

# YATRA CAPITAL LIMITED

## India Property Fund

### Public Offering and Private Placement of Ordinary Shares for an aggregate amount of up to €150 million

This prospectus (“Prospectus”) relates to a public offering and private placement (“Offering”) by Yatra Capital Limited (“Company”), a limited liability company incorporated in Jersey of new ordinary shares with no par value (“New Ordinary Shares”). The Offering consists of a public offering in the Netherlands and a private placement with institutional investors in various jurisdictions and is being made subject to the restrictions in this Prospectus.

Subject to acceleration or extension of the timetable for the Offering and barring unforeseen circumstances, admission to listing of the New Ordinary Shares on Eurolist by Euronext Amsterdam N.V. (“Eurolist by Euronext”), operated by Euronext Amsterdam N.V. (“Euronext N.V.”) under the existing symbol “YATRA”, ISIN Code JE00B1FBT077 and trading in these shares on Eurolist by Euronext, is expected to commence on or about 17 October 2007.

Subject to acceleration or extension of the timetable of the Offering, the closing of the Offering is expected to occur on or about 17 October 2007. If closing of the Offering does not take place at this time or at all, the Offering will be withdrawn, all subscriptions for New Ordinary Shares will be disregarded, any allotment made will be deemed not to have been made, and any subscription payments made will be returned without interest or other compensation. All dealings in the New Ordinary Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext N.V. has indicated that it does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering.

The existing ordinary shares of no par value in the Company’s share capital are listed and traded on Eurolist by Euronext.

Subscriptions for New Ordinary Shares are expected to take place between 26 September 2007 and 11 October 2007 Amsterdam time (“Subscription Period”) subject to acceleration or extension of the timetable of the Offering.

The price payable for each New Ordinary Share and the actual number of New Ordinary Shares made available in the Offering will be based on the quoted share price and demand for the Offering and will be determined after the end of the Subscription Period and announced in a pricing statement deposited with the AFM on or about 12 October 2007 (subject to acceleration or extension of the timetable of the Offering) (“Pricing Date”) and published in the Daily Official List of Euronext (Officiële Prijscourant) and in at least one daily newspaper with nationwide distribution in the Netherlands.

Any acceleration or extension of the timetable of the Offering will be announced in a press release, in the event of an accelerated timetable for the Offering, at least three hours before the proposed expiration of the accelerated Subscription Period or, in the event of an extended timetable for the Offering at least three hours before the expiration of the original Subscription Period. Any extension of the timetable for the Offering will be for a minimum of one full business day. The Company has reserved the right to increase the size of the Offering prior to the end of the Subscription Period. Any increases will be announced in a press release and published in a supplementary prospectus which is subject to the approval of the AFM (as defined below).

**Investing in the New Ordinary Shares involves risks. See “Risk Factors” beginning on page 16.**

This Prospectus is issued by the Company. To the best of the knowledge of the directors of the Company (“Directors”), having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts as at the date of this Prospectus, is true and accurate in all material respects and does not omit anything likely to affect the import of such information or make misleading any statement in the Prospectus, whether factual or in the nature of an opinion. The Directors accept responsibility for the information contained in this Prospectus accordingly.

**This Prospectus constitutes a prospectus for the purpose of article 3 of Directive 2003/71/EC of the European Parliament and of the Council and has been prepared in accordance with Chapter 5.1 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*) (“AFS”) as amended, and the rules promulgated thereunder.**

**This document has been approved by and filed with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (“AFM”).**

The admission of the New Ordinary Shares on Eurolist by Euronext shall not constitute a warranty or representation by Euronext Amsterdam as to the competence of the service providers to or any other party connected with the Company, the adequacy and accuracy of the information contained in this Prospectus or the suitability of the Company for investment or any other purpose.

**This Prospectus has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom. Reliance on this document for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all the property or other assets invested.**

The New Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or under any applicable U.S. state securities laws and except as otherwise detailed in this document may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act of 1933, as amended). See “Restrictions on Distribution and Other Important Information” beginning on page 171, and “Transfer and Holding Restrictions” beginning on page 63.

This Company has been established as a listed fund under a fast-track authorisation process in Jersey. It is suitable therefore only for professional or experienced investors, or those who have taken appropriate professional advice. Regulatory requirements which may be deemed necessary for the protection of retail or inexperienced investors, do not apply to the Company. By investing in the Company, prospective investors will be deemed to be acknowledging that they are professional or experienced investors, or have taken appropriate professional advice, and accept the reduced requirements accordingly. Prospective investors are wholly responsible for ensuring that all aspects of the Company are acceptable to them. Investment in the Company may involve special risks that could lead to a loss of all or a substantial portion of such investment. Unless prospective investors fully understand and accept the nature of the Company and the potential risks inherent in the Company they should not invest in the Company.

Neither the Company nor any of its agents has any responsibility for any purchase, offer or sale of Ordinary Shares by any person other than the Joint Global Co-ordinators and the Company.

**Dated 24 September, 2007**

**Joint Global Co-ordinators and Bookrunners:**

**ABN AMRO Rothschild**

**Fairfax I.S. PLC**

### Reliance on Prospectus

*This Prospectus relates to the proposed Offering and Admission. Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of any such subscription including the risk involved. Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation or other matters and are advised to consult their own professional advisers. Potential investors in any doubt about the proposal discussed in this Prospectus, its suitability, or what action should be taken, should consult a financial adviser, stockbroker, bank manager, accountant or other independent adviser.*

*The New Ordinary Shares comprised in the Offering are being issued solely on the basis of the information and representations contained in this Prospectus, and any further information given or representations made by any person may not be relied upon as having been authorised by the Company or the Directors. Neither the delivery of this Prospectus nor the allotment or issue of New Ordinary Shares shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof.*

*This Prospectus is directed only to each person who receives it, and is not intended for any other person or to the public generally. Notwithstanding the above and anything else herein to the contrary, except as reasonably necessary to comply with applicable securities laws, effective from the date of commencement of discussions concerning this offering, each prospective investor and each of its employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the United States federal income “tax treatment” and “tax structure” (in each case, within the meaning of U.S. Treasury Regulation Section 1.6011-4) and all materials of any kind, including opinions or other tax analyses, of this offering that are provided to such prospective investor (or its representatives) relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorisation to make any disclosure, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.*

### Jersey Regulation

*The Company is governed by the Collective Investment Funds (Jersey) Law 1988, as amended (the “Funds Law”) and the subordinate legislation made thereunder. The Company and the Jersey Administrator have obtained permits under the Funds Law from the Jersey Financial Services Commission (“Jersey FSC”) to operate as functionaries within the island. The Jersey FSC is protected against liability arising from discharge of its functions under the Funds Law.*

*A copy of this document has been delivered to the Registrar of Companies in Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 and he has given, and has not withdrawn, his consent to its circulation. The Jersey FSC has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order, 1958 to the issue of the Ordinary Shares. It must be distinctly understood that, in giving these consents, neither the Registrar of Companies in Jersey nor the Jersey FSC takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it.*

*Further information in relation to the regulatory treatment of Listed Funds domiciled in Jersey may be found on the website of the Jersey Financial Services Commission at [www.jerseyfsc.org](http://www.jerseyfsc.org).*

### Profile of typical investor

*Investment in the New Ordinary Shares is only suitable for investors who are aware of and understand the risks involved and are able to withstand the loss of their invested capital. The Company’s investments will be subject to normal market fluctuations and the risks inherent in all investments and there are no assurances that appreciation will occur. Prospective investors should be aware that investment in India may carry a relatively high degree of risk compared to more developed markets. Investors may not realise the value of their initial investment and investment in the Company should be regarded as a long-term investment.*

### Changes and Forward-looking statements

*Except as otherwise indicated, this Prospectus speaks as of the date hereof. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company after the date hereof.*

*Certain information contained in this Prospectus constitutes “forward-looking statements”, which can be identified by the use of forward-looking terminology, such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to the various risks and uncertainties (including those described in this Section) actual events or results or the actual performance of the Company may differ materially from those reflected or contemplated in such forward-looking statements. Forward-looking statements contained in this Prospectus are based on present information and beliefs, which may not be correct.*

*This Prospectus includes certain statements provided by the Company with respect to the Company’s future performance. Such estimates of future performance reflect various assumptions made by the Company which may or may not prove accurate, as well as the exercise of a substantial degree of judgement by the Directors as to the scope and presentation of such information. No representations or warranties are made as to the accuracy of such statements or estimates of future performance. Actual results achieved during projection periods may differ substantially from those projected.*

*Statements made in this Prospectus are based, as they relate thereto, upon the law and practice currently in force in the relevant jurisdictions, and are subject to changes therein.*

### Restrictions on Distribution

*The distribution of this Prospectus is restricted in certain jurisdictions.*

*It is the responsibility of any person or persons in possession of this Prospectus and wishing to purchase New Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.*

*This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.*

*For further detail and information relating to restrictions in distribution, please see Section 15.*

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## **1. SUMMARY**

*This summary should be read as an introduction to this Prospectus. Any decision to invest in the Company should be based on a consideration of this Prospectus as a whole. No civil liability is to attach to the Company or the Directors solely on the basis of this summary unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.*

*If a claim relating to the information in this Prospectus is brought before a court of a Member State of the European Economic Area, the plaintiff may, under national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before legal proceedings are initiated.*



## 1.1 Summary details of Directors, Parties and Advisors

<b>The Company</b> Yatra Capital Limited, 43 La Motte Street, St Helier, Jersey JE4 8SD <i>www.yatracapital.com</i>	<b>Directors of the Company</b> Sir Nigel Broomfield, David Hunter, Ajoy Veer Kapoor, William Kay, Malcolm King, Christopher Lovell, Rohin Shah	<i>all of</i> 43 La Motte Street, St Helier, Jersey JE4 8SD	
<b>Jersey Administrator and Distributor</b> Minerva Fund Administration Limited, 43/45 La Motte Street, St Helier, Jersey JE4 8SD	<b>Listing Agent and Paying Agent</b> ABN AMRO Bank N.V., Gustav Mahlerlaan 10, PAC: HQ 7006, 1000 EA Amsterdam, The Netherlands	<b>Joint Global Co-ordinator</b> ABN AMRO Rothschild, Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands	<b>Joint Global Co-ordinator</b> Fairfax I.S. PLC, 46 Berkeley Square, London W1J 5AT

### The K2 Group

<b>K2 Property</b> Suite 2004, Level 2, Alexander House, 35 Cyber City, Ebene, Mauritius	<b>K2 Administrator</b> Minerva Fiduciary Services (Mauritius) Limited, Suite 2004, Level 2, Alexander House, 35 Cyber City, Ebene, Mauritius	<b>K1 Investments</b> K1 Property Investments Limited, Cassandra Centre 201/202, 29 Theklas Lyssiotti Street, 3030 Limassol, Cyprus
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### The Advisory Group

<b>Promoter and Investment Advisor to K2 Property:</b> Saffron Capital Advisors Limited, Suite 2004, Level 2, Alexander House, 35 Cyber City, Ebene, Mauritius	<b>India Advisor:</b> Saffron Asset Advisors Private Limited, 4th Floor, Pharma Search House 72/73 Worli Hill Estate Dr. B.G. Kher Marg, Worli Mumbai 400 018, India
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### Legal Advisers

<b>United Kingdom:</b> Mishcon de Reya, Summit House 12 Red Lion Square, London WC1R 4QD	<b>Netherlands:</b> Simmons & Simmons, WTC H Tower, Zuidplein 100, 1077 XV, Amsterdam, The Netherlands	<b>Jersey:</b> Carey Olsen, 47 Esplanade, St Helier, Jersey JE1 0BD	<b>Mauritius:</b> T Mukund Gujadhur, River Court, St Denis Street, Port Louis, Mauritius	<b>India:</b> Nishith Desai Associates, 93-B Mittal Court, Nariman Point, Mumbai 400 021, India	<b>United States:</b> Seward & Kissel LLP, One Battery Park Plaza, New York, NY 10004 United States
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### Auditors and Tax Advisors

<b>Auditors in Jersey:</b> PricewaterhouseCoopers CI LLP, 22 Colomberie, St Helier, Jersey JE1 4XA	<b>Auditors in Mauritius:</b> PricewaterhouseCoopers, Training Centre, Champ de Mars, Port Louis, Mauritius	<b>Tax Advisors:</b> KPMG India Private Limited, KPMG House, Kamala Mills Compound, 448, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India
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### Bankers

<b>Jersey:</b> HSBC Bank International Limited, HSBC House, Esplanade, St Helier, Jersey JE1 1HS	<b>Mauritius:</b> HSBC Bank (Mauritius) Limited, 5th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius
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## 1.2 Offering Statistics, Market Information and Expected Timetable

### Offering Statistics and Market Information

Maximum Overall Subscription	€150,000,000
ISIN Code	JE00B1FBT077
Euronext Symbol	YATRA
Security Code	29095

### Expected Timetable

Beginning of Subscription Period	26 September 2007
End of Subscription Period	11 October 2007
Expected Pricing Date	12 October 2007
Expected Allotment Date	12 October 2007
Expected Admission Date	17 October 2007
Expected Settlement Date	17 October 2007

*This timetable is subject to acceleration and/or extension. Any acceleration or extension will be announced in a press release and will be for a minimum of one business day. The size of the Offering may be increased prior to the end of the Subscription Period subject to the release of an announcement and supplementary prospectus. For further details see Section 13.*

## 1.3 Overview of the Fund

Yatra Capital Limited is a limited liability company incorporated in Jersey. In December 2006, the Company raised €100 million by way of a placing of Ordinary Shares which were listed on Eurolist by Euronext on 6 December 2006. These funds were used to invest in a Mauritian subsidiary, K2 Property Limited (“K2 Property”), in order to establish a fund to invest in the rapidly growing Indian real estate sector.

K2 Property is advised by Saffron Capital Advisors Limited, the Investment Advisor in Mauritius, and an Investment Committee. The Advisory Group and Investment Committee have significant experience in real estate development and investment, both internationally and within India. This experience, when applied to the opportunities in the market, should enable the Company’s shareholders to achieve a good return.

Investments totalling approximately €88.4m have been committed to or acquired by K2 Property, and, with a further €77m of projects provisionally approved for investment, and a substantial pipeline of new investments identified by the Investment Advisor, the Company is now seeking further funding of up to €150 million via an offering of Ordinary Shares.

Application has been made to list the New Ordinary Shares on Eurolist by Euronext. The New Ordinary Shares will rank pari passu in all respects with the existing Ordinary Shares.

## 1.4 Investment Objective and Policies

The primary objective for the Fund is to achieve capital growth for investors through the development, ownership and exploitation of real estate in India.

The Company participates in the Fund through an investment in the shares of K2 Property. It is anticipated that the entire capital of the Company, net of expenses, and after providing for ongoing and future expenses, will be invested in K2 Property with a view to achieving an internal rate of return on this investment of at least 25%.

## **1.5 Advisory Group**

The Advisory Group consists of Saffron Capital Advisors Limited (the Investment Advisor), Saffron Asset Advisors Private Limited (incorporated in India) and their respective parent company, Saffron Capital Securities Limited (incorporated in Mauritius). The Advisory Group and its management team combine real estate experience both within India and internationally, and a proven history of value creation.

The Advisory Group has access to a strong flow of Indian real estate investment opportunities with the potential to create significant returns for investors through its network of relationships in the sector.

## **1.6 Distributions, Dividend Policy and Exit**

It is intended that all capital or income returned to the K2 Group from its investments net of any sums required to be set aside for fees and expenses should be distributed to the Company at the earliest available opportunity. For further information on the distribution policy applicable to the Fund, please see Section 12.11.

Once funds have been returned to the Company, they may be returned to Shareholders by way of dividend or other capital distribution, or may be reinvested at the discretion of the Board. Shareholders may also achieve an “exit” through disposal of their shares via Eurolist by Euronext.

## **1.7 Fees and Expenses**

The Investment Advisor will be paid annual advisory fees of 2% of Total Capital Commitments made to K2 Property, and will also be entitled to a 20% share of all profits of the Fund once investors have achieved their 11% IRR Hurdle Return.

The Investment Advisor and K2 Property may agree between them that the Investment Advisor should be paid an additional advisory fee of up to 2% per annum on any funds which are borrowed by K2 Property or one of its offshore subsidiaries for the purpose of investing in Fund Investments.

## **1.8 Taxation**

India is a relatively highly-taxed and highly-regulated environment, and Portfolio Companies in India will be subject to customary levels of taxation in India. However, the Fund may be eligible for certain tax benefits. Please see Section 11 for further information.

## **1.9 Reasons for Offering**

The Company is seeking subscriptions for Ordinary Shares in the Company for an aggregate amount of up to €150 million. Proceeds from the Offering will be used (a) to cover the existing expenses of the Company (b) to establish a reserve for the future and ongoing expenses of the Company (c) to make Capital Commitments to K2 Property.

## **1.10 Share Capital, Capitalisation and Indebtedness**

The Company is a no par value company, authorised to issue up to ten Founder Shares of no par value, and an unlimited number of Ordinary Shares of no par value. The Founder Shares do not carry any right to dividends or profits and carry no right to vote unless there are no Ordinary Shares in issue.

As at the date of this document, two Founder Shares have been issued to the Jersey Administrator, and 10,000,000 Ordinary Shares have been issued.

The Company does not have any indebtedness other than certain expenses relating to the Offering and the Admission which are estimated to be approximately €1,100,000 together with commission payable to the Joint Global Co-ordinators with respect to the Offering.

### **1.11 Major Shareholders and Related Party Transactions**

There is no requirement under Jersey law for shareholders to notify the Company of their holdings of Ordinary Shares.

Following the completion of the Offering, it is intended that the Company will subscribe for shares in K2 Property. This could be regarded as a “related party” transaction. Both the appointment of the Jersey Administrator and the engagement of the Investment Advisor could be regarded as “related party” transactions. For more information on these transactions please see Section 12.14.

### **1.12 Memorandum and Articles**

The Articles of Association of the Company contains provisions, *inter alia*, to the following effect:-

- The holders of Ordinary Shares have the right to receive notice of and vote at general meetings of the Company;
- The special rights attached to any class of shares may be varied or abrogated with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders;
- Any share in the Company may be issued with such rights or restrictions as the Company may from time to time by Ordinary Resolution determine;
- Unissued shares shall be at the disposal of the Directors;
- Ordinary Shares may be held and transferred in uncertificated form;
- The Board may refuse to register any transfer of Ordinary Shares or may require the redemption or transfer of Ordinary Shares owned or which appear to be owned directly by any person who is not, in the opinion of the Directors, a Qualifying Investor (see Section 9.2 for further information);
- Holders of Ordinary Shares do not have the right to redeem their Ordinary Shares;
- The Company may, from time to time, purchase its own shares;
- Unless authorised under the Articles of Association, a Director may not vote or be counted in the quorum on any resolution of the Board in respect of any matter in which he has a material interest;
- The Company may by Extraordinary Resolution appoint any person to office as a Director or remove any person as a Director;
- The Company may be wound up at any time by Special Resolution;
- The net asset value of the Company will be determined and published at such times as may be determined by the Directors;
- The Company may not materially change its principal investment objectives and policies for a period of three years from the date of the Company’s Ordinary Shares becoming listed on Eurolist by Euronext without the sanction of an Ordinary Resolution.

*A more detailed summary of the provisions of the Articles of Association of the Company is set out at section 12.8.*

### **1.13 Documents on Display**

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Mishcon de Reya at Summit House, 12 Red Lion Square, London WC1R 4QD during business hours on any

weekday from the date of this Prospectus (Saturdays, Sundays and public holidays excepted) until the first anniversary of the date of this document:

- The Memorandum and Articles of Association of the Company;
- The written consents of the Directors and other parties referred to above;
- This Prospectus and any supplemental documents and circulars;
- The Constitution of K2 Property;
- The Investment Advisory Agreement;
- The Administration Agreement and the K2 Administration Agreement;
- The Class A Subscription Agreement and the draft Class B Subscription Agreement;
- The Investment Policy Memorandum; and
- Copies of such audited annual financial statements and unaudited interim financial statements of the Company as are made available in the relevant period.

#### **1.14 Details of the Offering**

The Offering consists of an offer of Ordinary Shares to the public in the Netherlands, and a private placement of Ordinary Shares with institutional investors in various jurisdictions in an aggregate amount of up to €150 million.

The Subscription Period for prospective investors is expected to begin on 26 September 2007 and end on 11 October 2007 subject to acceleration or extension (as described in Section 13).

Assuming the Offering is subscribed in full, this will raise approximately €144,400,00 net of expenses and commission payable by the Company. On this basis, the Joint Global Co-ordinators will receive from the Company a commission equivalent to 3% of Subscription Funds, and may, at the discretion of the Board receive a further discretionary fee of up to 0.5% of Subscription Funds.

The Offering, which is not being underwritten, is conditional upon the admission of the New Ordinary Shares to trading on Eurolist by Euronext by 17 October 2007, or such later time as the Joint Global Co-ordinators and the Company may agree.

Application has been made to Euronext to admit the New Ordinary Shares to trading on Eurolist by Euronext. It is expected that Admission will take place on 17 October 2007.

The Joint Global Co-ordinators have agreed, subject to certain conditions, to use their reasonable endeavours to procure subscribers for the New Ordinary Shares.

ABN AMRO Bank N.V. will act as listing agent and paying agent for the admission of the New Ordinary Shares to listing and trading on Eurolist by Euronext.

#### **1.15 Directors and Senior Management**

##### **1.15.1 Directors of the Company**

The Directors of the Company, all of whom are non-executive, are:

Sir Nigel Broomfield,

David Hunter,

Ajoy Veer Kapoor,

William Kay,

Malcolm King,

Christopher Lovell,

Rohin Shah.

Biographies of the Directors are set out in Section 7.1.

The Company does not currently retain any senior management, other than its directors, nor any employees.

### **1.15.2 Directors of K2 Property**

The directors of K2 Property, all of whom are non-executive, consist of:

Teewareesing Gopal,  
Christopher Jones,  
Ben Locknat Daby Seesaram,  
Rohin Shah,  
Vipin Shah.

Biographies of the directors of K2 Property are set out in Section 7.2

K2 Property does not retain any senior management other than its directors, nor any employees.

### **1.16 Summary of Risk Factors**

- The only significant investment likely to be made by the Company will be an investment in the shares of K2 Property. Shareholders will therefore be wholly dependent upon the performance of K2 Property and its underlying assets.
- The investments made by the Fund are generally likely to be in unlisted companies with illiquid securities.
- K2 Property will be advised as to its investments by the Investment Advisor and Shareholders will not be able to participate in investment or other decisions relating to the Fund.
- The success of the Fund will depend upon the ability of the Advisory Group in sourcing, selecting, completing and realising appropriate investments on behalf of the Fund.
- The potential market opportunity identified by the Company has partly arisen from the economic liberalisation policies pursued by the current Government of India. There can be no certainty that these liberalisation policies will continue in the future.
- There are numerous political, economic and social risks associated with investing in India all of which could adversely affect the Company's performance.
- The laws and regulations in India can be subject to frequent changes. Legal and regulatory protections and standards of enforcement customary in countries with developed securities markets may not be available.
- Indian Government approvals may be required before investments can be made in Portfolio Companies or before exits can be made from such companies. Failure to obtain such approvals will have negative tax and/or exchange control implications.
- There are numerous risks relating to investment in real estate development and special risks relating to investment in Indian real estate, including those relating to obtaining good title, and obtaining governmental and local authority approvals.
- The financial operations of the Company may be adversely affected by general economic conditions, or by conditions within the Indian real estate market.
- The K2 Group may, in certain cases, hold non-controlling interests in some Portfolio Companies and therefore may have limited ability to protect its position.
- The Indian rupee is not convertible, and many currency transactions require the prior permission of the Reserve Bank of India. The repatriation of capital may be hampered by changes in Indian regulations concerning exchange controls or political circumstances.

- Currency risk in relation to the Indian rupee is a significant risk factor and the cost of hedging this currency risk (if available) could reduce the returns of the Company.
- The K2 Group operates using the euro as its base currency, and the K2 Group will therefore be vulnerable to resulting currency risks.
- There can be no assurance that the K2 Group will be able to avail itself of the benefits of the tax treaties in place between India and Cyprus, and India and Mauritius. Any change in these treaties or to the tax regime in India could have a material adverse effect.
- Any trading in Ordinary Shares prior to Admission will be at the sole risk of the Investor. There can be no certainty that the Offering and Admission will be completed in the timetable specified or at all.
- The price of equities and the income from them can go down as well as up. The Ordinary Shares may be less liquid than other stocks listed on Eurolist by Euronext or other markets and Shareholders may face difficulty when disposing of their Ordinary Shares.

A more detailed description of the various risks applicable to an investment in the Company is set out in Section 2.

### 1.17 Summary of Financial Information

The selected consolidated financial information given below is extracted from the consolidated financial statements of the Company for the period to 31 March 2007, as set out in Section 10.5 of this Prospectus.

<b>Consolidated Balance Sheet Data</b> <i>(In € thousands)</i>	<b>As at 31 March 2007</b>
Non current assets	4,295
Cash at bank	89,320
Other current assets	2,027
<b>Total assets</b>	<b>95,642</b>
Equity	95,486
Current liabilities	156
<b>Total equity and liabilities</b>	<b>€ 95,642</b>

<b>Consolidated Income Statement Data</b> <i>(In € thousands)</i>	<b>Period Ending 31 March 2007</b>
Interest income	962
Total operating expenses	(2,476)
<b>Loss for the period</b>	<b>€ (1,514)</b>

Additional financial information is set out at Sections 10.1 to 10.7 of this Prospectus.

## **2. RISK FACTORS**

An investment in the Company involves significant risks. These risks described together or alone could have a material adverse effect on the return of investment for prospective investors. Accordingly, before deciding to make any investment, prospective Shareholders should carefully study the specific risks described below together with all the information contained in this Prospectus, and seek independent investment and tax advice. Additional risks and uncertainties not presently known to the Directors, or that they currently deem immaterial may also have an adverse impact on the Company's and the K2 Group's prospects and business. There can be no assurance that the Company's investment objective will be achieved, or that a Shareholder will not lose all of his investment in the Company.

### **2.1 Risks relating to Investment in Indian Real Estate**

#### **2.1.1 Use of Land**

In India, certain lands are earmarked as agricultural lands, wherein only agricultural activities can be carried out. In order to carry out any non-agricultural activities, a prior permission will be required from the local authority of that particular area. If any Portfolio Company decides to utilise agricultural land, and fails to get the local authority's approval for usage for non-agricultural purposes, this could affect the returns of the Fund and the Company.

In addition, in some cases where commercial activities are planned, there may be a need to convert land to "mixed use" category. This may also require a "change of use", which, not forthcoming, could reduce the planned profits from the project.

#### **2.1.2 Title**

Title records in India provide for presumptive, rather than guaranteed title. The method of documentation of land records in India has not been fully computerised and is generally undertaken manually. This can result in registrations taking a significant amount of time, or being inaccurate in certain aspects. As a result, the title to real property may not be clear or may be in doubt. The availability of title insurance cover is limited in India. Title disputes frequently lead to litigation in India, which may cause project delays. Title is often fragmented, with multiple owners, and irregularities which may not be known to the K2 Group or the relevant Portfolio Company.

#### **2.1.3 Land Acquisition**

The right to own property in India is subject to restrictions that may be imposed by the Government of India. Particularly, the Government of India has the right to acquire any land or a part thereof if such acquisition is for a 'public purpose' after paying the owner some compensation. Any such compensation may not be the rate that such a property might have achieved if it were sold in the market.

The inability to procure contiguous land parcels may negatively affect a project or the Fund generally. Agreements with third parties for the purchase of land may expire or be invalid, in which case the land proposed to be acquired for a particular project may not be available going forward.

#### **2.1.4 Environmental Laws**

Indian Courts have implemented the "polluter pays" principle in the field of environment law, whereby the person, company or industry responsible for the pollution, through the use or disposal of hazardous or toxic substance, either on, under or in a property, would be liable to restore the property and the surrounding environment to an under graded condition and compensate any victims thereby. The presence of contamination or hazardous or toxic substances, may adversely affect a Portfolio Company's ability to deal with such a property in any manner. This in turn could have an



adverse impact on returns of the Fund and the Company. Environment-related “No objection” certificates may be required from various civic bodies, and delays in obtaining these may lead to project delays and cost overruns.

#### **2.1.5 Rent Control**

In India various states have enacted rent control laws, which, *inter alia*, place restrictions on the amount of rent that may be collected from tenants (whether residential or, in some cases, commercial). If a Portfolio Company has invested in property that comes under the purview of rent control laws, this may adversely impact the returns the Portfolio Company may achieve from such property and thus consequentially have an adverse impact on the Fund’s performance.

#### **2.1.6 Litigation**

Property litigation in India is generally very time consuming and complicated and there is generally a preponderance of litigation with respect to property. If any property in which a Portfolio Company has invested is subject to any litigation this could have an adverse impact, financial or otherwise on the Portfolio Company and therefore on the Fund and the Company.

#### **2.1.7 Tenancy Risk**

The bankruptcy or insolvency of or vacation by a significant tenant or a number of smaller tenants would have an adverse impact on the cash flows of a project.

#### **2.1.8 Performance Risks**

A portion of the Fund’s assets may be invested in companies in highly competitive markets dominated by firms with substantially greater financial and possibly better technical resources and access to local information than the Portfolio Companies in which the Fund invests. Portfolio Companies in which the Fund invests may operate in segments that face technological changes and/or may be dominated by other firms or organisations. Certain Portfolio Companies or the K2 Group generally may be unable to execute projects or manage growth effectively which could lead to, amongst other consequences, increased costs, diminished quality and damage to reputation. These and other inherent business risks could affect the performance of the Portfolio Companies, and affect the value of the Fund’s equity investments, thereby affecting the Fund as a whole.

#### **2.1.9 Cost Overruns**

Delays or cost overrun on real estate development projects can occur and these may decrease the profitability of a project or result in losses to the Fund and the Company. There can also be opportunity loss due to delays. Volatility or upward movement in commodity prices, especially of cement and steel, could also result in cost overruns. Projects could also face time and cost overruns due to force majeure risks that may not be mitigated.

#### **2.1.10 Risks of Real Estate Ownership**

Investments in land or property can be difficult, slow or impossible to realise. The Fund will be subject to the general risks incidental to the ownership of property, including changes in the supply of or demand for competing land or property in an area, changes in interest rates and the availability of mortgage funds, changes in the rates of property taxes, landlord / tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any land or property owned by Portfolio Companies will, therefore, depend on many factors beyond the control of the Fund and there is no assurance that there will be either a ready market for any land or property or that such land or property will be sold at a profit or will yield a positive cash flow.

### **2.1.11 Gearing**

The Fund will be indirectly geared through exposure by the Portfolio Companies to bank borrowings secured on their underlying assets and equity and may be directly geared at K2 Group level. Where the cost of the borrowings exceeds the return on the assets, the borrowings will have a negative effect on the Fund's performance. A relatively small movement in the value of the underlying land or property or the returns derived there from may result in a disproportionately large movement, unfavorable as well as favorable, in the value of the return received in respect thereof.

Stricter provisioning and risk weightage norms imposed by the Reserve Bank of India in relation to real estate lending could reduce the availability of credit to the sector, and drive rates upwards, reducing returns.

In the event that such Portfolio Companies or members of the K2 Group enter into a bank facility agreement or arrangement, such agreement(s) or arrangement(s) may contain financial covenants. In particular, such agreements may require that the Portfolio Company or K2 Group company has assets exceeding a fixed percentage of the value of any loan drawn down. If the value of the assets of any such Portfolio Company or K2 Group company falls so that any such financial covenant is breached, or if any other covenant is breached, the Portfolio Company or K2 Group company concerned may be required to repay the borrowings in whole or in part, together with any attendant costs. In such circumstances the Portfolio Company or K2 Group company may be required to sell, in a limited time, part or all of its assets, potentially in circumstances where there has been a downturn in land or property values generally, such that the realisation proceeds do not reflect the valuation of the land or property. Amounts arising under any bank facilities will rank ahead of shareholder's entitlements and hence returns may therefore be adversely affected by an early repayment.

### **2.1.12 Liquidity and Valuation Risk**

Certain real estate assets may be slow to realise in difficult market conditions. There is no assurance that the estimates resulting from valuations will reflect the actual sales price even where such sales occur shortly after a valuation date. Limited market data may lead to uncertainty over the market value of real estate assets.

### **2.1.13 Development Risk**

It is likely that the K2 Group will undertake some development projects from a "Greenfield" start. Although it is intended that the K2 Group will partner with developers and other third party service providers (such as contractors, architects etc.) with good track records in handling such development projects, various development risks will still apply. These include entitlement risk, performance risk, risks arising from project delays, regulatory risk and statutory approval risk.

Development risk on integrated township projects and Special Economic Zones will remain high on account of political and regulatory risks, which could lead to significant time and cost overruns. Projects where the K2 Group bids for the land may subsequently get delayed due to delays in obtaining regulatory or statutory approvals.

The success of commercial real estate projects will be dependent on the willingness and ability of corporate customers to pay rent at suitable levels.

The success of retail projects will be dependent upon the ability to build in appropriate locations and attract suitable retailers and customers.

The success of hotel development projects will be subject to a number of contingencies, including the ability to select suitable locations, the ability to attract an operator, the ability to attract and retain customers and the avoidance of national, international or regional travel and security issues.

Without positive outcomes such projects may not be successful in which case the Fund and the Company may suffer losses.

Development projects will be subject to risks associated with the engagement of third party contractors. Neither K2 Property nor the Indian Portfolio Companies will have direct control over the day-to-day activities of such contractors

and will be reliant on such contractors performing these services in accordance with the relevant construction contracts. If the relevant Portfolio Company fails to enter into such contracts or if the contractors fail to perform their obligations in a manner consistent with their contracts, the development projects may not be completed as or when envisaged, if at all, thus leading to unexpected costs. The Portfolio Companies may not recover all or any losses they incur as a result of legal action in respect of breach by third party contractors of their respective obligations. If a contractor engaged to work on a development becomes insolvent, it may prove impossible to recover compensation for such defective work or materials and the relevant Portfolio Company may incur losses as a result of funding the repair of the defective work or paying damages to persons who have suffered loss as a result of such defective work.

## **2.2 Investment Risks**

### **2.2.1 Nature of Investment**

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise there from (which may be up to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. It should be remembered that the price of equities and the income from them can go down as well as up.

Any trading in Ordinary Shares prior to Admission will be at the sole risk of the Investor. There can be no certainty that the Offering and Admission will be completed in the timetable specified or at all.

Investors should not consider investing in the Company unless they already have a diversified investment portfolio.

No representation is or can be made as to the future performance of the Company and there is no assurance that the Company will achieve its investment objectives.

Investors must be prepared to bear the economic risks of any investment for an indefinite period of time and to be able to withstand a total loss of their investment. Prospective investors should carefully consider whether an investment in New Ordinary Shares is suitable for them in light of their circumstances and financial resources.

If you are in any doubt about the contents of this document you should consult your financial adviser, accountant or other professional adviser.

The regulated market of Euronext may be less liquid than other major markets and consequently Shareholders may face difficulty when disposing of their Ordinary Shares. In addition, a disproportionately large percentage of the market capitalisation and trading volume of the regulated market of Euronext is represented by a small number of listed companies and conglomerates. Fluctuations in the prices of these companies' securities may have a significant effect on the market price for the securities of other listed companies, including the price of Ordinary Shares.

The Company cannot predict the extent to which an active market for Ordinary Shares will develop or be sustained after the Offering, or how the development of such a market might affect the market price for Ordinary Shares. An illiquid market for Ordinary Shares may result in lower trading prices and increased volatility, which could adversely affect the value of an investment in Ordinary Shares. The Offering Price will be determined by the Company following recommendations from the Joint Global Coordinators based on a number of factors, including, but not limited to, market conditions in effect at the time of the Offering, that may not be indicative of future performance. The market price of Ordinary Shares may fall below the Offering Price. The market price of Ordinary Shares could also fluctuate substantially due to various factors. In the past, following periods of volatility in the market price of a company's securities, securities litigation has often been instituted against such companies. This type of litigation, if instituted against the Company, could result in substantial costs and a diversion of the Company's management's attention and resources.

A limited number of shareholders collectively own a substantial percentage of the Ordinary Shares. As a result, the average daily trading volume of shares is low and has resulted and may continue to result in an adverse effect on the liquidity, marketability and value of the Ordinary Shares.

The closing of the Offering may not take place on the Settlement Date or at all, if certain conditions or events referred to in the Placing Agreement are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers' certificates and legal opinions and such events include the suspension of trading on Eurolist by Euronext or a material adverse change in the Company's financial condition or business affairs or in the financial markets. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for Ordinary Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation. All dealings in New Ordinary Shares prior to settlement and delivery are at the sole risk of the parties concerned.

Future sales of Ordinary Shares, or the perception that such sales will occur, could cause a decline in the market price of Ordinary Shares. The Company cannot predict whether substantial numbers of Ordinary Shares will be sold in the open market following the Offering. A sale of a substantial number of Ordinary Shares, or the perception that such sales could occur, could materially and adversely affect the market price of Ordinary Shares and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

The Company may raise capital in the future through issuing additional Ordinary Shares or other shares, debt or equity securities convertible into Ordinary Shares, or rights to acquire these securities. Any additional capital raised through the issue of additional Ordinary Shares may dilute an investor's shareholding interest in the Company. Furthermore, any additional financing may not be available on acceptable terms or at all, which could adversely affect the Company's future plans.

The trading market for Ordinary Shares will be influenced by the research and reports that securities or industry analysts publish about the Company. If one or more of the analysts who cover the Company, or the industry in which it operates, downgrade Ordinary Shares, the market price of Ordinary Shares would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the market price of Ordinary Shares or trading volume to decline.

The Company's results could fluctuate and the Company's ability to pay dividends may be dependent on the Company achieving sufficient profits. The Company may not pay dividends if it believes that this would cause the Company to be less than adequately capitalised. The payment of dividends is further subject to regulatory, legal and financial restrictions. If dividends are not paid in the future, capital appreciation, if any, of the Ordinary Shares would be the investor's sole source of gains.

### **2.2.2 Possible Adverse Economic Conditions/Market Cycles**

The financial operations of the Company and the Fund may be adversely affected by general economic conditions, by conditions within the Indian real estate market or by the particular financial condition of vendors and other parties doing business with Portfolio Companies or the Fund.

Timing to market cycle is very important in this sector. An investment which looks favorable in a positive market cycle may become a loss-making proposition in a negative cycle. There will always be risk associated with market cycle.

### **2.2.3 Nature of Underlying Investments**

The only significant investments that are likely to be made by the Company will be investments in the shares of K2 Property. K2 Property is a public company incorporated in Mauritius with no identifiable market for its shares. Investors in K2 Property (including the Company) will therefore be wholly dependent on the performance of K2 Property and its underlying assets (including the Fund) for any return of their investment in K2 Property. If K2 Property becomes insolvent then the Company may not recover any of its investment.

The investments made by the K2 Group are generally likely to be in unlisted companies whose securities should be considered illiquid and there can be no assurance that the K2 Group will be able to realise profits on its investments in a timely manner. These investments may be difficult to value and to sell or otherwise liquidate, and may be subject to lock-in arrangements or requirements and the risk of investing in such companies is much greater than the risk of investing in

publicly traded securities. Moreover, these unlisted companies are not regulated by the same disclosure and investment protection norms that apply to listed companies.

The investments detailed in Section 5 which have not been completed may never be completed. Where an investment has been completed, it is possible that the Portfolio Company concerned will not be able to acquire the land necessary to undertake the relevant development.

It is a feature of legal practice in India that where agreements between the shareholders of a company have not been incorporated into the articles of association of the relevant company, such agreements may be unenforceable in Indian courts. In certain cases the transaction documents relating to the investments detailed in Section 5.1 have not yet been incorporated into the relevant articles of association. Until such time as the relevant articles of association have been amended, the relevant transaction documents may be unenforceable.

Since the K2 Group may make only a limited number of investments that may involve a high degree of risk, poor performance by even a few of these investments could lead to an adverse effect on the returns received by the K2 Group.

The K2 Group will compete with other investors for potential investments in Portfolio Companies. This may result in fewer attractive investment opportunities. The K2 Group may not be able to identify and successfully close a sufficient number of high-quality investments. In addition, such competition may have an adverse effect on the length of time required to fully invest the funds of the Fund. To the extent the K2 Group has already drawn down capital from its contributors, pending investment in Portfolio Companies, these funds may be retained in cash or may be invested in short-term or medium-term money market instruments or in fixed deposits or any such equivalent instruments. Such investments may substantially reduce the Fund's overall returns.

The structure of the Fund provides certain tax efficiencies for investors (see section 10 for further details). However, the combination of (a) the Company being domiciled in Jersey, (b) the Company listing its Ordinary Shares in the Netherlands, (c) the proposed investment by the Company in K2 Property Limited, which is domiciled in Mauritius, and (d) the proposed investment by K2 Property through subsidiaries in Mauritius and/or in Cyprus, into Portfolio Companies in India, produce multiple levels of corporate, administrative and financial activity in multiple jurisdictions. This will create additional costs to the investor which would not be present if the investor were to invest directly in Portfolio Companies in India. The use of multiple vehicles increases the risk that one or more of these might suffer an insolvency event, or suffer from administrative or management failure. In addition, the presence of multiple layers in the structure of the Fund means that the Company will not be able to exercise day to day control, or indeed any control over the underlying assets of the Fund, the operation of the Investment Advisor, or other operational aspects of the Fund. Whilst the Constitution of K2 Property does provide for the ability of K2 Shareholders to remove and appoint directors from and to the K2 Board, and thereby exercise control over the K2 Group and the Fund (including the potential ability to remove the Investment Advisor), such powers may be slow and difficult to realise in practice. Investors should assume that the Company will not be able to control or influence the activities of the K2 Group or the Fund without the Company removing the K2 Directors.

#### **2.2.4 Portfolio Risk**

It is intended that the Fund will have a fair degree of diversification in its investments both by geographic region or asset type, and invest in projects having varying exit horizons. However, it may be the case that, the K2 Group invests in a small number of Portfolio Companies, in which event the proposed diversification would not be achieved. In this case, K2 Investors would have a higher exposure to the risk of poor performance in respect of individual investments in Portfolio Companies.

The only significant investment that is likely to be made by the Company will be an investment in the shares of K2 Property. Consequently, it is likely that there will be no diversification of investment at the Company level. The Company and its shareholders will therefore be wholly dependent on the performance and solvency of K2 Property, a single company.

### **2.2.5 Leverage Delay**

In some cases, it may not be possible to tie up the leverage for the project before disbursement of funds by the Fund. This may lead to situations where the financing gap may have to be bridged by the Fund or additional comfort may have to be provided to lenders by the K2 Group, which could result in a higher risk exposure for the Fund than originally intended.

### **2.2.6 Currency Exchange Rate Risks**

The Indian rupee is not fully convertible and most Capital Account Transactions (as defined below) require the prior permission of the Reserve Bank of India (the “RBI”). The Foreign Exchange Management Act (“FEMA”) and the rules and regulations made thereunder constitute the body of exchange controls applicable in India. FEMA divides foreign exchange transactions into two broad categories: Capital Account Transactions and Current Account Transactions. A “Capital Account Transaction” is defined as one that alters the assets or liabilities, including contingent liabilities outside India, of persons resident in India or the assets or liabilities in India of persons resident outside India. FEMA further provides for specific classes of transactions that fall within the ambit of Capital Account Transactions and the RBI has issued regulations governing each such class of transactions.

While the regulatory regime for hedging genuine currency risk has been relaxed, it is still not practical, given the costs, to hedge currency risks for more than relatively short periods of time, and even for short term hedging the cost can be high. Accordingly, currency risk in relation to the Indian rupee remains a significant risk factor, and the cost of hedging this currency risk (if available) could reduce the returns of the Company. A decrease in the value of the Indian rupee would adversely affect the Company’s returns and such a decrease may be likely given India’s current inflation rate and its budget deficits.

The operation of bank accounts in India will be subject to regulation by the RBI under the Indian Foreign Exchange Regulations.

There can be no assurance that the Indian Government would not, in the future, impose additional restrictions on foreign exchange. The repatriation of capital may be hampered by changes in Indian regulations concerning exchange controls or political circumstances. In addition, India may in the future re-introduce foreign exchange control regulations which could limit the ability of the K2 Group to repatriate dividends, interest or other income from investments or the proceeds from sale of securities. Any amendments to the Indian exchange control regulations may have an adverse effect on the Company’s performance.

The K2 Group will operate using the euro as its base currency. Consequently, any cash or other assets held by the K2 Group may be denominated in euros, and the K2 Group will therefore be vulnerable to resulting currency risks.

### **2.2.7 Indian Legal System**

The laws and regulations in India can be subject to frequent changes as a result of economic, social and political instability. In addition, the level of legal and regulatory protections customary in countries with developed securities markets to protect investors and securities transactions, and to ensure market discipline, may not be available. Where the legal and regulatory framework is in place, enforcement may be inadequate or insufficient. Regulation by exchanges and self-regulatory organisations may not be recognised as law that can be enforced through the judiciary or by means otherwise available to the investors in developed markets.

The Indian civil judicial process to enforce remedies and legal rights is relatively less developed and subject to delays. Enforcement by the K2 Group of civil rights under the laws of a jurisdiction other than India may be adversely affected by the fact that they may have significant assets in India and the enforcement of the rights against such assets in India will be subject to the delays and other limitations of the Indian judicial system.



### **2.2.8 Non-Controlling Investments**

The K2 Group may hold non-controlling interests in Portfolio Companies and, therefore, may have a limited ability to protect its position in such companies.

### **2.2.9 Third Party Co-Investment**

The K2 Group may co-invest with third parties through joint ventures or other entities. Such investments may involve additional risks, including the possibility that such third party or parties may have financial difficulties that negatively impact such investment or may not perform their obligations satisfactorily. Further, a co-venturer may have economic or business interests that are inconsistent with those of the Fund, or may be in a position to take action in a manner contrary to the Fund's investment objectives.

### **2.2.10 Contingent Liabilities on Disposition of Investments**

In connection with the disposition of an investment, the K2 Group may be required to make representations about the investment typical of those made in connection with the sale of real estate. The K2 Group also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the K2 Group may need to establish reserves or escrows.

## **2.3 Advisory and Operational Risks**

### **2.3.1 Reliance on the Advisory Group**

K2 Property will be advised as to its investments by the Investment Advisor, and neither Shareholders nor K2 Investors (such as the Company) will be able to participate in investment or other decisions relating to the Fund.

