YATRA CAPITAL

YATRA CAPITAL LIMITED

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

YATRA CAPITAL IS THE ONLY COMPANY LISTED ON EURONEXT

INVESTING IN REAL ESTATE IN INDIA.

INVESTMENT MANAGER

SAFFRONCAPITALADVISORS

Contents

Performance Highlights

- **45%** **Increase in value of Portfolio (EUR 247.59 million) against acquisition costs (EUR 170.63 million)**

- **€ 11.58** **Net Asset Value (“NAV”) per share**

- **€ 12.43** **Adjusted Net Asset Value (“ Adjusted NAV”) per share ***

- **81%** **Funds committed to various projects against the net fund raised**

- **27.1** **Million sq. ft. Under development**

- **16** **Investments , including two entity level investments**

- **9** **Cities covered in India for investments**

- **8** **Investments where construction has commenced**

* Adjusted NAV excludes the provision for taxation. Net Asset value is based on Yatra’s net assets divided by the number of shares outstanding as on 30 September 2008. This incorporates adjustments for taxation, exchange rate movements and carried interest.

Chairman's Statement

I am pleased to report Yatra Capital's results for six months ended 30 September, 2008. Notwithstanding the turmoil in global financial markets, the Company has made significant progress towards increasing value and mitigating risk by building a diversified portfolio of real estate investments in India. We have continued to build on our track record as a well established participant in the Indian real estate market and consolidated relationships with our development partners.

We have committed 81% of net capital in 14 assets spread over six sectors and nine cities, with two entity level investments.

In a rapidly evolving market we believe that our shareholders' interests are best served by intensive asset management enabling us to bring projects on stream without delay. We are working closely with our partners to ensure that project deliveries are on time and assets are realized as appropriate.

Portfolio Progress

To date, land has been acquired in all the projects, construction has begun in eight and pre-construction activities are progressing in the remaining six. Construction will commence in two of these projects by January 2009 and is envisaged in others by the first quarter of 2009.

Appropriate levels of debt have been secured for projects that require it despite generally tight liquidity constraints and stricter underwriting. This demonstrates the robustness of our projects, our underwriting processes and the strength of our partners who continue to have adequate financial and management capacities to deliver our projects.

Our investment manager has further deepened its expertise by adding new team members with relevant skill-sets. The investment manager is committed to follow best practice in investment management, corporate governance and transparency.

Market Overview

Despite liquidity constraints and a slowdown in demand, the underlying long-term fundamentals of Indian economy remain strong. The Indian Government and regulators have been proactive in managing the impact of the global crisis on the economy and in containing inflation. While growth in the domestic economy has slowed the underlying demand for goods and services remains strong in most sectors. The International Monetary Fund expects the Indian economy to revert to an 8% growth rate after 2010 as the effects of the global downturn recede, though growth for 2009 is expected to slow to 6.9%.

The impact of recent events such as interest rate cuts by the Reserve Bank of India, inflation easing to a single digit and the softening of commodity prices, especially oil, is likely to be felt after the results of the national elections scheduled for March-April 2009 are known.

Whilst, in the long-term, the Indian real estate market remains an attractive proposition currently, like every other sector of the economy, it has been affected by the continuing economic crisis. Nevertheless our experience is that credit is still available for high quality projects undertaken with well-established developers. As the crisis recedes we anticipate a recovery in the sector driven by sound fundamentals.

Valuations

In the light of current market conditions Yatra has taken a realistic approach to valuing its portfolio. Applied to the entire portfolio, this has led to a reduction in our NAV compared to March 2008. We believe, however, that this prudence will prove itself over time as the quality of the underlying assets ensures that values appreciate as the market returns to more normal trading conditions.

Using this approach, we have valued total assets at EUR 247.59million, an uplift of 45% on capital invested. This has resulted in a Net Asset Value (NAV) of EUR 11.58 per share and an adjusted NAV of EUR 12.43 per share, an uplift of 21.25% on NAV and 30.16% on adjusted NAV compared to March 2008.

Outlook

Yatra's strategy of creating a diversified portfolio and concentrating on risk and cost management has served us well in current market conditions. Construction is underway in most of our projects and we expect completion of the majority in the next 15-30 months which should allow us to manage through the current market cycle.

Our intention is to maximise returns by maintaining a portfolio of high quality assets and bringing them to market at the appropriate time. To do this we will draw on the expertise and experience available in the Board, the Investment Committee, our Investment Manager as well as in our development partners and our combined knowledge of the sector we are operating in.

Finally, as we come to the end of this turbulent year, I would like to thank our shareholders for maintaining their confidence in Yatra. My thanks go also to my board colleagues for their continued support, to the members of the investment committee and the investment manager for their advice and guidance.

Sir Nigel Broomfield

Chairman
Yatra Capital Limited

Directors' Report

The Directors present their report and the financial statements of the Company and the Group for the period ended 30 September 2008.

The Company

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

Business Review

A review of the Group's activities during the period is set out in the Chairman's Statement in pages 3 to 5 respectively.

Results and Dividend

The Group's results for the period ended 30 September 2008 are shown in the Consolidated Income Statements and related notes (page 13 – 40). The Directors do not propose to declare a dividend for the period under review.

Directors

All the Directors are non-executive and the present membership of the Board of Directors ("Board") is set out on page 41. All directors served office throughout the period. At the Annual General Meeting of the Company, each Director was nominated for re-election.

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

The Board believes that there is a balance of requisite skills and experience within the Board and that each of the Directors contributes efficiently and effectively.

