requirement estimated for the non residential projects, 71% (31 March 2012 – 71%) of the debt has been sanctioned by the Banks/Financial Institutions and the balance 29% (31 March 2012 – 29%) is not yet in place. Though there is no change in the overall percentage of debt requirement as compared to 31 March 2012, there is additional debt requirement for Indore Treasure Market City Private Limited – Treasure Market City Retail Indore, Jalan Intercontinental Hotels Private Limited

Notes to the Unaudited Interim Financial Statements (Continued)

Critical accounting estimates and judgements (Continued)

- Kolkata hotel and Forum IT Parks Private Limited - IT SEZ, Kolkata.

In the case of large residential projects, execution is generally carried out over several phases. Such residential projects will be partly financed by equity and internal accruals, being receipt from pre-sales and advance payments for the residential units sold and partly by modest amount of debt which may be required to fund the projects. Typically, internal accruals for residential projects are in the range of 40-60% of the total cost of a residential project. When a residential project is launched, typically 15-20% of the total sales consideration for a unit is received upfront and further payments are linked to the construction milestones. This reduces exposure to debt requirements.

Based on the aforementioned paragraphs, the directors believe that the liquidity risk for all current projects has been adequately addressed. Though majority of the civil construction work in Indore Treasure Market City Private Limited as on 30 September 2012 has been completed, the fair value of the Fund's investment in this Portfolio Company has been arrived on the basis of DCM method of valuation along with other assets and liabilities in the Portfolio Company. The Portfolio Company does not have sufficient funds to complete the project as per the agreed business plan. The inability of the joint venture partner and investors to infuse additional money into the Portfolio Company coupled with the joint venture partner/Portfolio Company's inability to raise further debt has led to this change of approach. Further, in Alliance Hospitality Services Private Limited, the Portfolio Company does not have a business plan in place to enable a DCF based valuation. Therefore, the Portfolio Company has been valued on the basis of its net assets as appearing in its unaudited financial statements as at 30 September 2012 and the Group has uplifted its share of the net assets in proportion to its equity share holding in the Portfolio Company as the fair value of its investment.

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

4.2 Critical judgements

Functional currency

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

5 Taxation

5.1 Current tax – India

The Group invests in India and the Board expects that the Group will obtain benefits under the double taxation treaty between India and Mauritius ("Tax Treaty"). To obtain benefits under the Tax Treaty, each relevant company in the Group must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. Each of the Company's subsidiaries in Mauritius has obtained a tax residence certification from the Mauritian authorities and such certification is determinative of resident status for treaty purposes. A company which is tax resident in Mauritius under the Tax Treaty, but has no branch or permanent establishment in India, will not be subject to capital gains tax in India on the sale of securities but is subject to Indian withholding tax on interest earned on Indian securities at the rate of 21.01% (31 March 2012 - 20.60%).

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

5.2 Current tax – Cyprus

Mildren Holding Limited ("Mildren") is incorporated in Cyprus and is subject to corporation tax on its taxable profits at the rate of 10% (31 March 2012 – 10%) in Cyprus. Up to 31 December 2008, under certain conditions interest 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 approximately 15%.From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%; increased to 15% as from 31 August 2011.In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 01 January 2012 to 31 December 2013.

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

At 30 September 2012, Mildren had an income tax charge of EUR 23,379 (31 March 2012 – EUR 39,115). The Indian withholding tax on interest paid is available as a set off against the corporation tax payable in Cyprus as per the India Cyprus tax treaty.

Notes to the Unaudited Interim Financial Statements (Continued)

Taxation (Continued)

5.3 Current tax – Mauritius

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

No Mauritius tax on capital gains is payable in respect of the Group's investments and any dividend and redemption proceeds paid by any company in the Group to its shareholders are not subject in Mauritius to any withholding or other tax. At 30 September 2012, the accumulated tax losses within the Group in respect of Mauritian tax amounted to EUR 2,171,882 (31 March 2012 - EUR 2,637,657) and therefore no provision for taxation in Mauritius has been made. The tax losses arising in a period can be carried forward for set-off against income derived in the five succeeding income years by the respective companies.