The success of the Fund will depend to a large extent upon the ability of the Investment Advisor and certain key individuals within the Advisory Group in sourcing, selecting, completing and realising appropriate investments on behalf of the Fund. The success of the Fund will also depend upon the judgement of the Investment Committee and the Advisory Group in reviewing investment proposals. The Advisory Group may be given considerable latitude in its choice of Portfolio Companies and the structuring of investments. Accordingly, no person should invest in the Company unless such person is willing to rely on the abilities and expertise of the Advisory Group.

If the key individuals critical to the expertise of the Advisory Group are no longer available, this may affect the ability of the Advisory Group to carry out its duties with respect to the Fund to the expected standard.

### **2.3.2 Indemnification of Various Parties**

The K2 Constitution authorises K2 Property to indemnify and effect insurance for its directors, officers, employees, former employees, the K2 Administrator, the Custodian, the Investment Advisor and any other person to such extent as is authorised by the Companies Act 2001 of Mauritius.

The Investment Advisory Agreement provides for indemnification of the Investment Advisor for any and all actions, suits, proceedings, claims, damages, settlement payments, losses and liabilities arising in connection with the Investment Advisory Agreement, unless they result from gross negligence or wilful default or fraud.

Indemnification of the Investment Advisor and other relevant parties, may impair the financial condition of the K2 Group and their ability to acquire assets or otherwise achieve investment objectives or meet obligations. This in turn may have a negative impact on the financial position of the Company.

The Articles provide that, in so far as the Companies Law allows, every present or former Director, secretary and other officer or servant for the time being of the Company, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them, their or any of their heirs, administrators or executors shall or may incur or sustain by reason of being or having been a Director, secretary or other officer or servant and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the Shareholders over all other claims. In so far as the Companies Law allows, the Articles further provide that none of the foregoing shall be answerable for the acts, receipts, neglects, or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers, brokers, or other persons into whose hands any money or assets of the Company may come, or for any defects of title of the Company to any property purchased, or for insufficiency or deficiency of or defect of title of the Company to any security upon which any monies of or belonging to the Company shall be placed out or invested, or for any loss, misfortune or damage resulting from any such cause as aforesaid, or which may happen in the execution of their respective offices or trusts, or in relation thereto.

### **2.3.3 Failure to Meet Drawdowns**

Default by any K2 Investor (including the Company) of its obligations relating to a Drawdown may cause K2 Property to lack the capital necessary to make planned investments. Such default may, consequently, cause the K2 Group to breach agreements with a Portfolio Company, causing the K2 Group to owe damages to such company. Loss of such opportunities, as well as the payment of damages, could result in a material adverse effect on the performance of the Fund, and the Company.

### **2.3.4 Operating History**

The Company has only recently commenced operations and the Accounts do not reflect the investments made or to be made by the Company and the K2 Group. Such investments are at a very early stage, with little or no operating history. Accordingly, potential investors may not be able to evaluate for themselves the merits and risks of the Company's investments. There is no guarantee that the investments proposed to be made by the K2 Group will be made.

## **2.4 Other India-Related Risks**

### **2.4.1 Political, Economic and Social Risk**

Political, economic, and social factors, changes in Indian law or regulations and the status of India's relations with other countries may adversely affect the value of the Company's assets. In addition, the Indian economy may differ favorably or unfavorably from other economies in several respects, including the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency, currency exchange rates and balance of payments position. The Company does not intend to obtain political risk or currency insurance. Future actions of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect private sector companies, market conditions and prices and yields of investments. The occurrence of sectarian unrest, or external tensions, could adversely affect India's political and economic stability and, consequently, adversely affect Portfolio Companies.

India's political, social and economic stability is related to its developing status. Certain developments (such as the possibility of nationalisation, expropriations or taxation amounting to confiscation, political changes, government regulation, social instability, diplomatic disputes or other similar developments), which are beyond the control of the Company and the Advisory Group, could adversely affect the Company's investments.

The current Government of India, formed in May 2004, has announced policies and taken initiatives that support the continued economic liberalisation policies that have been pursued by previous governments. There is, however, no assurance that these liberalisation policies will continue in the future. The pace of economic liberalisation could change, and specific laws and policies affecting taxation, foreign investment, currency exchange and other matters affecting the



Fund's investments could also change. In addition, laws and policies affecting the various investments held in the Fund could change, adversely affecting the values or liquidity of those investments.

India's relations with its neighboring countries have historically been tense. Although there are periodic efforts to normalise relations between the two countries, significant military confrontations between India and Pakistan have occurred in the disputed region of Kashmir in the last few years and both India and Pakistan continue to allocate substantial resources to the defense of their borders as a result. The Indian government is also confronted by separatist movements in certain states, including Jammu and Kashmir. India's population is comprised of numerous ethnic groups with diverse religions and languages, sometimes resulting in communal conflict among groups. Problems of this nature in the future could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including Fund Investments.

India remains a partly agrarian economy and a significant portion of its gross domestic product is derived from agriculture. As a result, severe monsoons or drought conditions could hurt India's agricultural production and dampen momentum in some sectors of the Indian economy, which could adversely affect the Company's performance.

#### **2.4.2 Government Approvals**

Certain Indian governmental approvals, including approvals from SEBI, Reserve Bank of India or the central government may be required before investments can be made in Portfolio Companies. There can be no certainty that these approvals will be obtained.

Failure to obtain such approvals may have negative tax and/or exchange control implications for the K2 Group, which would adversely affect returns to the Company. Detailed consideration of some of these consequences are set out in Sections 11.1 to 11.4.

The Fund will be affected by Indian laws and securities regulations. If policy announcements or regulations are made which require changes in the structure or operations of the K2 Group, or its investments, including changes in FDI policy or policies relating to SEZs, these may adversely impact the performance of the Fund.

#### **2.5 Tax and Regulatory Risks**

**2.5.1** Investors in the Company are subject to a number of risks related to tax matters. In particular, the tax laws relevant to the K2 Group and the Company including current rates of taxation in Mauritius, Cyprus and India for Stamp Duty, Land Tax provisions, Corporate & Income Taxes, are subject to change. Any such change could affect the value of the investments held in the Fund and tax liabilities could be incurred as a result of such changes. The tax consequences of an investment in the Company and the ongoing investment in the Fund are complex, and the full tax impact will depend on circumstances particular to each investor and the additional peculiarities associated with respect to activities of the Fund. Accordingly, prospective investors are strongly urged to consult their tax advisors with specific reference to their own situations. The section of this Prospectus entitled "**Regulatory and Taxation Issues**" at Section 11, summarises the material tax considerations relevant to the Fund. This section and any other statement in this Prospectus concerning taxation is based upon current law and practice which is subject to change.

**2.5.2** The K2 Group will seek exemptions under the India-Mauritius Tax Treaty and the India-Cyprus Tax Treaty (the "Treaties"), which would exempt gains on the sale of certain securities held in the Fund from Indian capital gains tax. However, there can be no assurance that the K2 Group will be able to avail itself of the benefits of the Treaties, or that future legislation, regulation or court rulings will not limit or eliminate exemptions from capital gains taxes. Accordingly, sales of securities may be subject to capital gains tax in India, and this could significantly reduce returns for investors in the absence of an offset or credit for such tax under the tax laws or regulations of the investors' domicile.

Taxation of the income of K2 Property arising from its investments in India is expected to be minimised under the provisions of the Treaties. However, in any event, tax will be applicable to Portfolio Companies in India

as described in Section 11.5 unless some special exemption applies. In addition, no assurance can be given that the terms of the Treaties will not be subject to re-negotiation in the future. Any change in one or both of the Treaties or to the tax regime in India could have a material adverse effect on the returns of K2 Property and the Company. There can be no assurance that either of the Treaties will continue and will be in full force and effect during the life of K2 Property and the Company. Further, it is possible that Indian tax authorities may seek to take the position that the K2 Group is not entitled to the benefit of one or both of the Treaties. There can be no assurance that the K2 Group will be able to obtain or maintain the benefit of either of the Treaties.

**2.5.3** The Company has not been and does not intend to become registered as an investment company under the U.S. Investment Company Act and related rules. The U.S. Investment Company Act and related rules provide certain protections to investors and impose certain restrictions on companies that are registered as investment companies (which, among other things, require investment companies to have a majority of disinterested directors, provide limitations on leverage, and limit transactions between investment companies and their affiliates). None of these protections or restrictions is or will be applicable to the Company or the Fund. In addition, in order to avoid being required to register as an investment company under the U.S. Investment Company Act and related rules, the Company has implemented restrictions on the ownership and transfer of Ordinary Shares, including the New Ordinary Shares, which may materially affect this ability of certain persons to hold or transfer Ordinary Shares. See Section 9 entitled “Transfer and Holding Restrictions”.

**2.5.4** The Company intends to restrict the ownership and holding of Ordinary Shares, so that no portion of the assets used by any investor or transferee to purchase and no portion of the assets used by such investor or transferee to hold the Ordinary Shares or a beneficial interest therein may be deemed to constitute the assets of a plan or may be deemed to constitute “plan assets” of any Plan (“Plan Assets”). The Company intends to impose such restrictions based on deemed and/or written representations. If the Company’s assets were deemed to be Plan Assets subject to Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code, pursuant to U.S. Department of Labor regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101, (the “Plan Asset Regulations”), subject to Title I of ERISA or section 4975 of the U.S. Internal Revenue Code (i) the prudence and other fiduciary responsibility standards of ERISA would apply to investments made by the Company and (ii) certain transactions that the Company or the K2 Group may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code and might have to be rescinded.

Each purchaser and subsequent transferee of Ordinary Shares, including New Ordinary Shares, (other than ABN AMRO Rothschild and/or Euroclear) will be deemed to represent and warrant, that no portion of the assets used to acquire or hold its interest in Ordinary Shares constitutes or will constitute the assets of any Plan. The Articles provide that any purported transfer of Ordinary Shares in contravention of the restriction described in such representation will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of Ordinary Shares is not treated as being void for any reason, the Directors shall be entitled to compulsorily redeem such Ordinary Shares or give notice to the holder requiring him to transfer such Ordinary Shares to a person who is qualified or entitled to own the same and who can accurately make such representation and warranty. See Section 9 entitled “Transfer and Holding Restrictions”.

For the purposes of this Section, “Plan” shall have the following meaning:

(i) an “employee benefit plan” (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”) (iii) an entity whose underlying assets are considered to include “plan assets”; or (iv) any plan, arrangement, entity or other person whose investment in the Company would be subject to any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 to cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company or any member of the Advisory Group (or other persons responsible for the

investment and operation of the Company 's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code or an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement.

**2.5.5** The Company intends to be resident for tax purposes in Jersey only and K2 Property intends to be resident for tax purposes in Mauritius only and neither intend to create a branch or agency or a permanent establishment for tax purposes in any other jurisdiction by location of its central management and control or the day to day management of the whole or part of its affairs in such other jurisdiction. However, given the likelihood of the need for the Board of the Company, the board of K2 Property, the Investment Committee and the Investment Advisor to meet at short notice and by telephone, the Company or K2 Property could create such presences in other jurisdictions and if it did, it could become liable to tax on the whole or part of its income and gains in such other jurisdictions.

### 3. INVESTING IN INDIAN REAL ESTATE

#### 3.1 India as an Investment Destination

##### 3.1.1 Growth Economy

The current business environment in India features strong economic growth, characterised by increasing prominence of service and knowledge-based industries, and increasing flows of foreign investment.

With GDP growth of around 9.2% for 2005/6/7<sup>1</sup>, India may now be characterised as one of the high growth economies, with faster growth than many Asian counterparts such as Malaysia, Thailand, and Philippines, as well as economies such as the United States and United Kingdom<sup>2</sup>. According to the World Bank, India is now the fourth largest national economy on the basis of its “purchasing power parity”<sup>3</sup>.

A recent report has identified India together with Brazil, China and Russia, as the key potential global growth economies, and predicts that within half a century this group could outstrip the currently dominant members of the global economy (US, Britain, France, Japan, Germany and Italy), in terms of economic size. According to this report, India has the potential to grow at average rates higher than 5% per annum over the next 30 years. At this rate, the Indian economy is expected to overtake Italy by around 2016, Germany by around 2023 and Japan by 2032<sup>4</sup>.

Notwithstanding this high growth, inflation is relatively stable at around 6%<sup>5</sup> and current interest (“repo”) rates are relatively low at around 7.75%<sup>6</sup>. This has resulted in a stronger and more stable currency with limited currency fluctuation.

Significant changes have taken place in the Indian economy since the early nineties. These include liberalised foreign investment and exchange regimes, significant reductions in tariffs and other trade barriers, reform and modernisation of the financial sector, and significant adjustments in government monetary and fiscal policies. These liberalisation policies have continued, and India is now increasingly seen as consistently moving towards further liberalisation and economic growth.

##### 3.1.2 Global Services Hub

The services sector is expected to be a major driver of economic growth in India. The contribution this sector makes to GDP in India has consistently grown from 43% in the mid-nineties to around 54% in 2006-07<sup>7</sup>. India’s competitive edge in services is its large pool of English speaking well-educated workforce, with over 300 universities, and around 3 million graduates produced every year<sup>8</sup>. This significant manpower advantage has resulted in India emerging as a major destination for outsourcing of R&D, IT and BPO services, and has made India a world leader in IT and BPO offshore outsourcing, capturing 46% of the total BPO business worldwide<sup>9</sup>. Going forward, India is expected to maintain its lead, with IT and BPO services revenues expected to reach a level of US \$77 bn (Rs. 3,388 bn) by 2008<sup>10</sup>.

1 Reserve Bank of India – Press Release: “RBI releases Annual Report for 2005-06. Assessment of 2005-06.”

2 CIA Factbook – “Rank Order – GDP – real growth rate” <https://www.cia.gov/cia/publications/factbook/rankorder/2003rank.html>

3 CIA Factbook – “Rank Order – GDP – purchasing power parity” <http://www.cia.gov/cia/publications/factbook/rankorder/2001rank.html>

4 Goldman Sachs – “Dreaming with BRICs: The Path to 2050” page 19 [www.gs.com/insight/research/reports/1010.pdf](http://www.gs.com/insight/research/reports/1010.pdf)

5 Indian Business - India's Business Climate “Economy” pages 1 and 2. <http://www.indiainbusiness.nic.in/business-climate/eco-trends.htm> and <http://indiabudget.nic.in/es2004-05/chapt2005/chap11.htm>, Points 1.9 & 1.10 and <http://www.rbi.org.in/hone.aspx/>

6 Indian Business - India's Business Climate “Economy” pages 1 and 2. <http://www.indiainbusiness.nic.in/business-climate/eco-trends.htm> and dollarDEX article entitled “Interest rates up in India” at <http://www.dollardex.com/sg/index.cfm?current+.../contents/indiafeb06&contentID=2599>

7 Confederation of Indian Industry – “State of the Economy” – July 2007

8 India Brand Equity Foundation - page 1 at <http://www.ibef.org/resource/quickfacts.aspx>, and India Study Center at page 1 at <http://www.indiastudycenter.com/univ/list.htm> and page 30 of “Current State of the Indian Economy” published by the Federation of Indian Chambers

9 NASSCOM - [http://www.nasscom.org/artdisplay.asp?cat\\_id=7101](http://www.nasscom.org/artdisplay.asp?cat_id=7101) and [http://www.nasscom.org/artdisplay.asp?cat\\_id=811#1](http://www.nasscom.org/artdisplay.asp?cat_id=811#1), and <http://www.redherring.com/Article.aspx?a=14850&hed=India+Outsourcing+to+Grow+10X> and [http://www.nasscom.org/artdisplay.asp?cat\\_id=762](http://www.nasscom.org/artdisplay.asp?cat_id=762)

10 Technology News: India's Outsourcing Boom at <http://www.dotnetspider.com/news/ShowNews.aspx?NewsId=5>

### **3.1.3 Investing in India**

The thriving and relatively stable Indian economy, combined with recent economic reforms, have led to significant increases in foreign investment. Foreign Direct Investment, or “FDI” is recognised as one of the important drivers of economic growth of the country, and the Indian Government has taken a number of steps to attract and facilitate further FDI inflows. FDI is now allowed in all key sectors of the economy and for many subsectors with no prior regulation approval required. However, FDI remains restricted in certain key sectors such as retail trade, agriculture plantation, real estate, insurance, banking and aviation. FDI inflows have increased significantly over the last 10 years, amounting to around US \$5.3 bn in 2004, and around US \$6 bn in 2005, and around US\$7.9 bn between January and October 2006<sup>11</sup>.

## **3.2 Growth Drivers for Real Estate**

The real estate sector is a key beneficiary of India’s economic liberalisation process. The growing economy, rationalisation of lending rates, increased income and growing consumption have directly impacted the US \$12 bn real estate sector, which is poised to grow to over US \$40 bn within the next five years<sup>12</sup>.

Strong economic performance across a large number of sectors is increasing corporate and personal incomes, leading to sustained buoyancy in demand for office space, housing, and properties for retail and other sectors such as health care and hospitality.

Until recently, the real estate sector in India was considered a “non-industrial sector”, known for high transaction costs, lack of transparency and poor performance from developers. However, several developments and trends have acted as catalysts in transforming the sector.

Aside from the buoyant Indian economy, the key drivers for the growth and development of the real estate industry in India include the following:

### **3.2.1 Changing Demographics**

The 300 million strong middle class population in India has continued to grow in recent years, resulting in higher disposable incomes, and greater demand for homes, goods and services<sup>13</sup>. Per capita income in India increased by 157% over the last five years<sup>14</sup>, and this is expected to double by 2013.

India also has one of the youngest populations in the world, with 54% of the population under 25, and 70% at less than 35, implying that a comparatively large number of people will be added to the workforce by the year 2009<sup>15</sup>.

The Directors believe that improvements in education and opportunity, and increasing prosperity should continue to drive the economy generally. Social changes leading to a movement away from single-household extended families should in particular drive demand for housing and household goods.

### **3.2.2 Increased Participation by Financial Institutions**

Banks and housing finance companies have become more active in servicing the housing and commercial property requirements of clients in India. This has contributed to demand in the residential real estate sector.

11 Standard and Poor’s - <http://www2.standardandpoors.com> CLSA India Property 25/1/07 p.27

12 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’ page 12

13 The Christian Science Monitor - <http://www.csmonitor.com/2005/010210/p01s04-wosc.html>, and <http://www.ibef.org/economy/consumermarket.aspx>

14 Edelweiss Report – “Real Estate – Realty for Real” page 12

15 See Frontline article “Does demography advantage India” at <http://www.flonnet.com/fl2301/stories/20060127004010500.htm> and see <http://www.rediff.com/news/2004/feb/04inter.htm> and see publication by Primary Real Estate Advisors Private Limited entitled “Changes in Indian Economy Impacting Real Estate Sector” page 9

Notwithstanding this growth, penetration of mortgage lending and credit card financing is relatively low, at less than 4%, which suggests the potential for much further sustainable growth in the future<sup>16</sup>.

### **3.2.3 Changing Profile of Developers/Builders**

The corporatisation of many real estate developers and builders has resulted in greater organisation and transparency. Leading corporates such as Reliance, Godrej, Mahindra and ITC have now made their entry into the sector and together with a number of global developers such as Ascendas and Emaar are developing projects all over India using international quality construction and maintenance practices.

### **3.2.4 Government Initiatives**

Until recently, growth in the real estate sector in India was hampered by legal and institutional rigidities, fiscal constraints, spatial development limitations and organisational bottlenecks. These included the Urban Land Ceiling and Regulation Act (ULCRA), Rent Control laws, a complicated stamp duty regime, antiquated land records, outdated building plan approval processes, and lack of co-ordination among relevant agencies.

National and local government are now playing a significant role in the development of the real estate industry. Recent key measures include the provision of tax incentives, the rationalisation of stamp duty and the computerisation of land records. There are also initiatives to modify rental and urban land ceilings, and to rationalise property taxes generally.

The positive government attitude and recent liberalisation initiatives have dramatically eased Foreign Direct Investment into the sector, prompting a rush amongst foreign developers, and other foreign investment funds.

**These growth drivers have led India to become an exciting destination for real estate investment.**

## **3.3 Real Estate Opportunities in India**

The Indian real estate sector is expected to grow at an annual rate of 30%<sup>17</sup>, with steady growth in commercial space, residential properties, and property for retail and other purposes such as hospitality and healthcare. Yields in India for “A” Grade commercial and retail real estate range between 10% and 13% per annum (alongside attractive capital appreciation), thereby making sector returns relatively lucrative when compared with some of the developed western economies.

The various investment opportunities across the real estate sub-sectors include the following:-

### **3.3.1 Residential Real Estate**

The residential sub-sector constitutes 80% of Indian real estate with estimated growth at 35% per annum<sup>18</sup>. The growth in the BPO/IT sector, increasing disposable incomes, a pro-housing tax regime, interest rates which are low compared to the last two decades, and increased availability of mortgage finance have served to generate further demand for mid and high-value apartments.

India has a fairly low mortgage penetration (around 2% mortgage-to-GDP ratio in India compared to more than 50% in the USA)<sup>19</sup>, which indicates further potential for growth. According to CRISIL research, India’s home financing market is expected to grow by almost 30% in 2005/6<sup>20</sup>. A strong mortgage market, with interest rates stabilised at approximately

<sup>16</sup> ICICI Bank – see page 10 <http://www.icicibank.com/pfsuser/aboutus/investorelations/investorpresentation/ppt/annual030502.ppt#10>

<sup>17</sup> See pages 13-14 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

<sup>18</sup> See pages 13 and 14 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

<sup>19</sup> HDFC - <http://www.hdfc.com/pdf/HDFC-IUHF04.pdf> page 3 para 3

<sup>20</sup> <http://www.indiaonline.com/bisc/hous.html> para 3



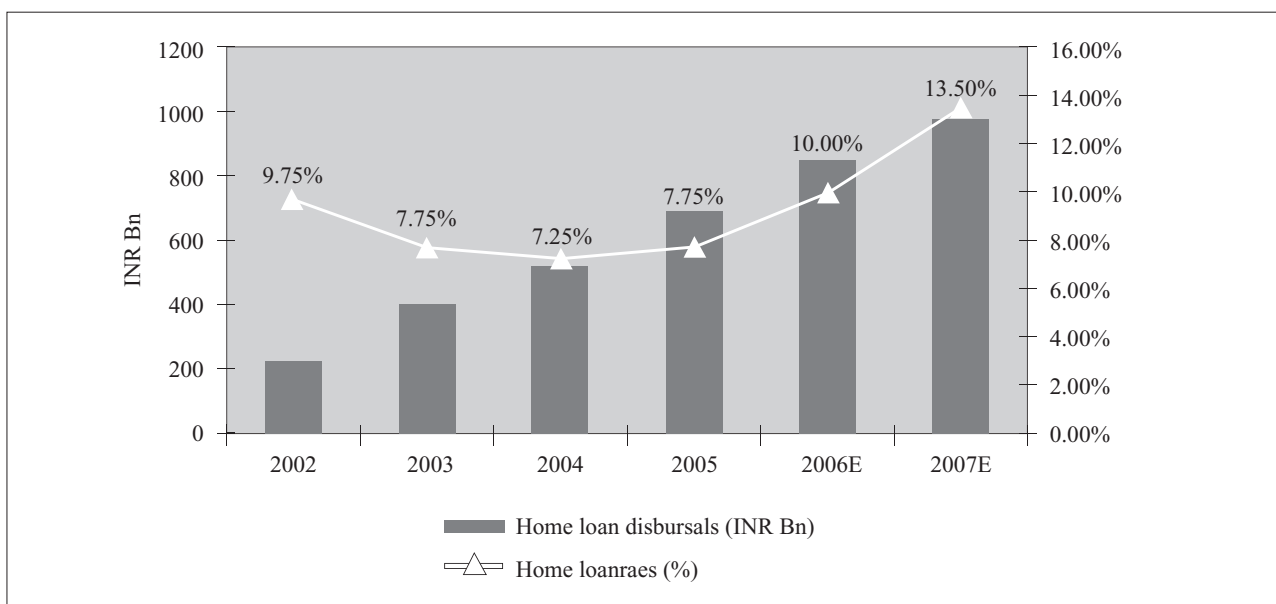
9.25% for a 10 year mortgage<sup>21</sup>, growing savings rates and changing demographics also mean that more people are entering the “home buyer” category at a relatively younger age.

There is currently a shortage of 22 million housing units with an estimated US \$25 bn of additional investment required<sup>22</sup>. Due to high demand for land across the country and limited supply, residential prices have been increasing, with values of peripheral metropolitan locations rising because of scarcity of land in central locations. Development of planned satellite towns and suburbs is also increasing. It is estimated that by 2010 the urban housing sector in India will require investment amounting to US \$25 bn (Rs. 1,100 bn).

### 3.3.2 Commercial Real Estate

The growth in the Indian economy generally is increasing corporate profitability and allowing businesses to invest in future growth by acquiring new and additional commercial space. At present, the key driver fuelling the growth of commercial real estate is the strength of the IT/ITES (Information Technology/Information Technology Enabled Services) sector which contributes around 75-80% of commercial real estate demand<sup>23</sup>. The expected growth for 2006-7 was between 25 and 28% in the software and services industry with revenues of US\$36-38 billion. Factors such as the evolution of the global delivery model, unbundling of large IT outsourcing deals and large contract values due for renewal should create a substantial demand for world-class infrastructure, with an expected additional 353 million square feet required by 2012.<sup>24</sup>

#### Mortgage disbursements and Mortgage rates



Source: NHB, <http://www.rediff.com/money/2007/jun/20home.htm>

### 3.3.3 Retail Real Estate

The growth in organised retail is one of the key stories of Indian real estate. At present, organised retailing is a small part of the total retailing industry comprising only about 4% of the total retail sector<sup>25</sup>. However, the organised segment is expected to grow from about US \$8-10 billion currently to more than US\$100 billion by 2013, implying a CAGR of more than 34%.<sup>26</sup>

21 Times of India - <http://timesofindia.indiatimes.com/articleshow/1422358.cms>

22 See Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’ and ICICI Bank [http://www.icicibank.com/pfsuser/icicibank/ibanknri/nrinenwversion/commercial\\_realestate.htm](http://www.icicibank.com/pfsuser/icicibank/ibanknri/nrinenwversion/commercial_realestate.htm)

23 See page 17. Edelweiss Report titled “Real Estate-Realty For Real”.

24 See pages 13 and 14. Trammell Crow Meghraj Report titled “Major IT-ITES Hubs in India”.

25 See page 9. JP Morgan Equity Research Report titled “India Retailing”

26 See page 3. JP Morgan Equity Research Report titled “India Retailing”

The rapidly expanding middle classes population, together with their increasing disposable incomes and growing urbanisation in India, together with increased availability of credit are predicted to result in organised retailing capturing around 12 - 15% of the total retail market by 2015.<sup>27</sup> Social factors such as the dual household income culture have enhanced spending power, and purchasing patterns have moved towards “lifestyle” products, esteem-enhancing services and better quality shopping, entertainment and dining options.

The most prominent development in the sector has been the emergence of shopping malls, which not only fulfil the retail requirements of customers, but also provide them with an enhanced environment for their shopping “experience”. Indicative estimates suggest that at present there are over 200 malls under construction across the country, each ranging from 100,000 sq. ft. to 1,000,000 sq. ft.<sup>28</sup>.

### **3.3.4 Integrated Townships**

Integrated projects typically consist of large, integrated, mixed use and master planned developments, which would be largely comprised by residential developments, along with retail, commercial and common facilities like education, leisure and healthcare. Projects such as these can offer attractive features to end-users, including well planned development, multiple residential options (apartments, row houses, plots etc), a “walk-to-work” culture, convenient shopping, entertainment and dining options, and captive education, leisure and healthcare facilities within a secure environment.

There has been an increasing trend of large scale townships being developed nationally to satisfy the demand for residential housing and retail/entertainment facilities.

### **3.3.5 Other Sectors**

Other opportunities in real estate can be found in “niche” sectors, such as hospitality, healthcare, logistics, and government/state projects.

#### *Hospitality*

The hospitality sector in India is forecast to grow at 8.8% per annum until 2014<sup>29</sup>. It is estimated that 100,000 to 125,000 rooms will be required in the classified category in the next four to six years with an average room rates rising by 20-25% over the next 2 years. A number of international hotel chains are working aggressively to increase their presence in India, and an estimated 100 economy hotels are being planned in India over the next 2-4 years<sup>31</sup>. With rapidly increasing business and leisure travel and growing disposable incomes, there could be significant opportunities to invest and profit from the hospitality and leisure sectors.

#### *Healthcare*

Healthcare has emerged as one of the largest service sectors in India. India’s unmet demand for healthcare facilities, rapidly changing demographics, increasing private spending on healthcare, and a readily available pool of skilled practitioners are fuelling the growth of the healthcare industry and making it attractive for investment. The healthcare sector in India is growing at 13% per annum and is expected to grow to a US\$60 billion sector by 2012.<sup>32</sup>

Some of the major corporate hospital groups in India such as Apollo, Fortis, Max, Wockhardt and Manipal have made significant investments in setting up state-of-the-art hospitals in major Indian cities.

27 <http://www.investmentcommission.in/retail.htm>

28 See page 2. Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

29 Hospitality Net – “Global Travel & Tourism Poised for Robust Growth in 2004” pages 2 and 3

30 See page 26. Edelweiss Report titled “Real Estate-Realty is for Real”

31 See page 26. Edelweiss Report titled “Real Estate-Realty is for Real”

32 India Business Equity Foundation – <http://www.ibef.org/industry/healthcare.aspx>



Emerging opportunities in the healthcare sector include medical tourism which is predicted to become a US\$2 billion-a-year business opportunity by 2012<sup>33</sup>, and the hospital services market, which is estimated at around US\$4 billion per annum.<sup>34</sup>

#### *Logistics*

As India grows, and the demand for goods and services also increases, the need for high quality logistics and warehousing facilities is likely to grow exponentially. With increased geographical distribution of incomes in India, the consumer markets are extending beyond the five metros of Mumbai, Delhi, Bangalore, Chennai and Hyderabad. The Indian logistic market was valued at US\$14.31 billion (INR 645 billion) in 2004<sup>35</sup>. With India's gross domestic profit (GDP) growing at over 9 percent per year and the manufacturing sector enjoying double-digit growth rates, the Indian logistics industry is predicted to reach a market size of over \$125 billion by 2010.

#### *Special Economic Zones (SEZs)*

The government of India recently liberalised the SEZ regime in the country to facilitate greater domestic and foreign investments into the country, extend a number of tax and other incentives to occupants, and are permitted in various economic sectors like manufacturing, information technology, healthcare amongst others. According to the Ministry of Commerce, if all approved SEZs are developed, they would require an investment of US\$71bn over the next five years.

#### *Other Opportunities*

Other opportunities could include government / quasi-government projects such as IT and Biotech Parks, Region and City level infrastructure, senior housing and student accommodation.

### **3.4 Location**

The geographic markets/cities within India may be categorised as follows:

- Tier I: The "big six" metropolitan areas such as Mumbai, New Delhi, Bangalore, Hyderabad, Chennai and Kolkata;
- Tier II: cities with population between 1m and 4m, including Pune, Indore, Nagpur, Ludhiana etc. (includes suburbs of Tier I cities, such as Noida, Navi Mumbai, etc.); and
- Tier III: cities with population between 0.5m and 1m, including Dehradun, Mangalore, Cuttack, Mysore, Srinagar, etc.

The smaller Tier II and Tier III cities have experienced higher growth, and are contributing almost as much to the national GDP as the larger Tier I cities. According to estimates from the National Council of Applied Economic Research, around 75% of India's "sheer rich", 64% of "clear rich" and 58% of "near rich" live in 67 Tier II and Tier III cities.

These cities share with Tier I cities the same growing aspirational middle class population with demand for high quality residential, retail and commercial developments, but these demands are not being serviced to the same extent as in the Tier I cities. At the same time, Tier III cities in particular benefit from lower land prices and labour costs, a significant pool of skilled labour, and a lower penetration to date of high quality developers with proper access to capital. Some cities also benefit from tax incentives.

33 §See page 6. India Brand Equity Foundation Report titled "Healthcare"

34 See page 10. India Brand Equity Foundation Report titled "Healthcare"

35 See page 48. GATI Limited Annual Report.

36 <http://www.supplychains.in/en/ast/2395>

### 3.5 Foreign Direct Investment (“FDI”) in Real Estate

The present policy of the Government of India is to allow limited access to FDI in the housing and real estate segment in two categories, permitted investments for Non Resident Indians (“NRIs”) and Persons of Indian Origins (“PIO”) and permitted investments for all other foreign investors.

Until recently, FDI was not permitted in real estate. However, in March 2005, the Indian Government introduced new guidelines permitting FDI investment in certain categories of real estate development. These guidelines may be summarised as follows:

- 100% FDI permitted in townships, housing, built-up infrastructure and construction development projects, including commercial premises, hotels, resorts, hospitals, educational institutions and recreational facilities;
- Minimum area to be developed:
  - Serviced housing plots – 25 acres/10 hectares (minimum land area);
  - Construction development – 50,000 sq. m (minimum built-up area);
- Minimum investment:
  - US \$10m for wholly owned subsidiaries;
  - US \$5m for joint venture with Indian partners;in each case, funds must be invested within six months of commencement of business;
- Original investment cannot be repatriated before three years from completion of minimum capitalisation; and
- At least 50% of the project must be developed within five years from the date of obtaining the necessary clearances.

At present, the FDI guidelines do not permit investment in developed real estate for acquisition and resale, or for rental yield purposes. As the liberalisation process in India continues, the FDI guidelines may become further relaxed allowing for investment in all sectors.

The Fund will only be invested in real estate Portfolio Companies in accordance with FDI Regulations or other regulations in India which would specifically permit an alternative investment structure. K2 Property or one of its subsidiaries may also apply to the regulatory authorities in India for “Foreign Institutional Investor” or “FII” status.

Further detailed information on FDI restrictions for real estate can be found in Section 11.1.

### 3.6 Market Trends

The various factors detailed in Sections 3.2 and 3.3, together with an influx of foreign investment into the Indian real estate sector amounting to an estimated of US\$7-9 billion in 2006 alone, have led to rising prices throughout the sector. Against a backdrop of concerns over inflation and the economy overheating generally, mortgage interest rates have risen from 8% in the last quarter of 2006 to 12.5% in the first quarter of 2007. Rising property prices and rising interest rates and, in some cases, oversupply by developers, have started to produce a market consolidation, with real estate prices seeing a correction in some pockets, in particular those which have not seen sufficient economic activity to justify the original price rises.

At the same time, it appears that the lending banks have begun to tighten the availability of credit to developers following new guidelines from the Reserve Bank of India. Certain public companies in the real estate sector both abroad and in India, have seen falling share prices as market confidence has become more balanced.

The Investment Advisor believes that any levelling or falling of prices would be a healthy correction of the real estate market in India, whilst the long-term trends should ensure that there will continue to be strong demand for real estate going forward. A short to medium term squeeze on credit may produce some interesting opportunities for the Fund.

## **4. INVESTMENT STRATEGY**

### **4.1 Investment Objective**

The primary objective for the Fund is to achieve capital growth for investors through the development, ownership and exploitation of real estate in India.

The Company participates in the Fund through an investment in the shares of K2 Property. It is anticipated that the entire capital of the Company, net of expenses, and after providing for ongoing and future expenses, will be invested in K2 Property with a view to achieving an internal rate of return on this investment of at least 25%.

### **4.2 Investment Strategy**

The Fund is targeted at high quality real estate investments in India with strong fundamentals, attractive risk/return profiles, and potential for value creation. A disciplined investment approach is being used by the Investment Advisor to help establish a portfolio positioned to capitalise on growing real estate markets, while providing resilience to future market downturns.

It is intended that investments will be diversified across different asset classes and locations within India, between shorter-term development and longer-term development and yield-based opportunities, with a blend of projects offering differing risk-reward relationships, and projects involving more active and more passive involvement.

Most investments will be made into Portfolio Companies which have been specifically created for a particular development project.

Enterprise-level investments may be made in businesses engaged in real estate development and allied activities, and also in private or publicly quoted operating companies that are engaged in businesses with significant real estate components, such as healthcare, hospitality, logistics, infrastructure development and construction.

The following strategies will be employed so as to best achieve the Fund's objectives:-

#### **4.2.1 Leverage**

Prudent amounts of leverage may be applied to each Portfolio Company at an average level of 50-65% per investment at the project level, thus allowing investment in a larger number of projects. Borrowing may also take place at the K2 Group level, if required.

#### **4.2.2 Proactive Involvement**

It is intended that, for the most part, investments will be carried out in partnership with established developers and land owners who have identified a potential project and are looking for an investment partner. However, the Advisory Group are also expected to look to proactively identify potential projects for investment whereby the K2 Group can act as the principal and prime mover for the particular project, and bring together the relevant participants and service providers.

The level of the K2 Group's involvement in any particular project will be determined by the level of equity stake in the relevant Portfolio Company. Where a project has been identified and is managed without other partners, it is possible that the K2 Group could have an equity stake of 100%. A representative seat on the board of directors with affirmative rights will be sought, in order to exercise operating and financial controls, and maintain an active involvement.

#### **4.2.3 Pre-Approved Projects with clear exit strategy**

Investment will generally be committed to projects with relevant planning, regulatory and other governmental/state approvals and licences in place. The K2 Group may also provisionally commit to deals where approvals are in process.

In the case of potentially lucrative projects without planning approvals, an option may be taken for the K2 Group to invest at pre-agreed terms once approvals are given.

Investment should be committed to a project only after thorough due diligence and evaluation of all exit options is undertaken, and with a clear exit strategy in mind focused on conservative long-term supply and demand fundamentals, rather than short-term market conditions.

#### **4.2.4 Projects and Partners of the Highest Calibre**

The aim for each of the Fund's investments will be to set the benchmark for the type of market they propose to serve. Consequently, it is intended that the location, design, amenities, construction quality, project financial and legal structures, marketing techniques and on-going property management of each project will set and maintain high standards.

Unless exceptional circumstances prevail, the K2 Group should only partner with local developers and other service providers with credible reputations and track records. It is intended that no more than 30% of the total capital of the Fund would be deployed in partnership with any particular development entity.

#### **4.2.5 Sector and Location Focus**

Investments should be diversified across a variety of sub-sectors within the real estate spectrum.

- (a) Residential/Integrated
- (b) Commercial
- (c) Retail
- (d) Mixed use developments
- (e) Hospitality
- (f) IT/SEZ Parks
- (g) Healthcare
- (h) Logistics
- (i) Others

It is envisaged that no more than 40% of the total capital of the Fund would be deployed in any one sector.

Geographically, investments will be sought for the Fund in projects within stable but growing sub-markets in India, generally with no more than 40% of the total capital of the Fund invested in a single metropolitan market area and no more than 25% of the total capital of the Fund invested in a single project.

The ideal location strategy for the Fund will be to enter markets/projects where entry (land) prices are low, but where there is significant scope for value addition. The Fund will be focused on projects in Tier I cities, as well as specific opportunities in Tier II, Tier III and Tier IV cities.

#### **4.2.6 Investment Principles**

A further objective for the Fund should be to add significant value to the communities involved – including investors, end-users of projects, business partners, associates, team members, and finally society in general.

The Fund should be subject to the following investment principles:

- All projects should be for the overall long-term benefit of the communities they seek to serve;
- Projects should not cause any damage to the ecological balance and green cover of their surrounding environment;

- The operation of the Fund should be conducted in an ethical and transparent manner with a strong focus on stringent governance; and
- The Fund should be modelled as a responsible corporate citizen, while delivering on its targets.

#### **4.2.7 Deal Flow Strategy**

The Fund will be focused on investment opportunities arising from land acquisitions through strategic divestitures, off-market opportunities, and deals sourced through the Advisory Group's network of operating partners and investment evaluation.

#### **4.2.8 Value Enhancement**

The Advisory Group will continue to focus on value enhancement for the Fund's investments throughout their life cycle including maintaining the most suitable tenant mix, ensuring high-quality maintenance and upkeep of buildings, and using well-considered project financial structuring and documentation.

#### **4.3 Divestment Strategy**

Each Portfolio Company will be periodically analysed with respect to potential asset disposition. Exit for all projects will be linked to successful project completion. For pure development projects, exit would require a sale of the final development, while yield-based projects would be sold to new investors at the optimum time in the property rate cycle with rental income being derived from tenants in the interim period. Multiple bidders should be sought for each project, to maintain the highest possible valuation.

It may be decided to re-invest divestment proceeds into fresh or on-going projects over the seven year term of the Fund wherever there is a possibility of making significant returns in a relatively short period of time. The objective of such re-investment would be to maximise returns to investors. Any such re-investment would be carried out strictly as per the established investment strategy and investment evaluation parameters, and only if in the view of the Investment Committee the reinvestment would provide additional Returns to investors within the existing term of the Fund.

## 5. INVESTMENT TRACK RECORD AND PIPELINE

Since its initial fundraising in December 2006, K2 Property has committed to, approved or acquired ten investments proposed by the Investment Advisor amounting to a total capital commitment of around €88.4 million. Included within these are four investments acquired by K2 Property through its acquisition of Eredene Mauritius (see Section 5.2).

<b>Sr No.</b>	<b>Approved Transactions</b>	<b>Location</b>	<b>K2 Commitment (€m)</b>	<b>Status of Investment</b>
1	Residential Development	Pune, Maharashtra	21.62	Completed
2	Retail development	Pune, Maharashtra	17.24	Completed
3	Hospitality development	Pune, Maharashtra	5.15	Term Sheet
4	Enterprise level investment in listed real estate company	Mumbai, Maharashtra	3.73	Completed
5	Retail development	Bhavnagar, Gujarat	6.75	Completed
6	Retail development	Agra, Uttar Pradesh	3.97	Term Sheet
7	Shopping Mall	Nashik, Maharashtra	7.07	Completed
8	Mixed use development	Indore, Madhya, Pradesh	10.85	Completed
9	Residential Township	Indore, Madhya, Pradesh	4.43	Completed
10	Hospitality development	Bangalore, Karnataka	7.61	Term Sheet
<b>Total</b>			<b>88.4</b>	

### 5.1 Track Record

The six investments committed to or approved by K2 Property are set out below:-

#### 5.1.1 Residential Development- Pune

##### *Synopsis:*

An enterprise level investment for developing three residential projects in different areas of Pune. K2 Property has committed to invest €21.62 million for a 49% stake in the joint venture vehicle, Kolte-Patil Real Estate Limited.

##### *Development Partner:*

The development partner, Kolte-Patil Developers Limited, has been active in the local market over the past 16 years, and has been a leading developer in Bangalore and Pune, and has developed over 4.3 million square feet of office, residential and retail space.

##### *Investment Thesis:*

Pune is becoming an attractive location for IT and other niche companies specializing in high-end work, especially in engineering services. With an increasing number of companies shifting to Pune, the residential market in the city has witnessed a substantial increase in demand.

The total area under development is around 78 acres and the total development will be around 2.9 million square feet of saleable area.

##### *Project Financials:*

The total project cost for developing the three projects is €115.7m and K2 Property has committed to invest €21.62 m. The project is expected to be completed by 2012, and the expected investment period for this project is approximately 5 years.

*Current Status:*

The land acquisition programme is progressing, with municipal approvals to be obtained thereafter.

### **5.1.2 Retail Development- Pune**

*Synopsis:*

A retail mall spread over 1.5 million square feet in Pune, Western India. K2 Property has committed to invest approximately €17.24 m for a 24% stake in the project.

*Development Partner:*

The project will be developed by Ashok Ruia Enterprises Private Limited, a leading retail mall developer.

*Investment thesis:*

Pune offers several advantages to the IT/ITES sectors, in terms of the availability of a large number of young professionals, good infrastructure and proximity to Mumbai, the business hub of India.

The proposed site has an excellent location and connectivity. It is located in close proximity to the Pune Airport and in close vicinity to the affluent residential catchment areas of the city.

The total area under development is around 20 acres and the total development will be around 1.5 million square feet of saleable area.

*Project Financials:*

The total project cost is estimated to be €157.1m with the K2 Group contributing €17.24 m. The project is expected to be completed by 2009, and the expected investment period is approximately 5 years.

*Current Status:*

Land has been acquired and environmental/regulatory clearances are being sought.

### **5.1.3 Hospitality Development- Pune**

*Synopsis:*

Approximately 0.3m sq ft of hospitality development which should comprise more than 300 hotel rooms and 96 service apartments located at Pune in western India. K2 Property is to invest approximately €5.15m to acquire a 20% equity stake in the project.

The development is being undertaken at the same site as the retail development in Pune detailed under 5.1.2 above.

*Development Partner:*

The project will be developed by a leading retail mall developer, Ashok Ruia Enterprises Private Limited.

*Investment thesis:*

For Pune, please see investment thesis under 5.1.2 above. The total area under development of which this forms part is around 20 acres and the total hotel development will be around 0.3 million square feet.

#### *Project Financials:*

The total project cost is estimated to be €40.5m. The project is expected to be completed by 2009, and the expected investment period is approximately 5 years.

#### *Current Status:*

This investment is at term sheet stage.

### **5.1.4 Enterprise Level Investment: Listed Real Estate Company**

#### *Synopsis:*

An enterprise level investment in Phoenix Mills Limited, a leading real estate company listed on the Bombay Stock Exchange, through participation in a preferential issue of equity shares of the company. The K2 Group has invested €3.73 million through beneficiary participatory notes issued by Barclays Capital Mauritius Limited.

#### *Investment Thesis:*

Phoenix Mills Limited is a fast growing company focused on developing retail-led entertainment and commercial destination projects. Most of the company's real estate projects were until now undertaken by Ashok Ruia Enterprises Private Limited, a group company which has been closely held by the promoters. However, this company is now in the process of merging with Phoenix Mills Limited which is expected to unlock value and lead to significant additional value creation.

Phoenix Mills Limited is seeking further equity infusion to increase the scope and scale of its operations and is issuing equity shares on a preferential basis to Foreign Institutional Investors. The investment has been carried out by Barclays Capital Mauritius Limited as a Foreign Institutional Investor (FII) issuing participatory notes against the shares received from Phoenix Mills Limited.

### **5.1.5 Retail Development: Bhavnagar**

#### *Synopsis:*

A retail mall spread over 0.59 million square feet in Bhavnagar in Western India. K2 Property has committed to invest approximately €6.75 million for a 50% stake in the project.

#### *Development Partner:*

Modi Buuildwell Limited, a leading local developer with extensive experience in development of real estate in the state of Gujarat.