Directors' Interests

Rohin Shah is also a director of:

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

Ajoy Veer Kapoor is also a director of:

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

William Kay is also a director of:

- Minerva Fund Administration Limited, the appointed administrator to the Company

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

Management

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

Directors' Responsibility Statement

Company law requires the directors to prepare financial statements of the Company and the Group in accordance with applicable law and regulations. The directors are mandated to prepare financial statements for each financial year in accordance with the requirements of Jersey company law. In addition, the directors have elected to prepare the Group and parent company in accordance with International Financial Reporting Standards. In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the 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 safeguarding 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 have confirmed that they have complied with the above requirements in preparing the financial statements.

Corporate Governance

A statement of Corporate Governance can be found on page 9.

Key Risks

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

- Real estate investments are long-term, illiquid investments and therefore the Group may not be able to exit at the time and price at which these investments were underwritten. The Group seeks to mitigate these risks by diversifying its portfolio across different asset classes, cities and development partners.
- Regulations governing foreign investments in India are subject to government changes that may adversely affect the Group's performance. The Group, through the Investment Manager, monitors this risk by seeking advice from specialist lawyers and tax advisors and by structuring its investments accordingly.
- The Group receives interest income on its variable rate bank balances and fixed rate treasury deposits. The Group deposits are placed in both fixed and variable interest deposits in order to reduce the effect of interest rate changes.
- The Group invests in Indian companies and the fair value of these investments is denominated in Indian Rupees. A movement in foreign exchange rates would affect the value of the investments and the unrealised gain or loss.

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

Annual General Meeting

The Annual General Meeting of the company was held on September 5, 2008.

Auditors

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

By Order of the Board

Nigel Broomfield

W. Kay.

Sir Nigel Broomfield | **William Kay**
Chairman | **Director**
25 November 2008

Corporate Governance

Jersey does not have its own corporate governance regime and as a Jersey registered company, the Company is not mandated to have a corporate governance framework. However, it is the Company's policy to comply with the Best Practices on good corporate governance. The Group recognises that effective governance is a fiduciary responsibility fundamental to its long-term success. The Group and the Company's Board place great value on a management structure that incorporates effective checks and balances, proper procedures for managing risks attached to opportunities, and accountability towards stakeholders with regard to the policies pursued.

Role of the Board

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

- Review the overall objectives for the Company and set the Company's strategy for fulfilling those objectives within an appropriate risk framework;
- Consider any shifts in strategy that may be appropriate in light of market conditions;
- Review the capital structure of the Company including consideration of any appropriate use of gearing both for the Company and in any joint ventures in which the Company may invest from time to time;
- Appoint the Investment Manager, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings;
- Review key elements of the Company's performance including Net Asset Value and payment of dividends.

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

Board Decisions

The Board ensures during its meetings that all strategic matters are considered. The operational obligations of the Board have been delegated through appropriate arrangements to the Investment Manager and the Administrator, as all members of the Board are non-executive directors.

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

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

Board Meetings

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

Director	Attendance at Scheduled Meetings
Sir Nigel Broomfield	2
David Hunter	1
William Kay	2
Ajoy Veer Kapoor	2
Malcolm King	2
Christopher Lovell	1
Rohin Shah	1

Committees of the Board

Audit Committee

The audit committee is chaired by William Kay and includes Ajoy Veer Kapoor and Malcolm King. The Audit Committee meets at least three times a year, and if required, the meetings can also be attended by the Investment Manager, the Administrator and the Statutory Auditors.

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

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

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

Remuneration Committee

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

Investment Committee

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

Shareholder Relations

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

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

Unaudited Consolidated Group and Company Balance Sheet

As at 30 September 2008

	Notes	Group September 30, 2008 EUR	Group March 31, 2008 EUR	Company September 30, 2008 EUR	Company March 31, 2008 EUR
ASSETS					
Non current assets					
Financial assets at fair value through profit or loss	7	**190,070,816**	223,590,789	**-**	-
Investments in subsidiary undertakings	8	**-**	-	**212,132,319**	212,132,319
Advance on equity contribution	9	**158,328**	-	**-**	-
		190,229,144	223,590,789	**212,132,319**	212,132,319
Current assets					
Prepayments and other receivables	10	**4,621,080**	6,511,123	**12,602**	186,988
Cash at bank	11	**64,140,205**	79,542,255	**47,023,998**	46,439,061
		68,761,285	86,053,378	**47,036,600**	46,626,049
Total assets	**EUR**	**258,990,429**	309,644,167	**259,168,919**	258,758,368
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital		**-**	-	**-**	-
Share premium	12	**211,906,108**	211,906,108	**211,906,108**	211,906,108
Retained earnings		**36,243,249**	75,950,457	**2,403,375**	1,951,302
Total equity		**248,149,357**	287,856,565	**214,309,483**	213,857,410
Minority interest	13	**2,055,426**	2,642,861	**-**	-
		250,204,783	290,499,426	**214,309,483**	213,857,410
Current liabilities					
Amount due to subsidiary	15	**-**	-	**44,807,073**	44,807,073
Accruals and other payables	16	**324,894**	644,169	**52,363**	93,885
Other financial liabilities	14	**8,460,752**	18,500,572	**-**	-
		8,785,646	19,144,741	**44,859,436**	44,900,958
Total equity and liabilities	**EUR**	**258,990,429**	309,644,167	**259,168,919**	258,758,368

The financial statements were approved by the Board of Directors and authorised for issue on 25 November 2008. They were signed on its behalf by Sir Nigel Broomfield and William Kay.