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

The Group's Mauritius losses before tax differ from the theoretical amount that would arise using the respective Companies' applicable tax rates. Information in respect of the Group's Mauritius losses for the period ended 30 September 2012 is as follows:

	30 September 2012	31 March 2012
	EUR	EUR
Operating profit/(loss) for the year before taxation	**1,959,072**	(42,498,564)
Tax calculated at domestic rates applicable to profits in the respective countries	**291,414**	(6,389,682)
Impact of:		
Non-allowable expenses	**316,085**	6,337,872
Special defence contribution	**937**	1,156
10% Indian withholding tax	**22,442**	37,960
Exempt income – Net	**(731)**	(11,149)
Income not subject to tax	**(622,833)**	(17,127)
Utilised losses	**-**	-
Under provision of tax liability	**-**	20,750
Deferred tax asset not recognised	**16,065**	80,086
Actual income tax expense	**23,379**	59,865

Notes to the Unaudited Interim Financial Statements (Continued)

Taxation (Continued)

5.4 Current tax – Jersey

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

5.5 Deferred income tax

A deferred income tax asset has not been recognised in respect of tax losses carried forward, as the Board considers that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised. The unrecognised deferred tax balance at 30 September 2012 arising from accumulated tax losses amounted to EUR 65,156 (31 March 2012 – EUR 93,435) for the Group.

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

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

	Listed shares	Unlisted shares	Total
	EUR	EUR	EUR
Group			
At 1 April 2011	1,831,488	131,046,327	132,877,815
Additions	-	1,566,351	1,566,351
Transfer to current asset	-	(14,760,197)	(14,760,197)
Gain/(loss) on fair valuation	114,181	(36,555,547)	(36,441,366)
At 31 March 2012	1,945,669	81,296,934	83,242,603
Transfer from current assets	-	4,947,329	4,947,329
Gain/(loss) on fair valuation	(111,287)	7,681,690	7,570,403
At 30 September 2012	**1,834,382**	**93,925,953**	**95,760,335**

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

	Listed shares	Unlisted shares	Total
	EUR	EUR	EUR
Group			
At 01 April 2011	-	-	
Transfer from non-current assets	-	14,760,197	14,760,197
Additions	-	-	
Loss on fair valuation	-	(1,681,018)	(1,681,018)
At 31 March 2012	-	13,079,179	13,079,179
Transfer to non- current assets	-	(4,947,329)	(4,947,329)
Loss on fair valuation	-	(3,589,376)	(3,589,376)
At 30 September 2012	**-**	**4,542,474**	**4,542,474**

Notes to the Unaudited Interim Financial Statements (Continued)

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

Stated below are the financial assets at fair value through profit or loss held by the Group:

Group		30 September 2012			31 March 2012	
Name of Entity	**Holding %**	**Cost EUR**	**Fair value EUR**	**Holding %**	**Cost EUR**	**Fair value EUR**
Listed Equity Investments						
Phoenix Mills Limited	<1%	**3,735,949**	**1,834,382**	<1%	3,735,949	1,945,669
Unlisted Equity Investment in Portfolio Companies						
Alliance Hospitality Services Pvt Ltd – Market City Hospitality, Pune	20%	**4,580,931**	**2,858,247**	20%	4,580,931	2,899,104
City Centre Mall Nashik Pvt. Limited – City Centre Mall, Nashik	50%	**10,502,462**	**8,482,125**	50%	10,502,462	7,981,121
Indore Treasure Market City Pvt Ltd – Treasure Market City Retail, Indore	28.9%	**9,978,176**	**25,426**	28.9%	9,978,176	580,683
Forum IT Parks Pvt. Ltd. – IT SEZ, Kolkata	49%	**16,680,328**	**592,668**	49%	16,680,328	1,797,910
Kolte Patil Real Estate. Pvt. Ltd. – Residential, Pune **	49%	**12,156,866**	**19,959,068**	49%	12,156,866	16,876,636
Palladium Constructions. Pvt. Ltd. – Residential, Bangalore	30%	**20,042,747**	**17,786,691**	30%	20,042,747	15,743,708
Platinum Spaces Pvt Ltd. – Residential, Bangalore	30%	**8,034,286**	**7,819,270**	30%	8,034,286	6,545,531
Riverbank Holdings Pvt. Ltd – Residential Batanagar, Kolkata	50%	**20,282,856**	**8,725,370**	50%	20,282,856	8,676,211
Indore Treasure Town Pvt Ltd – Treasure Town Bijalpur, Indore (*)	42.77%	**7,901,869**	**11,624,426**	42.77%	7,901,869	11,194,404
Vamona Developers Pvt. Ltd – Market City Retail, Pune	24%	**17,047,066**	**5,506,498**	24%	17,047,066	4,329,798
Jalan Intercontinental Hotels Pvt. Ltd – Hotel Kolkata	40%	**4,642,946**	**4,347,423**	40%	4,642,946	4,947,329
Saket Engineers Pvt. Ltd. – Residential Entity Level, Hyderabad. **	27.25%	**4,348,224**	**2,962,007**	26.05%	1,851,686	1,263,903
Saket Engineers Pvt. Ltd – Residential Entity Level, Hyderabad (Convertible Debentures)	-	**3,282,185**	**3,236,734**	-	3,282,185	3,407,925
		139,480,942	**93,925,953**		132,341,458	86,244,263
Total		**143,216,891**	**95,760,335**		136,077,407	88,189,932