#### *Investment Thesis:*

Bhavnagar is an important centre for the diamond cutting and polishing industry in India. The city is one of the most developed cities in the state of Gujarat and has a strong economic and educational base. Currently the retail market in the city is largely unorganized and there is a significant opportunity to create a destination property.

The proposed project is located at a distance of 1 km from the central business district, the university and the prime residential areas of the city. The site has a frontage of approximately 480 ft. on the city ring road and is surrounded by a proposed residential development.

The total area under development is 5.2 acres and the total development will be around 0.57 million square feet of leasable area.



#### *Project Financials:*

The total project cost is estimated at approximately €24.93 million, and the K2 Group has committed to invest approximately €6.75 million. The investment period is expected to be approximately 3 years.

#### *Current Status:*

The joint venture company has acquired the land and excavation work has already commenced.

### **5.1.6 Retail Development: Agra**

#### *Synopsis:*

A retail project spread over 0.57 million square feet in the city of Agra in Northern India. K2 Property would invest approximately €3.97 million for a 28% stake in the project.

#### *Development Partner:*

A prominent real estate developer with a strong regional presence and a focus on retail developments.

#### *Investment Thesis:*

Home to the Taj Mahal, Agra is a popular tourist destination attracting thousands of national and international tourists every year. The city's economy is predominantly dependent on tourism, trade and manufacturing – mainly leather and handicrafts.

The proposed project is located in Taj Nagri, the upcoming growth corridor of the city which is being developed with a view to de-congest the city centre. A number of residential projects have been announced in the area which would be the primary catchment for the mall.

The total area under development is around 8.4 acres, and the total development will be around 0.6 million square feet of leasable area.

#### *Project Financials:*

The total project cost is estimated at approximately €31.46 million and K2 Property is to invest approximately €3.97 million. The duration of the project is expected to be 3 years.

#### *Current Status:*

This investment is at term sheet stage.

### **5.2 Acquisition of Eredene Mauritius**

On 11 June 2007, K2 Property acquired the entire issued "A" shares of Eredene Mauritius, which brought with it a portfolio of four investments which the Investment Advisor had previously recommended to Eredene Mauritius.

Eredene Capital Plc raised the equivalent of approximately €84m on the AIM market of the London Stock Exchange in April 2006 with a strategy to invest in the Indian real estate sector through its subsidiary Eredene Mauritius, receiving investment advice exclusively from the Investment Advisor. Between April 2006 and April 2007, Eredene Mauritius, on the advice of the Investment Advisor, committed to four investments in India requiring approximately €29m of total capital outlay.

Recently there has been a shift in Eredene Capital Plc's strategy from investing in real estate and towards investing in infrastructure in India. Hence an opportunity arose to acquire Eredene Mauritius for the following consideration:

- Approximately €18.07m for existing transaction disbursements and transaction costs; plus

- The assumption of further ongoing funding commitments into the projects amounting approximately to a further €11.9m

Brief details of the portfolio of four projects along with their current status are as follows:

### **5.2.1 Shopping Mall: Nashik**

#### *Synopsis:*

A destination shopping mall spread over 0.8m sq ft located at Nashik in Western India. Eredene Mauritius committed to invest approximately €7.07m to acquire a 50% equity stake in the project.

#### *Development Partner:*

The development partner is a diversified business group with a history of pioneering initiatives taken in the city. They also have a limited but highly successful track record in real estate development.

#### *Investment Thesis:*

Nashik is one of the rapidly growing cities in India with a population of 1.1m. The city has a large middle income population and is poised to emerge as an IT destination in the next few years.

The site is located on a good accessible location in a middle and upper income neighbourhood of the city. It offers great frontage and visibility, and is suitable for a destination retail development. Its size and substance should make a significant impact on the existing market and raise the entry barrier for any new competing developments.

#### *Project Financials:*

The total project cost is estimated to be approximately €14.84m (excluding land cost) with Eredene Mauritius contributing approximately €7.07m, and with an expected investment period of 3.5 years.

The total area under development is around 6 acres and the total development will be around 0.3 million square feet of leasable area.

#### *Current Status:*

Land has been acquired, and all key approvals have been received. Construction work on the site has commenced, significant pre lettings are in place, and project completion is expected by early 2008.

### **5.2.2 Mixed Use Development: Indore**

#### *Synopsis:*

A mixed use development of over 2.4m sq ft comprising a retail mall, residential apartments, a hotel and an office block located at Indore in central India. Eredene Mauritius committed to invest approximately €10.85m to acquire a 30% equity stake in the project.

#### *Development Partner:*

The development partner, Entertainment World Developers, is a prominent diversified business group with vast experience in development and management of residential and retail real estate. The partner is credited with building one of the most successful retail developments in the state of Madhya Pradesh.

#### *Investment Thesis:*

The project is located in a large & growing Tier II city. The city has seen rapid growth in the past few years and has emerged as a commercial hub for the entire state.

The location for the mixed use development is on a prime site in the upcoming part of the city. It will include a shopping mall, commercial office space, a four star hotel and towers for housing residential units. The entire area is witnessing a large number of commercial and residential developments.

The total area under development is around 19 acres and the total development will be around 2.4 million square feet of saleable and leasable area.

*Project Financials:*

The total project cost is estimated to be approximately €63.45m with Eredene Mauritius contributing approximately €10.85m. The project is expected to be completed in 2010, and the expected investment period is approximately 4 years.

*Current Status:*

Land has been acquired, and the application for excavation has been filed with the local authorities. Planning approvals have been partially obtained and the remaining approvals are yet to be applied for.

### **5.2.3 Residential Township: Indore**

*Synopsis:*

An integrated residential township spread over approximately 100 acres located at Indore in central India. Eredene Mauritius has committed to invest approximately €4.43m to acquire 35% equity stake in the project. There is an opportunity to acquire an additional 50 acres at an approximate additional cost to the K2 Group of €2.3 million.

*Development Partner:*

The development partner for this project is Entertainment World Developers, the same as the other project in Indore described in Section 5.2.2 above.

*Investment Thesis:*

The project is located in a large and growing Tier II city. The city has seen rapid growth in the past few years and has emerged as a regional hub for trading and manufacturing activities.

The location for the township is on the outskirts of the city on the junction of two major roads. Because of its strategic location, the project will house residential condominiums, row houses, a shopping centre, and other community facilities. The demand for the project is expected to come from the local populace as the area is fast developing into an up-market residential area.

The total area under development is around 100 acres and the project will have around 3 million square feet of saleable area.

*Project Financials:*

The total project cost over a four year duration is estimated to be approximately €50.79m with Eredene Mauritius contributing approximately €4.43m. The project is expected to be completed in 2010, with an expected investment period of approximately 4 years.

*Current Status:*

Approximately 76 acres have been acquired and approximately 21 acres have been contracted to be acquired. The zoning and planning approvals are yet to be applied for. Subject to formal approval by the Investment Committee, it is likely that an additional 50 acres may be acquired, at an approximate additional cost to the K2 Group of €2.3 million.

#### **5.2.4 Hospitality Development: Bangalore**

##### *Synopsis:*

Over 0.3m sq ft of hospitality development comprising of a 200 room hotel and a 100 unit service apartment block located at Bangalore in southern India. K2 Property is to invest approximately €7.61m to acquire a 50% equity stake in the project.

##### *Development Partner:*

The development partner, Umiya Holdings, is a niche and upcoming local developer with a focus on the Bangalore market. Umiya has successfully delivered several niche projects including residential developments, offices and retail.

##### *Investment Thesis:*

The project is located in a Tier I city in southern India with a population of over 6m and an estimated growth rate of over 35% over the last ten years. It has the highest absorption rate of commercial and IT workspace in the country. As a consequence of the rapid growth of existing and new businesses, the city is witnessing large scale real estate developments.

With the IT/ITES boom and the significant influx of business travellers, the hospitality industry in the city has been experiencing exponential growth. The city continues to enjoy one of the highest average room revenues in the country. There is a shortage of hotel rooms in the city, and the proposed development with its location, connectivity and proximity to the commercial offices is well positioned to benefit from this opportunity.

The total area under development is around 3 acres and the total development will be around 0.3 million square feet.

##### *Project Financials:*

The total project cost is estimated to be approximately €32.86m, with K2 Property contributing approximately €7.61m. The project is expected to be completed by 2009, and the expected investment period is approximately three years.

##### *Current Status:*

This transaction is at term sheet stage.

### 5.3 Approved Projects

A further seven investments requiring capital amounting to approximately €77m have been provisionally approved by the Investment Committee for investment pending further fundraising into K2 Property. Brief details of these investments are summarised below:

<b>Sr No.</b>	<b>Transaction</b>	<b>Location</b>	<b>K2 Commitment (€m)</b>	<b>Status of Investment</b>
1	IT SEZ	Kolkata	21.62	Approved by Investment Committee and K2 Board
2	Retail Development	Chennai	10.81	Approved by Investment Committee and K2 Board
3	Enterprise Level Investment	Pan-India	4.5	Approved by Investment Committee and K2 Board
4	IT SEZ	Kolkata	18.02	Preliminary approval by Investment Committee
5	Mixed Use Development	Udaipur, Rajasthan	3.96	Preliminary approval by Investment Committee
6	Residential Township	Nagpur, Maharashtra	13.87	Preliminary approval by Investment Committee
7	Enterprise Level Investment	Hyderabad, Andhra Pradesh	4.68	Preliminary approval by Investment Committee
<b>Total</b>			<b>77.46</b>	

*All investments which are approved by the K2 Board but not yet completed are approved subject to contract and final due diligence. "Preliminary Approval by Investment Committee" means that the Investment Committee (but not the K2 Board) has approved the investment on a preliminary basis subject to re-approval following completion of the Offering.*

#### 5.3.1 Special/Economic Zone - Kolkata

##### *Synopsis:*

The project is a Special Economic Zone ("SEZ") project spread over 3 million square feet and comprises an IT SEZ with additional residential areas. K2 Group is to invest approximately €21.62m for a 50% stake in the project.

##### *Development Partner:*

The development partner is a joint venture between the local municipal authority, the landowner and an established local developer. These partners bring with them extensive experience in development of real estate.

##### *Investment Thesis:*

Kolkata is fast emerging as a preferred destination for IT/ITES companies. The city boasts good infrastructural support, a "business friendly" policy regime and a large pool of educated English speaking population.

The proposed site is well connected by rail, road and river and is located at a distance of 15 kilometres from the Central Business District in Kolkata. The area also has an excellent social and physical infrastructure in place.

The total area under development is around 25 acres and the total development will be around 3.1 million square feet of saleable and leasable area.

#### *Project Financials:*

The total project cost is estimated at €63.96 million and the K2 Group's commitment would be approximately €21.62 million. The investment period is expected to be approximately 3 years.

### **5.3.2 Retail Development: Chennai**

#### *Synopsis:*

A retail development spread over 1 million square feet in the city of Chennai in South India. The K2 Group would invest approximately €10.81 million for a 49% stake.

#### *Development Partner:*

A leading developer in Southern India with significant experience in development of real estate projects.

#### *Investment Thesis:*

The city of Chennai has evolved from being India's automobile hub to a preferred IT/ITES destination. The city boasts good social and physical infrastructure and a large pool of educated English-speaking people. These factors, together with favorable government policies have prompted the growth of the city.

The proposed site is well located in a fast upcoming area of Chennai. In the immediate vicinity of the site is a 4m sq ft IT Special Economic Zone being developed by the same developer, which would provide captive demand for the mall. A number of other commercial and residential establishments are also emerging in the vicinity of the site. The site is well connected to the city and the airport by road and rail. The investment brings with it a first right to participate in a hospitality project being planned as part of the same development.

The total area under development will be 10 acres and the total development would be around 1 million square feet.

#### *Project Financials:*

The total project cost is around €37.42 million (excluding land cost) and the K2 Group would be investing €10.81 million. The investment period is expected to be approximately 3 years.

### **5.3.3 Enterprise Level Investment**

#### *Synopsis:*

An enterprise level investment in IVR Prime Developers Private Limited, a leading real estate company. IVR Prime Developers Limited is a subsidiary of IVRCL Infrastructures and Projects Limited, one of India's largest infrastructure development companies. K2 Property is to make an equity investment of €4.5m.

#### *Investment Thesis:*

IVR Prime Developers Private Limited is a fast growing company in Hyderabad focused on developing residential-led developments across the country. The company is seeking to expand its capital base to equip itself to increase the scope and scale of its operations.

### **5.3.4 IT Special Economic Zone: Kolkata**

#### *Synopsis:*

The project comprises an IT SEZ project spread over 1.34 million square feet at Kolkata in Western India. K2 Property would invest approximately €18.02 million for a 33% stake in the project.

*Development Partner:*

A leading regional developer with a number of landmark projects to his credit.

*Investment Thesis:*

Kolkata is fast emerging as a preferred destination for IT/ITES companies. The city benefits from good infrastructural support, supportive policy regime and a large pool of educated English speaking population.

The proposed site is well connected and is located in close proximity to the central business district and new upcoming settlement areas.

The total area under development will be 10 acres and the total development would be around 1.34 million square feet.

*Project Financials:*

The total project cost is estimated at approximately €80.27 million and K2 Property would invest approximately €18.02 million. The project is expected to be completed by 2010, and the duration of the investment period is expected to be 3 years.

### **5.3.5 Mixed Use Development: Udaipur**

*Synopsis:*

A mixed use development spread over 1.14 million square feet in the city of Udaipur in North Western India. The development would comprise both residential and retail components. K2 Property would invest approximately €3.96 million for a 40% stake in the project.

*Development Partner:*

A leading real estate developer in central India.

*Investment Thesis:*

Udaipur is a major tourism and commercial hub in the state of Rajasthan and has a strong economic base. The city faces a shortfall of quality housing with very few organized developers focusing in the area, and with the traditional residential areas suffering from congestion and infrastructure problems. The city's retail sector is largely unorganised in nature and there is an opportunity to develop a world class shopping mall.

The proposed site is located in the western corridor of the city at a distance of less than 4 kilometres from the central business district. The area has been identified as an upcoming growth centre in the new Udaipur city master plan.

The total area under development is around 93 acres and the total development will be around 3.7 million square feet of saleable area.

*Project Financials:*

The total project cost is estimated at approximately €29.29 million, and K2 Property would invest approximately €3.96 million. The project is expected to be completed in early 2010, and the duration of the investment period is expected to be approximately 4 years.

### **5.3.6 Residential Township: Nagpur**

*Synopsis:*

A residential project spread over 4.05 million square feet in the city of Nagpur in Central India. K2 Property would invest approximately €13.87 million for a 50% stake in the project.



*Development Partner:*

A local developer with a strong well-experienced team.

*Investment Thesis:*

Located at the centre of the country, Nagpur has been a trading and commercial hub, and is now fast emerging as the logistics hub of India. The city has also witnessed investments in the IT/ITES space given its strong educational base and good infrastructure and connectivity.

The proposed project is located at a distance of 0.5 kilometres from the logistics centre and hence is well positioned to emerge as a preferred residential location in the city.

The total area under development is around 93 acres and the total development will be around 3.7 million square feet of saleable area.

*Project Financials:*

The total project cost is estimated at approximately €111.11 million and K2 Property would invest approximately €13.87 million. The project is expected to be completed by 2010, and the duration of the investment period is expected to be approximately 6 years.

### **5.3.7 Enterprise Level Investment: Hyderabad**

*Synopsis:*

An enterprise level investment in a real estate development company focused on residential development in Hyderabad. K2 Property would invest €4.68 million for a 16% stake in the company, which would help the company acquire new land banks and develop its existing properties.

*Investment Thesis:*

Hyderabad is amongst the pioneers in India's IT/ITES revolution and is home to many of the global and Indian IT majors such as Microsoft, Oracle, Infosys and Wipro. Good infrastructure combined with favourable government policies have prompted further expansion in the city's IT/ITES base.

The company is a well-established local developer with a track record of residential developments in Hyderabad and particular strength in house project execution and development capabilities.

The company's new projects are located along the Hyderabad outer ring road, which has been recognised as the growth corridor of the city, and is in close vicinity to a number of upcoming IT hubs. The company plans to diversify into several other cities in south India.

## 5.4 Pipeline

Some of the other investments currently under evaluation by the Investment Advisor are as follows:

Type	Location	Investment in €mn	Expected Investment Duration
Mixed use Development	Mumbai, Maharashtra	36.4	4 years
IT SEZ	Gurgaon, Haryana	38.0	6 years
Residential Township	Pune, Maharashtra	25.4	6 years
IT Park	Bangalore, Karnataka	30.6	3 years
Residential Township	Chennai, Tamil Nadu	15.8	7 years
Hotel	Mumbai, Maharashtra	21.6	4 years
Residential Township	Kolkata, West Bengal	26.4	4 years
Retail Mall and Hotel	Chennai, Tamil Nadu	6.7	3 years
Retail Enterprise Development	Pan India	29.97	6 years
		<b>230.87</b>	

*The investments detailed in this section 5 which have not been completed may never be completed, so there can be no assurance that the projects detailed will become part of K2 Group's assets. Where an investment has been completed, but the relevant land has not been acquired, or not been fully acquired, it may not be possible for the relevant Portfolio Company to undertake the project described or any project.*

*Any target internal rates of return detailed in this section and elsewhere in this Prospectus are internal performance goals generated by the Investment Advisor based upon currently available information, and estimates and assumptions which are beyond the control of the Investment Advisor and the Company. Such target returns are not projections or profit forecasts and are subject to change over time. Actual returns may vary significantly, and there can be no assurance that actual returns will meet the target returns suggested.*

*It should be noted that the description of the projects included in this section 5 is based upon information provided by the Investment Advisor and has not been independently verified.*

*All estimated financial figures are in euros converted at a rate 55.5 INR to the euro whilst the actual investment costs are denominated in Indian rupees.*

## **6. STRUCTURE, PROCESS AND GOVERNANCE**

The detailed legal and operational structure of Yatra Capital Limited and the K2 Group, and the process for investment and divestment of assets is described below.

### **6.1 The Company**

The Company is a limited liability company incorporated in Jersey on 26 May 2006 under the name of Yatra Capital Limited. In December 2006, the Company raised €100 million through a placing of Ordinary Shares and listing of Ordinary Shares on Eurolist by Euronext. The entire capital of the Company, net of expenses and after providing for ongoing and future expenses, was subsequently invested by way of subscription for A Shares in K2 Property Limited on 16 January 2007. The funds raised by the Offering will be invested in K2 Property in the same way by way of subscription for B Shares in K2 Property Limited. The A Shares and B Shares have identical rights.

The Company is managed by its board of Directors (all of whom are non-executive), and administered by the Jersey Administrator. Please see Section 7.1 for further information on the Directors and Section 7.9 for further information on the Jersey Administrator.

It should be noted that the responsibility of the Directors and the Company generally with respect to the activities of the Fund is limited to approving the decision to invest in K2 Property, and continuing to monitor the progress of the Fund through information received from K2 Property. The Board will not take any part in decision-making with respect to any investments or divestments by the Fund, although the Company has the right to nominate two of the Directors as members of the Investment Committee.

Where the term “the Fund” is used in this document, this refers to the assets of the K2 Group that are attributable to the funds invested in K2 Property by the Company, and not to the Company itself.

### **6.2 K2 Property**

K2 Property is a limited liability company incorporated in Mauritius under the name of K2 Property Limited. K2 Property is a subsidiary of the Company. Whilst K2 Property has the ability to issue further shares or other securities to investors other than the Company, it is not currently anticipated that any such issue will take place.

K2 Property is managed by its board of directors. One of its directors is also a director of the Company. Please see Section 7.2 for information on the directors of K2 Property.

K2 Property will make investments in Portfolio Companies either directly, or through one or more subsidiaries in Mauritius or Cyprus.

K2 Property has established or acquired subsidiary holding companies and a number of underlying subsidiaries in Mauritius, and one subsidiary in Cyprus for the purpose of holding Fund Investments, including interests in Portfolio Companies. For further details of these subsidiaries, see Section 12.3.

### **6.3 The Advisory Group and Investment Committee**

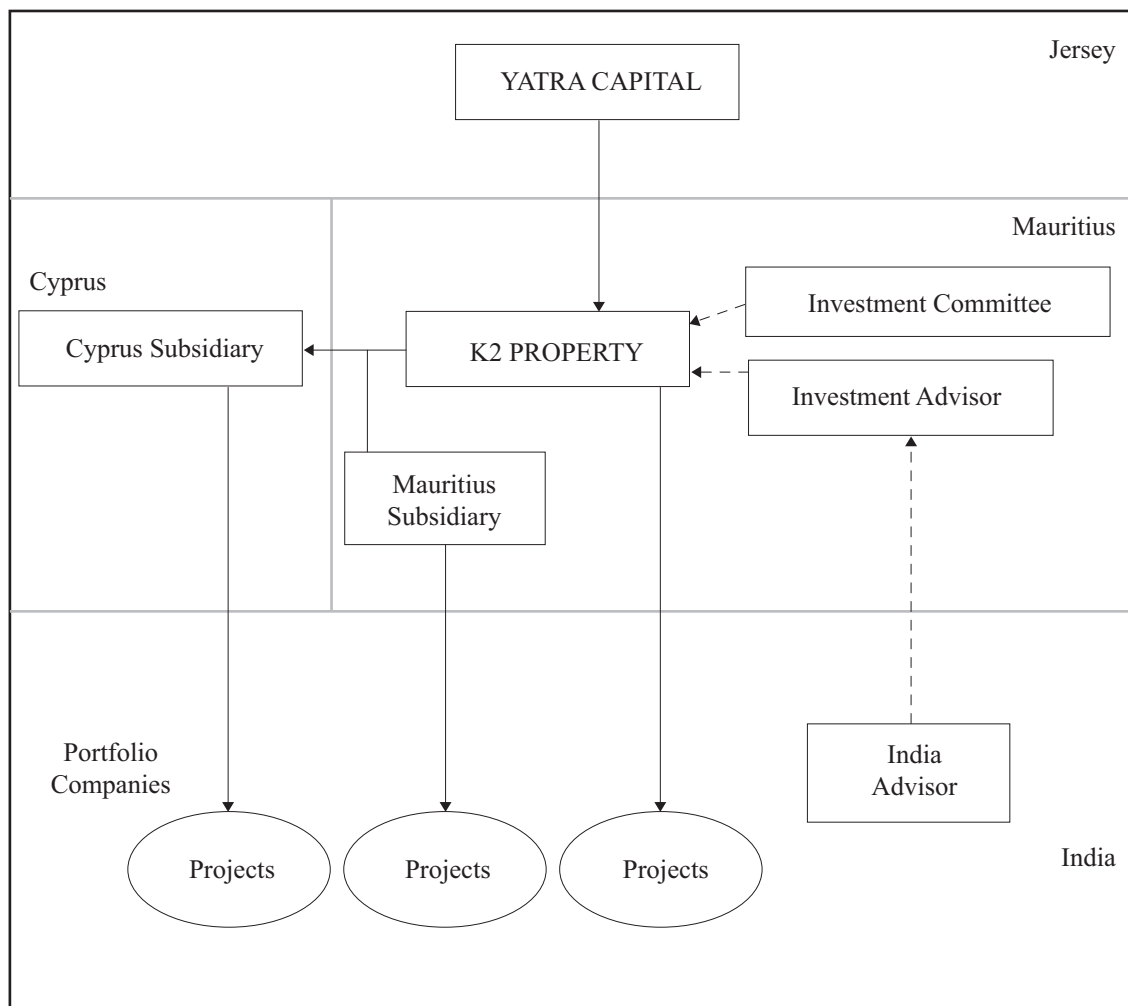
Saffron Capital Advisors Limited (the “Investment Advisor”), a limited liability company based in Mauritius, advises K2 Property with respect to any investment decisions.

The Investment Advisor is advised by Saffron Asset Advisors Private Limited, a limited liability company based in India (the “India Advisor”). The India Advisor is a wholly-owned subsidiary of Saffron Capital Securities Limited, a limited liability company based in Mauritius, which is also the parent company of the Investment Advisor, and these three companies together are known as the “Advisory Group”. Please see Section 7.3 for further information on the Advisory Group.

An Investment Committee has been appointed by K2 Property as an advisory committee to advise on any investment decisions to be made following recommendations from the Investment Advisor. Although K2 Property is not legally bound to seek the advice of the Investment Committee, the K2 Board is expected in practice to seek the approval of the Investment Committee prior to making any investment decision. The Company has nominated two members of the Investment Committee from its own Board of Directors.

Please see Section 7.8 for further details on the members of the Investment Committee.

This structure may be illustrated as below:



#### 6.4 Investment Process

Once the Investment Advisor decides to recommend an investment or divestment, each recommendation will be passed to the K2 Board, who will then seek the sanction of the Investment Committee. The final decision with respect to any investment or divestment will be taken by the K2 Board.

Investments will generally be carried out through a “special purpose vehicle” company which will become a “Portfolio Company” of the Fund. The capital structure of each Portfolio Company will be optimised so as to ensure the most favourable pricing and terms for the Fund.

It is intended that unless in exceptional circumstances the K2 Group should generally hold a significant ownership stake in each Portfolio Company so as to exercise operating and financial controls.

The Advisory Group will seek to negotiate extensive contractual rights to protect the interests of the Fund, including the following:

- Seats on the board of directors and on committees of the board of each Portfolio Company;
- Negative covenants regarding major corporate decisions such as a prospective merger or acquisition, material contracts, etc.;
- Voting arrangement protections;
- Robust exit mechanisms; and
- Structuring of transactions so as to provide “back-end” incentives to operating partners in order to align their interests with those of the Fund.

## **6.5 Governance and Transparency**

The Directors are committed to maintaining an appropriate level of corporate governance. In particular, two Directors will be appointed to the Investment Committee of K2 Property, who will ensure appropriate performance reporting to the Company with regard to its investment into K2 Property. The Company does not intend to participate or interfere with investment management activity within K2 Property except to the extent necessary to protect the long term interests of the Company (although the presence of the two appointees to the Investment Committee should ensure that the Board will be kept fully informed).

The Company currently complies with applicable corporate governance requirements in Jersey. Jersey law does not contain a mandatory code of corporate governance, although it does impose statutory obligations on directors including to act in good faith and with a view to the best interests of the company. The Company is not subject to the Combined Code on Corporate Governance published by the Financial Reporting Council of the United Kingdom. The Company will comply with the corporate governance requirements set out in the Listed Fund Guide.

The Directors do not consider it necessary to establish an audit committee given the nature of the Company’s board structure and operations. The Board will undertake all functions that would normally be delegated to the audit committee, including reviewing annual interim results, receiving reports from auditors, agreeing the auditor’s remuneration and assessing the effectiveness of the audit and internal control environment. Where necessary, the Board will obtain specialist external advice from either the Company’s auditors or other advisors.

The Board have established a Remuneration Committee, which will review the remuneration of the Directors and agree a reasonable and market standard level of non-executive fees, with consideration given to the level of time commitment and expertise provided, and the risks involved. The Remuneration Committee will also be responsible for allocation of share options as described in Section 12.2.

Continuing consideration will be given by the Board as to whether the Board continues to provide the level and range of skills required to manage the Company effectively, particularly in the light of the Company’s relationship with the Jersey Administrator. The Company will take all reasonable steps to ensure compliance by the Directors with any relevant regulatory provisions relating to dealings in securities of the Company, and has adopted a share dealing code for this purpose.

The Board of Directors will meet periodically to receive reports from K2 Property, its representatives on the Investment Committee and from any functionaries appointed by the Company. The Company will review and monitor the investment arrangements entered into by it and compliance with any investment and borrowing limits adopted for the Company.

The Directors have not been appointed for any specific periods nor are they subject to retirement by rotation. None of the Directors have any agreement with the Company which provides for benefits upon termination of employment. Any voting rights held by the Company in underlying investment entities will be voted in such a manner as the Directors believe to be in the best long term interests of the Company. Any delegation of regulated functions in Jersey by any Jersey based functionaries including the Company will be undertaken in compliance with the Policy Statement and Guidance Notes on Outsourcing published by the Jersey FSC.

The K2 Board is obliged under Mauritius law to devise and establish appropriate corporate governance measures for the sustainability of the K2 Group, and review and re-assess these measures from time to time.

It is intended that maximum transparency is maintained in the investment evaluation, management and disposition process for the Fund, and a multi-tiered structure has been put in place to ensure this.

The following features will help to ensure that the Company's interests are fully protected:

- Investment Committee with two representatives from the Board of the Company to ensure independent decision-making;
- Compliance with the legal and regulatory requirements of Mauritius and the K2 Constitution monitored by the K2 Administrator;
- Adherence by K2 Property to the National Code of Corporate Governance of Mauritius monitored by the K2 Administrator; and
- Corporate governance measures disclosed in the Annual Report of the Company and of K2 Property.

The work of the Advisory Group will be carried out by a team of finance, property and investment professionals, who will help to ensure that all potential investments are evaluated only in the prescribed manner, and that financial and other reporting is undertaken efficiently, accurately and in accordance with investor expectation.

## **7. DIRECTORS, ADVISORS AND OTHER PARTIES**

### **7.1 Directors of the Company**

The Directors of the Company, all of whom are non-executive, are as follows:

#### **Sir Nigel Broomfield, *Non-executive Chairman, Aged 70***

Sir Nigel Broomfield joined the Army from Cambridge University in 1959 and retired in 1969.

He joined the Foreign and Commonwealth Office in 1969 and served in London, Bonn, Moscow and New Delhi before becoming Ambassador in East Berlin from 1988 to 1990 at the time of the fall of the Berlin Wall. He served as Ambassador to united Germany from 1993 to 1997.

On retiring from the Foreign and Commonwealth Office, Sir Nigel became Director of the Ditchley Foundation near Oxford, a private charity engaged in organising high level conferences on political, economic and social issues. He retired from Ditchley in 2004 and moved to live in Jersey with which he has had associations for over 40 years.

Sir Nigel is a non-executive Director of the Smiths Group plc, of Cable & Wireless (Jersey), and is President of the German/British Chamber of Commerce and Industry in London.

Since 2005 he has been chairman of Leonard Cheshire.

#### **David Hunter, *Non-executive Director, Aged 53***

David was a well-known UK property fund manager over a 20 year period up to 2005, with an exceptional track record of building and running Fund Management businesses. In recent years, he was responsible for £6.5bn in the UK and Europe with Arlington Property Investors.

David is now Managing Director of Hunter Advisers, a Property Fund Consultancy which offers advice on the launch and operation of Property Funds in the UK and overseas. Although a relatively new business, Hunter Advisers has already assembled a prestigious client base.

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

#### **Ajoy Veer Kapoor, *Non-executive Director, Aged 47***

An entrepreneur and banker in a career spanning over 25 years, with global exposure to real estate investment, development and management. Ajoy's last assignment was Global Head, Strategy & Implementation, Corporate Real Estate at HSBC, UK where he was responsible for strategic management and project implementation of 75m sq ft across 79 countries. Prior to that, he was Board member and Regional Head in India, Corporate Real Estate & Strategic Sourcing at Standard Chartered Bank, managing a mixed portfolio of over 11m sq ft. Ajoy has also been involved in development management of several million sq ft of real estate during his various assignments. During 1980 – 1995, he built and sold Lamco, a chain of convenience stores in the UK. Ajoy is one of the leading real estate professionals in India and is an active member of this community. Within India Ajoy is well known for creating value and delivering in a complex environment.

#### **William Kay, *Non-executive Director, Aged 55***

William is Managing Director of Minerva Financial Services Limited in Jersey, a licensed trust company specialising in the formation and administration of offshore trusts and companies for international private clients. William is also a Director of Minerva Fund Administration Limited. Formerly he was the Managing Director of Barclays Private Bank & Trust Limited in the Channel Islands, 1994 – 2000. He joined the Barclays Group in 1975 and was a Senior Executive 1992 - 2001. Since its launch in 2002, William has also been a Non-executive director of The Westbury Property Fund Limited, a listed commercial property investment company.



**Malcolm King, *Non-executive Director, Aged 62***

After qualifying at a general practice firm in 1968 Malcolm was one of the first in his profession to gain an MBA by taking a full time two-year course at the Ivey Business School of the University of Western Ontario, Canada.

Joining King & Co in 1970 he headed the investment part of the business for 23 years. That part of the business was involved in £10 billion of transactions during the last financial year.

In 1993 Malcolm restructured the asset management side of the business, which grew the properties under management from £850m to the current level of more than £10 billion today.

He was Senior Partner from 1987 to 2005 and International Chairman for 2005/6. In 1992 he both conceived and engineered the merger of King & Co with J P Sturge to form King Sturge. During his time as Senior Partner the company's turnover increased from just over £11m to approximately £100m and a staff of nearly 1600.

He is a non-executive of Redrow plc and a Jersey based private property company as well as the managing director of a UK based private property company.

**Christopher Lovell, *Non-executive Director, Aged 55***

Christopher Lovell was admitted as a solicitor in 1979. He was a Partner with Theodore Goddard between 1983 and 1993 before setting up his own firm. He became a Partner and Director of Channel House Trustees Limited, a Jersey regulated trust company, in 2000. Channel House Trustees was acquired by Capita Group Plc in September 2005. Mr Lovell is currently a director of companies in the Capita Fiduciary Group ("Capita") and a number of funds for which Capita provides administrative services is also a director of Dawnay, Day Treveria PLC, Aseana Properties Limited, Northern European Properties Limited and Public Service Properties Investments Limited.

**Rohin Shah, *Non-executive Director, Aged 42***

Rohin Shah is a chartered surveyor and managing director of Meghraj Properties Limited in London. He is currently responsible for a UK portfolio of commercial property with a value in the region of £750 million with mandates to invest another £750 million into the UK markets. His key client base is 60 private family offices. He has been involved with the Indian property markets since 1992 and established Trammell Crow Meghraj (latterly Chesterton Meghraj) in April 1995 as one of the first foreign property consultants in India. He started his career with Jones Lang LaSalle in 1986 and for 6 years was based in their London offices. He has a Masters in property investment from City University and has spent 10 years sitting on various committees at the Royal Institution of Chartered Surveyors from 1989 to 1999.

The Company does not retain any senior management, other than its directors, nor any employees. Administrative services are carried out by the Jersey Administrator.

**7.2 Directors of K2 Property**

The Directors of K2 Property, all of whom are non-executive, consist of Rohin Shah (see Section 7.1) plus four additional directors, as follows:

**Teewaresing Gopal**

Teewaresing Gopal, a resident of Mauritius, has worked in the offshore sector for over five years. He has wide experience in the administration of offshore companies, trusts and funds. He has also worked in a firm of Chartered Accountants based in London as audit supervisor and at Kemp Chaterris, Deloitte & Touche, Mauritius.

**Christopher Jones**

Christopher Jones is head of the Investment Funds Group at London law firm Mishcon de Reya. Prior to joining Mishcon de Reya, he was Director of Business Affairs a venture finance and consulting business focused on the media and entertainment sectors. He qualified at city firm, Nicholson Graham Jones, and also worked at Johnson Stokes & Master in Hong Kong and Nabarro Nathanson in London. He has a Diploma in Corporate Finance from London Business School.

### **Ben Locknat Daby Seesaram**

Ben Locknat Daby Seesaram, a resident of Mauritius, is a Barrister-at-Law with wide experience in public administration and the judiciary, as Chairman of various listed companies, government and parastatal bodies. He has extensive experience of over 10 years in the offshore financial services, specialising in international taxation, trusts and investment funds.

K2 Property does not retain any senior management other than its directors, nor any employees. The K2 Board will be advised by the Investment Advisor and the Investment Committee with respect to investment decisions. Administrative services will be carried out by the K2 Administrator.

### **Vipin Shah**

Vipin Shah was born in Kenya and educated in Nairobi, Mumbai and London where he was called to the English Bar as a member of the Honourable Society of the Middle Temple. Vipin Shah is also a Fellow of the Royal Postgraduate Medical School and Imperial College School of Medicine in recognition of charitable work undertaken by the family. He moved to Jersey, Channel Islands, in 1969 and, with his brother, Anant, established the banking and financial services business of the Meghraj Group in 1973. Vipin Shah is the Chairman of Minerva Financial Services Limited, Jersey, which is regulated by the Jersey Financial Services Commission to conduct Trust Company business.

## **7.3 The Advisory Group**

The Advisory Group consists of Saffron Capital Advisors Limited (the Investment Advisor), its parent company Saffron Capital Securities Limited (both incorporated in Mauritius) and its fellow subsidiary, Saffron Asset Advisors Private Limited (the Indian Advisor), incorporated in India.

The Advisory Group and its management team combine real estate experience both within India and internationally, and a proven history of value creation. The Advisory Group has excellent relationships already in place with key stakeholders within the Indian real estate sector, including developers, investors, occupiers and government functionaries, and has access to a significant national network of offices with a team of people actively involved in the real estate services business.

The Advisory Group has access to a strong flow of Indian real estate investment opportunities with the potential to create significant returns for investors through its network of relationships in the sector. Since December 2006, the Investment Advisor has recommended to K2 Property potential investment targets requiring funds in the region of €200m, of which approximately €89m have been or are being completed by K2 Property and a further €37m approximately have been approved by K2 Property for investment subject to availability of additional funding.

Between April 2006 and June 2007, the Investment Advisor was contracted to provide investment advice on a non-exclusive basis to Eredene Capital Plc, a company listed on the AIM Market of the London Stock Exchange, with respect to the proposed investment of funds of approximately €140 million (or the sterling equivalent). During this period, four investments amounting to a total of approximately €30m were approved by Eredene Capital Plc, and each of these investments has now been acquired by K2 Property as part of its acquisition of Eredene Mauritius as detailed in Section 5.2. The contract between Eredene Capital Plc and the Investment Advisor was terminated by mutual agreement at the time of the acquisition of Eredene Mauritius by K2 Property.

## **7.4 Directors of the Investment Advisor**

The directors of the Investment Advisor are as follows:

### **Teewareesing Gopal**

Teewareesing Gopal, a resident of Mauritius, has worked in the offshore sector for over five years. He has wide experience in the administration of offshore companies, trusts and funds. He has also worked in a firm of Chartered Accountants based in London as audit supervisor and at Kemp Chaterris, Deloitte & Touche, Mauritius.

### **Ajoy Veer Kapoor**

An entrepreneur and banker in a career spanning over 25 years, with global exposure to real estate investment, development and management. Ajoy's last assignment was Global Head, Strategy & Implementation, Corporate Real Estate at HSBC, UK where he was responsible for strategic management and project implementation of 75m sq ft across 79 countries. Prior to that, he was Board member and Regional Head in India, Corporate Real Estate & Strategic Sourcing at Standard Chartered Bank, managing a mixed portfolio of over 11m sq ft. Ajoy has also been involved in development management of several million sq ft of real estate during his various assignments. During 1980 – 1995, he built and sold Lamco, a chain of convenience stores in the UK. Ajoy is one of the leading real estate professionals in India and is an active member of this community. Within India Ajoy is well known for creating value and delivering in a complex environment.

### **Vimla Ramasamy**

Vimla Ramasamy, a resident of Mauritius, has over six years experience in the offshore and onshore sectors. She has relevant expertise in the provision of secretarial services, fund administration and trust administration. She is also the Secretary of the Association of Company Secretaries of Mauritius.

### **Rohin Shah**

Rohin Shah is a chartered surveyor and managing director of Meghraj Properties Limited in London. He is currently responsible for a UK portfolio of commercial property with a value in the region of £750 million with mandates to invest another £750 million into the UK markets. His key client base is 60 private family offices. He has been involved with the Indian property markets since 1992 and established Trammell Crow Meghraj (latterly Chesterton Meghraj) in April 1995 as one of the first foreign property consultants in India. He started his career with Jones Lang LaSalle in 1986 and for 6 years was based in their London offices. He has a Masters in property investment from City University and has spent 10 years sitting on various committees at the Royal Institution of Chartered Surveyors from 1989 to 1999.

### **Vipin Shah**

Vipin Shah was born in Kenya and educated in Nairobi, Mumbai and London where he was called to the English Bar as a member of the Honourable Society of the Middle Temple. Vipin Shah is also a Fellow of the Royal Postgraduate Medical School and Imperial College School of Medicine in recognition of charitable work undertaken by the family. He moved to Jersey, Channel Islands, in 1969 and, with his brother, Anant, established the banking and financial services business of the Meghraj Group in 1973. Vipin Shah is the Chairman of Minerva Financial Services Limited, Jersey, which is regulated by the Jersey Financial Services Commission to conduct Trust Company business.

Rohin Shah is also a director of the Company and of K2 Property, and Ajoy Kapoor is also a director of the Company.

The members of the management team of the Investment Advisor include the following:-

### **Vijay Ganesh, Investment Administrator**

Vijay Ganesh previously worked with TVS Electronics in Chennai, where he was involved in the corporate treasury functions, accounting and management information system and enterprise resource planning and reporting. Prior to that Vijay worked in the fields of corporate banking, financial forecasting, analysis and control. He holds a masters in Finance from Bharatidasan University.

## **7.5 Directors of the India Advisor**

The directors of the India Advisor are Ajoy Kapoor (Managing Director) (see Section 7.4) and Ritesh Vohra.

### **Ritesh Vohra, Director, Investments**

Ritesh Vohra has been an entrepreneur and professional in the real estate and retail advisory sectors with an experience spanning over nine years. Ritesh has been involved with the India Advisor since inception and has been overlooking all acquisitions, diligence, research and investments. His previous assignment was CEO, First Franchising Private Limited (2000-2005), a boutique advisory firm focused on retail, franchise and real estate sectors. During this period, he was also

an investor and director at Mediasset Holdings, a publishing business with magazine titles and a TV show in sectors like real estate, retailing and business opportunities. Prior to this, he set up the Retail & Leisure Advisory business in North India for Jones Lang LaSalle (1999-2000) and was also instrumental in setting up the Real Estate Advisory business for Chesterton Meghraj India (now JLL Meghraj).

Ajoy Kapoor is also a director of the Company and the Investment Advisor.

## **7.6 Management team of the India Advisor**

The management team of the India Advisor (“Saffron”) include the following:-

### **Neel Chatterjee, Director Strategy and Communications**

Neel Chatterjee has over 29 years’ experience in marketing, communications and advertising. Prior to joining Saffron, Neel was the Regional Head Corporate Affairs, South East & South Asia for Standard Chartered Bank. He was also a member of the functional board (Management Committee) of the bank in India for 6 years. His responsibilities included brand building, external and internal communications and Government Relations for 11 countries. Before Standard Chartered, Neel was the Communications Director for Seagram’s Asia Pacific division during the challenging period of the Asian financial meltdown. Neel has also worked with Pepsi Cola International and guided its entry strategy in India from 1990 to 1995 after which he was Country Manager, Pepsi for Sri Lanka till end 1997. Neel started his career in advertising and spent over 12 years in the agency function primarily in J Walter Thompson in Delhi, Mumbai and Bangalore.

### **Sunita Manwani, Financial Controller**

Sunita Manwani is a qualified Chartered Accountant as well as a Certified Public Accountant, and a finance professional with over 10 years of experience. Her last assignment was as head of Finance & Accounts of Dewan Housing Real Estate Fund. She has to her credit 10 years of experience in accounting, audits, project appraisals, financing and fiscal management in varied sectors such as real estate, advertising, venture capital, NBFCs and bilateral projects.

### **Ayan Desai, Operations Manager**

Ayan been part of Saffron since inception, and has responsibilities covering the compliance and management of the entire structure. Previously he has worked in the investment and financial services sector. He established an investment consultancy and distribution agency, which was sold off in 2005. Prior to this, he was part of the agency team at Tata-AIG and from 2001 was involved in setting up agencies in Western Zone. He holds a masters degree in marketing from Mumbai University and an MBA (Finance) from Leeds Business School.

### **Deepak Jain, Associate, Investments**

Deepak has been a real estate professional since 2004, His responsibilities include deal sourcing, financial evaluation, project appraisal and documentation. Prior to joining Saffron, he was working with the real estate division of Aventus Asset Advisors, a leading Investment Banking firm. Deepak has also worked with the Research and Consultancy division of Knight Frank India Private Limited, and was involved in conducting feasibility and market research studies across India. In the past he has also worked with the equity research division of JP Morgan covering real estate stocks in Hong Kong and China. He is a commerce graduate and holds a masters degree in finance from Jammalal Bajaj Institute of Management Studies, Mumbai. He is currently pursuing the CFA program conducted by the CFA Institute, USA.

### **Jagrat Patel, Associate, Research**

Jagrat is a member of the Investments and Research team at Saffron. His role is to conduct research on the Indian property market and help in investment acquisition transactions. Prior to joining Saffron, he was working with the real estate investment banking team of JPMorgan. He was involved in idea generation for investment banking and in tracking the trends and performance of real estate stocks and REITs in Singapore, Hong Kong, India and China. He is a commerce graduate and holds an MBA, with a major in finance from Narsee Monjee Institute of Management Studies, Mumbai. He is currently pursuing the CFA program conducted by the CFA Institute, USA.

### **Jyotsna KP, Associate, Investments**

Jyotsna has been working in the real estate space since 2005. Prior to joining Saffron, she was working with UTI Bank Limited in their Corporate Banking Division looking after lending to real estate and infrastructure projects. Her work involved analyzing the feasibility of various projects, structuring the debt transactions and a periodic monitoring the project progress. Jyotsna is a management graduate and completed her MBA from the Indian Institute of Management, Indore with majors in Finance. At Saffron, Jyotsna is a member of the Investments team.

### **Saurabh Shah, Associate, Investment**

Saurabh is a commerce graduate from St Xaviers' College (Calcutta) (1998- 2001) and completed his Chartered Accountancy qualification (2003) from Kolkata. He started his career as a finance executive in Indian Aluminium Company (Indal, now a part of AV Birla Group) before undertaking an MBA from the Indian School of Business (ISB), Hyderabad (Class of 2005). During his MBA, Saurabh did extensive research on the real estate sector in India and drew up a business plan for real estate funds in India. He co-started a real estate portal ([www.bindaazproperties.com](http://www.bindaazproperties.com)) that covers property transactions in India. Post ISB, he worked in the Financial Institutions Group of ICICI Bank Ltd where he was responsible for sale of ABS, RMBS, corporate sell-downs, assignment and novation to insurance clients. Saurabh joined Saffron Asset Advisors in May 2006.

## **7.7 Strategic Alliance Partner**

Jones Lang LaSalle Meghraj is a strategic alliance partner of the Advisory Group.

Jones Lang LaSalle Meghraj is the combined firm of Jones Lang LaSalle and Trammell Crow Meghraj, and is the largest real estate services provider in India. The combined firm, which has 44 million square feet under management across the country, has its head office in Delhi, with approximately 2,800 employees, and offices in ten cities.