Nigel Broomfield

Sir Nigel Broomfield
Chairman
25 November 2008

William Kay
Director

The notes on pages 16 to 40 form an integral part of these financial statements.

Unaudited Consolidated Income Statement

For the Six Months Period Ended 30 September 2008

	Notes	**Group Period ended September 30, 2008 EUR**	Group Period ended September 30, 2007 EUR
INCOME			
Interest income		**1,218,824**	1,223,915
Dividend income		**9,824**	-
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	**(38,186,655)**	(134,507)
		(36,958,007)	1,089,408
EXPENSES			
General Administration Expenses:			
Investment advisory fee		**2,119,173**	685,669
Custodian, secretarial and administration fees		**84,659**	137,383
Legal and professional costs		**560,087**	845,880
Directors' fees	18	**110,726**	134,924
Directors' insurance		**65,826**	21,071
Audit fees		**149,972**	14,823
Setup Costs		**694**	76,891
Listing Agent Fees		**6,600**	-
Other administrative expenses		**65,254**	197,306
Loss on foreign currency translation		**173,645**	209,813
		3,336,636	2,323,760
Loss for the period	EUR	**(40,294,643)**	(1,234,352)
Attributable to:			
Equity holders of the Company		**(39,707,208)**	(1,234,352)
Minority interest	13	**(587,435)**	-
	EUR	**(40,294,643)**	(1,234,352)
Earnings/(loss) per share - basic and diluted (EUR per share)	22	**(1.85)**	(0.12)

The notes on pages 16 to 40 form an integral part of these financial statements.

Unaudited Consolidated Statement of Changes in Equity

For the Six Months Period Ended 30 September 2008

	Attributable to Equity Holders					
	Stated capital	**Share premium**	**Retained earnings/ (accumulated losses)**	**Total equity**	**Minority interests**	**Total**
	EUR	EUR	EUR	EUR	EUR	EUR
Group:						
Opening Balance as on April 01, 2007		97,000,000	(1,513,840)	95,486,160	-	95,486,160
Arising on acquisition	-	-	-	-	5	5
Issue of shares	-	119,999,996	-	119,999,996	-	119,999,996
Placement costs	-	(5,093,888)	-	(5,093,888)	-	(5,093,888)
Profit for the year	-	-	77,464,297	77,464,297	2,642,856	80,107,153
31 March 2008		**211,906,108**	**75,950,457**	**287,856,565**	**2,642,861**	**290,499,426**
Arising on acquisition	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-
Placement costs	-	-	-	-	-	-
Loss for the Period	-	-	(39,707,208)	(39,707,208)	(587,435)	(40,294,643)
30 September 2008	**-**	**211,906,108**	**36,243,249**	**248,149,357**	**2,055,426**	**250,204,783**

The notes on pages 16 to 40 form an integral part of these financial statements.

Unaudited Consolidated Cash Flow Statement

For the Six Months Period Ended 30 September 2008

	Notes	**Group Period ended September 30, 2008 EUR**	Group Period ended September 30, 2007 EUR
Cash flows from operating activities			
Loss for the period		**(40,294,643)**	(1,234,352)
Adjustments for:			
Dividend income		**(9,824)**	-
Interest income		**(1,218,824)**	(1,223,915)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	**38,186,655**	-
		(3,336,636)	(2,458,267)
Decrease in prepayments and other receivables		**1,890,241**	722,892
(Decrease)/Increase in accruals and other payables		**(319,275)**	348,485
Cash used in operations		**(1,765,670)**	(1,386,890)
Interest received		**1,218,824**	1,223,915
Net cash used in operating activities		**(546,846)**	(162,975)
Cash flow from investing activities			
Purchase of financial assets at fair value through profit or loss		**(14,706,700)**	(38,235,486)
Advance on equity contribution	9	**(158,328)**	(1,803,404)
Dividend received		**9,824**	-
Net cash used in investing activities		**(14,855,204)**	(40,038,890)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	725
Net cash from financing activities		**-**	725
Net decrease in cash and cash equivalents		**(15,402,050)**	(40,201,140)
Cash and cash equivalents at beginning of the period		**79,542,255**	89,320,489
Cash and cash equivalents at end of the period	11	**64,140,205**	49,119,349

The notes on pages 16 to 40 form an integral part of these financial statements.

Notes to the Unaudited Interim Financial Statements

1. General Information

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

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

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

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

The Company's ordinary shares are listed and traded on Eurolist by Euronext, operated by Euronext Amsterdam. The consolidated interim accounts presented are unaudited as on 30 September 2008.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

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

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

As set out in Note 1, the Company makes investments in K2 which are disclosed as investments in subsidiary undertakings in the balance sheet of the Company. K2 makes investments in

Summary of significant accounting policies (continued)

Portfolio Companies established to undertake real estate investment in India. By virtue of the controlling interest held by the Company in K2 as at 30 September 2008 the Company has consolidated the position and results of K2 in accordance with the accounting policies set out in note 2.2.

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

As at 30 September 2008, neither the Company nor K2 hold a controlling interest in any of the Portfolio Companies in respect of which K2 has invested. As set out in note 2.3, investments in Portfolio Companies are accounted for as financial assets at fair value through profit or loss. The estimates and assumptions applied in determining the fair value of these investments is set out in note 4.1.