(*) The equity holding in this entity is 40% and the balance represents additional economic interest
(**) Please refer to note 7(b) for reclassification under current assets

Notes to the Unaudited Interim Financial Statements (Continued)

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

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

Group		30 September 2012			31 March 2012	
Name of Entity	Holding %	Cost EUR	Fair value EUR	Holding %	Cost EUR	Fair value EUR
Unlisted Equity Investment in Portfolio Companies						
Kolte Patil Real Estate Pvt Ltd – Residential, Pune (School component)	49%	**-**	**-**	49%	906,332	1,258,205
Modi Organisers Pvt Ltd – Himalaya Mall, Bhavnagar	50%	**5,110,336**	-	50%	5,110,336	663,635
Saket Engineers Pvt Ltd – Residential Entity Level, Hyderabad *-Shares eligible for buyback*	-	**2,496,254**	**1,761,593**	-	4,992,792	3,480,688
Gangetic Developers Pvt Ltd – Phoenix United Mall, Agra	28%	**4,035,167**	**2,780,881**	28%	4,035,167	2,729,322
Total		**11,641,757**	**4,542,474**	-	15,044,627	8,131,850

At 30 September 2012, the Group has reclassified an amount of EUR 4,542,474 (31 March 2012- EUR 8,131,850) from non-current to current assets.

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

8 Investment in subsidiary undertakings

The Company has investments in both direct and indirect subsidiaries.

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

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

8.1 Direct subsidiary

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

Notes to the Unaudited Interim Financial Statements (Continued)

Investment in subsidiary undertakings (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 shares is 15 January 2014 and the date of redemption of Class B shares is 06 January 2015 (subject to a 12 month winding up period). This period may be extended by Special Resolution of the A and B Shareholders by one or two further periods of one year each.

Class C and Class D shares issued by K2 as referred to above are not held by the Company. Class C and D shareholders are entitled to a “carried interest” share of profits of K2 equivalent to 20% of all net profits arising in K2 provided that the Company has been paid, by way of distributions, a sum equivalent to its contribution plus a “hurdle rate of return”, being an annual compound return of 11% on its 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 holders of Class C and Class D shares 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 the Company.

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 Company an amount equivalent to its contribution plus the hurdle rate of return as set out above. As at 30 September 2012, the sum accrued in respect of these provisions is EUR Nil (31 March 2012 – EUR Nil)

As on 30 September 2012, Yatra has a commitment of EUR 22,307,073 (31 March 2012 – 24,807,073) representing unpaid share capital to its subsidiary K2. The Board of Yatra Capital Limited has approved a return of capital of up to EUR 7.50 million to its shareholders and hence the commitment of Yatra to its subsidiary will reduce by this amount. The Board of K2 has taken note of this reduction and has approved this.

Notes to the Unaudited Interim Financial Statements (Continued)

Investment in subsidiary undertakings (Continued)

8.2 Indirect subsidiaries

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

9 Prepayments and other receivables

Particulars	Group 30 September 2012 EUR	Group 31 March 2012 EUR
Amount due from Tangerine Developers Private Limited	**3,264,858**	3,255,781
Prepayments on management fees (Note 14)	**1,013,801**	1,021,954
Other receivables	**330,445**	518,641
Total	**4,609,104**	4,796,376

Notes to the Unaudited Interim Financial Statements (Continued)

Prepayments and other receivables (Continued)

The Board has reviewed the above receivables at 30 September 2012 to determine whether any impairment provision is required. The Board concludes that there was no indication of impairment at 30 September 2012.

