

Eredene Capital PLC

Report and Financial Statements

Year ended 31 March 2011

Company Number 5330839



Eredene Capital PLC

Annual report and financial statements for the year ended 31 March 2011

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Eredene Capital PLC

Corporate Information

Directors

R J Arnold
Sir C J Benson
The Hon C W Cayzer
P A Gismondi
A J N King
N M Naik
D D S Robertson
G D Varley

Secretary and registered office

G D Varley ACA, 7 Pilgrim Street, London, EC4V 6LB

Company number

5330839

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Website

www.eredene.com

Solicitors

Faegre & Benson LLP, 7 Pilgrim Street, London, EC4V 6LB

Nominated adviser and joint broker

Numis Securities Limited, 10 Paternoster Square, London, EC4M 7LT

Joint broker

Arden Partners plc, 125 Old Broad St, London, EC2N 1AR

Registrars

Neville Registrars Limited, 18 Laurel Lane, Halesowen, B63 3DA

Financial PR

Redleaf Polhill
11-33 St John St, London, EC1M 4AA

Eredene Capital PLC

Highlights

Highlights

- Eredene Capital PLC ("Eredene", "Eredene Group") reports an uplift in the value of its investments in India of 14%
- Profit for the year of £1 9m (2010 £2 6m) primarily due to fair value adjustments on investments
- Net Asset Value attributable to equity shareholders of 23 3p per share as at 31 March 2011 (2010 23 0p)
- Post year end in May 2011, Eredene raised £30m (before expenses) in a new share placing, ensuring the company has a strong cash balance
- Six of the Eredene Group's 11 projects in India are now generating revenue, of which two are paying dividends
- New Chairman, Struan Robertson, appointed in March 2011

"India remains an attractive growth story, and Eredene continues to achieve significant milestones in its goal of investing for growth in the country's infrastructure. We have a healthy spread of 11 investments, primarily in container handling, port services, logistics and warehousing, and a strong cash balance which will finance further investments. We can look to the future with confidence."

Alastair King, Chief Executive and Founder of Eredene

Eredene Capital PLC

Chairman's Statement

Summary

The 12 month period to 31 March 2011 was another positive year for the Eredene Group, with satisfactory growth achieved in the majority of the Group's core container-handling, port services, logistics and warehousing investments in India. The Group reported a profit for the year of £1.9m and an increase in the net asset value per share to 23.3p. The value of the Group's investments in India grew by 14% in the year.

After the end of the financial year in May 2011, Eredene Capital PLC raised £30m (before expenses) by placing an additional 166,666,667 shares at 18p per share - a small premium to the share price at the time. The placing was supported by both existing and new shareholders. The fresh capital is earmarked for Ennore Container Terminal and other potential pipeline projects. Eredene is continuing to work with its consortium partners on securing local debt financing in India for the Ennore Container Terminal to enable construction to start on this project. Under current schedules, it is planned that the new terminal will be ready to handle its first container vessels in 2013.

Also post year-end in April 2011, Sattva Conware, a container freight station business near Ennore Port became revenue generating so that six of Eredene's 11 projects in India are now earning revenue. Two of the Eredene Group's investee companies, Sattva Vichoor CFS, and port services operator Ocean Sparkle Limited, are paying regular dividends. Nine of Eredene's investments in India are concentrated in the business of ports, port services, logistics and distribution warehousing, one is in an IT office complex and one in a large-scale, affordable housing development. The investments are strategically located across different areas of the country.

India's economy maintained its strong growth, although high inflation remained a concern. The Indian Government has set ambitious targets for more than \$1 trillion to be invested in infrastructure over the next five year period 2012-2017 - more than double the amount invested in the previous five-year period.

Financial Results

During the year to 31 March 2011, Eredene made a profit of £1.9m (2010: £2.6m) representing 0.69p per share (2010: 1.01p per share). As at 31 March 2011, Eredene had a Net Asset Value ("NAV") attributable to equity shareholders of £65.4m (2010: £64.4m) representing 23.3p per share (2010: 23.0p).

As an investment company, Eredene's performance is primarily judged by the change in its net asset value per share. Eredene's NAV per share has increased by 1.3% in the year to 31 March 2011 and by 2.2% from the 22.8p reported at 30 September 2010. The increase in NAV was primarily due to the increase in the fair value of Eredene's investments following Grant Thornton's independent valuation of Eredene's non-consolidated investments as at 31 March 2011. This led to a valuation gain of £4.9m (2010: £6.4m).