## **7.8 Investment Committee**

The current voting members of the Investment Committee are David Hunter and Malcolm King (see section 7.1) plus Anuj Puri and Harkirat Singh. The Chairman is David Hunter. Ajoy Kapoor is also a member, but has a casting vote only.

### **Anuj Puri**

Anuj Puri, aged 41 years is Chairman and Country Head of Jones Lang LaSalle Meghraj, having been Managing Director of Trammell Crow Meghraj since 1999. He is currently also the Chairman of Real Estate and Construction Committee of Western Zone for CII. Recently appointed as a Non-executive Director of Dainik Jagran, India's largest selling Newspaper. He has over 15 years of experience in multi-disciplinary consulting ranging from real estate to social development projects. Key expertise lies in planning and undertaking demand assessment studies, valuation and transactional services including marketing strategies based on technical analysis of real estate markets.

### **Harkirat Singh**

Harkirat Singh, a career banker, began his career at the Citibank training centre in Lebanon and then at Grindlays Bank, where he acted as country head for foreign exchange and securities, and as head of the investment bank for North India. Following this, he spent 18 years at Deutsche Bank, starting the bank's operation in India in 1981, and becoming the first Indian Chief Executive Officer- India from 1993 until his departure in 1998. Mr Singh led Deutsche Bank's first foray into Venture Capital with an investment in India's first venture capital company "Indus Venture Capital India Pvt. Ltd." After leaving Deutsche Bank, he was appointed Special Advisor to the managing board of Rabobank International on International strategy and capital management, and was subsequently made Rabobank's General Manager London and Country Head U.K. and Global Head Capital Markets. In 2002, Rabobank and Mr Singh were granted an approval for establishing a private bank in India, and Mr Singh acted as Chief Executive Officer and Managing Director for this new entity until April 2003. Mr Singh has acted as a member of the Board of Governors of the National Institute of Bank Management in India, a member of the advisory board of GEMS, a private equity fund based in Hong Kong, the chairman

of the finance committee of the Indian Merchants Chamber, and a member of the Chief Executive Forum of the Economic Intelligence Unit of the Economist.

## **7.9 Administrators**

Minerva Fund Administration Limited acts as the administrator of the Company. Minerva Fund Administration Limited was incorporated in Jersey on 26 September 2005 as a private limited liability company. It has a paid up share capital of £25,000 and is a wholly owned subsidiary of Minerva Financial Services Limited. Its business focus is on the provision of fund administration services. Minerva Financial Services Limited is licensed by the Jersey FSC to provide trust and company administration services. It was established in 2001 as a result of a merger between two long standing Jersey trust companies, City Management Limited and Kingsridge Trustee Company (Jersey) Limited. The latter company was owned by the Meghraj family.

Minerva Fund Administration Limited also acts as a distributor for the Company with respect to the introduction of investors. Its fees for acting as a distributor will be paid out of the placement fees detailed in Section 12.12.1.

Minerva Fiduciary Services (Mauritius) Limited acts as the administrator of K2 Property. The K2 Administrator is a private company incorporated in the Republic of Mauritius on 11 September 2006. It is an Offshore Management Company, licensed and regulated by the Mauritius FSC under the Financial Services Development Act 2001 of Mauritius. Its main activities include establishing and providing administrative and secretarial services to offshore companies and trusts, and structuring and administering offshore funds.

## **7.10 Bankers and Custodians**

HSBC Bank International Limited are bankers to the Company. The Hong Kong and Shanghai Banking Corporation Limited act as banker to K2 Property in Mauritius.

The Jersey Administrator will undertake custodial type services for the Company in Jersey to the extent required by the Board although it is not currently envisaged that the Jersey Administrator will be formally appointed as “custodian”.

The K2 Administrator will undertake custodial type services for K2 Property in Mauritius to the extent required by the K2 Board, although it is not currently envisaged that the K2 Administrator will be formally appointed as “custodian”.

## **7.11 Joint Global Co-ordinators**

ABN AMRO Rothschild and Fairfax I.S. PLC are the Joint Global Co-ordinators with respect to the Offering. ABN AMRO Rothschild is the unincorporated equity capital markets joint venture between ABN AMRO Bank N.V and N.M Rothschild & Sons Limited.

Fairfax I.S. PLC is an institutional stock broking firm incorporated in England and is authorised and regulated by the Financial Services Authority in the United Kingdom. It is also a member of the London Stock Exchange.

## **7.12 Listing and Paying Agent**

ABN AMRO Bank N.V. is acting as listing agent with respect to the Admission and is the local paying agent for Ordinary Shares in the Netherlands. Their address is at Gustav Mahlerlaan 10, 1082 PP, Amsterdam.



## **8. DETAILS OF THE OFFERING AND USE OF FUNDS**

### **8.1 The Offering**

The Offering consists of a public offering in the Netherlands and a private placement with institutional investors in various jurisdictions of Ordinary Shares in an aggregate amount of up to €150 million.

ABN AMRO Rothschild and Fairfax I.S. PLC, as Joint Global Co-ordinators of the Offering, have undertaken to use their reasonable endeavours to procure subscribers for New Ordinary Shares.

The Offering, which is not being underwritten, is conditional upon the admission of the New Ordinary Shares to trading on Eurolist by Euronext by 17 October 2007, or such later time as the Joint Global Co-ordinators and the Company may agree, but in any event not later than 19 November 2007.

The Subscription Period for prospective investors is expected to begin on 26 September 2007, 9:00 hours Amsterdam time and end on 11 October 2007, 16:30 hours Amsterdam time, subject to acceleration or extension of the timetable for the Offering. (See Section 13 for further details).

The Offering Price and the actual number of New Ordinary Shares made available in the Offering will be based on (amongst other factors) the quoted share price and demand for the Offering and will be determined by the Company in consultation with the Joint Global Co-Ordinators after the end of the Subscription Period and announced in a pricing statement deposited with the AFM on or about 12 October 2007 (subject to acceleration or extension of the timetable of the Offering) and published in the Daily Official List of Euronext (*Officiële Prijscourant*) and in at least one daily newspaper with nationwide distribution in the Netherlands.

### **8.2 Use of Funds**

The Offering is intended to raise up to €150 million before expenses. The expenses of Admission and the Offering payable by the Company are estimated at approximately €1,100,000, assuming the Offering is fully subscribed, the net proceeds of the Offering, after commission payable to the Joint Global Co-ordinators are estimated to be approximately €144,400,000.

It is proposed that the entire Subscription Funds, net of expenses and after providing for ongoing and future expenses will be invested by way of subscription for B Shares in K2 Property in accordance with the terms of the Class B Subscription Agreement.

In accordance with the terms of the Subscription Agreements, Capital Commitments of the Company will be payable on or before the applicable Drawdown Date following the issue by K2 Property of a Drawdown Notice to the Company. Drawdown Notices will give at least 21 days notice to the Company prior to the Drawdown Date. Failure to make the Capital Contribution specified on or before the relevant Drawdown Date will entitle K2 Property to (*inter alia*) compulsorily redeem or transfer any of the K2 Shares held by the Company (and its associates) at a price the K2 Board considers to be fair and reasonable.

Capital Commitments will be drawn down from the Company by K2 Property as may be required to finance Fund Investments, pay fees and expenses, and establish reserves for fees and expenses. After the third anniversary of the date of the relevant Subscription Agreement, Capital Commitments may not be drawn down to finance Fund Investments unless as a result of a binding commitment to invest made prior to that date, but may be drawn down on an as needed basis to pay fees and expenses and establish reserves for expenses and liabilities.

K2 Property has already identified a number of investment targets which it intends will be the investment recipients of some of the funds invested in K2 Property by the Company from the proceeds of the Offering. Some of these investments are described in Section 5.

Capital Commitments of the Company which have not yet been drawn down by K2 Property, and Capital Contributions which have been drawn down by K2 Property may be invested by the Company and K2 Property respectively in Short Term Investments, (comprising bank deposits, government securities, treasury bills, short-term money market mutual



funds, or corporate bonds or deposits rated no lower than “A-1”/“P-1”) pending drawdown, or as the case may be, investment in Portfolio Companies. Distributable Proceeds arising from Fund Investments may also be held by K2 Property in Short Term Investments pending distribution to the Company by K2 Property.

Instruments evidencing title to the Company’s interest in K2 Property or in any Short Term Investments will be held by the Jersey Administrator on behalf of the Company. Any cash assets of the Company will be held in the name of the Company at HSBC Jersey. Instruments evidencing title to any investment by the K2 Group will be held by the K2 Administrator. Any cash assets of the K2 Group will be held in the name of K2 Property or one of its subsidiaries at HSBC Mauritius.

Whilst there are no limits on the ability of the Company to borrow, it is not currently anticipated that the Company will participate in any significant borrowing. Borrowing and normal commercial leverage may take place at K2 Group/Fund level in accordance with the Investment Policy.

## 9. TRANSFER AND HOLDING RESTRICTIONS

### 9.1 Transfer and Holding Restrictions

The Ordinary Shares have not been and will not be registered under the U.S. Securities Act or under any applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act (“Regulation S”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any applicable U.S. state securities laws. The Company has not been registered under the U.S. Investment Company Act. The Ordinary Shares are being offered and sold (i) in the United States only to “qualified institutional buyers,” or QIBs, within the meaning under Rule 144A of the U.S. Securities Act that are also “qualified purchasers,” or QPs, as defined in Section 2(a)(51) of the U.S. Investment Company Act and (ii) outside the United States to persons other than U.S. Persons or “non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust) in reliance upon Regulation S under the U.S. Securities Act. As used herein, the terms “United States” and “U.S. person” have the meanings given to them in Regulation S.

Ordinary Shares may not be acquired with the assets of any Plan.

Each purchaser of Ordinary Shares will be deemed to have acknowledged, represented to and agreed with the Company and its agents that (1) either (i) it is not a U.S. Person (as defined in Regulation S) and is acquiring such Ordinary Shares for its own account or for the account of a non-U.S. Person in an offshore transaction (as defined in Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S or (ii) it is a QIB that is also a QP, is acquiring such shares for its own account or for the account of one or more other QIBs that are also QPs, is not formed for the purpose of investing in Ordinary Shares, is not a dealer described in paragraph (a)(1)(ii) of Rule 144A under the U.S. Securities Act unless it owns and invests on a discretionary basis at least \$25 million in securities of issuers that are not affiliated persons of such dealer, is not a plan referred to in paragraph (a)(1)(i)(D) or (E) of Rule 144A under the U.S. Securities Act or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A under the U.S. Securities Act that holds the assets of such plan, unless investment decisions are made solely by the fiduciary, trustee or sponsor of such plan; and (2) the Company has not been registered under the U.S. Investment Company Act in reliance on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act; and (3) it will not offer, resell, pledge or otherwise transfer this security or a beneficial interest herein in the United States or to a U.S. person other than to a QP and subject to the additional restrictions on transfer set forth herein; and (4) no portion of the assets used by it to purchase, and no portion of the assets used by it to hold, such Ordinary Shares or a beneficial interest therein constitutes or will be deemed to constitute Plan Assets, and no portion of the assets used by any investor or transferee to purchase, and no portion of the assets used by such investor or transferee to hold, the Ordinary Shares or a beneficial interest therein constitutes or will be deemed to constitute the plan assets of a Plan.

Each purchaser of New Ordinary Shares, by its acceptance thereof, will be deemed to have acknowledged that the Company reserves the right to make inquiries of any holder of Ordinary Shares at any time as to such persons’ status under the U.S. securities laws and compliance with these transfer restrictions, and to require any such person that has not satisfied the Company that such person is holding appropriately under the U.S. securities laws or in compliance with such transfer restrictions to transfer such Ordinary Shares or interests immediately to a person qualified to own the same and to provide the Company with satisfactory evidence of such sale or transfer. The Company and its agents shall not be obligated to recognize any resale or other transfer of Ordinary Shares or any beneficial interest therein made other than in compliance with these restrictions.

It is anticipated that the New Ordinary Shares will be quoted on Eurolist by Euronext. The Articles provide that any restrictions on holding and transfer of Ordinary Shares (including those detailed in this section) will not apply to the extent that they would not be permitted by the listing rules of any securities exchange or the regulations of any clearing system through which Ordinary Shares then trade and settle.

No market exists for the trading of the Ordinary Shares in the United States and none is expected to develop. The Ordinary Shares purchased by U.S. persons will be “restricted securities” as defined in Rule 144 under the U.S. Securities Act and may not be resold in the United States absent registration under the U.S. Securities Act and applicable U.S. state

securities laws or pursuant to exemptions from the U.S Securities Act and such laws. The Company does not intend to register the Ordinary Shares either under the U.S Securities Act or any U.S. state securities laws.

Unless and until the Company determines otherwise in compliance with applicable law, the Ordinary Shares issued to U.S. persons may be in certificated form in which case they will not be eligible to be settled or transferred through Euroclear.

Any investor that is a QIB that is also a QP will be required to execute and deliver a Placing Letter in which it makes the representations, acknowledgements and agreements set forth above, as well as additional representations, acknowledgements and agreements, including such to substantially the following effect:

It is not purchasing the Ordinary Shares with the intent or purpose of evading, either alone or in conjunction with any other person, the provisions of the U.S Investment Company Act and acknowledges that the Company will not register under the U.S Investment Company Act in reliance on Section 3(c)(7) of the U.S Investment Company Act.

It understands that the Ordinary Shares purchased by it are being offered to it and may be transferred only in transactions not involving any public offering in the United States within the meaning of the U.S Securities Act and only to QPs. It understands that the Ordinary Shares have not been and will not be registered under the U.S Securities Act or U.S. state securities laws and that the Company has not registered and will not register under the U.S Investment Company Act. It agrees, for the benefit of the Company, any distributors or dealers and any such persons' affiliates, that, if in the future it decides to offer, resell, pledge or otherwise transfer such Ordinary Shares purchased by it or any beneficial interest therein, any such offer, resale, pledge or transfer will be made in compliance with the U.S Securities Act, the U.S Investment Company Act and any applicable U.S. state securities laws and only (a) to the Company (upon redemption of such Ordinary Shares or otherwise) or (b) subject to the Company's approval (and, at the discretion of the Company, upon the delivery of an opinion of counsel to ensure compliance with the U.S Securities Act and such additional certifications or information relating to the transfer as the Company may request) (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (ii) to a person whom the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the U.S Securities Act ("Rule 144A")) that is also a "qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act) (a "Qualified Purchaser") in a transaction meeting the requirements of Rule 144A, (iii) to a Qualified Purchaser and pursuant to another available exemption from registration under the U.S Securities Act or (iv) to a Qualified Purchaser and pursuant to an effective registration statement under the U.S Securities Act.

Each subsequent transferee of Ordinary Shares who is within the United States or a U.S. person may be required to execute and deliver a Transferee's Letter, in the form provided by the Company, which will include certain written representations, agreements and acknowledgements relating to the transfer restrictions described herein. The Company and its agents shall not be obligated to recognize any resale or other transfer of Ordinary Shares or any beneficial interest therein made other than in compliance with these restrictions.

It represents that no portion of the assets used by any transferee to purchase, and no portion of the assets used by such transferee to hold, the Ordinary Shares or a beneficial interest therein constitutes or will be deemed to constitute the assets of (a) an "employee benefit plan" (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of ERISA) that is subject to Title I of ERISA, (b) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code"), (c) an entity whose underlying assets are considered to include "plan assets" or (d) any plan, arrangement, entity or other person whose investment in the Company would be subject to any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 to cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company and any member of the Advisory Group (or other persons responsible for the investment and operation of the Company's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code.

It understands that the Ordinary Shares may be issued in certificated form and, unless the Company determines otherwise in compliance with applicable law, any such certificate may bear a legend to the following effect:

THE ORDINARY SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. YATRA CAPITAL LIMITED HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT") IN RELIANCE ON SECTION 3(c)(7) OF THE U.S. INVESTMENT COMPANY ACT. THIS ORDINARY SHARE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT, AND THIS ORDINARY SHARE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS ORDINARY SHARE IS HEREBY NOTIFIED THAT THE SELLER OF THIS ORDINARY SHARE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"). THE HOLDER OF THIS ORDINARY SHARE AGREES FOR THE BENEFIT OF THE COMPANY, ANY DISTRIBUTORS OR DEALERS AND ANY SUCH PERSONS' AFFILIATES THAT (A) THIS ORDINARY SHARE AND ANY BENEFICIAL INTEREST THEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED SUBJECT TO THE COMPANY'S APPROVAL (AND, AT THE DISCRETION OF THE COMPANY, UPON THE DELIVERY OF AN OPINION OF COUNSEL TO ENSURE COMPLIANCE WITH THE SECURITIES ACT AND SUCH ADDITIONAL CERTIFICATIONS OR INFORMATION RELATING TO THE TRANSFER AS THE COMPANY MAY REQUEST) ONLY (a) TO (I) A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A), (II) THAT IS ALSO A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT) (A "QUALIFIED PURCHASER"), (III) THAT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN ORDINARY SHARES, (IV) THAT IS NOT A DEALER DESCRIBED IN PARAGRAPH (A)(1)(ii) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS AT LEAST \$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF SUCH DEALER, (V) THAT IS NOT A PLAN REFERRED TO IN PARAGRAPH (A)(1)(i)(D) OR (E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (A)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH PLAN, UNLESS INVESTMENT DECISIONS ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, AND (VI) THAT IS ACTING FOR ITS OWN ACCOUNT, OR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (c) TO A QUALIFIED PURCHASER THAT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN ORDINARY SHARES AND PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (d) TO A QUALIFIED PURCHASER THAT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN ORDINARY SHARES AND PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (a) THROUGH (d) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND (B) THE PURCHASER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS ORDINARY SHARE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE HOLDER ACKNOWLEDGES THAT THE COMPANY RESERVES THE RIGHT TO MAKE INQUIRIES OF ANY HOLDER OF THIS ORDINARY SHARE AT ANY TIME AS TO SUCH PERSONS' STATUS UNDER THE U.S. SECURITIES LAWS AND THE TRANSFER RESTRICTIONS SET FORTH HEREIN, AND TO REQUIRE ANY SUCH PERSON THAT HAS NOT SATISFIED THE COMPANY THAT SUCH PERSON IS HOLDING APPROPRIATELY UNDER THE U.S. SECURITIES LAWS OR IN COMPLIANCE WITH SUCH TRANSFER RESTRICTIONS TO TRANSFER SUCH ORDINARY SHARES OR INTERESTS IMMEDIATELY TO A PERSON QUALIFIED TO OWN THE SAME AND TO PROVIDE THE COMPANY WITH SATISFACTORY EVIDENCE OF SUCH SALE OR TRANSFER. THE COMPANY AND ITS AGENTS ARE NOT OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF ORDINARY SHARES OR ANY BENEFICIAL INTEREST THEREIN MADE OTHER THAN IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN.

EACH HOLDER OF A SECURITY IS DEEMED TO HAVE REPRESENTED AND WARRANTED THAT NO PORTION OF THE ASSETS USED BY IT OR ANY TRANSFEREE TO PURCHASE, AND NO PORTION OF THE ASSETS USED BY IT OR SUCH TRANSFEREE TO HOLD, THE ORDINARY SHARES OR A BENEFICIAL

INTEREST THEREIN CONSTITUTES OR WILL BE DEEMED TO CONSTITUTE THE ASSETS OF AN “EMPLOYEE BENEFIT PLAN” (WITHIN THE MEANING OF SECTION 3(3) OF ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE, AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OR ANY PLAN, ARRANGEMENT, ENTITY OR OTHER PERSON WHOSE INVESTMENT IN THE COMPANY WOULD BE SUBJECT TO ANY OTHER STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT WOULD HAVE THE SAME EFFECT AS REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR AND CODIFIED AT 29 C.F.R. SECTION 2510.3-101 TO CAUSE THE UNDERLYING ASSETS OF THE COMPANY TO BE TREATED AS ASSETS OF THAT INVESTING ENTITY BY VIRTUE OF ITS INVESTMENT (OR ANY BENEFICIAL INTEREST) IN THE COMPANY AND THEREBY SUBJECT THE COMPANY AND ITS MANAGER (OR OTHER PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE COMPANY’S ASSETS) TO LAWS OR REGULATIONS THAT ARE SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS CONTAINED IN TITLE I OF ERISA OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OR AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT.

It acknowledges that the Company reserves the right to make inquiries of any holder of Ordinary Shares at any time as to such person’s status under the U.S. securities laws and the transfer restrictions set forth herein and to require any such person that has not satisfied the Company that such person is holding appropriately under the U.S. securities laws or in compliance with such transfer restrictions to transfer such Ordinary Shares immediately to a person qualified to own the same and to provide the Company with satisfactory evidence of such sale or transfer.

It agrees that it will inform each subsequent purchaser of Ordinary Shares from it of these transfer restrictions.

It acknowledges that the Company, its agents, any distributors or dealers or their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements. If it is acquiring the Ordinary Shares for the account of a QIB that is also a QP, it represents that it has sole investment discretion with respect to such account and that it has full power to make the foregoing representations, acknowledgements and agreements on behalf of such account.

## **9.2 Qualifying Investors**

Ordinary Shares must be held by a Qualifying Investor. A “Qualifying Investor” is a person, in the opinion of the Directors (i) able to acquire and hold Ordinary Shares without violating applicable laws, (ii) whose holding of Ordinary Shares does not prejudice the tax position of the Company or its Shareholders or cause them a legal, regulatory, pecuniary, fiscal or other material administrative disadvantage or cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply (iii) whose holding or acquisition of Ordinary Shares would not cause the assets of the Company to become “Plan Assets” (iv) whose holding or acquisition of Ordinary Shares would not result in the Company being required to be registered as or otherwise being deemed to be an “Investment Company” under the U.S. Investment Company Act.

The Directors may refuse to register any transfer of Ordinary Shares which is made to a person other than a Qualifying Investor or made other than in accordance with the Articles.

In the event that it comes to the notice of the Directors that any Ordinary Shares are owned directly or beneficially by any person who is not a Qualifying Investor, the Directors shall be entitled to compulsorily redeem such Ordinary Shares held by such person or give notice to such person requiring him to transfer such Ordinary Shares to a person who is qualified or entitled to own the same. Until the redemption or a transfer is affected, the person shall not be entitled to any of the rights or privileges attached into the Ordinary Shares, including, any right to attend or vote at any general meeting of the Company or receive dividends. Notwithstanding any registration or recognition of any such transfer, the Company shall not be deemed to have waived any of its rights to require information from Shareholders or require future transfers by Shareholders.

With respect to Ordinary Shares that are listed for trading on a securities exchange, the Directors will not be permitted to decline to register or recognise any transfer of such Ordinary Shares to the extent that the refusal to register or recognise such transfer would not be permitted by the listing rules of the securities exchange or the regulations of any clearing system through which such securities then trade and settle.

### **9.3 Disclosure of Interests**

Under the Articles, subject to certain exceptions, the Directors may, by delivering a notice in writing to a Shareholder, require the Shareholder to disclose to the Company the identity of any other person known to it who has a beneficial or other interest in the Company held by the Shareholder and the nature of such interest. Any Shareholder who provides such information pursuant to a notice delivered by the Directors will also be required to notify the Directors of any change in the information provided. Any information concerning beneficial and other interests in Ordinary Shares that is provided to the Directors will be kept in a register maintained by the Jersey Administrator.

If a Shareholder defaults in the obligation to provide information concerning the beneficial or other interests in the Ordinary Shares held by the Shareholder, the Directors will be permitted for so long as the default is continuing to direct that in respect of the Ordinary Shares in respect of which the default has occurred the Shareholders concerned will not be entitled to vote in general meetings or class meetings, and where such shares represent at least 0.25% of the class of Ordinary Shares concerned, the direction notice may additionally direct that dividends will be retained by the Company (without interest) and that no transfer of the Ordinary Shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

Under the Dutch disclosure regime laid down in Chapter 5.3 of the AFS, following Admission, Shareholders holding Ordinary Shares and/or New Ordinary Shares or voting rights in excess of 5% of the total share capital or voting rights of the Company will be required to file statements of legal or beneficial ownership with the AFM that keeps a public register of such statements. Shareholders are required to notify the AFM if, as a result of an acquisition or disposal of shares or an issuance or cancellation of shares, their percentage interest, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% of the total share capital or voting rights of the Company. The AFS provides for civil and administrative sanctions for a violation of the applicable disclosure requirements.

In addition, any shareholder whose percentage interest on 31 December at 24:00 hours has changed (whether as regards the composition or the size thereof) compared to the previous disclosure made, must notify the AFM of any such changes.



## 10 FINANCIAL INFORMATION

### 10.1 Selected Financial Information

The selected consolidated financial information set forth below should be read in conjunction with Section 10.2 “Operating and Financial Review” and the Accounts and related notes thereto that appear at Section 10.5 of this Prospectus. The selected consolidated financial information is extracted from the audited consolidated financial statements of the Company for the period from 26 May 2006 to 31 March 2007 which are prepared in accordance with International Financial Reporting Standards (IFRS). As the period from 26 May 2006 to 31 March 2007 is the first accounting period of the Company, no comparative financial information is available. The selected consolidated financial information set forth below may not contain all of the information that is important to investors.

<b>Consolidated Balance Sheet Data</b> <i>(In € thousands)</i>	<b>As at 31 March 2007</b>
Non current assets	4,295
Cash at bank	89,320
Other current assets	2,027
<b>Total assets</b>	<b>95,642</b>
Equity	95,486
Current liabilities	156
<b>Total equity and liabilities</b>	<b>€ 95,642</b>

<b>Consolidated Income Statement Data</b> <i>(In € thousands)</i>	<b>Period Ending 31 March 2007</b>
Interest income	962
Total operating expenses	(2,476)
<b>Loss for the period</b>	<b>€ (1,514)</b>

### 10.2 Operating and Financial Review

The following section should be read in conjunction with Section 10.1 “Selected Financial Information” and the Accounts and the related notes thereto that appear at Section 10.5 of this Prospectus. The financial information of the Company has been prepared in accordance with IFRS.

In addition to historical information, the following review includes forward-looking information that involves risks, uncertainties and assumptions. Actual results and the timing of events could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed below and elsewhere in this Prospectus, particularly under “Risk Factors” and “Investment Track Record and Pipeline”.

The Company has recently completed its first period of accounting and the audited consolidated financial statements of the Company for the period from 26 May 2006 to 31 March 2007 are included at Section 10.5 of this Prospectus.

As described in Section 10.4 entitled “Capital Resources”, on 6 December 2006, the Company undertook a placing of Ordinary Shares which were listed on Eurolist by Euronext the net proceeds from which (after allowing for establishment costs, expenses and working capital requirements) were allocated to invest in the share capital of K2 Property by way of an equity subscription.

The consolidated results of the Company for the period to 31 March 2007, include expenses of €2.5million which relate principally to set-up costs, and operating expenses of the Company and the K2 Group. A further €3 million of placement fees were incurred during the period in connection with the fund raising and admission to Eurolist by Euronext on



6 December 2006. In accordance with IFRS, the total amount of €3 million has been regarded as a deduction from equity rather than as an expense of the Company, because the amounts are directly attributable to the issuance of new shares.

As at 31 March 2007, K2 Property had not yet undertaken any investments although an amount of €4.3million (INR 250 million) had been paid in advance in respect of an investment in an Indian private company in the name of Kolte-Patil Real Estate Private Limited as part of a residential joint venture with the developer, Kolte-Patil Developers Limited, with respect to real estate developments in Pune, India. On 23 April 2007, K2 Property completed this investment.

Because K2 Property had not made an investment as at 31 March 2007, the majority of the assets of the Company and the K2 Group as at this date were represented by cash at bank which totaled €89 million.

Since 31 March 2007, the Investment Advisor has continued to actively source and appraise potential investment opportunities on behalf of K2 Property, and the K2 Board and Investment Committee have approved or acquired ten investments proposed by the Investment Advisor amounting to a total capital commitment of around €88.4 million. Included within these are four investments acquired by K2 Property through its acquisition of Eredene Mauritius. Details of these investments and other investments currently under evaluation is presented in Section 5 of this Prospectus entitled “Investment Track Record and Pipeline”. As at 31 July 2007, the Company had invested a sum of approximately €40.8 million including advance payments made under the terms of non-binding term sheets.

On 11 June 2007, K2 property completed the acquisition of the entire issued A shares of Eredene Mauritius for consideration of €18.07 million. Due to the significance of this transaction, pro forma combined financial information has been prepared in Section 10.6 of this Prospectus to illustrate the effects of the Acquisition on the balance sheet and income statement of the Company.

### **10.3 Cash, Capitalisation and Indebtedness**

The tables below set forth the cash, capitalisation and indebtedness position of the Company as of 31 March 2007 and 31 July 2007, as follows:

- On an actual basis as at 31 March 2007 and 31 July 2007; and
- On a pro-forma basis as at 31 July 2007, as adjusted to reflect receipt of the estimated net proceeds from the issue of the New Ordinary Shares in the Offering, after deducting estimated underwriting fees and commissions and expenses payable, based on gross proceeds from the Offering of €150 million.

The financial information given below, as at 31 March 2007, is extracted from the audited Accounts. This information should be read together with the Accounts and the related notes thereto, as well as the information under “Operating and Financial Review” appearing in Section 10.2 of this Prospectus. Because the information presented as at 31 March 2007 is more than 90 days older than the date of this prospectus, the Company has presented financial information as at 31 July 2007.

The financial information disclosed below as actual as at 31 July 2007 has been prepared based on the Company’s internal management reporting. This information is then adjusted on the basis explained above to arrive at a pro-forma position as at 31 July 2007 with material adjustments explained in the footnotes to the table. Both the actual and pro-forma information presented as at 31 July 2007 and the information and assumptions used in preparing it is unaudited.

The table below is prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial condition of the Company following the Offering.

As of 31 July 2007, the Company had not incurred any indebtedness.

	<b>31 March 2007</b>	<b>31 July 2007</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Pro-forma adjusted</b>
	<i>(€ 000's)</i>	<i>(€ 000's)</i>	<i>(€ 000's)</i>
		<b>Unaudited</b>	<b>Unaudited</b>
Cash at Bank	89,320	53,117	197,517
Share Capital and Share Premium	97,000	97,000	242,500 <sup>37</sup>
Retained Deficit	(1,514)	(1,123)	(2,223) <sup>38</sup>
<b>Total equity</b>	<b>95,486</b>	<b>95,877</b>	<b>240,277</b>

37 The increase in share capital and share premium (Ordinary Shares) reflects the estimated gross proceeds from the Offering of €150 million net of estimated placement fees of €4.5 million which, in accordance with IFRS, are required to be recorded as a deduction from equity rather than as an expense of the Company because the amounts are directly attributable to the issuance of new shares.

38 The reduction in retained earnings (accumulated deficit) reflects the estimated fees (excluding placement fees which are treated as a deduction from equity) and expenses payable by the Company and the K2 Group of €1.1 million.

#### **10.4 Capital Resources**

As at the date of this document, the Company's sole source of liquidity has been from funds raised from the equity financing of €100 million raised on 6 December 2006 by way of a placing of Ordinary Shares which were listed on Eurolist by Euronext.

The Company is seeking to raise up to €150 million from the Offering.

Although the Company has no debt financing as at 31 March 2007, it is intended that the Company will leverage its investment portfolio at an average level of 50-65% per investment at the project level as explained in Section 4 of this Prospectus entitled "Investment Strategy". Further leverage may be undertaken at K2 Group level.

On 16 January 2007, the Company subscribed €96,525,096 for 1,250,000 A Shares in K2 Property, which subsequently became a subsidiary of the Company. Information concerning the existing and future investments of K2 Property are disclosed in section 4 of this Prospectus entitled "Investment Track Record and Pipeline".

There are no restrictions on the use of capital resources other than those contained within the investment strategy and restrictions of the Company and the Fund as explained in section 4 of this Prospectus entitled "Investment Strategy".

Of the €7.7 million of net cash used in operating activities during the period from 26 May 2006 to 31 March 2007, €0.7 million was received in interest, €2.3 million was used to fund operating and establishment expenses of the Company and the K2 Group and €6.1 million was used in the purchase of financial assets and settlement of financial liabilities including €4.3 million paid by way of an advance in respect of an investment in a real estate development in Pune, India.

The cash flow information disclosed above is extracted from the audited consolidated financial statements of the Company for the period ending 31 March 2007. The information in this Section should be read together with the consolidated financial statements and the related notes thereto which are included at Section 10.5 of this Prospectus.

As at the date of this document, the Company does not have any indebtedness other than certain expenses related to the Offering and Admission estimated to be approximately €1,100,000, plus any commission payable to the Joint Global Coordinators. In the event the Offering and Admission proceed, it is intended that the Company will shortly thereafter subscribe for B Shares in K2 Property. After paying existing expenses and establishing a reserve for future costs and expenses, all or substantially all remaining capital will be subscribed for K2 Shares. If the Offering is not fully subscribed then the Company will simply subscribe for fewer shares in K2 Property.

In the opinion of the Company, the working capital of the Company is sufficient for the Company's present requirements, that is, for a period of 12 months from the date of this Prospectus.

## **10.5 Historical Financial Information**

The consolidated audited financial statements of the Company for the period from 26 May 2006 to 31 March 2007 are set out on pages 72 to 94.

# **YATRA CAPITAL LIMITED**

**Consolidated audited financial statements**

**For the period from 26 May 2006 to 31 March 2007**

# YATRA CAPITAL LIMITED

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# YATRA CAPITAL LIMITED

## Corporate information

<b>Registered office:</b>	43/45 La Motte Street St Helier Jersey JE4 8SD	
<b>Directors:</b>	Sir Nigel Hugh Robert Allen Broomfield David Ian Hunter Ajoy Veer Kapoor William Kay Malcolm James Geoffrey King Christopher Henry Lovell Rohin Raja Shah	Appointed 31 October 2006 Appointed 5 June 2006 Appointed 5 June 2006 Appointed 26 May 2006 Appointed 5 June 2006 Appointed 5 June 2006 Appointed 5 June 2006
<b>Advisors:</b>	<b>Mauritius</b> Saffron Capital Advisors Limited Suite 2004, Level 2 Alexander House 35 Cybercity Ebene Mauritius	<b>India</b> Saffron Asset Advisors Private Limited 4th Floor, Pharma Search House 72/73 Worli Hill Estate Dr B G Kher Road Worli, Mumbai - 18 India
<b>Administrative agent:</b>	Minerva Fund Administration Limited PO Box 218 43/45 La Motte Street St Helier Jersey JE4 8SD	
<b>Independent Auditors:</b>	PricewaterhouseCoopers CI LLP Twenty Two Colomberie St Helier Jersey JE1 4XA	
<b>Bankers:</b>	HSBC Bank Plc PO Box 14 Library Place St Helier Jersey JE4 8NU	
<b>Lawyers:</b>	<b>India</b> Nishith Desai Associates 93-B Mittal Court Nariman Point Mumbai 400 021 India  <b>Mauritius</b> Mukund Gujadhur River Court St Denis Street Port Louis Mauritius	<b>United Kingdom</b> Mishcon de Reya Summit House 12 Red Lion Square London WC1R 4QD United Kingdom

# **YATRA CAPITAL LIMITED**

## **Directors' report**

The directors present their first report and the consolidated audited financial statements for the period from 26 May 2006 to 31 March 2007.

## **Incorporation**

The Company was incorporated in Jersey on 26 May 2006.

## **Results and dividends**

The results for the period are set out in the financial statements on page 6. The directors do not propose to declare a dividend for the period.

## **Directors**

The present membership of the Board is set out on page 2. All directors served throughout the period.

## **Directors' interest**

There are no service contracts in existence between the Fund and any of its directors.

Rohin Raja Shahis also a director of K2 Property Limited, Saffron Capital Advisors Limited and Saffron Asset Advisors Private Limited. Ajoy Veer Kapoor is also a director of Saffron Asset Advisors Private Limited. William Kay is also a director of Minerva Fund Administration Limited.

## **Directors' responsibilities for the financial statements**

The directors are responsible for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the revenue and expenditure of the Company for that year. In preparing those financial statements, the directors are required to:

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

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

The directors confirm that they have complied with all of the above requirements in preparing the financial statements.

## **Independent Auditors**

The auditors, PricewaterhouseCoopers CI LLP have indicated their willingness to continue in office and will be reappointed at the Annual Meeting.

Approved by the Board

William Kay

Christopher Lovell

Directors

4 July 2007



# YATRA CAPITAL LIMITED

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF YATRA CAPITAL LIMITED

We have audited the group financial statements (the “financial statements”) of Yatra Capital Limited for the period ended 31 March 2007 which comprise the Consolidated Balance Sheet as at 31 March 2007 and the Consolidated Income Statement, Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the period then ended and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company’s members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements. We also report to you if, in our opinion, the company has no kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors’ Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the group’s affairs as at 31 March 2007 and of the loss and cash flows for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991; and
- the information given in the Directors’ Report is consistent with the financial statements.

### **PricewaterhouseCoopers CI LLP**

Chartered Accountants

5 July 2007

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements Balance sheet as at 31 March 2007

	<i>Note</i>	<u>At 31 March 2007</u>
		EUR
<b>Assets</b>		
<b>Non current assets</b>		
Advance on equity contribution	6	<u>4,295,383</u>
		<u>4,295,383</u>
<b>Current assets</b>		
Prepayments and other receivables	7	2,025,100
Amount due from minority interests	11, 14	784
Cash at bank	9	<u>89,320,489</u>
		<u>91,346,373</u>
<b>Total assets</b>		<u><u>95,641,756</u></u>
<b>Equity</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	11	-
Share premium	11	9 7,000,000
Minority interest	11	-
Retained deficit		<u>(1,513,840)</u>
<b>Total equity</b>		<u>95,486,160</u>
<b>Current liabilities</b>		
Accrued expenses	10	<u>155,596</u>
<b>Total liabilities</b>		<u>155,596</u>
<b>Total equity and liabilities</b>		<u><u>95,641,756</u></u>

Approved by the Board  
William Kay  
(Director)

Christopher Lovell  
(Director)

4 July 2007

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements Income statement

	<i>Note</i>	<b>For the period from 26 May 2006 to 31 March 2007</b>
		<u>EUR</u>
<b>Income</b>		
Interest income	8	961,521
<b>Total net income</b>		<u>961,521</u>
<b>Expenses</b>		
Set up costs		(1,543,633)
Investment advisory fees		(482,625)
Director fees		(206,581)
Administration, secretarial and registrar fees		(105,768)
Printing and advertising costs		(43,645)
Travel and entertainment costs		(25,986)
Audit fees		(25,173)
Directors' insurance		(13,934)
Currency exchange loss		(9,303)
Sundry expenses		(7,946)
Listing agent fees		(5,000)
Accountancy fees		(4,417)
Exempt company tax fee		(1,123)
Bank charges		(1,011)
<b>Total operating expenses</b>		<u>(2,476,145)</u>
<b>Loss for the period</b>		<u>(1,514,624)</u>
<b>Basic loss per share - basic and diluted (€ per share)</b>		<b>(0.15)</b>

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements Statement of changes in equity

	<i>Note</i>	<u>Attributable to equity holders of the Company</u>			<b>Minority Interests</b>	<b>Total equity</b>
		<b>Share Capital</b>	<b>Retained earnings</b>	<b>Total</b>		
		<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>As at 26 May 2006</b>		-	-	-	-	-
Proceeds from ordinary shares issued	<i>II</i>	100,000,000	0	100,000,000	-	100,000,000
Payment of placement fees	<i>II</i>	(3,000,000)	-	(3,000,000)	-	(3,000,000)
Loss for the period		-	(1,514,624)	(1,514,624)	784	(1,513,840)
<b>At 31 March 2007</b>		<b>97,000,000</b>	<b>(1,514,624)</b>	<b>95,485,376</b>	<b>784</b>	<b>95,486,160</b>

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements Cash flow statement

	<i>Note</i>	<b>For the period from 26 May 2006 to 31 March 2007</b>
		<b>EUR</b>
<b>Cash flow from operating activities</b>		
Purchase of financial assets and settlement of financial liabilities		(6,072,261)
Interest received		713,299
Operating expenses paid		(2,320,549)
<b>Net cash used in operating activities</b>		<b>(7,679,511)</b>
<b>Cash flows from financing activities</b>		
Proceeds from ordinary shares		100,000,000
Payment of placement fees		(3,000,000)
<b>Net cash from financing activities</b>		<b>97,000,000</b>
Net increase in cash and cash equivalents		89,320,489
Cash and cash equivalents at beginning of period		-
<b>Cash and cash equivalents at end of period</b>	<i>9</i>	<b>89,320,489</b>

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

### Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

#### 1 General information

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

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

It is proposed that K2 will, subject to applicable legal regulatory and tax considerations, make permissible portfolio investments in equity-linked instruments of companies established to carry out real estate development, ownership and exploitation across India ("Portfolio Companies").

The Group's investment activities are advised by Saffron Capital Advisors Limited ("SCAL") with the administration of the Company being undertaken by Minerva Fund Administration Limited.

The Company's ordinary shares are listed and traded on the Eurolist stock exchange by Euronext Amsterdam.

#### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

##### 2.1 Basis of preparation

The consolidated financial statements of Yatra Capital Limited have been prepared in accordance with International Financial Reporting Standards (IFRS). The 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 of Directors 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 the financial statements, are disclosed in Note 4.

##### *(a) Amendment to published standards effective in 2006*

IAS39 (Amendment), The Fair Value Option is mandatory for the Group's accounting period beginning on 1 January 2006. It allows entities to designate financial assets and financial liabilities at fair value through profit or loss when not held for trading if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('an accounting mismatch') or if a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis.

Adoption of this amendment only impacts the format and extent of disclosures presented in the financial statements.

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

### Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

## 2 Summary of significant accounting policies (continued)

### *(b) Standards not yet effective and not early adopted by the Group*

IFRS 7, Financial Instruments: Disclosures, and the complimentary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, is mandatory for the Group's accounting year beginning on or after 1 January 2007. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. In accordance with the requirement of the Amendment to IAS 1, additional disclosures is required to be provided on the Group's objectives and policies for its capital, which is represented by the net assets attributable to the equity holders of shares. There is no impact on the classification and measurement of the Group's capital.

### *(c) Standards, amendments and interpretations effective in 2006 but not relevant*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards, and IFRS6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds and
- IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

## 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 deconsolidated from the date on which control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The consolidated accounts comprise the results of the Company and all of its subsidiaries.



# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

### Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

## 2 Summary of significant accounting policies (continued)

### 2.3 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 from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

The Company's investors are mainly from the Eurozone, with the subscriptions and redemptions of ordinary shares denominated in Euros. The primary activity of the Group is to invest in equity-linked instruments of companies established to carry out real estate development in India in Indian Rupees. The performance of the Group is measured and reported to the investors in Euro. The Board of Directors considers the Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Euro, which is the Group's functional and presentation currency.

#### (b) Transactions and balances

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

### 2.5 Financial assets and financial liabilities at fair value through profit or loss

#### (a) Classification

The Group shall invest in joint ventures. 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. As allowed under International Accounting Standard, IAS 31, Interests in joint ventures, the Group will designate its investments in joint ventures as at fair value through profit or loss. At 31 March 2007, the Group had only made an advance on equity contribution.

Financial assets and financial liabilities 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 investment advisor and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. These financial assets are not expected to be realised within 12 months of the balance sheet date and shall therefore be classified under non current assets.

Management decides the appropriate classification of its investments at the time of the purchase and re-evaluates the classification on a regular basis.

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

### 2 Summary of significant accounting policies (continued)

#### *(b) Recognition/derecognition*

Regular-way purchases and sales of investments are recognised on the trade date - the date on which the Group commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

#### *(c) Measurement*

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities 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 or financial liabilities at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the income statement within interest income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within dividend income when the Group's right to receive payments is established.

#### *(d) Fair value estimation*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

### 2.6 Offsetting financial instruments

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

### 2.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### 2.8 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

### 2.9 Revenue recognition

Revenue comprises mainly bank deposit interest. Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from debt securities.

Dividend income is recognised when the right to receive payment is established.

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

## 2 Summary of significant accounting policies (continued)

### 2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds of such issue, net of costs.

Where the Company re-purchases its own ordinary shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the ordinary shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

The consideration received or paid for ordinary shares issued or re-purchased respectively is based on the value of the Company's net assets value per ordinary share at the date of the transaction. The Company's net asset value per ordinary share is calculated by dividing the Company's net assets with the total number of outstanding ordinary shares.

### 2.11 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors.

### 2.12 Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 2.13 Financial instruments

Financial instruments carried on the balance sheet include advance on equity contribution, other receivables, amount due from shareholders, cash at bank and accruals and other payables which approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

### 2.14 Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

### Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

## 3 Financial risk management

### 3.1 Strategy in using financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 3.2 Market price risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Group's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Group conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

### 3.3 Interest rate risk

The majority of the Group's financial assets and liabilities are non-interest bearing. As a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The Group's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Group's exposure to interest rate risks are mainly on cash and cash equivalent.

### 3.4 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any.

The Group's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangement. As at 31 March 2007, there was no such transaction.

### 3.5 Liquidity risk

The Group shall invest in joint ventures and/or unquoted equity instruments in India. As a result, the Group may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer.

In accordance with the Group's policy, the investment advisor monitors the Group's liquidity position on a regular basis, and the Board of Directors reviews it on a quarterly basis.

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

### 3 Financial risk management (continued)

#### 3.6 Currency risk

The Group holds assets denominated in currencies other than the Euro, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Group's policy is not to enter into any currency hedging transactions.

The table below summarises the Group's exposure to currency risks.

#### Concentration of assets under other currencies

At 31 March 2007

Assets	EUR
Mauritian Rupee	285,621
Indian Rupee	4,295,383
Cyprus Pound	2
Sterling	43,382
	<hr/>
	4,624,388
	<hr/> <hr/>
<b>Liabilities</b>	
United States Dollar	49,734
Cyprus Pound	2
Sterling	139,744
	<hr/>
	189,480
	<hr/> <hr/>

### 4 Critical accounting estimates and judgements

#### 4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no critical estimates made by the Group for the period ended 31 March 2007.

#### 4.2 Critical judgements

##### *Functional currency*

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

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

### Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

#### 5 Taxation

##### *Current tax - Jersey*

The Company is domiciled in Jersey, Channel Islands and pays an annual fee of GBP 600 for exemption from Jersey income tax. There are no estate, corporation, capital gains or other taxes payable by the Company.

##### *Current tax - Mauritius*

K2 is a tax incentive company in Mauritius and under current laws and regulations it is liable to pay income tax on its net income at a rate of 15%. K2 is however entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritius tax payable in respect of its foreign source income tax thus reducing its maximum effective tax rate to 3%. At 31 March 2007, K2 has accumulated tax losses of EUR 511,532 and therefore no provision for taxation has been made.