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

10 Cash and cash equivalents

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

	Group 30 September 2012 EUR	**Group 31 March 2012 EUR**
Cash at bank	**24,837,380**	27,337,824

11 Stated capital and share premium

Authorised and issued stated capital

	Number of Ordinary shares of no par value	**Stated Capital EUR**	**Share Premium EUR**	**Total EUR**
As at 1 April 2012	21,342,122	-	211,638,539	211,638,539
Shares bought back during the period	(50,891)	-	(148,754)	(148,754)
As at 30 September 2012	21,291,231	-	211,489,785	211,489,785

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

Notes to the Unaudited Interim Financial Statements (Continued)

Stated capital and share premium (Continued)

The Company had announced a share buy-back program in its annual general meeting held on 22 September 2011. This share buy-back program will terminate on the earlier of the following:

i. the date of the annual general meeting of the Company in 2012,

ii. the date on which repurchases for the maximum aggregate consideration of EUR 4 million or the maximum number of shares of 2,142,857 (being 10% of the shares in issue on September 22, 2011, the date on which the Company's Annual General Meeting approved the share buy-back programme) have been made.

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

12 Accruals and other payables

	Group 30 September 2012 EUR	**Group 31 March 2012 EUR**
Amount due to related parties	**50**	-
Other payables	**593**	12,476
Accruals	**187,625**	327,957
Total	**188,268**	340,433

13 Distribution payable

No dividend was paid during the period ended 30 September 2012 (31 March 2012 - Nil).

14 Related party transactions

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

Investment Manager fee

The Group is advised by the Investment Manager. The annual fees payable under the Investment Management Agreement (IMA) are equivalent to 2% of the Net Capital Commitments as defined in the Investment Management Agreement. Total fees paid to the Investment Manager for the period

Notes to the Unaudited Interim Financial Statements (Continued)

Related Party transactions (Continued)

amounted to EUR 1,909,154 (31 March 2012 - EUR 3,923,556). The investment management fees are payable in advance for a six month period and the amount prepaid to the Investment Manager as at 30 September 2012 is EUR 1,013,801 (31 March 2012 - EUR 1,021,954). These fees will decline each year as per the Investment Management Agreement.

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

Secretarial and administration fee

Group

Minerva Fiduciary Services (Mauritius) Limited ("K2 Administrator") has been appointed to provide administrative, registrar and secretarial services to K2 and its subsidiaries. The administration, secretarial and other fees paid to the K2 Administrator for the period amounted to EUR 42,712 (31 March 2012 – EUR 75,245). The services of the K2 Administrator may be terminated by either party by giving not less than ninety days notice. Amount payable at the end of the period was EUR Nil (31 March 2012 - EUR 12,127).

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

Directors' remuneration

Group

The total remuneration paid to Directors who are related parties for the period was EUR 169,199 (31 March 2012 - EUR 347,564).

15 Ultimate controlling party

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

16 Capital and other commitments

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

17 Profit/(loss) per share

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

Notes to the Unaudited Interim Financial Statements (Continued)

Profit/(loss) per share (Continued)

	30 September 2012 EUR	30 September 2011 EUR
Profit/(loss) attributable to equity holders of the Company	**1,594,230**	(26,509,623)
Weighted average number of ordinary shares in issue	21,291,231	21,428,571
Basic profit/(loss) per share – Basic (EUR per share)	**0.07**	(1.24)

The diluted profit/(loss) per share for the period ending 30 September 2012 is EUR 0.07 (30 September 2011 – (1.24))

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

18 Subsequent Events

The Company announced the commencement of a reinstated share buyback program at its annual general meeting held on 31 October 2012 pursuant to which Ordinary Shares in the Company may be repurchased subject to a maximum limit of 14.99% of the Ordinary Shares in issue as at that date. The Company has repurchased 60,592 of its Ordinary Shares at an average price of EUR 3.07 per share for a total consideration of EUR 186,151 during the period from 1 October 2012 until 23 November 2012.

19 Segment information

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

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

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

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

Yatra Capital

Corporate Information

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YATRA CAPITAL

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INVESTMENT MANAGER

IL&FS | IL&FS Investment Advisors LLC