The Group had administrative expenses of £3.8m in the period (2010: £3.6m) which included £0.8m (2010: £0.5m) of administrative expenses relating to the Group's subsidiaries, MJ Logistic Services and Sattva Conware. Also included within administrative expenses was an amount of £0.5m (2010: £0.6m) relating to foreign exchange movements on the Group's cash deposits.

Eredene Capital PLC

Chairman's Statement

Investee Companies

Below are some of the key developments and achievements both during the year and in the subsequent period

- Eredene is working towards financial closure of the debt funding for Ennore Container Terminal, a £207m project in which Eredene is a partner in a consortium led by Spain's biggest port terminal operator Grup Maritim TCB. Construction is expected to commence by the end of 2011 in spite of delayed closure of the debt funding, allowing the first ships to be handled in early 2013

With excellent road and rail connectivity and pre-existing breakwaters and dredged navigation channels, the new container terminal will serve a growing industrial hinterland and motor manufacturing hub, and it will have an eventual planned capacity of 2.4 million TEUs (twenty foot equivalent units, the length of a standard container) per annum. As such, it will be one of India's largest single operator container terminals. Ennore Container Terminal will be run by Grup Maritim TCB, which has operations in Spain, Latin America and Turkey.

- MJ Logistic Services ("MJL"), a multi-user distribution and warehousing business in Northern India, is planning to construct a second large-scale warehouse at its main site in Palwal, close to Delhi. Its first state-of-the-art 200,000 sq ft facility, which opened for business in October 2009, is operating at near capacity with a list of top brand customers. In addition to ambient and temperature controlled storage, MJL provides value added features such as computer operated inventory, rack shelving, and automated packaging. Customers include Tata Motors, Unilever, Danisco, McCain and Walmart. The cold storage capacity is being further expanded with nine additional chambers planned. MJL reported a positive EBITDA (earnings before interest, tax, depreciation and amortisation) in the year, its first since operations began at Palwal in 2009.
- Sattva Vichoor Container Freight Station ("CFS"), one of two investments in Tamil Nadu State with the Sattva Business Group, paid a dividend for the third consecutive year. The 26-acre CFS handles containers from Chennai port and also provides facilities for on-site assembly of imported machinery. The CFS handled 60,000 TEUs for year ended 31 March 2011 compared to 45,000 in 2010. The CFS also added a 21,000 sq ft leased warehouse during the year taking its total warehouse capacity to 81,000 sq ft. Customers at the CFS include South Korean machinery manufacturer Doosan, NYK Line, Maersk, CMA-CGM, and MSC Shipping Company.
- A second joint investment with the Sattva Business Group, Sattva Conware CFS, built to serve Ennore Port, opened for business and started generating revenue in April 2011 in a 42,000 sq ft warehouse. Its first major customer is steelmaker ArcelorMittal. A 120,000 sq ft container yard along with a 32,000 sq ft warehouse is expected to be operational in 2011.
- Contrans Logistics' first CFS at Pipavav Port in Gujarat State saw a 37% rise in revenue in the 2010-2011 period reflecting an increase in higher-value import business. Throughput was 20,200 TEUs (2010: 19,500). The CFS turned cash positive for the first time since the operation was launched in 2008. The CFS is situated just outside the gates of one of the fastest growing ports in India, Maersk-owned Pipavav Port, which now handles about 500,000 TEUs per annum.