No Mauritian capital gain tax is payable on profit/(loss) arising from sale of securities, and any dividends and redemption proceeds paid by K2 to the Company will be exempt in Mauritius from any withholding tax.

The tax on K2's loss before tax differs from the theoretical amount that would arise using the applicable tax rate of 15%. Information in respect of K2's loss for the period ended 31 March 2007 is set out below:

	<b>EUR</b>
Net loss for the period	(1,480,184)
Tax at the applicable rate of 15%	(222,028)
Non allowable expense	148,923
Exempt income	(4,534)
Deferred tax asset not recognised	77,639
Tax expense	-

##### *Current tax - Group*

The Group invests in India and the directors expect to obtain benefits under the double taxation treaty between India and Mauritius. To obtain benefits under the double taxation treaty, the Group must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The Group has obtained a tax residence certification from the Mauritian authorities and believes such certification is determinative of its resident status for treaty purposes. A Company which is tax resident in Mauritius under the 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 22.66%.

With effect from 1 April 2003, dividends are exempt in the hands of shareholders. Companies making distributions are however liable to a dividend distribution tax equivalent to 16.995% of the dividends distributed.

##### *Deferred tax*

A deferred tax asset has not been recognised in respect of the K2's tax losses carried forward and unrealised exchange losses as the directors of the Group consider that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

#### 6 Advance on equity contribution

The advance payment of EUR 4,295,383 represents payment of INR 250 Million in respect of an investment in an Indian private company registered in the name of Kolte-Patil Real Estate Private Limited as part of a joint venture with respect to real estate developments in Pune, India. See further note 16 "Capital Commitments and events after the balance sheet date".

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

### 7 Prepayments and other receivables

	EUR
Prepaid advisory fees	1,447,876
VAT receivable	285,621
Bank interest receivable	248,222
Prepaid director insurance	27,830
Prepaid director fees	9,201
Prepaid administration fees	5,521
Prepaid annual government and exempt company tax fee	829
	<hr/>
	2,025,100
	<hr/> <hr/>

### 8 Interest income

Interest income comprises bank deposit interest.

### 9 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with original maturity of less than 90 days.

### 10 Accruals and other payables

	EUR
Amount due to related parties	72,106
Accruals	83,490
	<hr/>
	155,596
	<hr/> <hr/>

### 11 Share capital and share premium

Authorised and issued share capital	Share capital	Share premium	EUR
10,000,000 ordinary shares of no par value issued at a premium of €10 per share	-	100,000,000	100,000,000
Less placement fees	-	(3,000,000)	(3,000,000)
	<hr/>	<hr/>	<hr/>
	-	97,000,000	97,000,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All issued ordinary shares of the Company are fully paid and have been admitted to the official listing of the Eurolist stock exchange. The Company's capital are represented by these ordinary shares and with each carrying one vote. They are entitled to dividends when declared. The Company has no restrictions or specific capital requirements on the issue and re-purchase of ordinary shares. The relevant movements on capital are shown on the statement of changes in equity. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 3, the Company endeavours to invest the proceeds from the issue of ordinary shares in appropriate investments while maintaining sufficient liquidity to meet re-purchase when necessary, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

#### Placement fees

As required by IAS 32, "Financial Instruments: Presentation", incremental costs directly attributable to the issue of new shares have been recorded as a deduction from the proceeds of such issue. Accordingly, placement fees incurred during the period, €3,000,000, have been offset against the proceeds arising from the issue of shares, €100,000,000.



# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

### 11 Share capital and share premium (continued)

#### Minority interest

At 31 March 2007, the Company's subsidiary K2 had issued 1,250,000 class A shares to Yatra Capital Limited, 67,500 class C shares to Saffron Capital Securities Limited, 7,500 class C shares to Yasu Management Limited and 25,000 class D shares to Saffron Capital Advisors Limited. All the shares have a par value of USD0.01 each.

<b>K2 Issued Share Capital as at 31 March 2007</b>	<b>Class of Shares</b>		<b>EUR</b>
<i>Issued and fully paid</i>			
1,250,000 Shares of USD0.01 each	A		9,652
<i>Minority interest issued and unpaid:</i>			
75,000 Shares of USD0.01 each	C	588	
25,000 Shares of USD0.01 each	D	196	
			784
			<u>10,436</u>

All classes of shares are redeemable at the option of K2. Holders of class A shares are referred to as Investor shareholders whereas holders of class C and D shares are referred to as Advisor shareholders. Both Investor and Advisor shareholders are entitled to vote at shareholders' meeting.

All classes of shares have identical rights except with respect to dividends and other distributions and with respect to certain voting rights. Advisor shareholders will be entitled to a "carried interest" share of profits of K2 equivalent to 20% of all the profits arising on K2 provided that the investor shareholders have been paid, by way of distributions, a sum equivalent to their respective contributions plus a "hurdle rate of return", being an annual compound return of 11% on their net contributions. For the avoidance of doubt, the carried interest share of profits shall be applied to all profits arising from K2, including the hurdle rate of return specified above.

The carried interest shall be divided between the advisor shareholders pro rata to the number of such class C shares and class D shares held at the time of such distribution provided that the carried interest shall not be paid to the extent that it shall have the effect of reducing the hurdle rate of return payable to investor shareholders.

As K2 has recorded a loss of €1,480,184 during the period to 31 March 2007, nil value attaches to its C and D share classes as, in the event that K2 was to be wound up as at 31 March 2007, all proceeds would firstly be applied to the Investor Shareholders. Accordingly, as at 31 March 2007, the value of Minority Interests in the Consolidated Balance Sheet of the Group is Nil.

### 12 Earnings per share

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

Loss attributable to equity holders	<u>EUR</u> (1,513,840)
Weighted average number of ordinary shares in issue	<u>10,000,000</u>
Basic loss per share - basic and diluted (€ per share)	(0.15)

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

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

### Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

#### 13 Distribution payable

No dividends were paid or proposed for the period ended 31 March 2007 as the Group incurred a loss.

#### 14 Related party transactions

During the period under review, the Group entered into the following related party transactions. All transactions were carried out on an arm's length basis.

<i>Saffron Capital Advisors Limited</i>	<b>EUR</b>
Reimbursement of set up costs	965,250
Advisory fees	482,625
	<hr/>
	1,447,875
	<hr/> <hr/>

<i>Minerva Fiduciary Services (Mauritius) Limited</i>	<b>EUR</b>
Set-up cost	13,797
Custodian, secretarial and administration fees	9,135
Others	3,417
	<hr/>
	26,349
	<hr/> <hr/>

<i>Minerva Fund Administration Limited</i>	<b>EUR</b>
Administration fees	94,680
	<hr/> <hr/>

*Amounts outstanding at 31 March 2007 arising from transactions with related parties*

<i>Amount due from related parties:</i>	<b>EUR</b>
Advisory fees prepaid to Saffron Capital Advisors Limited (Note 7)	1,447,876
Administration fees prepaid to Minerva Fund Administration Limited (Note 7)	5,521
	<hr/>
	1,453,397
	<hr/> <hr/>

<i>Amount due to related parties:</i>	<b>EUR</b>
Payable to Minerva Fiduciary Services (Mauritius) Limited (Note 10)	26,349
Payable to Minerva Fund Administration Limited (Note 10)	45,757
	<hr/>
	72,106
	<hr/> <hr/>

The amount due to related parties are unsecured, interest free and are payable within one year.

<i>Amounts due from shareholders:</i>	<b>EUR</b>
Amounts due in respect of shares issued to:	
Saffron Capital Advisors Limited	196
Yasu Management Limited	59
Saffron Capital Securities Limited	529
	<hr/>
	784
	<hr/> <hr/>

The amounts due from shareholders are interest free and are receivable within one year.

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

### Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

#### 15 Related party fees

(a) *Advisory fee*

The Group is advised by Saffron Capital Advisors Limited ("SCAL"), an investment management company incorporated in Mauritius. Under the terms of the agreement dated 22 June 2006 and amended on 11 August 2006, the Fund appointed SCAL as an investment advisor to provide investment advisory services to the Fund. The annual fees are equivalent to 1% of total capital commitments. The above fees are payable on the basis that investment is made by the Fund into fund vehicles in India. To the extent that the direct investment is made by the Fund into Indian portfolio companies, an additional fee of 1% of total capital commitments will be payable on a prorata basis. Total management fees for the period amounted to EUR 482,625.

(b) *Administrative and secretarial fee*

Minerva Fiduciary Services (Mauritius) Limited ("Minerva") has been appointed to provide administrative, registrar and secretarial services to K2. Minerva is entitled to an annual fee of USD 25,000 payable quarterly in arrears. The administration agreement may be terminated by either party by giving not less than ninety days notice.

The Company has engaged the services of Minerva Fund Administration Limited to provide administrative, registrar and secretarial services for a fee. The Company will pay the Jersey administrator a minimum annual fee of GBP 6,000 plus such additional fees as may be incurred based on the amount of work carried out for the Company. Total administration fees charged for the period are disclosed in Note 14.

(c) *Board of Directors' remuneration*

The total remuneration paid to directors during the period was EUR 206,581 and consisted of only fixed directors' fees.

#### 16 Capital commitments and events after the balance sheet date

As at 31 March 2007, the group had not entered into any capital commitments although an advance equity payment of INR 250 million had been made in respect of a joint venture agreement with Kolte-Patil Real Estate Private Limited ("KPL") as disclosed in note 6. Details of the commitments entered into subsequent to the balance sheet date are provided below:-

(a) Transaction name	Residential joint venture with Kolte-Patil Developers
Description of transaction	49% shareholding in KPL and fully convertible debentures
Date of commitment	23 April 2007

	(millions)
Total amount committed	INR 1,141.70
Total amount invested at the balance sheet date	INR 250.00
Total amount invested between 31 March 2007 and the date of approval of the financial statements	-
Total commitments outstanding as at the date of approval of the financial statements (Indian Rupee currency commitment)	<u>INR 891.70</u>
Total Euro equivalent of commitments outstanding using exchange rate on 27 June 2007 1 Euro : 54.99 INR	<u>EUR 16.21</u>

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

### 16 Capital commitments and events after the balance sheet date (continued)

(b)	Transaction name	Phoenix Mills Limited	
	Description of transaction	Participatory notes issued by Barclays Capital Mauritius Limited representing 126,756 ordinary shares in Phoenix Mills Limited (0.88% shareholding)	
	Date of commitment	09 June 2007	
			(millions)
	Total amount of Indian Rupees committed		INR 203.81
	Total amount invested between 31 March 2007 and the date of approval of the financial statements		INR 203.81
	Total commitments outstanding as at the date of approval of the financial statements		- <hr/> <hr/>
(c)	Transaction name	Eredene Mauritius Limited	
	Description of transaction	105 Class A shares in Eredene Mauritius Limited 100% shareholding of Class A shares	
	Date of commitment	11 June 2007	
			(millions)
	Total amount committed for purchase of Class A shares		GBP 12.25
	Total amount invested between 31 March 2007 and the date of approval of the financial statements		GBP 12.25
	Total commitments outstanding as at the date of approval of the financial statements		GBP - <hr/> <hr/>
	Eredene Mauritius Limited holds four projects:		
		(a) Shopping Mall in Nashik	
		(b) Mixed use development at Indore	
		(c) Integrated township at Indore	
		(d) Hospitality development at Bangalore	
			(millions)
	Total amount of Indian Rupees committed to the above projects held by Eredene Mauritius Limited		INR 651.00
	Total amount invested between 31 March 2007 and the date of approval of the financial statements		-
	Total commitments outstanding as at the date of approval of the financial statements (Indian Rupee currency commitment)		- <hr/> <hr/>
	Total Euro equivalent of commitments outstanding using exchange rate on 27 June 2007 1 Euro : 54.99 INR		- <hr/> <hr/>
			EUR 11.83

# YATRA CAPITAL LIMITED

## Consolidated audited financial statements

Notes to the financial statements for the period from 26 May 2006 to 31 March 2007

### Capital commitments and events after the balance sheet date (continued)

(d) Transaction name	Ashok Ruia Enterprises Private Limited	
Description of transaction	24% of joint venture with Ashok Ruia Enterprises Private Limited - Market City, Pun	
Date of commitment	20 June 2007	
		(millions)
Total amount of Indian Rupees committed		INR 957.00
Total amount invested between 31 March 2007 and the date of approval of the financial statements		INR 656.00
Total commitments outstanding as at the date of approval of the financial statements		<u>301.00</u>
Total Euro equivalent of commitments outstanding using exchange rate on 27 June 2007 1 Euro : 54.99 INR		<u>EUR 5.47</u>

## **10.6 Unaudited Pro Forma Combined Financial Information**

### **10.6.1 Report on Unaudited Pro Forma Combined Financial Information**

PricewaterhouseCoopers CI LLP  
Twenty Two Colomberie  
St Helier  
Jersey  
Channel Islands

The Directors  
Yatra Capital Limited  
43 / 45 La Motte Street  
St Helier  
Jersey  
JE4 8SD

24 September 2007

Dear Sirs

#### **Yatra Capital Limited (the “Company”)**

We report on the combined pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section 10.6 of the Company’s prospectus dated 24 September 2007 (the “**Prospectus**”) which has been prepared on the basis described in Section 10.6, for illustrative purposes only, to provide information about how the Acquisition and proposed Offering might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 March 2007. This report is required by item 20.2 of Annex I to EU Regulation 2004-809 and is given for the purpose of complying with that EU Regulation and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I to EU Regulation 2004-809.

It is our responsibility to form an opinion, as required by item 7 of Annex II to EU Regulation 2004-809, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information of the Company used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue. In particular, we do not accept any responsibility for the audited financial statements of Eredene Mauritius Ltd for the period ended 31 December 2006 from which the financial information of Eredene Mauritius Ltd, included in the unaudited Pro Forma Financial Information, has been extracted.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to EU Regulation 2004-809, consenting to its inclusion in the Prospectus.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers CI LLP  
Chartered Accountants  
St. Helier  
Jersey  
Channel Islands



## **10.6.2 Unaudited Pro Forma Combined Financial Information**

### **Basis of preparation**

On 11 June 2007, the Company, through its subsidiary, K2 Property, acquired the entire issued “A” shares of Eredene Mauritius Ltd (“Eredene Mauritius”) (the “Acquisition”). Details of the terms of the transaction are disclosed in Section 5.2 of this prospectus together with a description of the underlying portfolio of Eredene Mauritius.

The following unaudited pro forma combined financial information has been prepared to illustrate the effects of the Acquisition and the Offering on the balance sheet and income statement of the Company had these transactions occurred on an earlier date.

The unaudited pro forma combined balance sheet information as at 31 March 2007 gives effect to the Acquisition and the Offering as if they had occurred on 31 March 2007. The unaudited pro forma combined income statement information for the period ended 31 March 2007 gives effect to the Acquisition and the Offering as if they had occurred on 26 May 2006, being the date of incorporation of the Company.

The financial reporting period of Eredene Mauritius is different from that of the Company. Therefore, the unaudited pro forma combined income statement combines the results of Eredene Mauritius from the period of incorporation on 27 March 2006 to 31 December 2006 with the results of the Company for the period from incorporation on 26 May 2006 to 31 March 2007.

The Company believes that if it had prepared the unaudited pro forma combined financial information using unaudited financial information for Eredene Mauritius for the period to 31 March 2007 instead of the financial information for Eredene Mauritius that is derived from the audited financial statements for the period ended 31 December 2006, such unaudited pro forma combined financial information would not present a materially different view for the purposes of showing the effect of the Acquisition and the Offering.

The unaudited pro forma combined financial information of the Company is based on the audited consolidated financial statements of the Company for the period ended 31 March 2007, which are reproduced in this Prospectus as set out in Section 10.5, and on the audited financial statements of Eredene Mauritius for the period ended 31 December 2006, which are set out in this Prospectus in Section 10.7. The unaudited pro forma combined financial information has been prepared on a basis consistent with the accounting policies as applied by the Company in preparing its audited consolidated financial statements for the period ended 31 March 2007.

The unaudited pro forma combined financial information contains certain forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions. Undue reliance should not be placed on any forward-looking statements. For further information regarding forward-looking statements, see the section entitled “Changes and Forward-looking statements” at the front of this Prospectus.

The unaudited pro forma combined financial information is included for illustrative purposes only. Because of its nature, the pro forma unaudited combined financial information addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position or performance. The Company does not claim or represent that the unaudited pro forma combined financial information is indicative of the Company’s actual financial position or results that would have been achieved had the Acquisition and the Offering taken place as of the dates indicated or that may be achieved in the future. There can be no assurance that the assumptions used in the preparation of the unaudited pro forma combined financial information will prove to be correct. No adjustment has been made to take account of the trading or other changes in the financial position of the Company or Eredene Mauritius (except as detailed below) since, respectively, 31 March 2007 or 31 December 2006.

## Unaudited pro forma combined balance sheet as at 31 March 2007

	Yatra Capital	Eredene Mauritius	Adjustments		Eredene Mauritius	Adjustments		Yatra Capital Pro Forma
	As at 31 March 2007	As at 31 Dec. 2006	Post Balance Sheet	Other	Acquired Assets	Acquisition Consideration	Proceeds of the Offering	as at 31 March 2007
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
	(€ 000's)	(€ 000's)	(€ 000's)	(€ 000's)	(€ 000's)	(€ 000's)	(€ 000's)	(€ 000's)
<b>Assets – Non-current Assets</b>								
Advance on equity contribution	4,295	-	-	-	-	-	-	4,295
Available-for-sale securities	-	20,407	-	(20,407)	-	-	-	-
Financial assets at fair value through profit / loss	-	-	3,989	8,249	12,238	2,049	-	14,287
	4,295	20,407	3,989	(12,158)	12,238	2,049	-	18,582
<b>Assets - Current Assets</b>								
Prepayments and other receivables	2,026	3,720	-	-	3,720	-	-	5,746
Cash at bank	89,321	567	678	(1,245)	-	(18,007)	144,400	215,714
	91,347	4,287	678	(1,245)	3,720	(18,007)	144,400	221,460
<b>Total Assets</b>	<b>95,642</b>	<b>24,694</b>	<b>4,667</b>	<b>(13,403)</b>	<b>15,958</b>	<b>(15,958)</b>	<b>144,400</b>	<b>240,042</b>
<b>Equity - Capital &amp; Reserves Attributable to Equity Holders of the Company</b>								
Share capital and share premium	97,000	14,374	4,667	(1,245)	17,796	(17,796)	145,500	242,500
Retained deficit	(1,514)	(1,838)	-	-	(1,838)	1,838	(1,100)	(2,614)
<b>Total Equity</b>	<b>95,486</b>	<b>12,536</b>	<b>4,667</b>	<b>(1,245)</b>	<b>15,958</b>	<b>(15,958)</b>	<b>144,400</b>	<b>239,886</b>
<b>Liabilities - Current Liabilities</b>								
Accrued expenses	156	-	-	-	-	-	-	156
Accounts payable	-	12,158	-	(12,158)	-	-	-	-
<b>Total Liabilities</b>	<b>156</b>	<b>12,158</b>	<b>-</b>	<b>(12,158)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156</b>
<b>Total Equity and Liabilities</b>	<b>95,642</b>	<b>24,694</b>	<b>4,667</b>	<b>(13,403)</b>	<b>15,958</b>	<b>(15,958)</b>	<b>144,400</b>	<b>240,042</b>

## Notes

- The financial information has been extracted, without material adjustment, from the audited consolidated financial statements of the Company for the period ended 31 March 2007, which are reproduced in this prospectus, as set out in Section 10.5.
- The financial information has been extracted, without material adjustment, from the audited financial statements of Eredene Mauritius for the period ended 31 December 2006, which are reproduced in this prospectus as set out in Section 10.7 and has been translated from Pounds Sterling to Euros using the rate prevailing on 31 March 2007 (1.47 Euro = 1 GBP).
- This adjustment reflects a cash injection of €4.7 million into Eredene Mauritius by its parent company during the period from 31 December 2006 to 31 March 2007, of which €4.0 million was reflected in “financial assets at fair value through profit/loss” within non-current assets, with the remaining balance of €0.7 million shown in cash.
- This reflects two adjustments:
  - Eredene Mauritius accounted for its “available-for-sale” securities on a “gross” basis, reflecting the overall committed amount as an asset and any uncalled / unpaid amounts as corresponding liabilities. The Company’s

accounting policy is to record its “Financial assets at fair value through profit / loss” based on the amounts paid up / called. Thus reclassification has been made of the net of €20.4 million of “available-for-sale” securities and €12.2 million of accounts payable as “financial assets at fair value through profit/loss”, being €8.2 million, in order to achieve consistency with the accounting policies of the Company.

- ii. Adjustment of €1.2 million to eliminate net cash that did not form part of the acquired assets of Eredene Mauritius upon acquisition.
5. This column represents the assets, liabilities, capital and reserves of Eredene Mauritius as at 31 December 2006 as amended for the adjustments set out in Notes 3 and 4 above.
  6. This reflects an adjustment for the cash consideration of the Acquisition, being €18.0 million (including expenses), with a corresponding adjustment to the cost of “financial assets at fair value through profit/loss” of €2.0 million and accounting adjustments to eliminate the share premium and retained deficit of Eredene Mauritius.
  7. This adjustment reflects the net proceeds of the Offering receivable by the Company of €145.0 million, being gross proceeds of €150.0 million less estimated fees and expenses of approximately €5.6 million payable by the Company in connection with the Offering. Of the estimated total €5.6 million fees and expenses, €4.5 million has been charged against share premium and €1.1m has been expensed.

## Unaudited pro forma combined income statement for the period ended 31 March 2007

	<b>Yatra Capital Period from 26 May 2006 to 31 March 2007 Note 1 (€ 000's)</b>	<b>Eredene Mauritius Period from 27 March 2006 to 31 December 2006 Note 2 (€000's)</b>	<b>Adjustments Note 3 (€000's)</b>	<b>Yatra Capital Pro Forma for the period ended 31 March 2007 (€000's)</b>
<b>Income</b>				
Interest income	962	6	-	968
<b>Total Income</b>	<b>962</b>	<b>6</b>	<b>-</b>	<b>968</b>
<b>Expenses</b>				
Set-up costs	(1,544)	(6)	-	(1,550)
Investment advisory fees	(483)	(1,540)	-	(2,023)
Legal and professional fees	(35)	(278)	(1,100)	(1,413)
Directors fees	(206)	-	-	(206)
Administration, secretarial and registrar fees	(106)	(1)	-	(107)
Other operating expenses	(102)	(19)	-	(121)
<b>Total Operating Expenses</b>	<b>(2,476)</b>	<b>(1,844)</b>	<b>(1,100)</b>	<b>(5,420)</b>
<b>Loss for the Period</b>	<b>(1,514)</b>	<b>(1,838)</b>	<b>(1,100)</b>	<b>(4,452)</b>

### Notes

1. The financial information has been extracted, without material adjustment, from the audited consolidated financial statements of the Company for the period from incorporation on 26 May 2006 to 31 March 2007, which are reproduced in this prospectus, as set out in Section 10.5.
2. The financial information has been extracted, without material adjustment, from the audited financial statements of Eredene Mauritius for the period from incorporation on 27 March 2006 to 31 December 2006 which are reproduced in this prospectus as set out in Section 10.7 and has been translated from Pounds Sterling to Euros using the rate prevailing on 31 March 2007 (1.47 Euro = 1 GBP).
3. This reflects estimated expenses of €1.1m payable by the Company in connection with the Offering. This adjustment does not have a continuing effect. No adjustment has been made to the unaudited pro forma combined income statement to reflect any interest income earned on the net proceeds of the Offering.

## **Financial Information Relating to Eredene Mauritius**

On 11 June 2007, the Company, through its subsidiary, K2 Property, acquired the entire issued “A” shares of Eredene Mauritius (the “Acquisition”). The financial statements of Eredene Mauritius for the period from 27 March 2006 to 31 December 2006, as audited by BDO De Chazal Du Mee, are set out on pages 102 to 117.

**EREDENE MAURITIUS LTD**

**Financial Statements - Year Ended**

**December 31, 2006**

# **EREDENE MAURITIUS LTD**

## **Management and Administration**

		Date of appointment
<b>Directors:</b>	Thierry Koenig	March 24, 2006
	Camille Pouletty	March 24, 2006
	Alaistair John Naisbitt King	March 24, 2006
	Gary Varley	April 7, 2006
	Martine de Fleuriot de la Colinière (alternate)	September 13, 2006 to January 10, 2007
<b>Secretary:</b>	C/o Maigrot Koenig 5th Floor, Chancery House Lislet Geoffroy Street Port Louis Mauritius	
<b>Registered Office:</b>	5th Floor, Chancery House Lislet Geoffroy Street Port Louis Mauritius	



# **EREDENE MAURITIUS LTD**

## **Report of the directors period ended December 31, 2006**

**1** The directors submit herewith their First Annual Report together with the financial statements for the period ended December 31, 2006.

### **2 Principal activity**

The principal activity of the company is to invest directly into Indian Joint Venture companies.

### **3 Results and dividends**

The loss for the period amounted to £1,250,546.

The directors do not recommend the payment of a dividend for the period.

### **4 Status**

The company was incorporated in the Republic of Mauritius on March 27, 2006 under the Companies Act 2001 and was granted a Global Business Licence Category 1 under section 20(5) of the Financial Services Development Act 2001 on March 31, 2006.

# **EREDENE MAURITIUS LTD**

## **Report of the directors period ended December 31, 2006**

### **5 Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs and of the results of the company. In preparing those financial statements, the directors are required to:

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **By order of the board**

Secretary  
Maigrot Koenig

# **EREDENE MAURITIUS LTD**

## **Report from the secretary to the members of Eredene Mauritius Ltd under section 166(d) of the Companies Act 2001**

We certify that, to the best of our knowledge and belief, we have filed with the Registrar all such returns as are required of the Company under section 166(d) of the Companies Act 2001 for the period ended December 31, 2006.

*for Maigrot Koenig*  
**Corporate Secretary**  
**Date: June 1, 2007**

## **EREDENE MAURITIUS LTD**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

This report is made solely to the members of Eredene Mauritius Ltd, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Report on the Financial Statements**

We have audited the financial statements of Eredene Mauritius Ltd on pages 7 to 15 which comprise the balance sheet at December 31, 2006, the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

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

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

## **EREDENE MAURITIUS LTD**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

#### **Report on the Financial Statements (Continued)**

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

#### *Opinion*

In our opinion, the financial statements on pages 7 to 15 give a true and fair view of the financial position of the Company at December 31, 2006, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

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

#### *Companies Act 2001*

We have no relationship with, or interests in, the Company, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

**BDO DE CHAZAL DU MEE**  
*Chartered Accountants*

Port Louis,  
Mauritius.

**Date: June 1, 2007**

# EREDENE MAURITIUS LTD

## Balance sheet - December 31, 2006

	<i>Notes</i>	2006
		£
<b>Assets</b>		
<b>Non current assets</b>		
Available-for-sale securities	5	13,882,475
<b>Current assets</b>		
Accounts receivable	6	2,530,569
Cash at bank		385,437
		2,916,006
<b>Total assets</b>		£ 16,798,481
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	7	108
Share premium		9,778,473
Revenue deficit		(1,250,546)
<b>Shareholders' interest</b>		8,528,035
<b>Current liabilities</b>		
Accounts payable	8	8,270,446
<b>Total equity and liabilities</b>		£ 16,798,481

These financial statements have been approved for issue by the Board of Directors on June 1, 2007

1. Camille Pouletty  
(Director)
2. Thierry Koenig  
(Director)

The notes on pages 113 to 117 form an integral part of the financial statements.  
Auditors' report on pages 107 and 108.

# EREDENE MAURITIUS LTD

## Income statement - period ended December 31, 2006

	<i>Notes</i>	2006
		£
<b>Income</b>		
Interest	3(c)	3,729
Other income		105
		<u>3,834</u>
<b>Expenditure</b>		
Travelling expenses		1,429
Legal fees		185,108
Tax advisory fees		3,795
Investment advisory fees		1,047,603
Bank charges		388
Set up cost		4,301
Licence		860
Secretarial fee		510
		<u>1,243,994</u>
Operating loss		(1,240,160)
Exchange loss		(10,386)
		<u>(1,250,546)</u>
Loss before taxation		(1,250,546)
Taxation	9	0
		<u>0</u>
Loss for the period		<u>£ (1,250,546)</u>



# EREDENE MAURITIUS LTD

## Statement of changes in equity - period ended December 31, 2006

	Share Capital £	Share Premium £	Revenue Deficit £	Total £
Issue of shares	108	9,778,473	0	9,778,581
Loss for the period	0	0	(1,250,546)	(1,250,546)
Balance at December 31, 2006	108	9,778,473	(1,250,546)	8,528,035

# EREDENE MAURITIUS LTD

## Cash Flow statement - period ended December 31, 2006

	2006
	£
<b>Operating activities</b>	
Loss before taxation	(1,250,546)
Interest income	(3,729)
Increase in accounts receivable	(2,530,569)
Increase in accounts payable	8,270,446
Cash from operating activities	4,485,602
Interest received	3,729
Net cash from operating activities	4,489,331
<b>Investing activities</b>	
Purchase of available-for-sale securities	(13,882,475)
Net cash used in investing activities	(13,882,475)
<b>Financing activities</b>	
Issue of shares	9,778,581
Net cash from financing activities	9,778,581
Increase in cash and cash equivalents	385,437
Cash and cash equivalents at start	0
Cash and cash equivalents at December 31,	£ 385,437

# **EREDENE MAURITIUS LTD**

## **Notes to the financial statements - period ended December 31, 2006**

### **1 Company profile**

Eredene Mauritius Ltd is a company holding a Category 1 Global Business Licence. The principal activity of the company is that of investment holding and its registered office is at 5th Floor, Chancery House, Lislet Geoffroy Street, Port Louis, Mauritius.

### **2 Critical accounting estimates and judgements**

The company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **3 Significant accounting policies**

The principal accounting policies adopted by the company are as follows:

#### **(a) Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards, under the historical cost convention.

The preparation of financial statements in accordance with International Financial Reporting Standards requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The financial statements are prepared and presented in Great Britain Pound, the functional currency of the primary economic environment in which the entity operates.

#### **(b) Standards and interpretations not yet effective**

IFRS 7 - Financial instruments: Disclosure

Effective 1 January 2007. This standard will require entities to provide disclosures in their financial statements that will enable users to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date and how the entity manages those risks.

#### **(c) Income recognition**

Interest is accrued on a day-to-day basis.

# EREDENE MAURITIUS LTD

## Notes to the financial statements - March 31, 2006

### 3 Significant accounting policies (continued)

#### (d) Investments in available-for-sale securities

The British Venture Capital Association valuation guidelines state that, "Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value".

As there have been no material negative changes in the real-estate SPVs since the investment date, as evidenced by the board reports and the JLL report, the board considers that the most appropriate valuation for investments at December 31, 2006 is the investment cost.

The company has adopted International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) and accordingly has classified all its investments as available-for-sale.

Investments are accounted for on a trade date basis and translated in Great Britain Pound at the exchange rate ruling on the settlement date.

#### (e) Foreign currencies

Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Differences in exchange resulting from the settlement of such transactions are recognised in the Income Statement. Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Difference in exchange, thereon, is recognised in the Income Statement.

#### (f) Financial instruments

Financial instruments carried on the statement of net assets include available-for-sale securities accounts receivable, cash at bank and accounts payable.

The directors believe that the carrying values of the financial assets and liabilities are equivalent to their fair values.

# **EREDENE MAURITIUS LTD**

## **Notes to the financial statements - March 31, 2006**

### **4 Financial risk factors**

The company's activities expose it to a variety of financial risk, including:

- changes in foreign currency exchange rates; and
- liquidity risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

#### **Foreign exchange risk**

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to INR.

#### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash.

#### **Concentration risk**

The company's investments are concentrated in India. The company is, therefore, exposed to economic and political risks inherent to India.

# EREDENE MAURITIUS LTD

## Notes to the financial statements - December 31, 2006

### 5 Available-for-sale securities

	2006
<b>Unquoted Cost/Valuation</b>	£
Acquisitions during period	13,882,475
Balance at December 31,	13,882,475

As there have been no material negative changes in the real-estate SPVs since the investment date, as evidenced by the board reports and the JLL report, the board considers that the most appropriate valuation for investments at December 31, 2006 is the investment cost.

(i) The principal associated companies are:

Name of corporation	Country of incorporation	Description	Direct holding %
City Centre Mall Nashik Pte. Ltd	India	Ordinary shares	50
Five Star Properties Pvt Ltd	India	Ordinary shares	30
Twenty First Century Properties Pvt Ltd	India	Ordinary shares	35

The Board does not consider that it has significant influence over these companies.

### 6 Accounts receivable

	2006
	£
Other receivables	2,530,569

### 7 Share capital

	2006
<b>Authorised</b>	£
1,000 ordinary shares at £1 each	1,000
<b>Issued</b>	
108 ordinary shares at £1 each	108

### 8 Accounts payable

	2006
	£
Accruals and other payables	8,270,446

# EREDENE MAURITIUS LTD

## Notes to the financial statements - March 31, 2006

### 9 Taxation

The company is liable to pay tax in Mauritius at the rate of 15%. However, the company is entitled to foreign tax credit which is the higher of :

- (a) deemed foreign tax credit of 80% of Mauritius tax charge, and
- (b) withholding tax suffered on foreign source income. In addition to the withholding tax credit, in the case of dividend income, a credit is available for any foreign tax imposed on the profits out of which that dividend income was directly and indirectly received. Capital gains are exempt from tax in Mauritius. Tax loss carried forward during the period amounts to £1,249,974.

### 10 Currency profile

The currency profile of the company's financial assets and liabilities are summarised as follows:

	Financial Assets 2006	Financial Liabilities 2006
	£	£
Indian Rupees	16,413,044	8,270,446
Great Britain Pounds	385,437	0
	<u>16,798,481</u>	<u>8,270,446</u>

### 11 Holding company

The directors regard Eredene Capital PLC incorporated in the United Kingdom as the holding and ultimate holding company.

## 11. REGULATORY AND TAXATION ISSUES

**THIS SECTION IS ONLY A SUMMARY OF THE REGULATORY AND TAXATION ISSUES RELATING TO THE COMPANY AND THE FUND AND IS NOT A COMPREHENSIVE DISCLOSURE REGARDING ALL APPLICABLE LAWS AND REGULATIONS. THE REGULATORY AND TAX ISSUES REFERRED TO UNDER THIS SECTION ARE SUBJECT TO CHANGES FROM TIME TO TIME.**

**INDIA IS A RELATIVELY HIGHLY-TAXED AND HIGHLY-REGULATED ENVIRONMENT, AND PORTFOLIO COMPANIES IN INDIA WILL BE SUBJECT TO CUSTOMARY LEVELS OF TAXATION IN INDIA. NOTWITHSTANDING THIS, THE FUND HAS BEEN DESIGNED SO AS TO BE RELATIVELY TAX EFFICIENT FOR INVESTORS.**

**IT IS THE RESPONSIBILITY OF ALL PERSONS INTERESTED IN SUBSCRIBING FOR SHARES OF THE COMPANY TO INFORM THEMSELVES AS TO ANY INCOME OR OTHER TAX CONSEQUENCES ARISING IN THE JURISDICTIONS IN WHICH THEY ARE RESIDENT OR DOMICILED OR HAVE ANY OTHER PRESENCE FOR TAX PURPOSES, AS WELL AS ANY FOREIGN EXCHANGE OR OTHER FISCAL OR LEGAL RESTRICTIONS WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF THE SHARES. THE COMPANY HAS NO PRESENT PLANS TO APPLY FOR ANY CERTIFICATIONS OR REGISTRATIONS, OR TO TAKE ANY OTHER ACTIONS, UNDER THE LAWS OF ANY JURISDICTION WHICH WOULD AFFORD RELIEF TO LOCAL INVESTORS THEREIN FROM THE NORMAL TAX/REGULATORY REGIME OTHERWISE APPLICABLE TO AN INVESTMENT IN THE SHARES OF THE COMPANY.**

**PLEASE NOTE THAT THE SUMMARY OF THE REGULATORY AND TAX CONSIDERATIONS IN THIS SECTION IS BASED ON THE CURRENT PROVISIONS OF THE LAWS OF JERSEY, INDIA, MAURITIUS, CYPRUS, THE NETHERLANDS AND THE UNITED KINGDOM, AND THE REGULATIONS THEREUNDER, AND THE JUDICIAL AND ADMINISTRATIVE INTERPRETATIONS THEREOF, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT REGULATORY AND TAX IMPLICATIONS.**

### 11.1 Exchange Control Regulations

#### **India**

K2 Property may make investments in Indian Portfolio Companies either directly, or through one or more of its subsidiaries in Mauritius or Cyprus, under the Foreign Direct Investment (“**FDI**”) regime.

Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act 1999 (the “**FEMA**”) and the guidelines and regulations issued thereunder. FEMA provides the statutory framework that governs India’s system of controls on foreign exchange dealings. Through it the government of India exercises its policy with respect to foreign investment in India and all dealings by residents of India with non-residents and with foreign currency. As per Section 6(3)(b) of FEMA, the Reserve Bank of India (the “**RBI**”) has been given the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. Without permission (general or special) from the RBI, residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security. Accordingly, the RBI prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations in 2000, (“**FDI Regulations**”), pursuant to which no person resident outside India can purchase the shares of any company incorporated in India carrying on any trading, commercial or industrial activity in India without the general or special permission of the RBI.

The FDI Regulations provide that an Indian entity may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only as specified under FEMA and the rules and regulations made thereunder or as permitted by the RBI.



The Government of India established the Foreign Investment Promotion Board (“**FIPB**”) to regulate all FDI into India.

FDI in most sectors is now permitted under what is known as the ‘automatic route’, which essentially means that a foreign investor can bring in investment (by way of issue of shares or secondary purchase) in these sectors without the prior approval of any regulatory body under the Indian exchange control regulations, subject to the sectoral caps and other conditions as may be prescribed. However, there are certain sectors which continue to be regulated, wherein FDI is either totally prohibited (such as defence) or wherein maximum limits (“Sectoral Caps”) on foreign investment have been specified (such as foreign investment in the telecom sector).

The FDI Regulations prescribe certain conditions to be met in order for a foreign investment to be eligible for the automatic route. Some of the significant conditions to be complied with are as follows:

- The investment should be within the Sectoral Caps, if any;
- A foreign investor who has an existing venture (as on January 12, 2005) in India, or a technology transfer/trade mark agreement in the same field as that of the Indian company in which the FDI is proposed would not be eligible for this automatic route, subject to certain exceptions as laid out in the relevant guidelines. Such investments will require prior approval of the FIPB;
- The price at which the investment is made should be in compliance with the formula prescribed under the FDI Regulations. The FDI regulations prescribe a minimum price for foreign investment, which is arrived at on the basis of a prescribed formula. For purchase of shares of an unlisted company, the minimum price to be paid by the non-resident investor is linked to the net asset value (“**NAV**”) and the Profits Earnings Capacity Value (“**PECV**”) of the shares. For purchases of shares of a listed company the minimum price to be paid by a non-resident investor is the market price of the shares on the stock exchange. Similarly, for exits involving transfer from a non-resident to a resident, the exit price is capped at the price of the shares on the stock exchange (if the shares are listed) or the NAV or earnings per share (“**EPS**”) if the shares are unlisted. A special exemption has been carved out for FVCIs investing under the FVCI Regulations (please see section 10.2 for further details).

The Government of India has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, RBI will continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Investments not qualifying for the automatic route require the prior approval of the FIPB.

The acquisition of existing shares from an Indian resident by a non-resident and vice versa does not require the prior approval of the RBI, provided the transfer fulfils certain conditions, such as, pricing norms, sectoral cap, etc. Further, as a post-transfer compliance, transfers will have to be notified to the RBI in the forms prescribed, along with certain documents, such as consent letters from the transferor and the transferee, and a certificate from a Chartered Accountant.

Transfer of shares of an Indian company between two non-residents does not require any regulatory approvals, unless the transferee has an existing venture in India, or a technology transfer/trade mark agreement (existing venture or technology transfer/trademark agreement has been clarified to mean joint ventures, technology/transfer agreements existing as on January 12, 2005) in the same field as that of the Indian company whose shares are being transferred.

## Foreign Investment in Real Estate Sector

As per FEMA Regulations, foreign investors are permitted to invest in the real estate sector under the automatic route in certain categories and subject to certain limitations and conditions as summarised in the table below:

Project	Key Characteristics
Construction Development Projects, including housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, townships.	100% FDI is permitted under the “automatic” route, subject to certain conditions including the following: <ul style="list-style-type: none"><li>• Minimum area to be developed under each project will be:-<ul style="list-style-type: none"><li>• Serviced housing plots – 25 acres / 10 hectares (land area);</li><li>• Construction development – 50,000 sq. metres (built - up area)</li><li>• Any of the above in case of a combination project.</li></ul></li><li>• Minimum Capitalisation norm – US \$10 mn for a wholly owned subsidiary and US \$5 mn for a joint venture with an Indian partner. Funds to be brought in within 6 months of commencement;</li><li>• Minimum lock-in period of 3 years from completion of minimum capitalisation to apply with respect to repatriation of original investment without prior approval of FIPB;</li><li>• Minimum of 50% of the integrated project development to be completed within a period of 5 years from the date of obtaining all statutory clearances.</li></ul>
Roads & Highways, Ports and Harbours	100% FDI permitted under the “automatic route” in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours.
Airports	Up to 100% FDI permitted. However, in existing projects, investment by foreign investors beyond 74% requires prior approval of the FIPB.
Mass Rapid Metro Transit System	FDI up to 100% is permitted on an automatic basis in MRMTS in all metros, including associated real estate development.
Special Economic Zones	100 % FDI is permitted under the automatic route subject to the Special Economic Zones Act, 2005 and the Foreign trade policy.
Industrial Parks, Model Towns and Growth Centres	FDI up to 100% is permitted in Industrial Parks subject to the approval of Empowered Committee that has been established by the Government of India <sup>39</sup> .
Health Care	Health care 100% foreign investment is allowed in this sector and hence, FDI may be allowed in the construction of hospitals.
Hotels & Tourism	100% FDI permitted. Hotels include restaurants, beach resorts, and other tourist complexes providing accommodation and/or catering and food facilities to tourists. Tourism related industry include travel agencies, tour operating agencies and tourist transport operating agencies, units providing facilities for cultural, adventure and wildlife experience to tourists, surface, air and water transport facilities to tourists, leisure, entertainment, amusement, sports, and health units for tourists and Convention/Seminar units and organisations.

39 Chapter VI of the Manual on Foreign Direct Investment in India and Notification issued by the Ministry of Commerce and Industry, Department of industrial Policy and Promotion, dated April 1, 2002.

The Fund will only be investing in real estate projects that would be compliant under the FDI Regulations, or other regulations in India which specifically permit an alternative investment structure. K2 Property or one of its offshore subsidiaries may apply to the RBI for “Foreign Institutional Investor” or “FII” status.

Non-Resident Indians (“NRIs”) and Persons of Indian Origin (“PIOs”) are permitted to invest in certain other categories in the real estate sector.

Except as stated above, the policy of the Government of India is to restrict equity investment in the real estate sector but not to restrict foreign construction and related firms certain from business activities in the Indian housing and real estate sector with or without making any equity investment. Such business activities can include engineering services, architectural services, designing services, and service and works contracts.

### **Mauritius, Cyprus and Jersey**

All exchange control regulations have been suspended in Mauritius. In the event that they are reintroduced, they will most probably not in any case apply to K2 Property as it is licensed as a “Category 1 Global Business Company” in Mauritius for the purposes of the Financial Services Development Act 2001.

Exchange controls do not apply to Cyprus companies. They may hold and manage assets and liabilities in any foreign currency and in any country, including freely convertible and transferable balances with banks in Cyprus.

Exchange controls in Jersey are applied in accordance with international sanctions.

## **11.2 Securities Law Regulations**

### **The Netherlands**

Pursuant to article 2.65 of the AFS it is prohibited to offer units in a collective investment scheme or attract funds for the investment in a collective investment scheme in the Netherlands if the manager does not have a licence, unless an exception, exemption or individual dispensation applies. Pursuant to article 2.66 of the AFS this prohibition does not apply to certain foreign collective investment schemes provided that the relevant collective investment scheme is subject to actual supervision in its home country and the level of supervision is considered adequate by the Dutch Minister of Finance. In such cases, the supervision as exercised in the home country of the relevant collective investment scheme, is relied upon, provided that the relevant home country is appointed by the Dutch Minister of Finance and the relevant collective investment scheme is registered in accordance with article 2.66 of the AFS with the AFM. Jersey is an adequately supervised regime for these purposes pursuant to an appointment by the Dutch Minister of Finance dated 4 December 2006.

### **Jersey**

The Company is governed by the Collective Investment Funds (Jersey) Law 1988, as amended (the “Funds Law”) and the subordinate legislation made thereunder. The Company and the Jersey Administrator have obtained permits under the Funds Law from the Jersey Financial Services Commission (“Jersey FSC”) to operate as functionaries within the island. The Jersey FSC is protected against liability arising from discharge of its functions under the Funds Law.

Further information in relation to the regulatory treatment of Listed Funds domiciled in Jersey may be found on the website of the Jersey Financial Services Commission at [www.jerseyfsc.org](http://www.jerseyfsc.org).

## **11.3 Taxation Issues at the K2 Group level**

### **11.3.1 Taxation of the K2 Group in India as per the India–Mauritius Tax Treaty/India-Cyprus Tax Treaty**

The taxation of K2 Property and the K2 Subsidiaries in India shall be governed by the provisions of the ITA, read with the provisions of the India-Mauritius Tax Treaty (“**IM Treaty**”) and India-Cyprus Tax Treaty (“**IC Treaty**”) (for K2 Subsidiaries in Cyprus). As per Section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the IM Treaty and IC Treaty.

In order for the IM Treaty and IC Treaty provisions to apply, K2 Property and the K2 Subsidiaries must be Mauritius or Cyprus tax residents as the case may be. K2 Property has received its Mauritius tax residency certificate from the Mauritian tax authorities and it is expected that the K2 Subsidiaries should receive Mauritius or Cyprus tax residency certificates from the Mauritius or Cyprus tax authorities as the case may be, in each case on an annual basis. The K2 Subsidiaries must be managed and controlled from outside India, and must not have a permanent establishment in India.

Taxation of the income of the K2 Group arising from investments in India should be minimised under the provisions of the IM Treaty and/or the IC Treaty. However, no assurance can be given that the terms of the IM Treaty and/or the IC Treaty will not be subject to re-negotiation in the future and any change could have a material adverse effect on the returns generated by the K2 Group. There can be no assurance that the IM Treaty and/or the IC Treaty will continue and will be in full force and effect during the life of K2 Property.