(a) Standards, amendments and interpretations effective in 2008

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures' introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's consolidated financial instruments.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's consolidated financial statements.

(b) Standards, amendments and interpretations effective in 2008 but not relevant for the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2007 but they are not relevant to the Group's operations:

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies',
- IFRIC 9, 'Re-assessment of embedded derivatives' ,
- IFRIC 10, 'Interim financial reporting and impairment',
- IFRIC 11, 'IFRS 2, 'Group and treasury share transactions',
- IFRIC 12, 'Service concession arrangements' and,
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

Summary of significant accounting policies (continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and which the Group has not early adopted or which are not relevant to its operations.*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 April 2008 or later periods and which the Group has not early adopted or which are not relevant to its operations:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009),
- IFRS 8, 'Operating segments '(effective from 1 January 2009),
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008),
- IFRIC 15, 'Agreements for the construction of real estate' (effective from 1 January 2009),
- IFRIC 16, 'Hedges of net investments in a foreign operation' (effective from 1 October 2008),
- IAS 1 (Revised 2007), 'Presentation of Financial Statements' (effective from 1 January 2009),
- IAS 27 (Amended 2008), 'Consolidated and Separate Financial Statements' (effective from 1 July 2009),
- IFRS 3 (Revised 2008), 'Business Combinations' (effective from 1 July 2009), and,
- IAS 32 and IAS 1 (amendment), 'Puttable Financial Instruments and Obligations Arising on Liquidation'.

IAS 23, IFRS 8, IFRIC 13 and IFRS 3 are not relevant to the Group's operations.

The directors have not made a detailed assessment of the impact of IAS 1 (Revised 2007), IAS 23 (Amendment), IAS 27 (Amended 2008), IFRS 3 (Revised 2008) and IAS 32 and IAS 1 (amendment) as these will not be applied in the next financial year.

2.2 Consolidation

(a) *Subsidiaries*

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

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

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

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

(b) Transactions and minority interests

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

(c) Investments in subsidiary undertakings

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

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

2.3 Financial assets at fair value through profit or loss

(a) Classification

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

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

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

(b) Recognition/derecognition

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

(c) Measurement

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

(d) Fair value estimation

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

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

As at 30 September 2008, the valuations of the land and development cost and/or the capital work-in-progress (referred to as the "property") held by the Group have been carried out through an internal desktop valuation. Further disclosures with regards to determination of the fair value of investments in the portfolio companies, accounting estimates and judgement is set out in Note 4.

2.4 Foreign currency translation

(a) Functional currency

The Company's investors are mainly from the Europe, with the subscription and redemptions of ordinary shares denominated in Euros. The primary activity of the Group is to invest in Indian Rupees in companies established to carry out real estate development in India. The performance of the Group is measured and reported to shareholders in Euros. 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 Euros, which is the Group's presentation currency.

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

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

2.5 Cash and cash equivalents

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

2.6 Stated capital

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

2.7 Provisions

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

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

2.8 Current and deferred income tax

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The principal temporary differences arise from tax losses carried forward. Deferred income tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

2.9 Financial instruments

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

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

2.10 Related parties

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

2.11 Segment reporting

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

3. Financial risk management

3.1 Strategy in using financial instruments

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

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

The Group and the Company held no derivative instruments as at 30 September 2008.

3.2 Market risk

(a) Cash flow and fair value interest rate risk

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

(b) *Foreign currency risk*

i. Transactions

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

The Group operates in India and hence will be exposed to foreign currency exchange risk as its investments are denominated in Indian Rupees and may be undertaken in phased stages.

The Group has in place a policy that requires Group companies to manage their foreign currency risk against the functional currency. Forward contracts are used on a transaction by transaction basis with a view to hedge foreign currency exposure. The Group will continue to monitor foreign currency risk and the need for hedging transactions.

ii. Financial assets at fair value through profit or loss

As at 30 September 2008, the fair value of financial assets at fair value through profit or loss held by the Group amounted to EUR 190.07 million. Had the Indian Rupee ("INR") depreciated against the EUR by 8% during the period ended 30 September 2008 then the fair value would have decreased to EUR 176.14 million. Had the INR appreciated against the EUR by 8% then the fair value would have increased to EUR 206.77 million as at 30 September 2008.

iii. Capital commitments

As at 30 September 2008 the Group had outstanding capital commitments of EUR 29.81 million. Had the INR depreciated against the EUR by 8% during the period ended 30 September 2008 then the outstanding capital commitments of the Group would have decreased to EUR 27.43 million. Had the INR appreciated against the EUR by 8% then the outstanding capital commitment of the Group would have increased to EUR 32.19 million as at 30 September 2008.

(c) *Price risk*

The Group's principal exposure to price risk occurs in respect of financial assets at fair value through profit or loss. The valuation of the property development projects held by

Financial Risk Management (Continued)

the Portfolio Companies as at 30 September 2008 has been done by an internal desktop valuation conducted by the Investment Manager.

The table below provides a sensitivity analysis showing the impact of increases/decreases in the fair value of investments on the Group's post tax profit for the year and on equity. The analysis is based on the assumption that the valuation of the property development projects held by Portfolio Companies increased/decreased by 5% with other variables held constant.

Particulars	Increase in fair value by 5% (EUR millions)	Decrease in fair value by 5% (EUR millions)
Changes in fair value of financial assets at fair value through profit or loss	9.95	(9.95)

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

3.3 Credit risk

Credit risk is the risk that a counter party will be unable to discharge an obligation that it has entered into with the Group.