Eredene Capital PLC

Chairman's Statement

- Contrans Logistics' second project, an Inland Container Depot at Baroda in central Gujarat, has received approval from the Ministry of Railways to start construction of the siding which will link the planned 140-acre facility to the main rail network. The depot will provide warehousing and logistic services for both road and rail freight on the Delhi-Mumbai corridor.
- Eredene has made two investments in integrated logistic parks in Eastern India with tea, shipping and hospitality conglomerate Apeejay Surrendra Group. The logistics facility at Haldia, a petrochemical hub at the mouth of the Hooghly River and the main port for Kolkata, opened for storage business in October 2010 using a 60,000 sq ft hard stand area for iron ore customers. Construction work at the site was disrupted due to local elections in West Bengal and is expected to resume after the end of the current monsoon season. The 45-acre phase 1 is planned to include three domestic warehouses of a total area of 96,000 sq ft, a bonded warehouse of 57,000 sq ft and a container yard of 288,000 sq ft, and is scheduled to be operational in early 2012.
- A second logistics facility is being developed by Apeejay Infra-Logistics at Kalinganagar in Orissa to service the ports of Paradip and Dhamra and to support the local steel industry. Most of the land infrastructure work has been completed, including construction of the boundary wall, road layout and land filling, and a weighbridge installed. The 15-acre phase 1 is targeted to be launched by early 2012 and is planned to comprise a domestic warehouse of 62,000 sq ft, a bonded warehouse of 21,000 sq ft, and a container yard of 245,000 sq ft.
- Ocean Sparkle Limited (OSL), India's leading port operations and marine services company in which Eredene acquired a 7.69% stake for £7.3m in July 2010, continued to perform well. The privately owned Hyderabad-based company generated revenue of £39.5m for the year ended March 2011 (2010: £34.3m), profit before tax of £7.4m (31 March 2010: £8.4m) and again declared a dividend. OSL operates India's largest fleet of harbour tugs with a presence in most of the Major Ports of India.
- Construction work is continuing at Matheran Realty and Gopi Resorts' low-cost housing development at Tanaji Malusare City near Mumbai. By the end of the financial year, deposits had been taken on a total of 3,300 units. A previously disclosed shareholder dispute was taken to arbitration in London in May 2011. The arbitration decision is expected later in the year.
- Construction on Sribha Infrastructure Solutions' IT office complex in Bangalore is on hold pending repayment of a debt to Sribha Infrastructure Solutions from a third party. Eredene has no further obligations, and has written down its 36.5% stake by a further £21,000 to £470,000 from the initial investment of £2.1m.

Eredene Capital PLC

Chairman's Statement

New share capital

After the end of the financial year, Eredene raised £30m (before expenses) by way of a placing of 166,666,667 new Ordinary Shares at a price of 18p per share, which was at a small premium to the then market price. The placing was supported by a number of Eredene's largest shareholders and by some major new investors, and was approved at a General Meeting of Shareholders on 10 May 2011. The shares were admitted to trading on AIM on 12 May 2011. It is intended that the majority of the proceeds will be used to fund Eredene's share in the development of Ennore Container Terminal and also to invest in potential pipeline projects in India.

Following the admission of the new ordinary shares, the company's total issued share capital is 446,906,698 ordinary shares of 10p each.

India's Economy and Infrastructure

India has become one of the fastest growing economies in the world. GDP growth in the financial year to 31 March 2011 was 8.5% according to the Central Statistics Organisation of India. Inflation, however, is running at around 8% and is expected to remain at these levels and continue to be a risk to the economy. India is targeting 9-9.5% growth in its 12th five-year plan period, 2012-2017.

The Government of India has announced an ambitious target of investing £1.03 trillion in infrastructure over the next five year period, 2012-2017, more than double the \$439 billion invested in the current five-year period. Spending on infrastructure would therefore increase to 9% of GDP from the current 5%. A sizeable portion will be spent on ports, port infrastructure, and transport and logistics – Eredene's principal areas of investment.

Around 95% of India's external trade by volume and 70% by value are routed by sea through the country's 13 major and approximately 200 minor ports. Port capacity has reached over one billion tonnes per annum, according to Shipping Minister G.K. Vasan, but this is still inadequate. Annual port capacity in India needs to grow to more than 3.23 billion tonnes by 2020, more than three times the present levels, according to the Shipping Ministry's maritime agenda for the decade.

Investment in logistics is also set to rise, with a projected annual growth of 10%. Logistics costs in India are 13-14% of GDP compared to 8-9% in developed economies. India's logistics market achieved revenues of \$82.1 billion in 2010 and is expected to reach revenues of \$90 billion in 2011. Growing at a projected 10% per annum, the logistics industry is forecast to generate revenues of \$200 billion by 2020.

Eredene Capital PLC

Chairman's Statement

Board changes

This is my first Chairman's report since joining Eredene in March 2011 and taking over from David Coltman who retired because of rapidly deteriorating ill health. David died on 9 June 2011 and I would like to extend Eredene's condolences to his family and to pay tribute to his outstanding contribution to the Company during his three years as Chairman. I would also like to take this opportunity to thank our shareholders for their continuing support and also to thank our staff and associates for their commitment and hard work.

Outlook

Major infrastructure investment is vital for India's development, and Eredene is therefore operating in a critical sector which will almost certainly experience rapid growth. With its current projects, Eredene is well positioned to earn attractive and sustainable revenues and to achieve significant capital returns.