K2 Property and/or the K2 Subsidiaries are expected to derive profits in the form of capital gains, dividends and interest on account of investments in Indian Portfolio Companies.

### *Capital Gains*

According to the provisions of the IM Treaty and IC Treaty, all capital gains realised by K2 Property or the K2 Subsidiaries, whether long-term or short-term, will not be subject to tax in India, provided K2 Property/the K2 Subsidiaries are tax residents of Mauritius and/or Cyprus (as the case may be), do not have a permanent establishment in India, and are controlled and managed from outside India. As K2 Property and the K2 Subsidiaries hold or are expected to hold a tax residency certificate from the Mauritius and/or Cyprus Income-tax Authorities (as the case may be) and are expected to satisfy the other conditions, all the capital gains realised by K2 Property or the K2 Subsidiaries should be subject to tax only in Mauritius and/or Cyprus (as provided in the IM treaty or IC Treaty).

If the benefits of the IM Treaty or the IC Treaty are denied to K2 Property and/or the K2 Subsidiaries or if K2 Property and/or the K2 Subsidiaries are held to have a permanent establishment in India or are deemed to be controlled from India, gains derived by K2 Property and/or the K2 Subsidiaries due to the sale of shares or securities of the Portfolio Companies, may be subject to taxation in India as follows.

1. Long-term capital gains (being gains on sale of shares held for a period of more than twelve months) arising on transfer of listed equity shares executed on a recognised stock exchange in India and hence subject to Securities Transaction Tax (“STT”) will be exempt from other tax in India. However, as per the Finance Act 2006, since K2 Property and the K2 Subsidiaries are or will be organised in the form of a company, a Minimum Alternate Tax at the rate of 10% (excluding currently applicable surcharge and education cess) may be levied on such long term capital gains derived by the K2 Group;
2. Short-term capital gains (being gains on sale of shares held for a period of twelve months or less) arising on transfer of listed equity shares executed on a recognised stock exchange in India and hence subject to STT will be taxed at the rate of 10% in India (excluding currently applicable surcharge and education cess);
3. Long-term capital gains arising on transfer of listed equity shares executed off the recognised stock exchange in India and hence not subject to STT will be taxable at 10% in India (excluding currently applicable surcharge and education cess);
4. Short-term capital gains arising on transfer of listed equity shares executed off the recognised stock exchange in India and hence not subject to STT will be taxed at the rate of 40% in India (excluding currently applicable surcharge and education cess);
5. Long-term capital gains from sale of unlisted Indian securities would be taxed at the rate of 20% in India (excluding currently applicable surcharge and education cess); and
6. Short-term capital gains from sale of unlisted Indian securities would be taxed at the rate of 40% (excluding currently applicable surcharge and education cess);

The exemption on long term capital gains and reduction of rate for short term capital gains would be applicable only if the sale / transfer of the equity shares takes place on a recognised stock exchange in India. All transactions entered on a recognised stock exchange in India will be subject to STT levied on the transaction value at the applicable rates (currently 0.125% of the transaction value).

In the event that gains on sale of securities of Portfolio Companies are held to be “business income”, then in the absence of a business connection or permanent establishment, such gains would not be taxable in India. However, in the event, that such gains are held to be business income, this could be taxed at the rate of 40% (excluding currently applicable surcharge and education cess) on the basis of net income but only to the extent such income is attributable to the activities

of a permanent establishment in India. STT paid on such transactions could be claimed as a rebate against the business income tax paid on the same.

### *Dividends*

Dividends are currently exempt from tax in the hands of all shareholders, irrespective of their residential status. However, an Indian Portfolio Company declaring, distributing or paying dividends will be required to pay a Dividend Distribution Tax (“**DDT**”) of 15% (excluding currently applicable surcharge and education cess). Accordingly, the dividends earned by the K2 Group should be exempt from tax in India.

### *Interest*

Any interest that accrues to K1 Investments or any of the other K2 Subsidiaries in Cyprus from the Indian Portfolio Companies shall be subject to an interest withholding tax in India at the rate of 10% as per the IC Treaty provided the receiving company can demonstrate it is the beneficial owner of the interest income.

If the benefits of the IC Treaty are denied or if K1 Investments or any of the other K2 Subsidiaries in Cyprus are held to have a “permanent establishment” in India, or if such company is controlled or managed from India, or fails to demonstrate it is the beneficial owner of the interest income, then as per the ITA, interest income may be subject to an interest withholding tax at the rate of 10% (excluding currently applicable surcharge and education cess) in case of interest on the Foreign Currency Convertible Bonds issued by the Portfolio Companies under the Issue of Foreign Currency Convertible Bonds and new ordinary shares (through Depository Receipt Mechanism) Scheme 1993, at the rate of 20% (excluding currently applicable surcharge and education cess) on loans made to Portfolio Companies in non-Indian currency but not under the FCCB route (e.g. under the External Commercial Borrowing route) and at the rate of 40% (excluding currently applicable surcharge and education cess) in case of loans made to the Portfolio Companies in Indian currency.

Any interest income of K2 Property or any of the other K2 Subsidiaries in Mauritius would be taxable as per the provisions of the ITA as stated above.

### **11.3.2 Mauritius**

K2 Property holds a Category 1 Global Business License issued by the Mauritius Financial Services Commission and will be liable to tax in Mauritius at the rate of 15% on its net income. However, K2 Property will be entitled to a foreign tax credit equivalent to the higher of the actual foreign tax suffered (which may include DDT paid by the Portfolio Company in India) or a deemed tax credit of 80% of the Mauritius tax on its foreign source income. As a result, dividend and interest income from Portfolio Companies would be subject to an effective rate of between 0 and 3%.

Capital gains will be exempt from income tax in Mauritius on disposals by K2 Property of its investments. There is no withholding tax payable in Mauritius in respect of payments of dividends to Investors. Investors will not be liable for tax in Mauritius on dividend and capital distributions made by K2 Property. However, the recipient may be subject to taxation in the jurisdiction in which he is resident or domiciled for tax purposes.

K2 Property has been listed a Tax Residence Certificate from the Mauritian Commissioner of Income Tax and accordingly, qualifies as a resident of Mauritius for the purposes of the IM Treaty. On this basis, K2 Property should be entitled to certain relief from Indian tax, subject to the continuance of the current terms of the IM Treaty, and to satisfying all the other conditions specified above.

A similar tax analysis will be applicable to any K2 Subsidiary in Mauritius.

The Investment Advisor will be required to charge value added tax on at 15% on its fees. Upon registration for value added tax, K2 Property will be able to recover any value added tax paid to the Investment Advisor, or to any other party.

### **11.3.3 Cyprus**

Capital gains from the sale of securities are not taxable in Cyprus. Dividends received from a holding of more than 1% are not taxable in Cyprus if the company paying the dividends (e.g. a Portfolio Company) is subject to normal taxes of at least 5%. If this is not the case, then tax on dividends will be applied at 15% as “Special Defence Tax”. If the normal activities of K1 Investments or any of the other K2 Subsidiaries in Cyprus are to borrow and lend money, then any profits arising from interest income will be taxable at 10% (subject to entitlements of foreign tax credits equivalent to the actual foreign tax suffered).

There is no withholding tax payable in Cyprus in respect of payments of dividends and interest to investors.

### **11.4 Portfolio Company Tax Implications**

A company incorporated in India is regarded as a tax resident of India and is subject to taxation in India on its worldwide income. Currently, domestic companies are taxed at the rate of 30% (excluding any applicable surcharge and education cess) on their net profits. Every Indian company distributing dividends to its shareholders is required to pay a DDT of 15% (excluding any applicable surcharge and education cess). The dividends so paid by the Indian company are tax-exempt in the hands of the shareholders, irrespective of their residential status. It is noted that DDT is not tax deductible in the hands of Portfolio Companies.

Consequently, it may be observed that it is likely to be preferable for the Fund to sell its interest in a Portfolio Company (since it is intended that no capital gains tax will be payable in India, Mauritius or Cyprus – see Section 10.4) rather than to receive dividends and other distributions from the Portfolio Company concerned.

#### **11.4.1 Taxation of Income from House Property**

Income from rentals from commercial properties is taxed under the head “Income from House Property” under sections 22-27 of the ITA. As per section 24 of the ITA, an Indian company would be allowed a standard deduction at the rate of 30% against the rental income. Accordingly, tax would be payable only on 70% of the rental income earned by the Indian company. This amount could be reduced further by way deductions for interest payments if the Indian company has borrowed funds for purposes of acquisition, construction, repair, renewal or reconstruction of the property. There is no limit on the amount of interest deductible and thus if the interest payable exceeds the rental income, the unabsorbed interest can be carried forward against income from property.

#### **11.4.2. Minimum Alternate Tax**

Where the tax payable by the Portfolio Company is less than 10% of its book profits, the tax will be deemed to be 10% (excluding surcharge and education cess) of such book profits as Minimum Alternate Tax. Excess of Minimum Alternate Tax paid over the tax liability under the provisions of the ITA is available as a tax credit for a period of seven years against the normal tax liability of the Portfolio Company.

#### **11.4.3 Wealth Tax**

Buildings, residential and commercial premises held by a Portfolio Company will be regarded as assets as defined under Section 2(ea) of the Wealth Tax Act, 1957 and thus be eligible to wealth tax in the hands of the Portfolio Company at the rate of 1% on its net wealth in excess of the base exemption of INR 15,00,000. It should be noted that shares of a Portfolio Company would not be treated as assets under the Wealth Tax Act and therefore would not be subject to wealth tax.



#### **11.4.4 Service Tax**

The service tax regime was introduced vide Chapter V to the Finance Act, 1994. Subsequent Finance Acts, (1996 to 2003) have widened the service tax net by way of amendments to Finance Act, 1994. Service tax is levied on specified “taxable services” at the rate of 10% (excluding currently applicable education cess) on the “gross amount” charged by the service provider for the taxable services rendered by him. As per the Finance Act 2006, the rate of service tax has been increased to 12% (excluding currently applicable education cess). The Finance Act, 2004 has introduced “construction services” as a taxable service and thus such services provided by a Portfolio Company would be subject to service tax in India. The Finance Act, 2007 has also brought certain commercial rentals within the service tax net.

#### **11.4.5 Stamp Duty and Local Taxes**

The real estate activities of a Portfolio Company would be subject to stamp duties and other local / municipal taxes, which would differ from State to State, city to city and between municipals jurisdictions.

### **11.5 Jersey Taxation**

#### **11.5.1 The Company**

The Company has been granted exempt company status in Jersey and is therefore regarded as non-resident for Jersey tax purposes and as such will be exempt from Jersey income tax on income arising outside of Jersey and, by concession, bank interest arising in Jersey, but would otherwise be liable to Jersey income tax on income arising in Jersey. As an exempt company, the Company is liable to the exempt company fee currently at the rate of £600 per annum.

On 3 June 2003, the EU Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the European Union, however the Policy & Resources Committee of the States of Jersey announced that, in keeping with Jersey’s policy of constructive international engagement, it intends to introduce legislation to replace the Jersey exempt company regime with effect from 1 January 2009 with a general zero rate of corporate tax.

#### **11.5.2 Investors**

Jersey does not levy taxes upon capital, inheritances, capital gains, gifts, sales or turnover, nor are there estate duties. No stamp duty is levied on the transfer *inter vivos* or redemption of Ordinary Shares in the Company but there is a stamp duty payable when Jersey grants of probate and letters of administration are required. Stamp duty is levied according to the size of the estate and in the case of an estate not exceeding £10,000 in value the sum payable would be £50 otherwise duty is payable at a rate not exceeding 0.75%. Under Jersey law, a Jersey grant of probate or letters of administration are required to transfer or redeem Ordinary Shares on the death of a shareholder except (in the case of a shareholder not domiciled in Jersey) where the value of the deceased’s holdings is less than £10,000 when the directors of the Company may at their discretion dispense with this requirement on certain conditions being satisfied but, in all cases, an indemnity is required. Under Jersey law, deductions by way of withholding tax are not made on payments to shareholders on the redemption of Ordinary Shares.

#### **11.5.3 Dividends**

Holders of Ordinary Shares, other than persons resident for tax purposes in Jersey, are not subject to Jersey tax in respect of dividends declared by the Company. Jersey income tax will however, be deducted at source and paid to the Comptroller of Income Tax in respect of Ordinary Shares held by or on behalf of residents of Jersey. On request by the Jersey Comptroller of Income Tax, the Company must deliver to the Comptroller a list showing the names, addresses and shareholdings of Jersey residents as at the date of the request by the Comptroller.

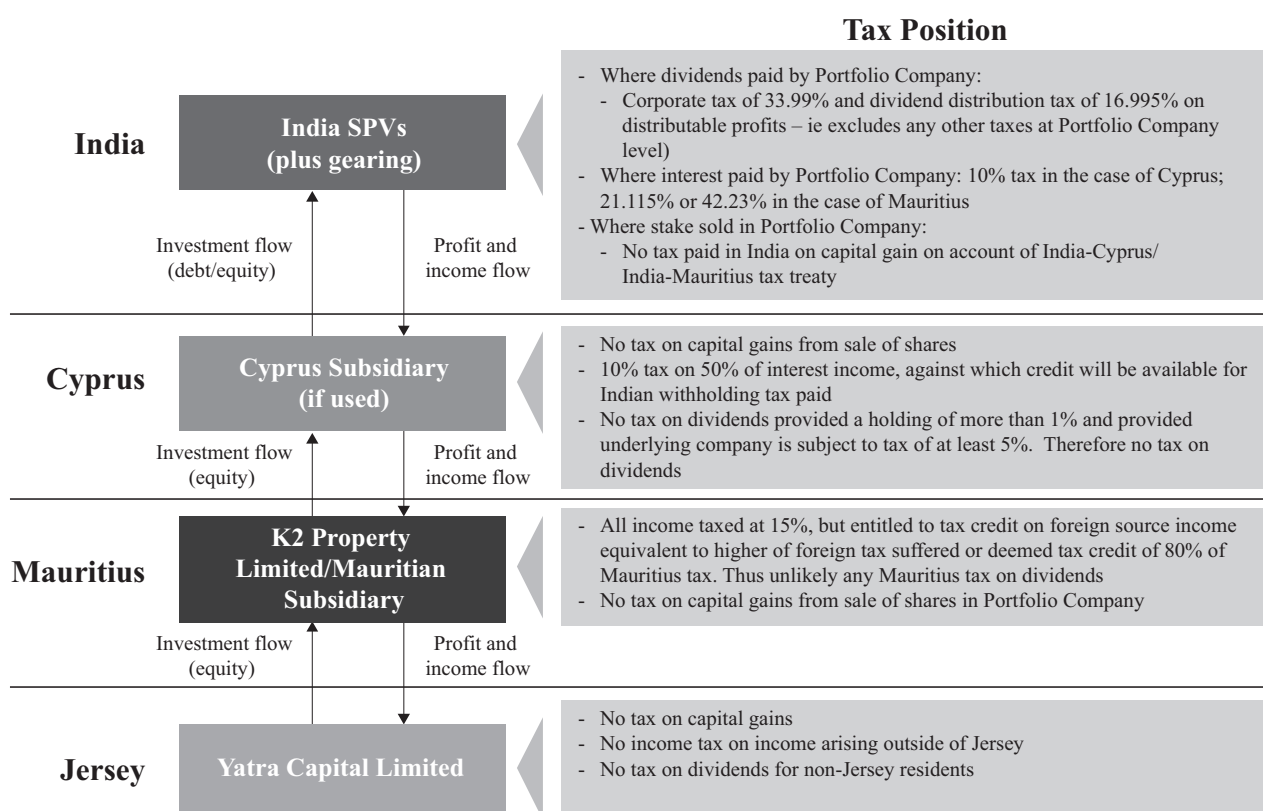
## 11.5.4 European Union Directive on the Taxation of Savings Income

As part of an agreement reached in connection with the European Union (“EU”) directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, distributions to holders of Ordinary Shares by the Company and income realised by holders of Ordinary Shares upon the sale, refund or redemption of Ordinary Shares do not constitute interest payments for the purposes of the retention tax system and therefore neither the Company nor the Jersey Administrator nor any paying agent appointed by them in Jersey is obliged to levy retention tax in Jersey under these provisions in respect thereof. However, the retention tax system could apply in the event that an individual resident in an EU Member State, otherwise receives an interest payment in respect of a debt claim (if any) owed by the Company to the individual. Accordingly the directors of the Company intend to manage the Company in such a way as not to incur debt claims from such individuals that would require the making of interest payments to them.

## 11.6 Summary of Tax Structure for the Fund

The tax levels likely to be applicable to the Company and the Fund may be summarised in the diagram below. It should be noted that this is merely a diagrammatic summary set out on the basis of certain assumptions which may not be ultimately applicable. Potential investors should refer to the detailed narrative in Sections 11.3 to 11.5 above for a full picture.





## **11.7 UK Taxation**

### **11.7.1 Company**

The Directors intend that the affairs of the Company and, so far as they are able, the Fund should be managed and conducted so that neither the Company nor any member of the K2 Group become resident in the United Kingdom for United Kingdom taxation purposes. Accordingly, and provided that all the transactions in the United Kingdom of the Company and any member of the K2 Group are carried out through a broker or investment manager acting as an agent of an independent status in the ordinary course of his business and neither the Company nor any member of the K2 Group have any fixed place of business or any other agent acting on its behalf and situated in the United Kingdom that constitutes a “permanent establishment” or “UK representative” for United Kingdom taxation purposes and the Company and any member of the K2 Group do not have any income with a source in the United Kingdom for the purposes of United Kingdom tax, neither the Company nor any member of the K2 Group should be subject to United Kingdom corporation tax or income tax on its profits. The Directors and, so far as the Directors are aware, the Investment Adviser each intend that, so far as this is within their respective control and it is reasonably practicable, the affairs of the Company and the Fund are conducted so that these requirements are met. However it cannot be guaranteed that the necessary conditions for these requirements to be met will at all times be satisfied.

### **11.7.2 Shareholders**

The following statements are of a general nature and are based on current United Kingdom tax law and on the current practice of HM Revenue & Customs (“HMRC”), as of the date of this document, both of which are subject to change, possibly with retroactive effect. They are intended to address only certain United Kingdom tax consequences and concerns for Shareholders of Ordinary Shares who are resident, ordinarily resident and domiciled in the United Kingdom (except where expressly stated otherwise), who are the beneficial owners of Ordinary Shares and who hold Ordinary Shares as capital assets and they do not address the United Kingdom tax consequences which may be relevant to other classes of Shareholders such as dealers in securities or persons who receive or have received the opportunity to acquire Ordinary Shares by virtue of the employment or directorship of any person (or who are deemed to have acquired Ordinary Shares pursuant to such an opportunity). Except where expressly stated otherwise, the statements assume that the Shareholder is not a company which either directly or indirectly and whether with or without associated or connected persons controls or is entitled to acquire 10 per cent or more of the Company’s share capital, voting power or profits and that the Shareholder does not hold the Ordinary Shares in trust. Individual Shareholders who although resident or ordinarily resident, but not domiciled in the United Kingdom may be liable to certain of the taxes on a remittance basis (which is widely defined for these purposes) and should take separate tax law advice in this respect.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular prospective subscriber for or purchaser of Ordinary Shares. Accordingly, prospective subscribers for or purchasers of Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership or disposition of Ordinary Shares or who are subject to tax or have presence for the purposes of tax in a jurisdiction other than the United Kingdom, should consult their own tax advisors.

### **11.7.3 UK Shareholders**

#### *Taxation of dividends on Ordinary Shares*

UK resident individual Shareholders will, subject to their personal circumstances, be liable to UK income tax on any dividends received on their Ordinary Shares (or, where relevant, the sterling equivalent amount, calculated by reference to the exchange rate prevailing at the relevant time) (which will include all amounts treated as distributions under UK tax law whether received on any redemption of Ordinary Shares or otherwise). The income tax charge in respect of dividends for UK resident individual Shareholders will (depending on the amount of the Shareholder’s overall taxable income) be at the dividend ordinary rate of 10 per cent or the dividend upper rate of 32.5 per cent. For this purpose, dividends are treated as the top slice of an individual Shareholder’s income. It was proposed in the 2007 Budget that

provisions are to be included in the Finance Bill 2008 for dividends from non-UK resident companies to be subject to UK tax in the same manner as dividends from UK resident companies. Accordingly, subject to the relevant provisions being enacted and all applicable conditions (which have yet to be published and are consequently currently unknown) being met, the Shareholders who are individuals and who are UK residents will receive a non-repayable tax credit equal to 1/9th of the amount of the dividend and will pay income tax at either the dividend ordinary rate (10%) or the dividend upper rate (32.5%) (depending on their personal circumstances) on the aggregate of the amount of the dividend and the tax credit.

#### *Taxation of profits or gains made on the disposal or a deemed disposal of Participating Shares*

Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 (the “Taxes Act”) provides that if an Investor who is resident or ordinarily resident in the United Kingdom for taxation purposes holds a “material interest” in an overseas company that constitutes an “offshore fund” and that company does not qualify as a “distributing fund” throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest will be taxed at the time of such sale, redemption or disposal as income and not as a capital gain. On the basis that at the time of subscription for Ordinary Shares, the Ordinary Shares would not be expected to be realisable within seven years for an amount equal to or substantially equal to their proportionate share of the market value of the assets of the relevant Portfolio from time to time, the Ordinary Shares should not constitute “material interests” in an “offshore fund” for the purposes of these provisions. Accordingly, it is anticipated that apart from any sums representing accrued income for the period of disposal, gains realised on the disposal of Ordinary Shares to a third party and otherwise than on any redemption or buy-back of the Ordinary Shares (excluding in the course of a winding-up) by United Kingdom resident or ordinarily resident Shareholders will be subject to taxation as capital and not as income unless the Shareholder is a dealer in securities. Any such gains may accordingly be reduced by any general or specific United Kingdom exemption in respect of capital gains tax, including taper relief for individuals and other non-corporate Shareholders and indexation allowance for corporate Shareholders.

#### **11.7.4 UK Stamp Duty and UK Stamp Duty Reserve Tax (“SDRT”)**

The following comments are intended as a guide to the general UK stamp duty and UK SDRT position and do not apply to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

There generally should be no liability to UK stamp duty or UK SDRT on the issue of the Ordinary Shares by the Fund.

UK stamp duty will be payable on any instrument of transfer of the Ordinary Shares (at the rate of 0.5 per cent of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) executed within the UK or which relates to any property situated, or any matter or thing done or to be done, in the UK.

Provided the Participating Shares are not registered in any register kept in the UK by or on behalf of the Fund, any agreement to transfer the Shares will not be subject to UK SDRT.

#### **11.7.5 Other UK Tax Considerations**

The attention of UK resident or ordinarily resident and, if individuals, domiciled Shareholders is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company or the K2 Group or any Portfolio Company can be attributed for tax purposes as having been made by a Shareholder who holds, alone or together with associated persons, more than 10 per cent interest in the Company, or the K2 Group or the relevant Portfolio Company.

The attention of UK resident and if individuals, domiciled, Shareholders is drawn also to Section 703 of the Taxes Act under which HMRC may seek to cancel tax advantages from certain transactions in securities. No clearance has been sought, or is intended to be sought, by the Company or the or K2 Group pursuant to section 707 of the Taxes Act. The said section 703, however, should not apply provided it can be shown to the satisfaction of HMRC, that the relevant transaction in securities, including the acquisition of the Ordinary Shares, was carried out either for bona fide commercial

reasons or in the ordinary course of making and managing investments (as those phrases are interpreted for the purposes of the said section 703).

The attention of Shareholders who are individuals ordinarily resident in the UK is drawn to the provisions of sections 739-745 of the Taxes Act and which can, in certain circumstances, render such individuals liable to tax in respect of undistributed profits of the Company, the or K2 Group or Portfolio Companies.

The attention of companies resident in the United Kingdom for taxation purposes is drawn to the fact that the “controlled foreign companies” legislation contained in Chapter IV of Part XVII of the Taxes Act could apply to any United Kingdom resident company which, either alone or together with persons connected or associated with it for taxation purposes, is deemed to be interested in 25 per cent or more of any chargeable profits of the Company or any member of the K2 Group or any Portfolio Company arising in an accounting period, if at the same time the Company or the Fund or the relevant Portfolio company is controlled (as “control” is defined in Section 755D of the Taxes Act) by persons (whether companies, individuals or others) who are resident in the United Kingdom for taxation purposes or is controlled by two persons taken together, one of whom is resident in the United Kingdom for tax purposes and has at least 40 per cent of the interests, rights and powers by which those persons control the Fund, and the other of whom has at least 40 per cent and not more than 55 per cent of such interests, rights and powers. The “chargeable profits” of the Company or any member of the K2 Group or Portfolio Company do not include any of its capital gains. The effect of these provisions could be to render such companies liable to United Kingdom corporation tax in respect of the undistributed income (and where relevant, the sterling equivalent amount calculated by reference to the exchange rate prevailing at the relevant time and in accordance with UK law) of the Company or member of the K2 Group or Portfolio Company.

#### **11.7.6 Non-UK Shareholders**

Shareholders who are not resident or ordinarily resident in the United Kingdom and do not carry on any trade, profession or vocation through a branch, agency or permanent establishment in the United Kingdom should not be liable to United Kingdom taxation on dividends received on the Ordinary Shares or on profit or gain arising on the sale or other disposal of their Ordinary Shares.

Shareholders who are not resident in the UK but who are carrying on a trade in the UK for tax purposes with which their Ordinary Shares are connected will, depending on their circumstances, be liable to UK income tax or corporation tax on dividends paid by the Company.

Shareholders who are not resident in the UK for tax purposes but who are carrying on a trade, profession or vocation in the UK through a branch, agency or, in the case of a corporate shareholder, permanent establishment and have used, held or acquired Ordinary Shares for the purposes of such trade, profession or vocation may also be subject to UK corporation tax on any profit or gains made on a disposal of those Shares.

#### **11.8 Netherlands Taxation**

*The summary below is intended as general information only and it does not purport to present any comprehensive or complete picture of all aspects of Netherlands tax law which could be of relevance to the acquisition, the holding or the disposing of the Ordinary Shares in the Company. It is limited to Netherlands tax law as applied by the Netherlands courts and published and in effect on the date of this Prospectus and it is subject to any change in law, possibly with retroactive effect. This summary does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as, among others, pension funds, insurance companies and dealers in securities) may be subject to special rules.*

## Taxes on Income and Capital Gains

### *Residents of the Netherlands*

The description of certain Netherlands taxes set out below is only intended for the following Shareholders or investors:

- individuals who are resident or deemed to be resident in The Netherlands or individuals who have opted to be taxed as a resident in The Netherlands for the purpose of the relevant Netherlands tax law provisions; and
- corporate entities, which term includes associations which are taxable as corporate entities under Netherlands tax law, that are resident or deemed to be resident in The Netherlands for the purpose of the relevant Netherlands tax law provisions, excluding corporate entities that are: (i) not subject to Netherlands Corporate Income Tax (*vennootschapsbelasting*), (ii) exempt from Netherlands Corporate Income Tax, including but not limited to pension funds (*pensioenfondsen*) as defined under Netherlands law, (iii) investment institutions (*beleggingsinstellingen*) as defined under Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*); or (iv) companies subject to a special regime such as, among others, banks, insurance companies and brokers.

### *Individuals*

Generally, an individual, to whom none of the following exemptions of the following paragraph applies, will be subject to Netherlands income tax on a deemed yield from the Ordinary Shares, regardless of the actual income and / or capital gains derived from the Ordinary Shares. The deemed yield amounts to 4 per cent of the average value of the Shareholders' net assets in the relevant fiscal year (including the Ordinary Shares), as calculated pursuant to the Netherlands Income Tax Act 2001. The deemed yield, as reduced by certain base allowances, is taxed at a flat rate of 30 per cent.

If Ordinary Shares are part of a substantial interest or a deemed substantial interest in the Company, any benefits arising from that substantial interest or that deemed interest are subject to Netherlands Income Tax. For the year 2007, the Income Tax rate for shares that are part of a substantial interest or a deemed substantial interest is 22 per cent of the first EUR 250,000 of taxable income and 25 per cent over any taxable income in excess of EUR 250,000.

Generally, a person (including a company) will have a substantial interest (*aanmerkelijk belang*) (as defined in Netherlands tax law) if he, or his partner (partner) (as defined in Netherlands law) holds, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company, or rights to acquire, whether directly or indirectly shares, whether or not already issued, that represent at any time (and from time to time) five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company or the ownership of certain profit participating certificates that relate to five per cent or more of the annual profit of a company and/or to five per cent or more of the liquidation proceeds of a company. A substantial interest is also present if a holder of shares does not, but his or his partner's children (including foster children), certain of his or his partner's other relatives or certain persons sharing his household do have a substantial interest in the company. A deemed substantial interest is also present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis as a result whereof the above-mentioned interest in the company has been reduced to less than 5 per cent.

Any benefits derived or deemed to be derived from the Ordinary Shares (including any capital gains realised on the disposal thereof) that are: (i) attributable to an enterprise from which the resident derives income or capital gains, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or as shareholder, (ii) taxable as benefits from "miscellaneous activities" (*resultaat uit overige werkzaamheden*) (as defined in Netherlands tax law), which include but are not limited to activities which are beyond the scope of regular active asset management (*normaal actief vermogensbeheer*) (as defined in Netherlands tax law), and (iii) connected with employment income, are generally subject to Netherlands income tax at progressive rates with a maximum of 52 per cent.

### *Corporate entities*

A resident of The Netherlands that is a corporate entity will generally be subject to Netherlands Corporate Income Tax with respect to income and capital gains derived from the Ordinary Shares. The Dutch corporate income tax rate (2007) is 20 per cent over the first EUR 25,000 of taxable income, 23.5 per cent over any taxable income between EUR 25,000 and EUR 60,000 and 25.5 per cent over any taxable income in excess of EUR 60,000.

### *Non-residents of the Netherlands*

A Shareholder who derives income or who realises income or capital gain in respect of any distribution on the Ordinary Shares or in respect of any gain realised on the disposal, deemed disposal or redemption of an Ordinary Share will not be subject to Netherlands taxation on such income or gain, provided that:

- the Shareholder is neither resident nor deemed to be resident in The Netherlands for Netherlands tax purposes and, if the Shareholder is an individual, has not elected to be treated as a resident of The Netherlands for the purpose of the relevant Netherlands tax law provisions;
- the Shareholder does not have an enterprise or deemed enterprise (as defined in Netherlands tax law) or an interest in an enterprise or deemed enterprise (as defined in Netherlands tax law) that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and to which enterprise or part of that enterprise, as the case may be, the Ordinary Shares are attributable;
- the Shareholder is not entitled to a Ordinary Share in the profits of an enterprise that is effectively managed in The Netherlands, other than by way of securities or through an employment contract, and to which enterprise the Ordinary Shares are attributable;
- the Shareholder does not have a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Issuer as defined in the Netherlands Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*);
- the Shareholder does not carry out and has not carried out employment activities in The Netherlands nor carries or carried out employment activities outside The Netherlands for which the remuneration is subject to Netherlands wage withholding tax and with which employment activities the holding of the Ordinary Shares is connected; and
- the Shareholder does not derive benefits from the Ordinary Shares that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*) as defined in the Netherlands Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*), which include, but are not limited to, activities in respect of the Ordinary Shares which are beyond the scope of “regular active asset management” (*normaal actief vermogensbeheer*).

Under the Laws of The Netherlands a Shareholder will not be deemed resident, domiciled or carrying on a business in The Netherlands by reason only of its holding of the Ordinary Shares or the performance by the Issuer of its obligations under the Ordinary Shares.

### **Gift and Inheritance Taxes**

#### *Dutch residents*

Gift, estate or inheritance taxes will arise in The Netherlands with respect to the acquisition of an Ordinary Share by way of gift by, or on the death of, a Shareholder who is resident or deemed to be resident in The Netherlands at the time of the gift or his death.

For the purpose of Netherlands gift, estate and inheritance tax, an individual who has Netherlands nationality will be deemed to be a resident of The Netherlands at the date of the gift or the date of his death, if he has been a resident of The Netherlands at any time during the ten years preceding the date of his gift or the date of his death.

For the purposes of Netherlands gift tax, an individual who does not have the Netherlands nationality will be deemed to be a resident of The Netherlands at the date of the gift if he has been a resident of The Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.



### *Non-Dutch residents*

No gift, estate or inheritance taxes will arise in The Netherlands with respect to the acquisition of an Ordinary Share by way of gift by, or on the death of, a Shareholder who is neither resident nor deemed to be resident in The Netherlands, unless:

- the Shareholder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Ordinary Shares are attributable;
- the Ordinary Shares are or were attributable to an enterprise that is effectively managed in The Netherlands and at the time of the gift the donor is, or at the time of his death the deceased was, entitled to an Ordinary Share in the profits of that enterprise or part thereof other than by way of securities or through an employment contract; or
- in the case of a gift of Ordinary Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

### **Value Added Tax**

No Value Added Tax (*Omzetbelasting*) will arise in The Netherlands in respect of any payment with respect to the issue of an Ordinary Share.

### **Stamp duty**

No stamp duty, registration tax or any other similar documentary tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of an Ordinary Share.

## **11.9 Money Laundering**

### **India**

#### *Prevention of Money-Laundering Act, 2005*

The Prevention of Money Laundering Act, 2005 (the “PMLA”), which came into force on 1 July 2005, embodies India’s legislative commitment to the elimination and prevention of money laundering. The main objects of PMLA are (i) the prevention and control of activities concerning money laundering and (ii) the confiscation of property derived or involved in money laundering.

Under the PMLA, a person is guilty of an offence of “money laundering” if that person “*directly or indirectly attempts or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property*”. The term “proceeds of crime” has been defined under the PMLA to mean property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to an offence listed in the schedule to the PMLA.

The PMLA mandates certain entities such as banks, financial institutions and intermediaries (dealing in securities) to maintain record of all transactions above a certain value or of a suspicious nature, as prescribed in the rules framed under the PMLA. The transactions so prescribed may be a single transaction or a series of inter-connected transactions which take place within one month (“Transactions”). The institution must provide information relating to such Transactions to the director appointed under the PMLA within the prescribed time limit. These institutions also must verify and maintain the records of identity of their clients in the manner prescribed in the rules under the PMLA. The PMLA also confers discretionary power on the principal officer of a bank, financial institution or intermediary to report Transactions that have been valued below the prescribed limits to escape scrutiny.

## **Mauritius**

### *Anti-Money Laundering Regulations*

In accordance with the Financial Intelligence and Anti-Money Laundering Act 2002 of Mauritius and the Code on the Prevention of Money Laundering and Terrorist Financing, K2 Property will appoint a resident director as its money laundering reporting officer (“MLRO”). The duties of that director as MLRO will include receiving and evaluating internal suspicious transactions reports and, where appropriate, filing these with the Mauritius Financial Intelligence Unit.

## **Jersey**

### *Anti Money Laundering*

The combined effect of the relevant Jersey laws is to make it an offence for any person to provide assistance to a criminal to obtain, conceal, retain or invest funds if that person knows or suspects or, in some cases (e.g. terrorist funding or the offences of concealing or transferring) should have known or suspected that those funds are the proceeds of criminal conduct. Such assistance is punishable on conviction by a maximum of 14 years’ imprisonment, or a fine, or both. It is a defence that the person concerned reported his/her knowledge or suspicion to the law enforcement agencies at the first available opportunity.

## **12. GENERAL INFORMATION**

### **12.1 Incorporation and Administration**

Yatra Capital Limited was incorporated in Jersey with limited liability under the Companies Law on 26 May 2006 with registered number 93576. The Company is domiciled in Jersey and the registered office of the Company is care of the Jersey Administrator at 43 La Motte Street, St Helier, Jersey JE4 8SD. The telephone number at that address is +44 (0) 1534 702 800. The Company is regulated in Jersey by the Jersey Financial Services Commission.

The principal business of the Company is to make investments in its subsidiary, K2 Property, thereby enabling K2 Property to establish a fund for investment in the Indian real estate sector.

Since its incorporation, the Company has not incurred any borrowings. Audited consolidated financial statements and accounts for the Company for the period to 31 March 2007 are set out at Section 10 of this document. PricewaterhouseCoopers CI LLP in Jersey, whose address is set out on page 6 of this document, have been the only auditors of the Company since incorporation.

Changes in the authorised and issued share capital of the Company since incorporation appear in section 12.2 below.

The Company has no administrative management or supervisory bodies other than the Board.

K2 Property is a subsidiary of the Company, and K1 Investments is a wholly-owned subsidiary of K2 Property. K2 Property also owns the entire issued "A" Shares of Eredene Mauritius., and has incorporated or acquired a number of other subsidiaries in Mauritius, as detailed in Section 12.3. As at the date of this document, the Company has no other subsidiaries.

### **12.2 Share Capital**

The Company was incorporated on 26 May 2006 as a private par value company. By Special Resolution dated 12 September 2006, the Company was altered to a public no par value company, authorised to issue up to ten Founder Shares of no par value, of which only two are in issue registered in the name of the Jersey Administrator, and an unlimited number of Ordinary Shares of no par value. The Jersey Administrator, whose address is detailed above could therefore be regarded as the "founder" of the Company. The Founder Shares are not redeemable and in accordance with the Articles are to be registered in the name of the Jersey Administrator or as otherwise determined by the Board. The Founder Shares do not carry any rights to dividends or profits and on liquidation they will rank behind Ordinary Shares for the return of the amount paid up on each of them. Founder Shares carry the right to receive notice of and attend general meetings, but carry no right to vote thereat unless there are no Ordinary Shares in issue.

On 6 December 2006, the Company issued 10,000,000 Ordinary Shares as part of a placing to investors at a placing price of €10 per Ordinary Share. The share capital of the Company as at today's date is €100,000,000. All the Ordinary Shares issued to date have been fully paid.

In accordance with the power granted to the Directors by the Articles, the Ordinary Shares will be allotted pursuant to a resolution of the Board passed on 18 September 2007. On the assumption that the Offering is fully subscribed as described at Section 8.1 above, the share capital of the Company will be €250,000,000 immediately following completion of the Offering, resulting in dilution of €150,000,000 and a percentage dilution of approximately 60%.

Subject to the exceptions set out in the section "Transfer and Holding Restrictions" in section 9 above, Ordinary Shares are freely transferable and Shareholders are entitled to participate (in accordance with their rights specified in the Articles) in the assets of the Company attributable to their Ordinary Shares in a winding up of the Company or a winding up of the business of the Company.

Save as disclosed in this section 12.2, since the date of its incorporation, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, either for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.



There are no requirements under the laws of Jersey for notification to be made of persons having directly or indirectly a significant interest in the Company's capital or voting rights, and accordingly there is no person who directly or indirectly holds an interest in the Company's capital or voting rights which is notifiable under the Companies Law. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

The Board is proposing to approve, subject to the approval of Shareholders in general meeting, the issue of share options to purchase Ordinary Shares under a share option scheme. The share option scheme is intended to provide for the Board, through the Remuneration Committee, to issue share options to purchase Ordinary Shares to Directors and other parties in recognition of exceptional service and performance over up to 4% of the Company's enlarged share capital (being the share capital of the Company immediately after the Offering assuming all the Ordinary Shares available under the Offering are issued) at an exercise price per Ordinary Share which will be no less than the Offering Price.

In accordance with the Articles, further issues of Ordinary Shares will be at the discretion of the Board.

### **12.3 K2 Group**

K2 Property was incorporated in Mauritius in accordance with Mauritius law under the name K2 Property Limited, as a public company limited by shares with limited life, with registered number 62912 on 19 May 2006.

K2 Property is domiciled in Mauritius. Its principal place of business is located at Suite 2004, Level 2, Alexander House, 33 Cybercity, Ebene, Mauritius, and the registered office is care of the K2 Administrator, at the same address. The telephone number at that address is +23 02105100. K2 Property is regulated in Mauritius by the Mauritius FSC.

The principal business of K2 Property is to make investments, either directly or through subsidiaries, in real estate projects in India. Since its incorporation, K2 Property Limited has not incurred any borrowings. Audited financial statements and accounts of K2 Property for the period to 31 March 2007 are set out in Section 10 of this document. PricewaterhouseCoopers in Mauritius, whose address is set out on page 6 have been the only auditors of the Company since its incorporation. K2 Property's accounting period terminates on 31 March of each year.

K2 Property has a limited life of 15 years from the date of incorporation. This period may be extended by up to two years (see Section 12.9.11 below). A portfolio attributable to a certain class or classes of K2 Shares may have a shorter effective life than the Company in the event that the Directors liquidate the assets attributable to that portfolio and distribute all profits as dividends and/or redeem all outstanding shares of the relevant class. It is intended that the respective portfolios attributable to the A Shares and the B Shares will have a life of seven years from the date of initial issue (see Section 12.11 for further information).

K1 Investments was incorporated in Cyprus under the laws of Cyprus under the name K1 Property Investments Limited on 23 January 2006 with registered number HE 171100. Its registered office is at Theklas Lysioti, 29 Cassandra Centre, 2nd Floor, (201/202) PC 3030, Limassol, Cyprus, and the telephone number at that address is +35 725820650. K1 Investments is a wholly-owned subsidiary of K2 Property.

K2 Property has established a number of subsidiary holding companies and underlying subsidiary companies in Mauritius for the purpose of holding Fund Investments, including interests in Portfolio Companies. Details of these subsidiaries are set out below:

<b>Name of Subsidiary</b>	<b>% of shares held or ultimately held by K2 Property</b>	<b>Current Activity</b>
K2 Private Equity Limited	100%	None
K2 Hospitality Limited	100%	Holding Company
K2A Hospitality Limited	100%	None
K2B Hospitality Limited	100%	None
K2 Residential Limited	100%	Holding Company
K2A Residential Limited	100%	None
K2B Residential Limited	100%	None
K2C Residential Limited (formerly Eredene Mauritius Limited)	100% "A" Shares	Holding Company
K2 Commercial Limited	100%	Holding Company
K2A Commercial Limited	100%	None
K2 Retail Limited	100%	Holding Company
K2A Retail Limited	100%	Contracting Party for termsheet relating to Agra transaction (see Section 5.1.6)
K2B Retail Limited	100%	Holding Company
K2C Retail Limited	100%	None
K2D Retail Limited	100%	None
K2E Retail Limited	100%	None
K2F Retail Limited	100%	None

#### **12.4 Share Capital of K2 Property**

The share capital of K2 Property consists of Class A Shares, Class B Shares, Class C Shares and Class D Shares. The authorised share capital of K2 Property has, in accordance with Mauritian legislation, not been limited. Under the K2 Constitution, the Directors are entitled to issue A Shares, B Shares, C Shares or D Shares in any number. These four classes of shares all have a par value of US \$0.01 each. Further classes of shares may be created and issued by the K2 Directors with the approval of the holders of 90% of the C Shares.

On the date of incorporation of K2 Property, 200 C Shares were issued to the K2 Administrator. On 19 September 2006, these shares were transferred to Saffron Capital Securities Limited, a further 67,300 C Shares and 7,500 C Shares were issued to Saffron Capital Securities Limited and Yasu Management Limited respectively and 25,000 D Shares were issued to the Investment Advisor. As at the date of this document a total of 75,000 C Shares and 25,000 D Shares have been issued at par fully paid.

On 16 January 2007, 1,250,000 A Shares were issued to the Company pursuant to the Class A Subscription Agreement at a subscription price of US\$100 (or the equivalent in euros) each. No B Shares have been issued.

All classes of K2 Shares have identical rights except with respect to dividends and other distributions and certain voting rights (as detailed in Section 12.9 below). The A Shares and the B Shares have identical rights. The C Shareholders and the D Shareholders shall not be entitled to any dividends or other distributions unless Investor Shareholders shall have received by way of return of capital, or other distribution a sum equivalent to their Capital Contributions plus a sum equivalent to an annual compound return of 11% on their Net Capital Contributions. Once K2 Investors have received this Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to be paid out of any further Returns available for distribution, pro-rata to their respective holding of K2 Shares, a sum equivalent to 20% of all K2 Profits, including the Hurdle Return (provided always that this shall not operate so as to reduce the Hurdle Return paid to Investor Shareholders).

The K2 Constitution also authorises the K2 Board to issue loan stock. As at the date of this document, no loan stock has been issued or is intended to be issued.

The issue of shares and loan stock is generally at the discretion of the K2 Board who are authorised under Mauritian law and the K2 Constitution but subject to their statutory and fiduciary duties to issue an unlimited number of shares, and unlimited loan stock. The consent of the holders of 90% of the C Shares is required prior to the issue of any share or loan capital.

The K2 Board, with the consent of the holders of all the C Shares, has approved the issue of Shares for an overall consideration of up to €150,000,000 in connection with any subscriptions by the Company.

Save for the K2 Shares referred to above, since the date of incorporation no share or loan capital of K2 Property has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by K2 Property in connection with the issue of any such capital. No share or loan capital of K2 Property is under option or has been agreed, conditionally or unconditionally, to be put under option.

The voting rights attached to the A Shares and B Shares held by the Company will be exercised by the Board in its sole discretion.

## **12.5 Share Capital of K1 Investments**

The share capital of K1 Investments is five thousand Cyprus pounds divided into five thousand shares of one Cyprus pound each. As at the date of this document, one share has been issued to Standguard Limited, the original subscriber to the memorandum of association of K1 Investments. On 20 June 2006, this single issued subscriber share was transferred to K2 Property. As far as the Directors are aware, as at the date of this document, other than the subscriber share, no share or loan capital of K1 Investments has been issued or agreed to be issued or is now proposed to be issued.

## **12.6 The Investment Advisor and Indian Advisor**

The Investment Advisor was incorporated in Mauritius under the name Saffron Capital Advisors Limited as a private company limited by shares with registered number 61616 on 20 March 2006. The Investment Advisor is domiciled in Mauritius. Its principal place of business is located at Suite 2004 Level 2, Alexander House, 24 Cybercity, Ebene, Mauritius, and the registered office is at the same address. The telephone number at that address is +230 464 5100.

The Investment Advisor is licensed by the Mauritius FSC as a Global Business Company authorised to give advice on investments.

The name and address of the India Advisor is Saffron Asset Advisors Private Limited, 4th Floor, Pharma Search House, 72/73 Worli Hill Estate, Dr B. G. Kher Marg, Worli, Mumbai 400018.

## **12.7 Directors' and other Interests**

**12.7.1** No loan has been granted to, nor any guarantee provided for the benefit of any Director by the Company nor any K2 Director by K2 Property.