The Group's credit risk arises principally from cash and cash equivalents. The Group's policy is to maintain cash balances and short term deposits with highly rated banking institutions and to monitor the placement of cash and deposit balances on an ongoing basis. As at 30 September 2008 all cash balances and short term deposits were placed with the HSBC banking group.

The Group has invested EUR 3.8 million in the securities of a company listed on the Bombay Stock Exchange. It is the Group's policy that all transactions in listed securities are settled/paid for upon delivery using appropriately licensed brokers. The risk of default is considered minimal as payment is only made once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Group's credit risk also arises in respect of other receivables. The Board has considered the recoverability of these balances as at 30 September 2008 and does not consider the risk of failing to recover these amounts to be significant.

Financial Risk Management (Continued)

Before any Company in the Group enters into material transactions with another party the Group will make an assessment of the creditworthiness of that party.

3.4 Liquidity risk

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

As at 30 September 2008 the total financial liabilities of the Group amounted to EUR 8.78 million. Of this total, EUR 8.46 million classified within the balance sheet as 'other financial liabilities' represents the estimated carried interest share of profits of K2 that would be allocated to the holders of Advisor shares in K2 had it been liquidated on 30 September 2008. Any such allocation will only become payable once certain criteria, set out in note 14, are met. Because any such amount may only be settled to the extent that gains have been realised within the Group, no liquidity risk arises in respect of this financial liability.

As detailed below the outstanding capital commitments of the Group amounted to EUR 29.81 million as at 30 September 2008. The cash balance of the Group as at 30 September 2008 amounted to EUR 64.14 million and hence the Group maintains sufficient liquid assets available to finance the outstanding capital commitments. On the basis of the above, the Board considers liquidity risk to be low.

	Name of subsidiary	Description	Total Commitments € (Mn)	Outstanding Commitments € (Mn)
1	K2 A Residential Limited	Pune Residential Deals	17.04	0.00
2	K2 C Retail Limited	Pune Mall	17.05	0.00
3	K2 A Hospitality Limited	Pune Hotel	4.58	2.84
4	K2 Property Limited	Phoenix Mills	3.73	0.00
5	K2 C Residential Limited	Nashik Mall	7.42	0.00
6	K2 C Residential Limited	MR 10 Indore	9.81	3.80
7	K2 C Residential Limited	Bijalpur Indore	7.97	0.51
8	K2 A Retail Limited	Agra Mall	3.89	0.00
9	K2 B Retail Limited	Bhavnagar Mall	6.48	0.00
10	K2 A Commercial Limited	Batanagar - IT SEZ	20.28	0.00
11	K2 B Commercial Limited	Bantala IT SEZ	16.68	0.00
12	K2 D Retail Limited	GKW Bangalore - Retail	20.07	2.21
13	K2 B Hospitality Limited	GKW Bangalore – Hospitality	8.03	0.00
14	K2 A Private Equity Limited	Saket Engineers	6.84	0.00
15	K2 C Commercial Limited	Bandra Kurla office block	16.18	16.02
16	K2 B Hospitality Limited	Kolkata Hotel	4.58	4.43
		Total	170.63	29.81

Financial Risk Management (Continued)

3.5 Capital risk management

The Group's objectives when managing capital are to safeguard the ability of each of the Companies within the Group to continue as a going concern in order to provide returns and value for shareholders.

4. Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

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

Fair value of financial assets through profit or loss

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

The principal component of the net assets of each Indian Portfolio Company is the land and buildings and the development and/or the capital work in progress in it. The net assets of these companies also include other current assets and liabilities. The fair value of the Group's investments has been determined based on the net assets of these Indian Portfolio Companies, as adjusted for (1) differences between IFRS and Indian GAAP and (2) fair valuation of all of the underlying assets and liabilities. Adjustments also have been made to the extent of undisbursed capital commitment and tax expected to be suffered on the gain arising on the fair valuation.

The valuations of the land and development cost and/or the capital work-in-progress (referred to as the "property") held by the Group have been carried out through an internal desktop valuation by the Investment Manager. The internal desktop valuation has used a systematic approach to gather, classify and analyse the data which is required by the income approach to value an asset. Under the discounted cash flow method of the income approach, all the future cash flows arising from the property are forecasted using stated assumptions. These cash flows are then discounted to a present day value at an appropriate discount rate. This gives the market value of the property as at 30 September 2008, which is then used in the fair valuation of the net assets of the Indian Portfolio Companies.

Critical accounting estimates and judgements (continued)

The valuation techniques adopted by the internal desktop valuation makes use of observable data, assumptions and estimates, which the Directors have relied upon for their valuation of the financial assets at fair value through profit or loss. The resulting fair value of those financial assets at fair value through profit or loss could differ from the value that would have used had a ready market for those similar assets existed or from the value at which those assets could have been disposed of at arm's length transactions.

4.2 Critical judgements

Functional currency

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

5. Taxation

5.1 Current Tax – Jersey

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.

Effective from 1 January 2009, Jersey's tax regime will change. The new regime will impose corporate income tax rates of 0%, 10% or 20%. The rate of 10% will apply to certain regulated financial services companies and the rate of 20% will apply to utilities and income arising from land in Jersey.

Because the Company does not fall within either of the categories set out above, the effect of the new tax regime is limited to the change of status from exempt to liable to Jersey income tax at 0%.