**12.7.2** Except as disclosed in section 12.7.6 and 12.14, no Director nor any K2 Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company or K2 Property and which have been effected by the Company or K2 Property since incorporation whether or not outstanding or unperformed.

**12.7.3** The Company has purchased group directors and officers liability insurance for the benefit of the Directors and the K2 Directors.

**12.7.4** Within the last five years, no Director nor any K2 Director has been convicted of any indictable or fraudulent offence, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.

- 12.7.5** Within the last five years, no Director nor any K2 Director has been associated with any bankruptcy, receivership or liquidation of any enterprise of which they were either (a) a member of the administrative, management or supervisory body (b) in the case of a limited partnership with a share capital, a partner with unlimited liability, (c) a founder or (d) a senior manager relevant to establishing the enterprise with appropriate expertise for the management of the business.
- 12.7.6** None of the Directors nor any K2 Director has received any official public recrimination from any statutory or regulatory authority or within at least the previous five years been disqualified by a court from acting as the management or conduct of the affairs of an enterprise.
- 12.7.7** In accordance with the terms of the Subscription Agreements, the Company is entitled to nominate up to two members of the Investment Committee. As at the date of this document, the nominations to the Investment Committee will be Malcolm King and David Hunter, who are each also directors of the Company.
- 12.7.8** Rohin Shah is a Director of the Company, and is also a director of K2 Property, K1 Investments and the Investment Advisor and has an ownership interest in the Investment Advisor and K2 Property. Since it was in his interests as a director of the Investment Advisor for the Company to enter into the Investment Advisory Agreement, and since it was in his interests as a director of K2 Property for the Company to enter into the Subscription Agreements, he should therefore be regarded as having a conflict of interest in the Investment Advisory Agreement and the Subscription Agreements, which are respectively described at Sections 12.18.1 and 12.18.3 below.

Ajoy Kapoor is a director of the Company, is also a director of the India Advisor and the Investment Advisor and has an ownership interest in the India Advisor, Investment Advisor and K2 Property. As a person with an ownership interest in K2 Property, he should be regarded as having a conflict of interest with respect to the Subscription Agreement.

William Kay is a Director of the Company and is also a director of and has an ownership interest in the Jersey Administrator, and since it may be in his interests as a director and a person with an ownership interest in the Jersey Administrator for the Company to enter into the Administration Agreement, he should therefore be regarded as having a conflict of interest and an interest in the Administration Agreement described at Section 12.18.2 below.

William Kay was in part selected as a Director as part of the arrangements between the Company and the Jersey Administrator.

Mr Gopal and Mr Seesaram were selected as directors of K2 Property as part of the arrangements made between K2 Property and the K2 Administrator.

Vipin Shah, a Director of K2 Property and of the Investment Advisor, is the uncle of Rohin Shah, and has an ownership interest in the Administrator and the Investment Advisor and the Company (through his ownership in the Advisory Group), and should therefore be regarded as having a potential conflict of interest in the Administration Agreement and the Investment Advisory Agreement which are described at section 12.18.

- 12.7.9** Other than as detailed in Section 12.7.8 and 12.14, the Directors are not aware of any potential conflict of interest between the duties of any Director to the Company and their private interests or other duties, and no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by, each Director) an interest in the share capital of the Company or with any options in respect of such capital.
- 12.7.10** The dates of appointment as a Director and details of current and former directorships over the previous five years (other than the Company) and memberships of partnerships of each of the directors are detailed below. These details are all-inclusive except where indicated.

<b>Name and Date of Appointment</b>	<b>Current directorships/partnerships</b>	<b>Past directorships/partnerships</b>
Sir Nigel Broomfield <i>31 October 2006</i>	Cable & Wireless (Jersey) Limited	Ditchley Foundation TI Group plc Smiths Group plc
David Hunter <i>5 June 2006</i>	British Property Federation Gruinard Residential Limited Hunter Advisers Limited Treveria Properties S.a.r.l Hunter Capital Partners Limited Pearson Pension Property Fund Limited API Business Development Company	API Development Business Company API Research & Strategic Services Limited Arlington Property Investment Managers Limited Arlington Property Investors Europe Limited Arlington Property Investors Limited Arlington Property Investors UK Limited Arlington Property Unit Trust Managers Limited Arlington PSCP Limited Arlington UK Balanced Property Fund PLC Property Management Employment Services Limited Property Partners (Two Rivers) Limited Property Partners (Whitgift) Limited Regent Property Partners (Residential) Limited Regent Property Partners (Retail Parks) Limited Regent Retail Parks (St Johns' Wolverhampton) Limited Arlington Property Services Limited API UK Balances Fund Asset Company Limited Arlington Property Investors Limited Arlington Property Investors US Limited Arndale Centre Nominee (No.1) Ltd Arndale Centre Nominee (No.2) Ltd Gold Square Nominee (No. 1 Ltd) Gold Square Nominee (No. 2 Ltd) PSCP (General Partner) Limited The Grange Birkenhead Nominee (No. 1) Ltd The Grange Birkenhead Nominee (No. 2) Ltd Warrington (General Partner) Limited Chelsfield White City SAGP Ltd Cathedral Investment Properties Limited Chelsfield White SALP Ltd Euro Salas Properties Ltd Roproperty Holdings UK Limited Saim B Ltd Scottish Amicable Farms Ltd

<b>Name and Date of Appointment</b>	<b>Current directorships/partnerships</b>	<b>Past directorships/partnerships</b>
		Scottish Amicable Investment Property Ltd Transeuropean Properties (General Partner) II Ltd Transeuropean Properties (General Partner) Ltd White City (Shepherds Bush) General Partner Ltd
William Kay 26 May 2006	Minerva Holdings Limited* The Westbury Property Fund Limited Minerva Financial Services Limited Professional Trust Company Limited	Barclays Private Bank & Trust Limited**
Ajoy Kapoor 5 June 2006	Saffron Capital Advisors Limited Saffron Asset Advisors Private Limited (India) Saffron Capital Securities Limited (Mauritius) City Centre Mall Nashik Private Limited Five Star Developers Private Limited Twenty First Century Properties Private Limited	
Malcolm King 5 June 2006	Anavon Limited Essendon Properties Limited Essendon Properties (No 2) Limited Eversliegh Investment and Property Limited Frimley Properties Limited Hertingfordbury Investments Limited Hoe Leasing Limited King Properties Company Limited Kingair Limited Marlborough Business Park Limited Redrow PLC St Joseph's in the Park Limited The Machrie Links Hotel Co Limited C Le Masurier Limited	J P Sturge Limited King & Co Limited King & Co Holdings Limited King & Co Management Services Limited King Sturge & Co Facilities Management Limited King Sturge Financial Services Limited King Sturge & Co Financial Services Limited King Sturge International Holdings Limited King Sturge & Co Consulting Limited King Sturge Holdings Limited King Sturge LLP King Sturge Residential Limited King Sturge Payroll Limited Kintra Limited KSFM Limited King Sturge Services Limited LairdsAin Limited King Sturge Belgium King Sturge Czech Republic King Sturge France King Sturge Germany King Sturge Poland King Sturge Spain

<b>Name and Date of Appointment</b>	<b>Current directorships/partnerships</b>	<b>Past directorships/partnerships</b>
Christopher Lovell*** 5 June 2006	Capita Trustees Limited Channel House Trustees (London) Limited Dawnay Day Treveria plc Public Service Properties Investments Limited Northern European Properties Limited Basil Street Investments Limited Aseana Properties Limited	Capita Trust Company (Jersey) Limited BFS Equity Income and Bond Trust Limited BFS Managed Properties Limited Capita Fiduciary Group Limited
Rohin Shah 5 June 2006	Saffron Capital Limited Portmove Limited Meghraj Properties (UK) Limited Matside Properties Limited Jasmin Investments Limited Meghraj Properties Limited India Property Research Limited Saffron Capital Securities Limited Saffron Capital Advisors Limited K2 Property Limited K1 Property Investments Limited Trammell Crow Meghraj Property Consultants Private Limited Trammell Crow Meghraj Building Operations Private Limited Jones Lang LaSalle Meghraj Property Consultants Private Limited	Astra Harlow Limited Hype Limited Tatlow Court Property Management Co Limited Meghraj Pension Trustee Limited Saffron Asset Advisors Private Limited

\* Mr Kay is currently a director of Minerva Holdings Limited and its wholly owned subsidiary Minerva Financial Services Limited, a trust company licensed by the Jersey Financial Services Commission, and is also a director of a number of companies within the Minerva Financial Services Limited group. Minerva Financial Services Limited provides trust and company administration services to entities on behalf of its clients and, as a result, Mr Kay is a director of a number of client companies as part of its usual practice of administration.

\*\* In connection with his role as director of Barclays Private Bank & Trust Limited, Mr Kay was a director of a number of other wholly owned subsidiaries of Barclays Bank plc.

\*\*\* Mr Lovell is a director of a number of companies within the Capita Fiduciary Group. These companies provide trust and company administration services to entities on behalf of their clients and, as a result, Mr Lovell is a director of a number of client companies as part of their usual practice of administration.

**12.7.11** The dates of appointment as a K2 Director and details of current and former directorships over the previous five years and memberships of partnerships over the previous five years of each of the K2 Directors not named in Section 12.7.10 are detailed below. The details are all inclusive except where indicated.



<b>Name and Date of Appointment</b>	<b>Current directorships/partnerships</b>	<b>Past directorships/partnerships</b>
Teewareesing Gopal* <i>19 May 2006</i>	Minerva Fiduciary Services (Mauritius) Limited	
Christopher Jones <i>19 May 2006</i>	Crossover Productions Limited Entera Equity Partners Limited Screen Investors Limited Asset Column Limited Metropolis Post Production Limited Motion Picture Partners LLP Motion Picture Partners International (A) LLP Motion Picture Partners International (B) LLP Motion Picture Partners International (C) LLP K2 Property Limited K1 Property Investments Limited City Centre Mall Nashik Private Limited	Ideas Hub Partners Limited (Dissolved) Mindship Limited (Dissolved) Ideas Hub Plc (Dissolved) Ideas Hub Investments Limited (Dissolved) Ideas Hub Ventures Limited (Dissolved)
Ben Locknat Daby Seesaram** <i>1 June 2006</i>	Minerva Fiduciary Services (Mauritius) Limited PCL Legal Services (Mauritius) Limited	
Vipin Shah	Minerva Holdings Limited Minerva Financial Services Limited Minerva Fund Administration Limited Accor Property Fund Limited Meghraj SP Corporate Finance (Pvt) Limited	

\* Mr. Gopal is currently a director of Minerva Fiduciary Services (Mauritius) Limited. Minerva Fiduciary Services (Mauritius) Limited provides trust and company administration services to entities on behalf of its clients and, as a result, Mr. Gopal is a director of numerous client companies as part of its usual practice of administration.

\*\* Mr. Seesaram is currently a director of Minerva Fiduciary Services (Mauritius) Limited and PCL Legal Services (Mauritius) Limited. Both Minerva Fiduciary Services (Mauritius) Limited and PCL Legal Services (Mauritius) Limited provide trust and company administration services to entities on behalf of clients and, as a result, Mr. Seesaram is a director of numerous client companies as part of its usual practice of administration.

**12.7.12** None of the Directors nor the K2 Directors have been appointed for any specific periods, nor are they subject to retirement on rotation, and no such director has any agreement which provides for benefits upon termination of employment.

**12.7.13** The total remuneration paid and benefits in kind granted in the financial period to 31 March 2007 to each of the Directors and each of the K2 Directors by the Company or any member of the K2 Group is as follows:

Sir Nigel Broomfield: €16,047;

David Hunter: €31,802;

Ajoy Veer Kapoor: €31,383;

William Kay: Nil



Malcolm King: €31,595;

Christopher Lovell: €31,556;

Rohin Shah: €31,599;

Teewaressing Gopal: Nil

Christopher Jones: Nil

Ben Seesaram: Nil

Vipin Shah: Nil

## **12.8 Memorandum and Articles of Association of the Company**

In accordance with the Companies Law, the Memorandum of Association of the Company does not have an objects clause.

Clause 2 of the Memorandum of Association states the Company shall have and be capable of exercising all the functions of a natural person of full capacity as provided by Article 18 of the Companies Law.

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

### **12.8.1 General Meetings and Voting**

Directors may call general meetings of the Company whenever they think fit. If there are not sufficient members to call a general meeting, any Director or any member may call such a meeting. Twenty one clear days' notice shall be given in the case of an annual general meeting or a meeting for the passing of an extraordinary or special resolution, and in the case of any other general meeting, fifteen days' notice will be required. Any general meeting must be held outside the United Kingdom.

The holders of Ordinary Shares have the right to receive notice of, and to vote at, general meetings of the Company. Each holder of Ordinary Shares who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Ordinary Share held. No business shall be transacted at a general meeting unless a quorum of two members present either in person or by proxy and entitled to vote are present.

An instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation under its common seal or under the hand of an officer or attorney duly authorised. In the case of shares registered in the name of an Approved Operator or any institution which is affiliated with the Approved Operator for the purpose of trading on a Stock Exchange, any underlying holder of interests in such shares may submit a written declaration from the Approved Operator or affiliated institution which shall constitute an instruction appointing a proxy from the relevant registered shareholder confirming that the number of shares mentioned in each written declaration form part of a "joint deposit", and that the person mentioned in the declaration is a participant for the mentioned number of shares in the "joint deposit", and shall be entitled to exercise voting rights as a proxy in respect of such shares at the relevant general meeting (and that such participant shall be entitled to delegate their proxy to a third party by delivering such form of proxy executed in writing). Where there are joint participants in respect of any share, such persons shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the participant whose interest is first notified to the Company shall alone be entitled to vote.

Where there are joint registered holders of any share, such persons shall not have the right of voting individually in respect of such share, but shall elect one of their number to represent them and to vote whether in person or by proxy in their name.

### **12.8.2 Variation of Rights**

Subject to the Companies Law, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the class (but so that if any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the Ordinary Shares or any shares or class of shares issued with preferred, deferred, or other special rights shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.

### **12.8.3 Issues of Shares**

Without prejudice to any special rights conferred on the holders of any class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by Ordinary Resolution determine.

Unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine. The Company may also pay such brokerages and/or commissions as may be lawful.

No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

### **12.8.4 Notice requiring disclosure of interest in Ordinary Shares**

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in Ordinary Shares held by the member. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is expected to be 28 days after service of the notice or 14 days if the shares concerned represent 0.25% or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25% of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that (subject to the Companies Law, and any rules and regulations of any relevant Stock Exchange or Approved Operator) no transfer of the shares shall be registered until the default is rectified.

### **12.8.5 Register and Certificates**

The Articles allow for the holding and transfer of Ordinary Shares in certified and uncertificated form.

Shares in the Company may be represented by one or more global shares issued to an Approved Operator, in which case the Approved Operator shall be entered into the Company's share register as the Shareholder.

### **12.8.6 Transfer of Shares**

Any member may transfer Ordinary Shares or interests therein held in uncertificated form through an uncertificated system operated by an Approved Operator subject to any regulations issued under the Companies Law or by the Company, and the rules and regulations of the relevant uncertificated system, Stock Exchange and Approved Operator.

In the event the Directors determine that the Ordinary Shares may be held in certificated form, the following shall apply to the transfer of Ordinary Shares held in such form.

- (i) any member may transfer all or any of his Ordinary Shares by instrument of transfer in any form which the Directors may approve. An instrument of transfer of a Ordinary Share shall be signed by or on behalf of the transferor; and
- (ii) the Directors may refuse to register any transfer of Ordinary Shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer:

- (i) of any share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis; or
- (ii) which is not in favour of a Qualifying Investor;
- (iii) in respect of more than one class of shares; or
- (iv) in favour of more than four joint transferees or in favour of more than one single transferee.

Transfers or assignments of Founder Shares may not be made without the approval of the Directors.

The Directors may only decline to register or recognise any transfer of an uncertificated share in accordance with the Companies Law, the listing rules of any relevant Stock Exchange, and the rules and regulations of the relevant Approved Operator.

### **12.8.7 Compulsory redemption or transfer of Ordinary Shares**

The Board may require the redemption or the transfer of Ordinary Shares owned or which appear to be owned directly or beneficially by any person who is not a Qualifying Investor.

Holders of Ordinary Shares do not have the right to redeem their Ordinary Shares. The Company may, with the sanction of an Extraordinary Resolution of the holders of Ordinary Shares redeem all (but not some) of the Ordinary Shares at a price per Ordinary Share determined by the Directors.

### **12.8.8 Alteration of capital and purchase of Ordinary Shares**

The Company may from time to time, subject to the provisions of the Companies Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Companies Law.

The Companies Law provides that the Company may by Special Resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; convert all or any fully paid up shares into stock and reconvert that stock into paid up shares of any denomination; and convert its fully paid shares into shares denominated in a different currency.

The Company may by Special Resolution reduce its share capital, any redemption reserve fund or any stated capital account in any manner permitted by and with and subject to any consent required by the Companies Law.

### **12.8.9 Interests of Directors**

Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).

Subject to the Companies Law, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) a contract, arrangement, transaction or proposal concerning or the issue of shares, debentures or other securities of the Company or its subsidiaries in which issue he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
- (iv) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1% or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
- (v) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
- (vi) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.

Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

### **12.8.10 Remuneration of Directors**

The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed €300,000 per annum plus any performance bonus agreed to be paid (or such sum as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

### **12.8.11 Appointment and Removal of Directors**

The Directors have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed holds office only until the next following Annual General Meeting and is then be eligible for re-election. The Company may by Extraordinary Resolution appoint any person to office as a Director.

The office of a Director is vacated in any of the following events namely:-

- (a) if he resigns his office by notice in writing signed by him and left at the office;
- (b) if he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) if he becomes of unsound mind;
- (d) if he ceases to be a Director by virtue of any provision of the Companies Law or becomes prohibited by the Companies Law from or disqualified from being a Director;
- (e) if subsequent to his appointment he becomes resident or ordinarily resident in the United Kingdom and as a result thereof but for the provisions of the Articles a majority of the Directors would be resident or ordinarily resident in the United Kingdom;
- (f) if he be requested by all the other Directors (not being less than two in number) to vacate office;
- (g) if he is removed from office by an Extraordinary Resolution of the Company in general meeting.

The Company at any general meeting at which a Director retires or is removed shall fill up the vacated office by electing a Director unless the Company shall determine to reduce the number of Directors.

### **12.8.12 Retirement of Directors**

Directors shall not be subject to retirement by rotation.

A Director shall not be required to hold any qualification shares.

No person shall be or become incapable of being appointed a Director by reason of having attained the age of 70 or any other age and no Director shall be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

### **12.8.13 Dividends and distribution of assets on a winding up**

Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.

No dividend shall be paid other than from the profits (including for the avoidance of doubt all gross revenues) resulting from the Company's business. The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the profits of the Company.

No dividend or other amount payable to any holder of Ordinary Shares shall bear interest against the Company. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of the Company until claimed. Payment by the Company of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. Any dividend unclaimed on the earlier of (1) seven years from the date when it first became payable or (2) the date on which the Company is wound up, shall be forfeited automatically, without the necessity for any declaration or other action by the Company.

The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to divide.

The Articles permit up to 100% of management and administration fees, finance costs and all other expenses to be charged to capital.

If the Company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of an Extraordinary Resolution and any other sanction required by Companies Law, divide amongst the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division should be carried out as between the members or different classes of members.

#### **12.8.14 Voluntary Winding-Up**

The Company may be wound up at any time by Special Resolution and the Directors shall, if necessary be bound to convene an extraordinary general meeting for the purposes of passing a Special Resolution for the winding-up of the Company.

#### **12.8.15 Borrowing**

The Directors may exercise all and any powers of the Company to borrow money. Any person lending money to the Company shall be entitled to assume that the Company is acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

#### **12.8.16 Determination of Net Asset Value**

The net asset value of the Company is equal to the aggregate value of all assets of the Company less all the Company's liabilities. The net asset value of the Company is determined and published by the Company at such times as the Board may determine in accordance with the following valuation principles:

- (a) all assets and liabilities of the Company are valued at their respective fair values as determined in good faith by the Directors; and
- (b) any value in respect of a non-sterling asset or liability shall be converted at any officially set exchange rate or appropriate spot market rate (whether official or otherwise) on the relevant valuation date or, if no such rate is then available, at the most recently available such rate as the Directors in their absolute discretion deem appropriate in the circumstances having regard, *inter alia*, to any premium or discount which may be relevant and to costs of exchange.

#### **12.8.17 Changes to Investment Policy of the Company**

The investment policy and investment restrictions of the Company (as opposed to the Fund) may be varied or rescinded in whole or in part by way of Ordinary Resolution but such sanction will not be required if such variation or rescission is made after the third anniversary of the date that Ordinary Shares are first listed on Eurolist by Euronext or to correct a manifest error or is necessary to make possible compliance with fiscal or other statutory or official requirements, actual or proposed, or if the directors of the Company certify that such variation or rescission does not materially prejudice the interests of the holders of Ordinary Shares or any of them and does not operate to a material extent to release the directors of the Company from any responsibility to any such holders.

Any breach of the investment restrictions which comes to the notice of the Board shall be reported immediately to the Jersey Administrator, and Shareholders will be informed in writing and/or by announcement without delay of the details of such breach and any rectifying action to be taken by the Investment Advisor.

For the investment policy applicable to the Fund, please see Section 12.10 below.

## **12.9 Constitution of K2 Property**

Notable provisions of the K2 Constitution and/or the laws of Mauritius which relate to K2 Property may be summarised as follows:

### **12.9.1 Objects**

The objects of K2 Property shall be to carry out any business or activity permitted under its GBL1 Licence, but without prejudice to the generality of this, to operate as an investment company.

### **12.9.2 General Meetings and Voting**

K2 Shareholders have the right to receive notice of, and to vote at, general meetings of K2 Property. Each K2 Shareholder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each K2 Share held.

### **12.9.3 Issues of Shares**

There is no limitation on authorised share capital or on the number of classes of shares which may be issued (although the Constitution provides expressly for the issue of A, B, C and D Shares). The issue of shares is at the discretion of the Directors who can issue shares of these classes at any time and in any number but subject to obtaining the prior consent of the holders of ninety percent (90%) of the C Shares. The K2 Board will, with respect to the issue of shares, be subject to their statutory duties to *inter alia* act in the interests of K2 Property and to ensure that any consideration received for the issue of shares is fair and reasonable to K2 Property and to all its shareholders.

### **12.9.4 Transfer of Shares**

Under the current legislation in Mauritius, shares may only be transferred upon the transferor and the transferee executing a stock transfer form in the format prescribed by the Registration Duty Act of Mauritius, having the form registered with the Registrar General of Mauritius (although no stamp duty or fee is payable with respect thereto) and delivering the registered stock transfer form, together with share certificates, if any, to K2 Property for the amendment of the share register, which amendment will evidence the transfer of the shares. The transfer of shares is also subject to the prior written approval of the K2 Board.

Under the K2 Constitution, no transfer of K2 Shares may be effected without the consent of the K2 Board or the directors' duly appointed agent. The K2 Board may refuse or delay the registration of any transfer where:

- (a) so required by law;
- (b) registration would impose on the transferee a liability to K2 Property and the transferee has not signed the transfer;
- (c) a holder of any such share has failed to pay on the due date any amount payable thereon either in terms of the issue thereof or in accordance with the constitution (including any call made thereon);
- (d) the transferee is a minor or a person of unsound mind;
- (e) the transfer is not accompanied by such proof as the K2 Board reasonably requires of the right of the transferor to make the transfer;
- (f) the transfer to, or the holding of K2 Shares by, the transferee would, in the opinion of the K2 Board, cause or be likely to cause a pecuniary, tax, legal or regulatory disadvantage to K2 Property or any other K2 Shareholder; or



- (g) the K2 Board acting in good faith decides in its sole discretion that registration of the transfer would not be in the best interests of K2 Property and/or any of its shareholders.

Where the K2 Board refuses to register a transfer of K2 Shares, the K2 Board will send to the transferee and the transferor notice of the refusal within 28 days of the date on which the stock transfer form is delivered to it, stating in the notice the reasons for such refusal.

#### **12.9.5 Compulsory Redemption of Shares**

The K2 Constitution provides that the K2 Board may compulsorily redeem K2 Shares at such price as it considers fair and reasonable in the following circumstances:

- (a) the K2 Board has a general discretion to redeem all A Shares and B Shares if it considers same to be in the interests of the Company and the K2 Board has obtained the consent of a Super Majority of the holders of C Shares;
- (b) the Board may redeem all A Shares and B Shares if a law has been passed which renders it illegal or, in the reasonable opinion of the K2 Board, impracticable or inadvisable to continue K2 Property and the K2 Board has obtained the consent of a Super Majority of the holders of Class C Shares;
- (c) the K2 Board may compulsorily redeem any A Share or B Shares which is held by a person other than an Eligible Investor;
- (d) the K2 Board may at any time redeem any holding which is less than the Minimum Holding, provided that this power may not be exercised if such holding has fallen below the Minimum Holding solely because of the K2 Board having increased the Minimum Holding by virtue of their powers under the K2 Constitution;
- (e) the K2 Board may compulsorily redeem any holding of a K2 Shareholder or of any associate of such shareholder who is in breach of the terms of any agreement to subscribe for shares.

#### **12.9.6 Eligible Investors**

An Eligible Investor is a person

- (a) able to acquire K2 Shares without violating applicable laws, including those concerning money laundering;
- (b) whose holding of K2 Shares does not, in the opinion of the K2 Board, cause or result in any pecuniary, tax, legal or regulatory disadvantage to K2 Property and/or one or more of the other K2 Shareholders; and
- (c) that, at the time of making the investment,
  - (i) has the knowledge, expertise and experience in financial matters to evaluate the risks of investing in K2 Property;
  - (ii) is aware of the risks inherent in investing in the K2 Shares and the method by which the assets of K2 Property are held and/or traded;
  - (iii) can bear the risk of loss of their entire investment;
  - (iv) holds K2 Shares having a value not less than the Minimum Holding; and
  - (v) meets any additional suitability standards as the K2 Board may, in their absolute discretion impose, from time to time in order to comply with applicable laws and regulations.

#### **12.9.7 Remuneration of K2 Directors**

The K2 Constitution provides that each K2 Director shall be remunerated at such rate as the K2 Board shall determine provided that the aggregate amount of the fees shall not exceed US \$150,000 per annum (or such higher sum as K2 Property in general meeting shall from time to time determine). The K2 Directors shall also be entitled to be paid all



reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

A K2 Director may hold any other office or place of profit with respect to K2 Property (other than the office of auditor) in conjunction with his office of director on such terms as to tenure of office and otherwise as the K2 Board may determine.

#### **12.9.8 Retirement and Appointment of Directors**

K2 Directors shall not be subject to retirement by rotation.

A K2 Director shall, by virtue of the Act, automatically retire at the conclusion of the first annual meeting of K2 Shareholders after his 70th birthday but he shall be eligible to be re-appointed at that annual general meeting to hold office until the next annual general meeting and then at each subsequent annual general meeting.

K2 Directors may be appointed or removed by a Super Majority of the Investor Shareholders or a Super Majority of the C Shareholders. In the case of any conflict between the Investor Shareholders and the C Shareholders in respect of any such appointment or removal, the Super Majority of the Investor Shareholders shall prevail.

K2 Property shall at all times have at least two directors resident in Mauritius.

A K2 Director shall vacate his office if he resigns, becomes bankrupt, is of unsound mind, ceases or becomes prohibited from being a director under the laws of Mauritius.

#### **12.9.9 Quorum and Voting of Directors**

No meeting of the K2 Board shall be quorate unless at least four of the K2 Directors or their alternates are present in person or by telephone and no resolution of the K2 Board shall be valid unless at least 75% of the K2 Directors present or represented have voted in favour thereof.

A resolution of the K2 Board may also be passed in writing if signed or assented to by 75% or more of the K2 Directors.

#### **12.9.10 Portfolios**

Separate portfolios shall be established with respect to the assets attributable to the K2 Shares of each class.

#### **12.9.11 Distributions**

The K2 Directors are authorised by the K2 Constitution to cause K2 Property to make distributions without the prior consent of the K2 Shareholders.

No dividends shall be paid other than from the retained earnings of K2 Property after it makes good any accumulated losses from the beginning of the relevant fiscal year. A Shares and B Shares are also redeemable at the option of K2 Property, which redemptions will constitute distributions for the purposes of the Act.

All distributions will be subject to K2 Property satisfying the solvency test, namely that the value of the assets of K2 Property exceeds the value of the liabilities of K2 Property.

The K2 Directors may if they think fit from time to time pay the members such interim distributions as appear to be justified. Distributions may be made in respect of one class of K2 Shares and not another, from the portfolio attributed to that class.

The C Shareholders and the D Shareholders shall not be entitled to any dividends or other distributions unless Investor Shareholders shall have received Returns equivalent to an annual compound return of 11% on their Net Capital Contributions. Once Investor Shareholders have received their Hurdle Return, the C Shareholders and the D Shareholders

shall be entitled to be paid out of any further Returns available for distribution, pro-rata to their respective holding of K2 Shares, a sum equivalent to 20% of all K2 Profits, including the Hurdle Return (provided that any such payment shall not operate so as to reduce the Hurdle Return paid to Investor Shareholders).

The K2 Directors are also empowered to create reserves before recommending or declaring any distribution.

The K2 Directors may also carry forward any profits which they think prudent not to distribute.

#### **12.9.12 Continuation Vote**

Prior to the Dissolution Date, the K2 Directors may at their discretion convene an Extraordinary General Meeting of K2 Property to consider a resolution to extend the life of K2 Property, which resolution shall be proposed as a Special Resolution and shall be set out in full in the notice convening the Extraordinary General Meeting.

The above-mentioned extensions can be made twice for a period of one year each.

If the Special Resolution referred to above is not passed the K2 Directors shall (subject always to Mauritius Law and the K2 Constitution) take all steps necessary or desirable to effect the winding-up of K2 Property on or around the Dissolution Date.

If the Special Resolution referred to above is passed then the K2 Directors shall (subject always to Mauritius Law and the K2 Constitution) take all steps necessary or desirable to effect the winding-up of K2 Property on or around the date on which the K2 Shareholders resolve K2 Property should be wound up.

#### **12.10 Investment Policy**

The Investment Policy of the Fund is set out at Section 4 of this Prospectus and is also set out in the Investment Policy Memorandum. The Investment Policy may only be varied or rescinded in whole or in part by way of an Ordinary Resolution of the Investor Shareholders (including the Company) and the C Shareholders but such sanction shall not be required if the variation or rescission is to correct a manifest error or is necessary to make possible compliance with fiscal or other statutory or official requirements, actual or proposed, or if the K2 Administrator shall certify that such variation or rescission does not materially prejudice the interests of the holders of K2 Shares or any of them and does not operate to a material extent to release the K2 Directors from any responsibility to any such holders.

#### **12.11 Dividend and Distribution Policy and Exit**

It is intended that all capital or income returned to the K2 Group from Fund Investments net of any sums required to be set aside for fees and expenses should be distributed to K2 Investors (including the Company) by means of a Return at the earliest available opportunity. However, the K2 Board may decide to reinvest capital with a view to making significant additional returns over a relatively short time frame, and provided that in the view of the Investment Committee the reinvestment would provide additional returns to K2 Investors (including the Company) within the existing term of the Fund.

It is intended that the portfolio attributable to the B Shares shall be wound up within the twelve months following the period of seven years from the Closing Date for the B Shares. This period may be extended by Special Resolution of the B Shareholders by one or two further periods of one year each. To the extent that any capital has not been returned to the B Shareholders (including the Company) within this period, it is likely that all remaining B Shares shall be redeemed by K2 Property. Any such redemption may be preceded by a distribution of profits in the form of dividends. Similar terms are applicable to the portfolio attributable to the A Shares.

K2 Property itself has a limited life of fifteen years (subject to extension by the K2 Shareholders – see Section 12.9.11 for further information).

The Company does not have a limited life. Once funds have been returned to the Company, they may be returned to Shareholders by way of dividend or other capital distribution or may be reinvested at the discretion of the Board. Shareholders may also achieve an “exit” through disposal of their Shares via Euronext.

The Directors intend that the Company should commence payment of dividends at the earliest available opportunity subject to distributions being made to the Company by K2 Property and to the availability of distributable reserves, and that once payable, dividends should be paid in half-yearly equal amounts. Where exceptional circumstances, one-off distributions of dividends may also be made. The Ordinary Shares will rank *pari passu* for all dividends or other distributions declared, paid or made in respect of the share capital of the Company.

## **12.12 Fees and Expenses**

### **12.12.1 Placement Fees**

For their services in connection with the Offering, the Company has agreed to pay the Joint Global Co-ordinators’ fees equivalent to 3% of the gross proceeds raised under the Offering together with a discretionary incentive fee of up to 0.5% of the gross proceeds raised under the Offering. The Joint Global Co-ordinators will also be reimbursed for all reasonable out-of-pocket expenses incurred in relation to the Offering.

### **12.12.2 Advisory Fees**

The Investment Advisor receives from K2 Property an on-going annual advisory fee equivalent to 2% of Total Capital Commitments.

The Investor Advisor and K2 Property may agree between them that the Investment Advisor should be paid an additional advisory fee of up to 2% per annum on any funds which are borrowed by K2 Property or one of its offshore subsidiaries for the purpose of investing in Fund Investments.

In the event any sales tax, service tax or value added tax is chargeable on any advisory fees, such taxes will be added to the amounts payable by K2 Property respectively, and to the extent possible may be reclaimed by K2 Property.

### **12.12.3 Carried Interest**

Once K2 Investors have received their Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to receive a “Carried Interest” in the profits of K2 Property by way of payment of dividends or capital distribution equivalent to 20% of all K2 Profits (including the Hurdle Return) provided that no such “Carried Interest” will be payable to the extent that K2 Profits paid to K2 Investors would thereby be reduced below the Hurdle Return.

### **12.12.4 Other Fees and Expenses**

The Company will pay the Jersey Administrator a minimum annual fee of £6,000 plus such additional fees as may be incurred based on the amount of work carried out for the Company. The Jersey Administrator will also be paid an annual fee of £24,000 by the Company with respect to the provision of services of William Kay as a Director.

The Company will pay an annual amount of £25,000 (or the equivalent in euros) with respect to the services of each of the Directors (other than William Kay).

Each member of the Investment Committee (including certain of the Directors) shall also be paid (a) an annual fee of €20,000 (except for the Chairman of the Investment Committee who shall receive an annual fee of €30,000) payable by K2 Property and (b) (except for Ajoy Kapoor) a performance-related bonus, (payable once K2 Investors (including the Company) have received their Hurdle Return), of the greater of £100,000, and the equivalent of 0.33% of the Carried Interest (payable through the issue of D Shares) provided that no such payment will be payable to the extent that K2 Profits received by the Company would thereby be reduced below the Hurdle Return. The fees payable to the members

of the Investment Committee may be increased by agreement between K2 Property and the members of the Investment Committee.

K2 Property will pay the K2 Administrator an annual fee of US \$25,000.

The K2 Constitution authorises K2 Property by resolution of the its directors, to pay the K2 Board an annual aggregate remuneration of up to US \$150,000.

The Company will bear its own on-going operational expenses and ultimately the relevant proportion of those of the K2 Group. These expenses include, but are not limited to:

- (a) direct costs of investing and realising the assets of the Fund, including dealing costs, any stamp duty land tax and registration fees;
- (b) professionals' costs associated with investing, maintaining and realising the assets of the Fund, including the fees and expenses of property valuers, surveyors, valuers, sales agents, facilities managers, consultants, tax advisers, brokers, lawyers and accountants (including introductory fees payable to any sales agents and corporate finance fees);
- (c) legal and professional expenses which the Company, the K2 Group or the K2 Directors incur whether in litigation on behalf of the Company, the K2 Group or in connection with the ongoing administration of the Company, the K2 Group or the Fund or otherwise;
- (d) the cost of any borrowing incurred for the K2 Group or the Fund (including up front arrangement fees payable to lenders in return for providing loan facilities and interest payable in respect of the borrowings);
- (e) audit costs;
- (f) banking and custodian costs;
- (g) taxes and duties imposed by any fiscal authority and any other governmental fees;
- (h) expenses of publishing reports, notices and proxy materials to shareholders;
- (i) expenses of convening and holding meetings of shareholders;
- (j) expenses of preparing, printing and/or filing all reports and other documents relating to the Company and/or the K2 Group, including placement memoranda, explanatory memoranda, marketing documents, annual and special reports required to be lodged with all authorities having jurisdiction over the Company and/or the K2 Group;
- (k) expenses of making any capital distributions;
- (l) insurance premiums (including insurance for Directors) and the K2 Directors;
- (m) additional fees and expenses payable to members of the Investment Committee;
- (n) directors and other expenses.

Expenses may be payable by the Company or the relevant member of the K2 Group, depending upon how and where they were incurred.

To the extent that the Advisory Group provides facilities management services to any Portfolio Company, the relevant company within the Advisory Group will charge the relevant Portfolio Company accordingly.

**12.12.5** The costs and expenses (including value added tax where applicable) of, and incidental to the Offering and the Admission are estimated to be approximately €1.1 million together with any commission payable to the Joint Global Co-ordinators. On the basis that all the Ordinary Shares available under the Offering are issued, the estimated net proceeds of the Offering are expected to be approximately €144,400,000 and will be applied as described in Section 8.2.

### **12.13 Register of Shareholders and Statutory Records**

The register of Shareholders of the Company is kept at the registered office of the Company detailed on page 8. The register of Shareholders, and statutory records are maintained by the Jersey Administrator, which is also the Company Secretary of the Company.

The register of K2 Shareholders required to be kept pursuant to Section 91 of the Act and other statutory records of K2 Property will be kept at the registered office of K2 Property.

### **12.14 Conflicts of Interest and Related Party Transactions**

Members of the Advisory Group may provide investment management, advisory and other services to clients other than K2 Property (including investment companies) and, in providing such services, may use information obtained by them. In the event of a conflict of interest arising, in the course of providing services to K2 Property, the Investment Advisor will ensure that any such conflict is resolved fairly in the best interests of K2 Property and that investment opportunities shall be fairly allocated to its respective clients. The Investment Advisor will procure that no member of the Advisory Group will directly or indirectly deal as principal on the sale or purchase of property or other investments to or from the Fund or otherwise deal with respect to the Fund as principal.

The appointment of the Jersey Administrator could be regarded as a related party transaction, since (i) the Jersey Administrator currently holds the Founder Shares in the Company (ii) William Kay is a Director of the Company and a director of the Jersey Administrator, and a shareholder of its ultimate holding company (iii) Vipin Shah is a director and shareholder of the ultimate holding company of the Jersey Administrator and is the uncle of Rohin Shah, a director of the Company. The Directors consider that this transaction has been entered into upon “arms length” terms.

Following the Offering and Admission, it is intended that the Company will subscribe for shares in K2 Property. This could be regarded as a “related party” transaction since (i) Rohin Shah and Ajoy Kapoor are directors of Saffron Capital Securities Limited, which owns shares in K2 Property (ii) the Investment Advisor and K2 Property have entered into the Investment Advisory Agreement, which entitles the Investment Advisor to certain fees based upon Capital Commitments to K2 Property, and the Investment Advisor is a subsidiary of Saffron Capital Securities Limited and its directors include Rohin Shah, Ajoy Kapoor and Vipin Shah (iii) Vipin Shah and Rohin Shah are directors of K2 Property and the Investment Advisor and have an ownership interest in the Administrator, the Company (through their interest in the Jersey Administrator), the Investment Advisor and K2 Property (in each case, through Saffron Capital Securities Limited). The Directors consider that this transaction will be entered into upon “arms length” terms.

Vipin Shah and Rohin Shah have an ownership interest in the Advisory Group and consequently have an ownership interest in the C Shares and the D Shares issued to the members of the Advisory Group.

K2 Property has appointed the Investment Advisor and the Administrator. Since the Investment Advisor is currently a shareholder of K2 Property, and since Rohin Shah and Vipin Shah are directors of both K2 Property and the Investment Advisor, the engagement of the Investment Advisor should be regarded as a related party transaction.

### **12.15 Reports and Financial Statements**

The financial year of the Company and the K2 Group ends on 31 March in each year.

An annual report and audited financial statements for the Company in respect of each financial year prepared on a consolidated basis in accordance with International Financial Reporting Standards will be made available to Shareholders as soon as practicable and in any event within four months of the end of the Company’s financial year.

The first audited financial statements for the Company cover the period from the date of the Company’s incorporation until 31 March 2007, and are set out at Section 10.5.

Unaudited interim financial statements will be made up to 30 September in each year from 2007 onwards, and will be prepared and presented on a basis consistent with the annual financial statements, and will be made available to Shareholders within nine weeks of the end of the relevant period.

Audited annual financial statements and unaudited interim financial statements on the company's website, and will be made available for inspection at the registered office of the Jersey Administrator, the Company and the Paying Agent.

## 12.16 Net Asset Value Publication and Calculation

The Company intends to publish the unaudited net asset value per Ordinary Share as prepared by the Company at such times as the Board may determine. The net asset value of the Ordinary Shares will be determined by the Company by deducting the value of the liabilities of the Company from the value of the assets of the Company or as required in accordance with IFRS accounting policies. The Company's assets and liabilities will be valued in accordance with IFRS accounting policies. Independent valuers will be used for each of the Fund's property assets as part of this process.

The Directors may, at their discretion, permit any other method of valuation to be used if they consider that method of valuation better reflects value and is in accordance with good accounting practice. There are no circumstances envisaged under which valuations may be suspended. If for any reason valuations are suspended, this will be communicated immediately to Shareholders by notice in writing and/or announcement.

## 12.17 Service Providers

The principal service providers currently providing services to the Company are as the Jersey Administrator, the Auditor, the Joint Global Co-ordinators and the Listing Agent and Paying Agent. The fees payable by the Company to these service providers are set out in the summary of the relevant contract included in Section 12.18 below. The Company is not aware of any material potential conflicts of interest which any of the service providers detailed above may have as between their duty to the Company and duties owed by them to third parties and their other interests. The names and addresses of the various legal advisors, accountants and auditors, and bankers to the Company and to the K2 Group are as follows:

### Legal Advisers

<b>United Kingdom:</b> Mishcon de Reya, Summit House 12 Red Lion Square, London WC1R 4QD	<b>Netherlands:</b> Simmons & Simmons, WTC H Tower, Zuidplein 100, 1077 XV, Amsterdam, The Netherlands	<b>Jersey:</b> Carey Olsen, 47 Esplanade, St Helier, Jersey JE1 0BD	<b>Mauritius:</b> T Mukund Gujadhur, River Court, St Denis Street, Port Louis, Mauritius	<b>India:</b> Nishith Desai Associates, 93-B Mittal Court, Nariman Point, Mumbai 400 021, India	<b>United States:</b> Seward & Kissel LLP, One Battery Park Plaza, New York, NY 10004 United States
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### Auditors

<b>Jersey:</b> PricewaterhouseCoopers CI LLP, 22 Colomberie, St Helier, Jersey JE1 4XA	<b>Auditors in Mauritius:</b> PricewaterhouseCoopers, Training Centre, Champ de Mars, Port Louis, Mauritius
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PricewaterhouseCoopers CI LLP is a member of the Institute of Chartered Accountants in England and Wales. PricewaterhouseCoopers CI LLP, the Auditor, as independent auditors, have audited, and rendered an unqualified auditors' report on the Accounts as included at Section 10.5 of this document. The Company confirms that the information in the Accounts as included at Section 10.5 of this document has been accurately reproduced and that as far as it is aware and able to ascertain from information published by that party, no facts have been omitted which would render the Auditor's report inaccurate or misleading.

**Jersey:**

HSBC Bank International Limited,  
HSBC House,  
Esplanade,  
St Helier, Jersey JE1 1HS

**Bankers:**

**Mauritius:**

HSBC Bank (Mauritius) Limited,  
5th Floor, Les Cascades,  
Edith Cavell Street,  
Port Louis, Mauritius

## **12.18 Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been or are likely to be entered into by the Company or K2 Property Limited and are, or may be, material:

### **12.18.1 Investment Advisory Agreement**

Under this agreement, K2 Property has appointed the Investment Advisor to advise on the investment, re-investment and realisation of the investments of the K2 Group. K2 Property has agreed to pay the Investment Advisor annual fees equivalent to 2% of Capital Commitments and to reimburse the Investment Advisor for its out-of-pocket expenses. The Investment Advisory Agreement contains certain provisions whereby K2 Property will indemnify the Investment Advisor from liability except in case of the Investment Advisor's gross negligence, fraud, bad faith or wilful default. The Agreement may be terminated on summary notice if the Investment Advisor goes into liquidation, commits a material and unremedied breach or in the event of the fraud, corruption, gross negligence or gross wilful misconduct of the Investment Advisor. Otherwise, K2 Property may terminate the Agreement for "Cause" upon twelve months notice to expire at any time after three years from the K2 Closing Date. "Cause" is defined as an unremedied failure by the Investment Adviser to provide its services to the standard which would reasonably be expected. The Agreement may only be terminated by the Investment Advisor in the event of the liquidation or material breach of K2 Property.

### **12.8.2 Administration Agreement**

Under this agreement, the Company has appointed the Jersey Administrator to act as administrator, and company secretary of the Company and delegated to the Jersey Administrator the relevant powers to enable the Jersey Administrator to perform its duties on behalf of and towards the Company. The Company has agreed to pay to the Jersey Administrator such reasonable monthly fees as are agreed from time to time and the Company will reimburse the Jersey Administrator for certain out-of-pocket expenses which are reasonable in amount and which are evidenced in such manner as the Company may reasonably require. The Administration Agreement contains certain provisions whereby the Company indemnifies the Jersey Administrator from liability except in case of negligence, fraud, bad faith or wilful default.

### **12.18.3 Class A Subscription Agreement**

The Class A Subscription Agreement provides for the Company to subscribe for 1,250,000 A Shares at a total subscription price of 96,525,096 euros in accordance with the K2 Constitution. 25% of the subscription funds applicable to the A Shares being subscribed by the Company were payable on the date of subscription. The remaining subscription funds are payable on or before a drawdown date following issue by K2 Property of a drawdown notice to the Company giving 21 day's notice of intention to draw down. Failure to pay the remaining subscription funds by the relevant drawdown date will entitle K2 Property to (*inter alia*) compulsorily redeem or transfer any of the A Shares held by the Company at a

price the K2 Directors consider to be fair and reasonable. The agreement contains warranties by the Company that it is authorised and entitled to enter into the agreement and that performance of its obligations under the agreement will not conflict with any other agreement, applicable law or regulation.