5.2 Current Tax – Mauritius

All Group companies which are located in Mauritius are liable to pay income tax on net income at a rate of 15%. K2 and each of its subsidiaries in Mauritius are however entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of the Mauritius tax payable in respect of foreign source income tax thus reducing its maximum effective tax rate to 3%. A company holding at least 5% of the share capital of an Indian company and receiving dividends may claim a credit for tax paid by the Indian company on its profits out of which the dividends were distributed including Dividend Distribution Tax.

Taxation (continued)

No Mauritian capital gains tax is payable on gains arising from the sale of the Group's investments and any dividend and redemption proceeds paid by any company in the Group to its shareholders are not subject in Mauritius to any withholding tax.

At 30 September 2008 accumulated tax losses within the Group in respect of Mauritian tax amounted to EUR 911,811 (31 March 2008 - EUR 715,488) which can be carried forward and set-off against income derived in the five succeeding income years and therefore no provision for taxation in Mauritius has been made.

The extent to which Group profits / losses are taxable in Mauritius is attributable to the results of K2. K2's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 15%. Information in respect of K2's profit for the period ended 30 September 2008 is set out below:

	K2 September 30,2008 EUR	K2 March 31,2008 EUR
(Loss)/Profit for the period/year	**(50,786,536)**	96,627,676
Tax at the applicable rate of 15%	**(7,617,916)**	14,494,707
Impact of:		
Non allowable expenses	**7,635,250**	499,944
Net Exempt income	**(46,724)**	(105,910)
Income not subject to tax	**-**	(14,990,313)
Deferred tax asset not recognised	**29,390**	101,572
EUR	-	**-**

5.3 Current Tax – Cyprus

K1 Property is subject to corporation tax on its taxable profits at the rate of 10% (2007 – 10%), in Cyprus. As at 30 September 2008 K1 Property had accumulated tax losses of EUR 12,383 (31 March 2008 – EUR 11,102).

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases, 50% of this will be exempt from corporation tax thus having an effective tax rate burden of 15%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15% in Cyprus.

Taxation (continued)

5.4 Current Tax – India

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

A company which is tax resident in Mauritius under the Tax Treaty, but has no branch or permanent establishment in India, will not be subject to capital gains tax in India on the sale of securities but is subject to Indian withholding tax on interest earned on Indian securities at the rate of 20.60%.

No withholding tax is payable on dividends distributed by Indian companies and such dividends are exempt in the hands of shareholders. Indian companies making distributions are however liable to a Dividend Distribution Tax equivalent to 16.995% (14.025% prior to April 2007) of the dividends distributed.

5.5 Deferred income tax

A deferred income tax asset has not been recognised in respect of tax losses carried forward as the Board considers that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised. The unprovided deferred tax balance at 30 September 2008 arising from accumulated tax losses amounted to EUR 27,315 (31 March 2008 – EUR 21,463) for the Group.

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

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

	Note	**Group September 30, 2008 EUR**	Group March 31,2008 EUR
(Loss)/Gain on fair valuation of financial assets	7	**(48,226,475)**	99,926,826
Gain/(Loss) on fair valuation of financial liabilities	14	**10,039,820**	(18,500,572)
Total		**(38,186,655)**	81,426,254

7. Financial assets at fair value through profit or loss

Movement in fair value of listed and unlisted shares are as follows:

Group	Listed shares EUR	Unquoted shares EUR	Subscription monies EUR	Total EUR
At March 31, 2008	3,836,732	214,635,557	5,118,500	223,590,789
Additions	-	14,706,502	-	14,706,502
Transfer from advance to equity	-	5,118,500	(5,118,500)	-
Loss on fair valuation	(2,413,536)	(45,812,939)	-	(48,226,475)
At September 30, 2008	**1,423,196**	**188,647,620**	**-**	**190,070,816**

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

	September 30, 2008			**March 31, 2008**	
Name of Entity	Cost(EUR)	Fair Value(EUR)	Holding %	Cost(EUR)	Fair Value(EUR)
Listed Equity Investments					
Phoenix Mills Limited	**3,735,949**	**1,423,196**	**0.47%**	3,735,949	3,836,732
Unlisted Equity Investments					
Alliance Hospitality Services Private Limited	**1,741,127**	**1,963,760**	**20%**	1,741,127	2,370,352
City Centre Mall Nashik Private Limited	**7,463,068**	**9,720,218**	**50%**	7,463,068	14,816,088
Five Star Developers Private Limited	**6,026,615**	**15,721,086**	**30%**	4,403,489	13,256,113
Forum IT Parks Private Limited	**16,680,328**	**25,015,876**	**49%**	16,410,406	33,507,259
Gangetic Developers Private Limited	**3,893,417**	**6,404,446**	**28%**	3,893,417	7,864,947
Kolte Patil Real Estate Private Limited	**17,042,846**	**20,320,295**	**49%**	12,083,969	11,918,751
Modi Organisors Private Limited	**4,081,871**	**8,941,199**	**50%**	4,081,871	10,699,410
Palladium Constructions Private Limited	**17,860,045**	**27,046,061**	**30%**	17,860,045	60,896,353

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

Platinum Hospitality Services Private Limited	**8,034,287**	**14,071,522**	**30%**	10,158,925	8,766,933
Riverbank Holdings Private Limited	**20,282,856**	**22,354,927**	**50%**	20,282,856	35,161,456
Twenty First Century Properties Private Limited	**7,487,567**	**9,253,849**	**38%**	4,501,774	5,402,024
Vamona Developers Private Limited	**17,047,067**	**16,384,141**	**24%**	17,047,067	15,094,371
Saket Engineers Private Limited	**6,844,478**	**11,301,098**	**26.05%**	-	-
Jalan Intercontinental Private Limited	**149,142**	**149,142**	**40%**	-	-
Total	**138,370,663**	**190,070,816**		**123,663,963**	**223,590,789**

8. Investment in subsidiary undertakings

Company	**September 30, 2008 EUR**	March 31 2008 EUR
At 1 April 2008	**212,132,319**	96,525,096
Investments in subsidiary undertakings during the period	**-**	115,607,223
EUR	**212,132,319**	212,132,319

The Company has investments in both direct and indirect subsidiaries.