#### **12.18.4 Class B Subscription Agreement**

The Class B Subscription Agreement provides for the Company to subscribe for a number of B Shares in accordance with the K2 Constitution. 25% of the subscription funds applicable to the B Shares being subscribed by the Company will be payable on the date of subscription. The remaining subscription funds will be payable on or before a drawdown date following issue by K2 Property of a drawdown notice to the Company giving 21 day's notice of intention to draw down. Failure to pay the remaining subscription funds by the relevant drawdown date will entitle K2 Property to (*inter alia*) compulsorily redeem or transfer any of the B Shares held by the Company at a price the K2 Directors consider to be fair and reasonable. The agreement contains warranties by the Company that it is authorised and entitled to enter into the agreement and that performance of its obligations under the agreement will not conflict with any other agreement, applicable law or regulation.

#### **12.18.5 Placing Agreement**

The Joint Global Coordinators, the Investment Advisor, K2 Property and the Company are expected to enter into the Placing Agreement (the "Placing Agreement") with respect to the New Ordinary Shares being offered.

Each of the Joint Global Coordinators severally agree to use reasonable endeavours to procure purchasers for the New Ordinary Shares. The Placing Agreement provides that the obligations of the Joint Global Coordinators are subject to certain conditions.

The Placing Agreement provides for certain representations and warranties by the Company, K2 Property and the Investment Adviser and an indemnification by the Company, K2 Property and the Investment Advisor of the Joint Global Coordinators for certain liabilities, including liabilities under applicable laws. The liability of the Joint Global Coordinators under the Placing Agreement is limited to losses which the Company, K2 Property or the Investment Advisor may suffer or incur as a consequence of gross negligence, fraud or wilful default of the Joint Global Coordinators.

The Placing Agreement provides that, upon the occurrence of certain events, the Placing Agreement may be terminated.

The Joint Global Co-ordinators are entitled to be paid a commission of 3 per cent, in aggregate, of all Subscription Funds plus a discretionary incentive fee of, in aggregate, up to 0.5% of Subscription Funds.

#### **12.18.6 Listing and Paying Agent Agreement**

Under the Listing and Paying Agent Agreement, ABN AMRO Bank N.V. agrees to act as listing agent and paying agent and agent in respect of certain matters pertaining to the Company's listing on Eurolist by Euronext and matters relating to Euroclear. The Company will pay annual fees to ABN AMRO Bank N.V. consisting of an annual fee of €20,000 plus scheduled administrative costs with respect to ongoing activities plus all reasonable out of pocket expenses. The Company indemnifies ABN AMRO Bank N.V. and any of its directors, officers, employees, shareholders, controlling persons and agents against any claims, liabilities, losses, costs and expenses arising out of its services provided under the agreement unless arising from the wilful default, gross negligence or fraud of the person or agency concerned. The Company undertakes with ABN AMRO Bank N.V. that no claim shall be made by the Company or any of its associates against ABN AMRO Rothschild or any of its directors, officers, employees, shareholders, controlling persons and agents with respect to the services carried out by ABN AMRO Bank N.V. under the agreement except where such claims arise from loss or damage caused by the gross negligence, wilful default or fraud of the entity or person concerned. The Listing and Paying Agent Agreement may be terminated by either party giving ten weeks' prior written notice.



#### **12.18.7 Acquisition of Eredene Mauritius by K2 Property**

On 11 June 2007, K2 Property entered into an agreement with Eredene Capital Plc for the acquisition of all of the A ordinary shares of one pound each in the share capital of Eredene Mauritius for a total consideration of £12,250,000, paid in cash on completion. The A ordinary shares of Eredene Mauritius constitute the principal economic interest in Eredene Mauritius. Eredene Mauritius holds shares in the following Indian joint venture vehicles: (i) City Centre Mall Nashik Private Limited, (ii) Twenty First Century Properties Private Limited and (iii) 5 Star Developers Private Limited. Eredene Capital Plc has given warranties on an indemnity basis in respect of the assets and liabilities of Eredene Mauritius and its dormant wholly owned subsidiary Eredene Mauritius Real Estate One Limited but it did not give any warranties in relation to any of the aforementioned Indian joint venture vehicles (which were the subject of recommendations and advice from the Investment Advisor).

#### **12.18.8 Joint Venture Agreement relating to Kolte-Patil Real Estate Limited**

On 23 April 2007 K2 Property entered into a joint venture agreement with Kolte-Patil Developers Limited, relating to Kolte-Patil Real Estate Limited, which has been created as a joint venture company undertaking residential real estate development in Pune, Maharashtra. Pursuant to the joint venture documentation, K2 Property has subscribed for 49% of the equity share capital of Kolte-Patil Real Estate Limited, and has also subscribed for fully convertible debentures in the company. The documentation also provides for the further investment by K2 Property in the amount of up to INR 1200 (approximately 21.62 million euros). The documentation also provides for overall investment by Kolte-Patil Developers Limited of INR 1249 million (approximately 22.5 million euros), and specifies the governing principles of the operations and management of the joint venture, and the project management and development obligations of Kolte Patil Developers Limited, which would be undertaken by their subsidiary Regensis Projects Management Private Limited.

#### **12.18.9 Agreement with Barclays Capital Mauritius Limited relating to Preferential Share Issue in Phoenix Mills Limited**

On 29 May 2007, K2 Property entered into a memorandum of understanding with Barclays Capital Mauritius Limited. Under the agreement, Barclays Capital Mauritius Limited is authorised to acquire up to 126,756 of ordinary shares of Phoenix Mills Limited, and has issued beneficiary participatory notes to K2 Property in an amount of €3.73 million. The participatory notes are derivative instruments whose value is directly related to the value of the underlying securities of Phoenix Mills Limited.

#### **12.18.10 Subscription and Shareholders Agreements relating to Vamona Developers Private Limited**

On 15 June 2007, K2 Property entered into joint venture documentation with Ashok Ruia Enterprises Private Limited, relating to Vamona Developers Private Limited, which has been created as a joint venture company undertaking a retail real estate development in Pune, Maharashtra. The joint venture documentation comprises a Subscription Agreement and Shareholders Agreement. Pursuant to these agreements, K2 Property has subscribed for 24% of the equity share capital of Vamona Developers Private Limited, in an overall amount of INR 957 million (approximately 17.24 million euros). The agreements also provide for overall investment by Ashok Ruia Enterprises Private Limited of INR 337 million (approximately 6.07 million euros), for the governing principles of the operations and management of the joint venture, and the project management and development obligations of Ashok Ruia Enterprises Private Limited.

#### **12.18.11 Joint Venture Agreement with Modi Buildwell Limited**

On 6 September 2007, K2 Property entered into a joint venture agreement with Modi Buildwell Limited, relating to Modi Organisers Private Limited, which has been created as a joint venture company undertaking a retail real estate development in Bhavnagar, Gujarat. The joint venture documentation comprises a Joint Venture Agreement, pursuant to which K2 Property has subscribed for 50% of the equity share capital of Modi Organisers Private Limited, in an overall amount of INR 375 million (approximately 6.75 million euros). The agreement also provides for the further investment

by K2 Property in the amount of INR 150 million (approximately 2.70 million euros, and overall investment by Modi Buildwell Limited of INR 150 million approximately 2.70 million euros), for the governing principles of the operations and management of the joint venture, and the project management and development obligations of Modi Buildwell Limited.

## **12.19 Miscellaneous**

Neither the Company nor any member of the K2 Group has been nor is currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such governmental legal or arbitration proceedings whether past, current, pending or threatened which may have or have had a significant effect on the Company's or the K2 Group's financial position.

The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.

At the date of this Prospectus, neither the Company nor K2 Property has any borrowings or other indebtedness including debt securities issued or outstanding and neither has granted any mortgages, charges, guarantees or other security over its assets. As far as the Directors are aware, the Company has no contingent liabilities.

All the Directors and other parties listed on pages 8 and 75 to 82 of this Prospectus have given and have not withdrawn their written consent to the issue of this Prospectus and the references to themselves in the form and context in which such references appear.

PricewaterhouseCoopers CI LLP whose registered office is at 1 Embankment Place, London WC2N 6RH is a member of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its report set out in Section 10 : "Unaudited Pro Forma Financial Information" in the form and context in which it is included.

As the Ordinary Shares have not been and will not be registered under the U.S Securities Act, PricewaterhouseCoopers CI LLP has not filed a consent under section 7 of the U.S. Securities Act.

Where information has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **12.20 Documents on Display**

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Mishcon de Reya at Summit House 12 Red Lion Square, London WC1R 4QD during business hours on any weekday from the date of this Prospectus (Saturdays, Sundays and public holidays excepted) until the first anniversary of the date of the Prospectus:

The Memorandum and Articles of Association of the Company;

The written consents of the Directors and other parties referred to above;

This Prospectus and any supplemental documents and circulars;

The Constitution of K2 Property;

The Investment Advisory Agreement;

The Administration Agreement and the K2 Administration Agreement;

The Class A Subscription Agreement and the draft Class B Subscription Agreement;

The Investment Policy Memorandum; and

Copies of such audited annual financial statements and unaudited interim financial statements of the Company as are made available in the relevant period.

### 13. PLAN OF DISTRIBUTION – SUBSCRIPTION AND SALE

#### Plan of Distribution

The Subscription Period for prospective investors is expected to begin on 26 September 2007 at 9:00 hours Amsterdam time and end on 11 October 2007 at 16.30 hours Amsterdam time subject to acceleration or extension of the timetable of the Offering. The Subscription Period will be a minimum of six business days. The Subscription Period is subject to acceleration or extension. Any acceleration or extension will be announced in a press release (together with any related revision of the expected dates of pricing, allocation and closing), in the event of an accelerated timetable for the Offering, at least three hours before the proposed expiration of the accelerated Subscription Period or, in the event of an extended timetable, at least three hours before the expiration of the original Subscription Period. Any extension of the timetable for the Offering will be for a minimum of one full business day.

If, prior to the end of the Subscription Period, a significant new factor, material mistake of inaccuracy relating to the information included in this Prospectus arises or is noted, which is capable of affecting the assessment of the shares, a supplement to the Prospectus will be published and investors who have already agreed to purchase New Ordinary Shares may withdraw their subscriptions within two business days following the publication of such supplement.

The Company has reserved the right to increase the size of the Offering prior to the end of the Subscription Period. Any increases will be announced in a press release and published in a supplementary prospectus which is subject to the approval of the AFM.

The Offering consists of a Public Offering in the Netherlands and a private placement with institutional investors elsewhere.

The New Ordinary Shares are being made available on the basis that such transactions do not require registration under the U.S Securities Act or applicable U.S. state securities laws, including sales being made in reliance on the exemption provided by Section 4(2) of the U.S Securities Act and/or Rule 506 of Regulation D under the U.S Securities Act and Regulation S under the U.S Securities Act, and either (1) inside the United States only to QIBs that are also QPs and (2) outside the United States to certain non-U.S. persons in reliance on Regulation S under the U.S Securities Act. (See “Transfer and Holding Restrictions” in Section 9 hereof).

The Offering is conditional upon, *inter alia*, Admission taking place on or before 17 October 2007 (or such later date being not later than 19 November 2007 as the Company and the Joint Global Co-ordinators shall agree).

The Offering Price will be determined on the basis of a book-building process and on the basis of the quoted share price as well as the demand in the Offering. The Offering Price and the exact number of New Ordinary Shares offered in the Offering will be determined by the Company following recommendations from the Joint Global Co-ordinators taking into account market conditions, a qualitative assessment of demand for the New Ordinary Shares and any other factors deemed appropriate.

The Offering Price and the exact number of New Ordinary Shares offered in the Offering will be determined after termination of the Subscription Period and will be announced on the Pricing Date in a press release and in an advertisement in the Daily Official List and in at least one daily newspaper with nationwide distribution in the Netherlands. The details thereof will be set out in a pricing statement which will be deposited with the AFM.

#### Application

During the Subscription Period applications to subscribe for New Ordinary Shares may be received from investors. Investors wishing to purchase Ordinary Shares as part of the public offering in the Netherlands may submit a share application, free of charge, through the regular channels of banks/brokers or any other member of Euronext which has agreed to the conditions set by the Joint Global Co-ordinators applicable to the acceptance of share applications. Dutch retail investors can only subscribe on a *bestens* basis. Such basis obligates Dutch retail investors to purchase and pay for the New Ordinary Shares indicated in their share application, to the extent allocated to them, at the Offering Price. Dutch retail investors are entitled to cancel or amend their application, at the financial intermediary where their original application was submitted, at any time prior to the end of the Subscription Period. Retail investors can submit their

subscriptions through their own admitted institution, bank or broker. Investors should inquire about the costs that such financial intermediaries may charge and will solely be responsible for any such costs.

Applications must be received prior to the end of the Subscription Period, subject to acceleration or extension. In the event of acceleration of the Subscription Period, the pricing, allocation, listing, first trading, payment for and delivery of the New Ordinary Shares may be advanced accordingly.

Investors will be informed of their relevant allocation through the regular channels of ABN AMRO Bank N.V. and Fairfax I.S. PLC.

Investors participating in the Offering will be deemed to have checked whether and confirmed that they meet the selling and transfer restrictions as discussed in Section 9 (“Transfer and Holding Restrictions”). If in doubt, investors should consult their professional advisors.

The New Ordinary Shares will be offered as part of a single offering. There is no separate tranche for specific investors.

Although there are no restrictions that would prevent prospective investors from making multiple subscriptions, the Joint Global Co-ordinators retain full discretion in allocation of the New Ordinary Shares.

### **Allotment**

The allotment of the New Ordinary Shares is expected to take place on 12 October 2007 subject to acceleration or extension of the Subscription Period. Applicants may receive a smaller number of New Ordinary Shares than applied for, or none at all. The Joint Global Co-ordinators may, at their own discretion and without stating the grounds, reject any subscriptions wholly or in part. In the event that the New Ordinary Shares are oversubscribed, preferential treatment may be given to certain investors rather than others. No preference or priority will be given to those investors subscribing for New Ordinary Shares in the public offering in the Netherlands. It is expected that the announcement of the actual number of New Ordinary Shares to be allocated to investors under the Offering will be made on or about 12 October 2007.

Payment for the New Ordinary Shares will take place on the Settlement Date. The Offering Price for the allocated New Ordinary Shares must be paid in full in euros and it is exclusive of any taxes and expenses, if any, which must be borne by the investor. The Offering Price for the New Ordinary Shares must be paid by investors in cash.

### **Euronext, Euroclear and Market Regulation**

The Company has applied to list all of the New Ordinary Shares on Eurolist by Euronext in Amsterdam. It is expected that Admission of the New Ordinary Shares will take place on 17 October 2007. The Ordinary Shares have been listed on Eurolist by Euronext since 2006. The trading symbol of the Ordinary Shares on Eurolist by Euronext is “YATRA”. The Company is subject to Dutch securities regulations and supervision by the relevant Dutch authorities in respect of listed companies.

The market regulator in the Netherlands is the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten* or “AFM” only) insofar as the supervision of market conduct is concerned. The AFM has supervisory powers with respect to the publication of information by listed companies and to the application of takeover regulation and with respect to publication of inside information by listed companies. It also supervises financial intermediaries, such as credit institutions, investment firms and investment advisors. The AFM is also the competent authority for approving all prospectuses published for admission of securities to trading on Eurolist by Euronext, except for prospectuses approved in other Member States of the European Economic Area that are used in the Netherlands in accordance with applicable passporting rules. The surveillance units of Euronext and the AFM monitor and supervise all trading operations.

Application has been made for the New Ordinary Shares to be accepted for settlement, upon Admission, through the book-entry facilities of Euroclear Netherlands (“Euroclear”), whose address is at Damrak 70, 1012 LM Amsterdam, the Netherlands. Euroclear is the Central Securities Depository and primary settlement system for securities admitted to Eurolist by Euronext and provides real-time settlement of securities transactions. Euroclear facilitates the settlement of securities transactions through electronic book-entry transfer between its account holders without the need to use share certificates or written instruments of transfer. Indirect access to Euroclear Netherlands is available to other institutions

which clear through or maintain a custodial relationship with an accountholder of Euroclear Netherlands. The Articles permit the holding of New Ordinary Shares under the Euroclear system.

The New Ordinary Shares will be represented by book-entry shares which will be registered in the name of Euroclear, as Central Securities Depository. Subject to acceleration or extension of the Subscription Period, payment for and delivery of the New Ordinary Shares is expected to take place on or about 17 October 2007 (“Settlement Date”), being the third business day following the Allotment Date (T+3), through the book entry facilities of Euroclear in accordance with its normal settlement procedures and against payment for the New Ordinary Shares in immediately available funds.

The closing of the Offering may not take place on the Settlement Date or at all, if certain conditions or events referred to in the Joint Global Coordinators are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers’ certificates and legal opinions and such events include the suspension of trading on Eurolist by Euronext or a material adverse change in the Company’s financial condition or business affairs or in the financial markets. There are certain restrictions on the transfer of the Company’s Ordinary Shares, as detailed in Section 9 (“Transfer and Holding Restrictions”).

### **Transaction prior to the Settlement Date**

Investors who wish to enter into transaction in the New Ordinary Shares prior to the Settlement Date, whether such transactions are affected on Eurolist by Euronext or otherwise, should be aware that the closing of the Offering may not take place on the Admission Date or at all if certain conditions or events referred to in the Placing Agreement are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers’ certificates and legal opinions and such events include the suspension of trading on Eurolist by Euronext or a material adverse change in the financial condition or business of the Company or the business conditions on the financial markets. If closing of the Offering does not take place on the Admission Date or at all, the Offering will be withdrawn, all subscriptions for the New Ordinary Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation. All dealings in our shares on Eurolist by Euronext prior to settlement and delivery are consequently at the sole risk and of the parties concerned.

Euronext N.V. has indicated that it does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering.

### **Lock-Up**

The Company has agreed with the Joint Global Coordinators not to, among other things, issue, offer, pledge, sell, contract to sell, grant any option to purchase or otherwise dispose of, any Ordinary Shares (or any securities convertible into or exchangeable for Ordinary Shares or which carry rights to subscribe or purchase Ordinary Shares) or enter into a transaction (including a derivative transaction) having a similar effect or publicly announce any intention to do any of such things, during the period commencing on the date of the Placing Agreement and ending 180 days after the Settlement Date, without the prior written consent of the Joint Global Coordinators, in accordance with the Placing Agreement.

## Offering Statistics, Market Information and Expected Timetable

### Offering Statistics and Market Information

Maximum overall subscription	€150,000,000
ISIN Code	JE00B1FBT077
Euronext Symbol	YATRA
Security Code	29095
Expected Timetable Beginning of Subscription Period	26 September 2007
End of Subscription Period	11 October 2007
Expected Pricing Date	12 October 2007
Expected Allotment Date	12 October 2007
Expected Settlement Date	17 October 2007
Expected Admission Date	17 October 2007

*This timetable is subject to acceleration and/or extension and the size of the Offering may be increased, as specified above.*

### **Roles**

#### **Joint Global Coordinators and Joint Bookrunners**

ABN AMRO Rothschild and Fairfax I.S. PLC are acting as Joint Global Coordinators and Joint Bookrunners in connection with the Offering.

#### **Listing and Paying Agent**

ABN AMRO Bank N.V.

#### **Addresses of Joint Global Coordinators:**

The legal names and addresses of the Joint Global Coordinators are:

- ABN AMRO Rothschild, Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands;
- Fairfax I.S. PLC, 46 Berkeley Square, London W1J 5AT, United Kingdom.

The legal name and address of the Listing Agent and Paying Agent is:

- ABN AMRO Bank N.V., Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

### **Other Relationships**

In the ordinary course of their respective businesses, the Joint Global Coordinators, directly or through their respective affiliates, may have engaged, and in the future may engage, in commercial banking, investment banking, private banking, advisory and/or consulting services with us and our affiliates for which they have been or will be paid customary fees. In addition, the Joint Global Coordinators may have held and in the future may hold our securities for investment purposes in the ordinary course of their respective businesses.

Certain of the Joint Global Coordinators have in the past provided, and may in the future from time to time provide, investment banking services to us for which they have in the past received, and may in the future receive, fees and commissions and may come to have interests that may not be aligned or could potentially conflict with your and our interests.

In connection with the Offering, each of ABN AMRO Rothschild and Fairfax I.S. PLC, and any of their relevant affiliates acting as an investor for its own account, may take up New Ordinary Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities or related investments and may offer or sell such securities or other related investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to

New Ordinary Shares being offered or placed should be read as including any offering or placement of securities to ABN AMRO Rothschild or Fairfax I.S. PLC, and any of their relevant affiliates acting in such capacity. ABN AMRO Rothschild and Fairfax I.S. PLC do not intend to disclose any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each of ABN AMRO Rothschild and Fairfax I.S. PLC has indicated that it does not accept responsibility to any potential investor for providing protections or for rendering advice in relation to the Offering, the contents of this Prospectus or any transaction or arrangement or other matter referred to in this Prospectus.



## 14. DEFINITIONS

In this Prospectus, unless the context otherwise requires, the expressions set out below bear the following meanings:

“A Shares” means the Class A shares of US \$0.01 each in the share capital of K2 Property;

“ABN AMRO” means ABN AMRO Bank N.V.; whose address is given at page 9;

“Accounts” means the consolidated financial statements of the Company and the K2 Group for the period to 31 March 2007;

“Acquisition” means the acquisition of Eredene Mauritius by K2 Property;

“Act” means the Companies Act 2001 of Mauritius, as amended from time to time;

“Administration Agreement” means the agreement made between the Jersey Administrator and the Company relating to the administration of the Company and dated 12 September 2006;

“Admission” means the admission of the New Ordinary Shares to listing and trading on Eurolist by Euronext;

“Admission Date” means the date of Admission;

“Advisory Group” means the India Advisor, the Investment Advisor and their respective parent company;

“AFM” means the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*);

“AFS” means the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*), as amended from time to time;

“Allotment Date” means the date of allotment of the New Ordinary Shares;

“Approved Operator” means the official operator of a transfer, settlement and clearing system for shares approved by the Directors;

“Articles” means the articles of association of the Company;

“Auditor” means PricewaterhouseCoopers CI LLP, whose address is given at page 9;

“B Shares” means the Class B shares of US \$0.01 each in the share capital of K2 Property;

“Board” means the board of directors of the Company;

“Business Day” means a day upon which clearing banks are generally open for business in Mauritius;

“C Shareholders” means the holders of the C Shares from time to time;

“C Shares” means the Class C shares of US \$0.01 each in the share capital of K2 Property;

“Capital Commitments” is the aggregate amount of capital agreed by a K2 Investor to be contributed to K2 Property by way of subscription for A Shares or B Shares;

“Capital Contribution” is that portion of a Capital Commitment actually paid by a K2 Investor pursuant to a Drawdown Notice;

“Carried Interest” means the share of K2 Profits payable to the C and D Shareholders pursuant to the K2 Constitution;

“Class A Subscription Agreement” means the subscription agreement entered into between the Company and K2 Property on 16 January 2007 relating to the subscription by the Company for A Shares;

“Class B Subscription Agreement” means the subscription agreement to be entered into between the Company and K2 Property relating to the subscription by the Company of the net proceeds of the Subscription Funds for B Shares;

“Closing Date” means with respect to a subscription for K2 Shares, the date of execution of the relevant Subscription Agreement for the relevant class of K2 Shares;

“Commitment Period” is the period of 36 months from the relevant Closing Date for the class of K2 Shares in question;



“Companies Law” means the Companies (Jersey) Law 1991 as amended;

“Company” means Yatra Capital Limited, a limited liability company incorporated in Jersey;

“Constitution” means the memorandum of association of the Company and the Articles from time to time;

“D Shares” means the Class D shares of US \$0.01 each in the share capital of K2 Property;

“D Shareholders” means the holders of the D Shares from time to time;

“Daily Official List” means the *Officiële Prijscourant* of Euronext;

“Depository” means Euroclear;

“Directors” means the directors of the Company;

“Dissolution Date” is the first Business Day following the fifteenth anniversary of the incorporation of K2 Property;

“Distributable Proceeds” is the aggregate of all dividends and other payments received from a particular Fund Investment upon sale/divestment/liquidation of such investment less the expenses incurred and/or attributable (on a pro rata basis) in connection with the said investment;

“Domestic Custodian” means Hong Kong and Shanghai Banking Corporation Limited, Mumbai, or such other custodian bank in India which may be appointed by K2 Property from time to time;

“Drawdown” is the respective Capital Contribution to be made by a K2 Investor pursuant to the issuance of a Drawdown Notice;

“Drawdown Date” is the due date of the Drawdown, as mentioned in the Drawdown Notice, which shall be a date not less than 21 days after the date of the Drawdown Notice;

“Drawdown Notice” is any written notice issued by K2 Property, calling upon a K2 Investor to make a Capital Contribution from the amount of Capital Commitment not previously drawn down, within such period as may be specified in the notice;

“Eligible Investor” shall have the meaning specified in Section 12.9.6;

“ERISA” means the U.S. Employment Retirement Income Security Act of 1974, as amended;

“Eredene Mauritius” means Eredene Mauritius Limited (subsequently re-named K2C Residential Limited);

“Euroclear ” means Euroclear Netherlands, the trade name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.;

“Eurolist by Euronext” means Eurolist by Euronext Amsterdam N.V. the regulated market of Euronext;

“Euronext” means the cross-border exchange for trading securities operated by Euronext N.V. and its affiliates;

“Euronext N.V.” means Euronext Amsterdam N.V.;

“Existing Ordinary Shares” means Ordinary Shares in issue at the date of this document;

“Extraordinary Resolution” means a resolution of the Company in general meeting or of the holders of any class of shares in the Company adopted by a majority of at least three-quarters of the votes cast at that meeting;

“Fairfax” means Fairfax I.S. PLC;

“FDI” or “Foreign Direct Investment” means Foreign Direct Investment under the FDI Regulations;

“FDI Regulations” means the Foreign Exchange Management (Transfer or issue of security by a person outside India) Regulations 2000 of India;

“FEMA” is the Foreign Exchange Management Act 1999 of India;

“Financial Year” means a period of 12 months commencing on April 1st of a year and ending on March 31st of the next calendar year on which the accounts of the Company and/or the K2 Group (as the case may be) are audited;

“Founder Shares” means the founder shares of no par value in the share capital of the Company;

“Fund” means the assets of the K2 Group attributable to the Capital Contributions made by the Company;

“Fund Investments” means investments by the Fund in Portfolio Companies or Short-Term Investments;

“Funds Law” means the Collective Investment Funds (Jersey) Law 1988, as amended;

“GBL1” means the category 1 global business licence issued to K2 Property by the Mauritius FSC;

“Hurdle Rate” is the threshold rate of compound return to be achieved by K2 Investors on Net Capital Contributions which is equivalent to 11% per annum;

“Hurdle Return” means a Return to K2 Investors of K2 Profits over any given period up to but not exceeding the Hurdle Rate;

“IFRS” means International Financial Reporting Standards;

“India Advisor” means Saffron Asset Advisors Private Limited;

“Investment Advisor” means Saffron Capital Advisors Limited, whose details are set out at page 9;

“Investment Advisory Agreement” means the agreement made between K2 Property and the Investment Advisor dated 22 June 2006;

“Investment Committee” means the advisory committee outlined at Section 7.8 of this document;

“Investment Policy” means the objectives, strategies and criteria for investment and divestment for the Fund as set out in the Investment Policy Memorandum and as detailed at Section 4 of this document;

“Investment Policy Memorandum” means the memorandum approved by the K2 Board detailing the Investment Policy;

“Investor Shareholders” means the A Shareholders and the B Shareholders;

“IRR” is the annualized discount internal rate of return at which the net present value of the entity’s cash flows sum to zero, calculated in accordance with accepted industry practice;

“Jersey Administrator” means Minerva Fund Administration Limited, whose details are given on page 9;

“Jersey FSC” means the Jersey Financial Services Commission;

“Joint Global Co-ordinators” means ABN AMRO Rothschild and Fairfax I.S. PLC acting as Joint Global Co-ordinators and Joint Bookrunners whose details are set out on page 9 of this document;

“K1 Investments” means K1 Property Investments Limited, a wholly-owned subsidiary of K2 Property incorporated in Cyprus;

“K2 Administration Agreement” means the agreement made between K2 Property and the K2 Administrator regarding the administration of K2 Property dated 22 June 2006;

“K2 Administrator” means Jupiter Management (Mauritius) Ltd., whose details are given on page 9;

“K2 Board” means the board of directors of K2 Property;

“K2 Constitution” means the Constitution of K2 Property, as amended from time to time;

“K2 Director” means a director of K2 Property;

“K2 Group” means K2 Property and the K2 Subsidiaries;

“K2 Investor” means a subscriber for A Shares or B Shares in K2 Property;

“K2 Profits” means any Returns in excess of Capital Contributions;

“K2 Property” means K2 Property Limited, a company incorporated in Mauritius;

“K2 Shareholder” means a holder of the K2 Shares;

“K2 Shares” means the A Shares and/or the B Shares and/or the C Shares and/or the D Shares as the case may be;

“K2 Subsidiaries” means subsidiaries of K2 Property incorporated in Mauritius or Cyprus;

“Listing Agent” means the listing and paying agent engaged pursuant to the Listing and Paying Agent Agreement;

“Listing and Paying Agent Agreement” means the agreement made between the Company and ABN AMRO as summarised in section 12.18.6 of this document;

“Mauritius FSC” means the Financial Services Commission of Mauritius;

“Mauritius Law” means the Act, and any other applicable law in Mauritius;

“Minerva” means Minerva Fund Administration Limited;

“Minimum Holding” means, with respect to K2 Property, 5,000 A Shares and/or B Shares;

“Net Capital Contributions” means from time to time Capital Contributions of K2 Investors less any Capital Contributions returned by way of a Return;

“Offering” means the offer for subscription of New Ordinary Shares made to the public in the Netherlands and a private placement of New Ordinary Shares with institutional investors in various jurisdictions as described in this document;

“Offering Price” means the price per Ordinary Share at which the New Ordinary Shares are subscribed under the Offering;

“New Ordinary Shares” means the shares issued under the Offering;

“Ordinary Resolution” is a resolution of Shareholders (or K2 Shareholders, as the case may be) or any class of Shareholders (or K2 Shareholders as the case may be) proposed and passed as such by a simple majority of the total number of votes cast for and against such resolution;

“Ordinary Shares” are the Ordinary Shares of no par value in the share capital of the Company to include the New Ordinary Shares where applicable;

“Placing Agreement” means the agreement made between the Joint Global Co-ordinators and the Company relating to the Offering;

“Plan” and “Plan Assets” shall have the meaning given in Section 2.6.2 of this document;

“Portfolio Company” means a company in India which is a recipient or possible recipient of investment from the Fund;

“Pricing Date” means the date on which the Offering Price is announced;

“Prospectus” means this Prospectus dated 24 September 2007;

“Remuneration Committee” means the remuneration committee of the Board;

“Qualifying Investor” shall have the meaning specified in Section 9.2;

“Return” means any return of capital or income paid or available to be paid to K2 Investors by way of payment of interest on loan stock, repayment of loan stock, dividend or distribution or capital redemption or other capital or income payment relating to the K2 Shares or loan stock;

“SEBI” means the Securities and Exchange Board of India;

“Settlement Date” means the date on which the closing of the Offering is scheduled to take place, being the third business day after the end of the Subscription Period;

“SEZ” means Special Economic Zone;

“Shareholder” or “Shareholders” means the holder or holders of Ordinary Shares from time to time;

“Short Term Investments” means bank deposits, government securities, treasury bills, short-term money market mutual funds, and corporate bonds and deposits rated no lower than “A-1” by Standard & Poor’s Rating Services or “P-1” by Moody’s Investors Service Inc;

“Special Resolution” in the case of the Company, shall have the meaning given in the Companies Law and in the case of K2 Property, shall mean a resolution or written consent of the K2 Shareholders holding in person or by proxy at least 75% of the votes of K2 Shareholders entitled to vote and voting on the resolution in question;

“Stock Exchange” means any stock exchange or market which is an official or recognised stock exchange or market in the jurisdiction in which it is situated and any responsible firm, corporation or association in any part of the world dealing in a particular investment so as to provide in the opinion of the Directors a satisfactory market for the investment;

“Subscription Agreement” means either the Class A Subscription Agreement or the Class B Subscription Agreement and “Subscription Agreements” means both of them;

“Subscription Funds” means the proceeds of the Offering;

“Subscription Period” means the period commencing on 26 September 2007, 9:00 Amsterdam time and ending on 11 October 2007, 16:30 Amsterdam time, subject to acceleration or extension as described in this document;

“Super Majority” means the resolution or written consent of a majority of K2 Shareholders of the relevant class or classes holding in person or by proxy 90% of the relevant K2 Shares of the relevant class or classes;

“Total Capital Commitments” means the aggregate Capital Commitments of all K2 Investors less any Capital Contributions that have been returned to K2 Investors as a Return;

“U.S. Investment Company Act” means the U.S. Investment Company Act of 1940, as amended from time to time;

“U.S. Securities Act” means the U.S. Securities Act of 1933, as amended from time to time;

References herein to “\$”, “USD” and “Dollars” shall be to the lawful currency of the United States. References herein to “Rupees” and “Rs” shall be to the lawful currency of India. References to £ and “Pounds” shall be to the lawful currency of the United Kingdom. References to €, “sterling” and “euros” shall be to the lawful currency of the European Community.

## 15 RESTRICTIONS ON DISTRIBUTION AND OTHER IMPORTANT INFORMATION

The Offering consists of a public offering in the Netherlands (including to institutional investors) and a private placing to institutional investors in various jurisdictions. Potential investors are advised to take note of the following restrictions on distribution.

### European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the “Relevant Implementation Date”) no Ordinary Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication, except that with effect from and including the Relevant Implementation Date, offers of Ordinary Shares may be made in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a balance sheet total of more than €43 million, and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior written consent of the Joint Global Co-ordinators;
- (d) at any time in any other circumstances which do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Offering will, unless under (c) above, be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of the expression an “offer of any Ordinary Shares to the public” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe any Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive means” Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained for each such proposed offering or resale. The Company and the Joint Global Co-ordinators and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Co-ordinators of such fact may, with their consent, be permitted to subscribe for or purchase Ordinary Shares under the Offering.

**Australia:** No copy of this document has been lodged with the Australian Securities and Investments Commission (ASIC). This document may only be provided to those persons who do not require a disclosure document in accordance with section 708 of the Corporations Act 2001 (Clth) (‘Corporations Act’). As such, the Ordinary Shares as defined are

offered in Australia only to those persons who are professional investors in accordance with section 708(11) of the Corporations Act or sophisticated investors in accordance with section 708(8) of the Corporations Act who would not require a disclosure document. Prospective investors may apply for Ordinary Shares only if they represent and warrant to the Company [and the Underwriter] that they are persons to whom a disclosure document does not need to be provided. This document is not financial product advice to invest in the Ordinary Shares nor is it a securities recommendation made by the Company, the Joint Global Coordinator or any other person connected or associated with the Company. If you apply for Ordinary Shares, you will be required to provide personal information to the Company and the Jersey Administrator. This information will be collected, held and used only for the purposes of assessing your application, and carry out appropriate administration.

**Germany:** The Ordinary Shares are not available for purchase in Germany.

**Hong Kong:** These materials are supplied to you either on a private basis or in response to your specific request, and not in response to any public marketing by the Joint Global Co-ordinators. You should note that the products to which these materials relate are not authorised by the Securities and Futures Commission in Hong Kong for public marketing in Hong Kong. These materials are for your personal use only and must not be copied or distributed to third parties.

**India:** This document has not been registered with the Securities and Exchange Board of India (“SEBI”) and may not be distributed directly or indirectly in India or to Indian residents and the Ordinary Shares are not being offered and may not be sold directly or indirectly in India or to or for the account of any resident of India. The Ordinary Shares will neither be registered nor approved by SEBI nor by any other legal or regulatory authority in India.

**Republic of Italy:** The offering of the Ordinary Shares has not been registered pursuant to the Italian securities legislation and accordingly the Ordinary Shares may not be offered, sold or delivered and neither the Prospectus, nor any other document or offering material relating to the Ordinary Shares, may be distributed or made available in Italy or to investors, including professional investors.

**Republic of France:** This Prospectus has not been submitted for approval by the Autorité des Marchés Financiers. Accordingly, neither this Prospectus nor any other material relating to the Ordinary Shares may be distributed or caused to be distributed to the public in the Republic of France. Each of the Issuer and the Joint Global Co-ordinators have represented and agreed that (i) it has not offered or sold and will not offer or sell directly or indirectly any Share to the public in France and (ii) offers and sales of Shares will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account or for the account of other qualified investors all as defined in, and in accordance with, articles L411-1, L411-2, D 411-1 of the French *Code monétaire et financier* and (iii) it has not distributed and will not distribute or cause to be distributed to the public in France the Prospectus or any other offering material other than to investors to whom offers and sales of Shares in France may be made as described above

**Singapore:** The distribution of this material is restricted in Singapore to persons who are “institutional investors” as mentioned in section 274 of the Securities and Futures Act (Cap. 289) (“the SFA”) or who are “relevant persons” as defined in section 275(2) of the SFA. These materials are supplied to you either on a private basis or in response to your specific request or previous expression of interest, and not in response to any public marketing or advertisement by the Joint Global Co-ordinators. These materials are for your personal use only and must not be copied or distributed to third parties.

**Switzerland:** The Company has not been authorised by the Swiss Federal Banking Commission as a foreign investment fund under article 45 of the Swiss Federal Act on Investment Funds of 18 March 1994, as amended. Accordingly, the Ordinary Shares may not be offered or distributed in or from Switzerland with public solicitation, i.e. to more than twenty investors in any given year, and neither this Prospectus nor any other offering material relating to the Ordinary Shares may be distributed in connection with any such offering or distribution. The Ordinary Shares may only be offered and the Prospectus may only be distributed in Switzerland (i) to institutional investors such as banks, professional security dealers, investment funds insurance companies and independent assets managers, whose assets are professionally managed, or (ii) on the basis of a written asset management agreement providing compensation in accordance with the standards of the Swiss Banking Association dealing with investment management contracts, or (iii) by a bank or a security dealer to high net worth individuals owning directly or indirectly financial assets amounting to CHF 5 millions at least, on the basis of a written, general and unlimited advisory agreement.



**United Arab Emirates:** The Ordinary Shares are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Ordinary Shares. The promotional documentation does not constitute an offer to the public and is for the use only of the named addressee for evaluation purposes and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). Potential investors should not interpret the financial information contained in this Prospectus as a promise of performance. No transaction will be concluded in the UAE and any inquiries regarding the Ordinary Shares should be made to the Jersey Administrator, Minerva Fund Administration Services Limited, whose details are set out on page 6 of this document.

**United Kingdom:** The contents of this document have not been approved by a person authorised by the Financial Services Authority ("FSA") for the purposes of Section 21 of the Financial Services and Markets Act 2000 ("FSMA"), and is made available in the United Kingdom only on the basis of certain exemptions pursuant to the FSMA. If these exemptions are not applicable then this document would require approval for the purposes of Section 21 FSMA.

Investing in the Ordinary Shares may expose you to a significant risk of losing all the property invested and if you are in doubt about the investment to which this invitation or inducement relates you should consult an authorised person specialising in advising on investments of the kind in question.

This document is (a) communicated to persons who receive the document outside the United Kingdom in accordance with Article 12(1)(a) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FP Order") and (b) communicated to or directed at persons in the United Kingdom who fall within an exemption contained in the FP Order or are otherwise persons to whom this document may be communicated under the rules of the Financial Services Authority. This document is not directed at, and must not be acted on or relied on by, any other persons. Accordingly, this document is communicated in the United Kingdom on the basis of the following exemptions ("Exemptions"):

#### ***Investment Professionals***

This communication is being made to you in reliance on your status as an investment professional on which basis you are informed that:

- (a) this communication is directed at persons having professional experience in matters relating to investments and the investments to which this communication relates are available only to such persons (or to other persons to whom this communication may lawfully be communicated); and
- (b) unless another exemption applies, persons who do not have professional experience in participating in matters relating to investments (or such other persons) should not rely on this communication.

#### ***High Net Worth Companies, Unincorporated Associations etc.***

This document is being sent to you in reliance on your status as a high net worth company, unincorporated association etc. on which basis you are informed that:

- (a) this communication is directed at persons who are high net worth bodies corporate, associations, partnership, trustees of high value trusts and other persons of the kind described in Article 49(2) of the FP Order and the Ordinary Shares are only being made available to such persons (or to other persons to whom this communication may lawfully be communicated); and
- (b) unless another exemption applies, persons other than those of a kind described in Article 49(2) of the FP Order should not rely on this communication.

#### ***Certified Sophisticated Investors***

This document is being communicated to you in reliance on your status as a certified sophisticated investor, on which basis you are informed that:

- (a) this communication is directed at persons who are Certified or Self-Certified Sophisticated Investors as described in Articles 50(1) and 50(A)(i) of the FP Order and on those grounds it is exempt from the general restriction on financial promotions in section 21 of the FSMA on the grounds that it is made to a Certified or Self-Certified

Sophisticated Investor and the investment to which this communication relates is available only to such persons (or to persons to whom this communication may lawfully be communicated);

- (b) in order to qualify as a Certified Sophisticated Investor you must have a current certificate signed by a person authorised by the Financial Services Authority to the effect that you are significantly knowledgeable to understand the risks associated with these types of investment and you must have signed within the last twelve months a statement in the terms set out in Article 50(1)(b) of the FP Order;
- (c) in order to qualify as a Self-Certified Sophisticated Investor you must have a current statement to the effect that you are a Self-Certified Sophisticated Investor for the purposes of the FP Order, that you understand that you can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority, that the contents of such financial promotions may not conform to rules issued by the Financial Services Authority, that by signing such a statement you may lose significant rights, that you may have no right to complain to either the Financial Services Authority or the Financial Ombudsman Scheme respectively, and may have no right to seek compensation from the Financial Services Compensation Scheme, and that you are either (i) a member of a network or syndicate of business angels and have been so for the last six months, or (ii) that you have made more than one investment in an unlisted company in the two previous years or (iii) you are working or have worked in the previous two years in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises, or (iv) you are currently or have been in the two previous years a director of a company with an annual turnover of at least £1 million and that you accept you can lose your property and other assets from making investment decisions based on financial promotions;
- (d) unless a known exemption applies, persons other than those of a kind described in Articles 50(i) or 50(A)(i) of the FP Order should not rely on this communication.

#### ***Certified High Net Worth Individuals***

This document is being communicated to you in reliance on your status as a Certified High Net Worth Individual, on which basis you were informed that:

- (a) this communication is directed at persons who are Certified High Net Worth Individuals as described in Article 48(2) of the FP Order, and on those grounds it is exempt from a general restriction in Section 21 of the FSMA on financial promotions;
- (b) in order to qualify as a Certified High Net Worth Individual you must have a current statement declaring that you are a Certified High Net Worth Individual for the purposes of the FP Order, that you understand that this means that you can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority, that the contents of such financial promotions may not conform to rules issued by the Financial Services Authority, that by signing this statement you may lose significant rights, that you may have no right to complain to either the Financial Services Authority or the Financial Services Ombudsman Scheme, or any rights to seek compensation from the Financial Services Compensation Scheme. Further, that you are a Certified High Net Worth Individual because either (i) you had during the immediately preceding financial year an annual income to the value of £100,000 or more, or (ii) you held throughout the immediately preceding financial year net assets to the value of £250,000 or more, and that you accept you can lose your property and other assets from making investment decisions based on financial promotions.
- (c) unless another exemption applies, persons other than those of a kind described in Article 48(2) of the FP Order should not rely on this communication.

Investors are advised that the protections afforded by the United Kingdom regulatory system may not apply to an investment in the Ordinary Shares and that compensation will not be available under the United Kingdom Investors' Compensation Scheme.

**United States:** the Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("the U.S. Securities Act") or the securities laws of any of the states of the United States. No public market exists in the United States for the Ordinary Shares and it is not expected that such a public market will develop. The Ordinary Shares may not be offered, sold or delivered directly or indirectly in the United States or to or for the account



or benefit of any U.S. Persons (as defined in Regulation S under the Securities Act (“Regulation S”)) except pursuant to certain exemptions to persons who are “qualified institutional buyers” (as defined in Rule 144A under the US Securities Act) that are also “qualified purchasers” (as defined in the U.S. Investment Company Act and related rules). For additional transfer, resale and holding restrictions, see Section 9 entitled “Transfer and Holding Restrictions”. In addition, the Company has not been and will not be registered under the U.S. Investment Company Act, and investors will not be entitled to the benefits of that Act. The Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

#### ***Enforceability of Judgments and the Effect of Foreign Law***

The Company is a Jersey limited company. Its offices are located outside of the United States, and its directors, officers and the experts named in this Prospectus reside outside the United States. In addition, substantially all of the assets of the Company and the assets of the Company’s directors, officers and experts are located outside of the United States. As a result, an investor may have difficulty serving legal process within the United States upon us or any of these persons. It may be difficult for such an investor to enforce judgments obtained in United States courts against the Company’s assets located outside the United States, and to enforce judgments obtained in United States courts against the Company’s directors, officers and non-United States experts.

#### ***Notice to New Hampshire Residents***

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire revised statutes, annotated, 1955, as amended, with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

#### ***Special Notice to Florida Investors***

The following notice is provided to satisfy the notification requirement set forth in subsection 11(A)(5) of Section 517.061 of the Florida Statutes, 1987, as amended:

Upon the acceptance of five (5) or more Florida investors, and if the Florida investor is not a bank, a trust company, a savings institution, an insurance company, a dealer, an investment company as defined in the Investment Company Act of 1940, as amended, a pension or profit-sharing trust, or a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended), the Florida investor acknowledges that any sale of an Ordinary Share to the Florida investor is voidable by the Florida investor either within three days after the first tender of consideration is made by the Florida investor to the issuer, or an agent of the issuer, or within three days after the availability of that privilege is communicated to the Florida investor, whichever occurs later.

#### ***Special Notice to Georgia Investors***

The Ordinary Shares will be sold in reliance on the exemption from securities registration contained in paragraph 13 of code section 10-5-9 of the Georgia Securities Act of 1973, and may not be sold or transferred except in a transaction which is exempt from such act or pursuant to an effective registration under such act.

**Generally:** the distribution of this Prospectus and the offering of Ordinary Shares may be restricted in certain jurisdictions. The above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to purchase Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to legal

requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

Neither the Company nor any of its agents has any responsibility for any purchase, offer or sale of Ordinary Shares by any person other than the Joint Global Co-ordinators and the Company.