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

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

8.1 Direct Subsidiary

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

Investment in Subsidiary undertaking (continued)

8.2 Indirect Subsidiaries

Name of Subsidiaries	Principal Activity	Country of incorporation	Class of share	Percentage held by the Group
K2 Private Equity Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2 Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Residential Limited	Investment Holding	Mauritius	Ordinary	97%
K1 Property Investments Limited	Investment Holding	Cyprus	Ordinary	100%
K2A Private Equity Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Hospitality Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2D Residential Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Commercial Limited	Investment Holding	Mauritius	Ordinary	100%
K2A Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2B Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2C Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2D Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2E Retail Limited	Investment Holding	Mauritius	Ordinary	100%
K2F Retail Limited	Investment Holding	Mauritius	Ordinary	100%

9. Advance on Equity Contribution

The advance contribution of Euro 0.16 million as at 30 September 2008 is in respect of the project at Bandra Kurla Complex, Mumbai with Parsvanath Developers. The total commitment of this project is Euro 16.18 million. On completion of the relevant agreements, the advance payment will be transferred to Financial assets at Fair Value through Profit and Loss, in accordance with the accounting principles of the group.

10. Prepayments and other receivables

	Group September 30, 2008 EUR	Group March 31, 2008 EUR	**Company September 30, 2008 EUR**	Company March 31, 2008 EUR
Amount due from Tangerine Developers Private Limited	**3,400,061**	3,566,848	**-**	-
Prepayments on advisory fees (Note 18)	**1,177,946**	2,331,869	**-**	-
Amount due from the Investment Advisor	**-**	289,575	**-**	-
Other receivables	**43,073**	322,831	**12,602**	186,988
	4,621,080	6,511,123	**12,602**	186,988

11. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	Group September 30, 2008 EUR	Group March 31, 2008 EUR	**Company September 30,2008 EUR**	Company March 31, 2008 EUR
Cash at bank	**64,140,205**	79,542,255	**47,023,998**	46,439,061

12. Share capital and share premium

Authorised and Issued Share Capital

	Number of Ordinary shares of no par value	**Share Capital EUR**	**Share Premium EUR**	**Total EUR**
As at 26 May 2006 (Inception)	-	-	-	-
Initial public offering at a premium of EUR 10 per share	10,000,000	-	97,000,000	97,000,000
As at 31 March 2007	10,000,000	-	97,000,000	97,000,000
Further public offering at a premium of EUR 10.50 per share	11,428,571	-	114,906,108	114,906,108
As at 31 March 2008	21,428,571	-	211,906,108	211,906,108
As at 30 September 2008	**21,428,571**	**-**	**211,906,108**	**211,906,108**

Share capital and share premium (continued)

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

13. Minority interests

Minority interests arise at the level of K2 and its subsidiaries and represent the carried interest share of profits of K2C Residential Limited, an indirect subsidiary of the Group, that would be allocated to the holders of carried interest shares of K2C Residential Limited had it been liquidated on 30 September 2008 based on the fair value of the investment within the consolidated balance sheet as at 30 September 2008.

Minority interests within the Consolidated Balance Sheet as at 30 September 2008 are therefore comprised as follows:

	Group September 30, 2008 EUR	Group March 31, 2008 EUR
Minority interest – K2C Residential Limited	**2,055,426**	**2,642,861**

14. Other financial liabilities

At 30 September 2008 the Company's subsidiary K2 Property Limited had issued 1,250,000 Class A shares and 1,687,865 Class B shares to Yatra Capital Limited, 67,500 Class C shares to Saffron Capital Securities Limited, 7,500 Class C shares to Yasu Management Limited and 25,000 Class D shares to Saffron Capital Advisors Limited. All the shares have a par value of USD 0.01 each.

K2 has a finite life of 15 years, which can be extended by the Board of Directors of K2 by two successive terms of one year. The shares issued by K2 are therefore classified as Financial Liabilities within the balance sheet of K2 for the period ended 30 September 2008.

The Company owns the entire issued Class A and Class B shares of K2. In accordance with the accounting policy set out in note 2.2, intra-group balances are eliminated on consolidation.

Other financial liabilities (continued)

Because the Class C and Class D shares are not held by the Company, a Financial Liability is recognised within the consolidated balance sheet as at 30 September 2008 representing the estimated fair value of the amounts attributable to the holders of Class C and Class D shares.

Issued shares of K2 as at 30 September 2008 as follows:

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

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

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

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

For the year ended 31 March 2008 K2 recorded a profit attributable to the holders of K2 shares of which an estimated amount of EUR 18,500,572 has been recorded in respect of the fair value attributable to C and D share classes which are not held within the Group. This amount represents the carried interest share of profits of K2 that would be allocated to the Advisor shareholders had the Company been liquidated on 31 March 2008 based on the carrying value of the net assets within the balance sheet of K2 as at 31 March 2008.

For the period ended 30 September 2008 K2 recorded a loss of EUR 50,199,101 attributable to the holders of K2 shares of which an amount of EUR 10,039,820 has been attributed to C and D classes which are not held within the group.

Other financial liabilities (continued)

For the avoidance of doubt, any entitlement of Class C and Class D shareholders to a carried interest share of profits will only become payable once K2 has distributed to the Investor shareholders an amount equivalent to their respective contributions plus a hurdle rate of return as set out above.

The fair value of Other Financial Liabilities as at 30 September 2008 is therefore comprised as follows:

	Group September 30, 2008 EUR	Group March 31,2008 EUR
Opening fair value as at 31 March 2008	**18,500,572**	-
Amount recognised on issuance of Class C and D shares by K2	**-**	-
(Loss) /Gain on fair valuation of financial liabilities	**(10,039,820)**	**18,500,572**
Closing fair value as at 30 September 2008	**8,460,752**	**18,500,572**

15. Amount due to subsidiary

The amount due to subsidiary is EUR 44,807,073 (31 March 2008 – EUR 44,807,073) and represents unpaid share capital. The balance payable is interest free and is payable within one year.

16. Accruals and other payables

	Group September 30, 2008 EUR	Group March 31, 2008 EUR	**Company September 30,2008 EUR**	Company March 31, 2008 EUR
Amount due to related parties (Note 18)	**23,050**	51,296	**16,277**	39,935
Other payables	**109,182**	109,182	**-**	-
Accruals	**192,662**	483,691	**36,086**	53,950
	324,894	644,169	**52,363**	93,885

17. Distribution payable

No dividend was paid during the period ended 30 September 2008 (31 March 2008 - Nil).

18. Related party transactions

The Group entered into transactions with related parties in respect of Investment advisory fees, Directors and Administration fees as follows:

(a) Advisory fee

The Group is advised by Saffron Capital Advisors Limited, (the "Investment Manager"), an investment advisory and management group incorporated in Mauritius. Under the terms of an agreement dated 22 June 2006 and amended on 22 October 2008 ("Investment Manager Agreement"), K2 appointed the Investment Manager to provide investment advisory and management services. The annual fees payable under the Investment Advisory Agreement are equivalent to 2% of the capital committed to the Company by its shareholders. Total fees, excluding VAT and set-up costs, paid to the Investment Manager for the period amounted to EUR 2,119,174 (31 March 2008 - EUR 3,277,395). The investment advisory fees are payable in advance for a six month period and the amount prepaid to the investment advisor as at 30 September 2008 is EUR 1,177,946 (31 March 2008 - EUR 2,621,444)

(b) Secretarial and administration fee

Minerva Fiduciary Services (Mauritius) Limited ("K2 Administrator") has been appointed to provide administrative, registrar and secretarial services to K2 Property Limited. The K2 Administrator is entitled to an annual fee of USD 25,000 payable quarterly in arrears. The administration, secretarial and other fees paid to the K2 Administrator for the period amounted to EUR 17,499 (30 September 2007 – EUR 63,453). The services of the K2 Administrator may be terminated by either party by giving not less than ninety days notice.

Minerva Fund Administration Limited ("Administrator") has been appointed by the Company to provide administrative, registrar and secretarial services to the Company. The company will pay the 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 paid to the Jersey administrator for the period amounted to EUR 67,160 (30 September 2007 - EUR 98,732).

(c) Directors' remuneration

The total remuneration paid to directors for the period under review was EUR 110,726 (30 September 2007 - EUR 134,924).

19. Events after the balance sheet date

As a part of the restructuring exercise for the market city Bangalore project, with the retail and residential development, the group disbursed the balance commitment of EUR 2.18 million in Palladium Constructions Private Limited on 10 October 2008, which is in line with the total commitment of 20.04 million.

On 13 October 2008, Group approved and paid an additional equity infusion of EUR 0.54 million in City Centre Mall Nasik Private Limited increasing the total commitment to EUR 7.96 million.

On 22 October 2008, the Group disbursed the second tranche of EUR 0.76 million in Jalan Intercontinental Hotel Private Limited, in line with the commitment.

On 23 October 2008, the Group made a secondary purchase of 40,000 shares of Caravan Realty Private Limited in one of the existing Indian Portfolio Company, Five Star Properties Private Ltd for a consideration of EUR 0.22 million

On 24 October 2008, the Group made a secondary purchase of 50,000 shares of Caravan Realty Private Limited in an existing Indian Portfolio Company, Twenty First Century Properties Private Ltd for a consideration of EUR 0.41 million

20. Capital commitments

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

21. Comparatives

The Group financial statements are prepared for the period ended 30 September 2008 while the prior period comparative financial statements are prepared for the year ended 31 March 2008 in Balance Sheet. Income statement, Statement of Change in Equity and Cash Flow statement have comparatives of period ended 30 September 2007

22. 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.

Earnings per share (continued)

	September 30, 2008 EUR	September 30, 2007 EUR
(Loss)/Gain attributable to equity holders of the Company	**(39,707,208)**	(1,234,352)
Weighted average number of ordinary shares in issue	**21,428,571**	10,000,000
Basic earnings / (loss) per share – basic and diluted (EUR per share)	**(1.85)**	(0.12)

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

23. Segment information

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

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YATRA CAPITAL

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INVESTMENT MANAGER

SAFFRONCAPITALADVISORS