Struan Robertson
Non-Executive Chairman
21 July 2011

Eredene Capital PLC

Investment Portfolio Summary

Investment	Amount invested at 31/3/11	Fair Value at 31/3/11	Sector	Location	Progress
1 Sattva CFS & Logistics – Vichoor CFS	£0.9m	£4.6m	Container Logistics	Chennai, Tamil Nadu	Revenue generating & dividend paying
2 Sattva Conware CFS	£3.7m	N/A as subsidiary	Container Logistics	Ennore, Tamil Nadu	Operational & revenue generating
Contrans Logistic 3 Project One Pipavav CFS	£5.6m	£8.2m	Container Logistics	Pipavav, Gujarat	Operational & revenue generating
4 Project Two Baroda CFS			Container Logistics	Baroda, Gujarat	Pre-construction phase
Apeejay Infra-Logistics 5 Project One Haldia Logistics Park	£2.2m	£4.9m	Logistics Park	Haldia, West Bengal	Operational & revenue generating
6 Project Two Kalinganagar Logistics Park			Logistics Park	Kalinganagar, West Bengal	Construction phase
7 MJ Logistic Services	£9.2m	N/A as subsidiary	Warehousing & Third Party Logistics	Northern India	Operational & revenue generating
8 Sribha Infrastructure Solutions	£2.1m	£0.5m	Office Infrastructure	Bangalore, Karnataka	Construction halted
9 Matheran Realty & Gopi Resorts	£12.7m	£11.9m	Urban Development	Mumbai region	Construction & taking sales deposits
10 Bay of Bengal Gateway Terminal	£0.9m	£0.9m	Container Terminal	Ennore, Tamil Nadu	Pre-construction phase
11 Ocean Sparkle	£7.3m	£8.8m	Marine operations & maintenance	Pan-India	Revenue generating & dividend paying

Eredene Capital PLC

Investment Portfolio Summary

Sattva CFS & Logistics – Vichoor CFS

Amount invested to 31 March 2011	£0.9m
Ownership stake at 31 March 2011	49%
Sector	Container Logistics
Location	Chennai, Tamil Nadu, South East India
Progress to date	Profitable & dividend paying
Investment partner	Sattva Business Group www.sattva.in

Sattva Conware

Amount invested to 31 March 2011	£3.7m
Ownership stake at 31 March 2011	83%
Sector	Container Logistics
Location	Ennore, Tamil Nadu, South East India
Progress to date	Operational & revenue generating
Investment partner	Sattva Business Group www.sattva.in

Contrans Logistic

Amount invested in Contrans in total to 31 March 2011	£5.6m
Ownership stake at 31 March 2011	44%
Website	www.contrans.in

Contrans Project One	Pipavav CFS
Sector	Container Logistics
Location	Pipavav, Gujarat, North West India
Progress to date	Operational & revenue generating

Contrans Project Two	Baroda ICD
Sector	Container Logistics
Location	Baroda, Gujarat, North West India
Progress to date	Pre-construction phase

Eredene Capital PLC

Investment Portfolio Summary

Apeejay Infra-Logistics

Amount invested in Apeejay Infra-Logistics in total to 31 March 2011	£2 2m
Ownership stake	50%
Investment Partner	Apeejay Surrendra www.apeejaygroup.com

Apeejay Infra-Logistics Project One	Haldia Logistics Park
Sector	Logistics Park
Location	Haldia, West Bengal, East India
Progress to date	Operational & revenue generating

Apeejay Infra-Logistics Project Two	Kalinganagar Logistics Park
Sector	Logistics Park
Location	Kalinganagar, Orissa, East India
Progress to date	Construction phase

MJ Logistic Services

Amount invested to 31 March 2011	£9 2m
Ownership stake at 31 March 2011	88%
Website	www.mjlsi.com
Sector	Warehousing & Third Party Logistics
Location	Delhi region, North India
Progress to date	Operational & revenue generating

Matheran Realty and Gopi Resorts

Amount invested in total to 31 March 2011 in Matheran Realty & Gopi Resorts	£12 7m
Ownership stake at 31 March 2011	<ul style="list-style-type: none"> 63% - Matheran Realty Pvt Ltd – total of direct & indirect stakes 32% - Gopi Resorts Pvt Ltd (MRPL subsidiary) – direct stake
Website	www.tmcity.in
Sector	Urban development
Location	Mumbai region, Maharashtra, West India
Progress to date	Construction and taking sales deposits

Eredene Capital PLC

Investment Portfolio Summary

Sribha Infrastructure Solutions

Amount invested to 31 March 2011	£2.1m
Ownership stake	36.5%
Investment partner	SGT Global www.sgtglobal.com
Sector	Office Infrastructure
Location	Bangalore, Karnataka, South India
Progress to date	Construction halted

Bay of Bengal Gateway Terminal (Ennore container terminal)

Amount invested to 31 March 2011	£0.9m
Ownership stake	22%
Lead investment partner	TCB www.gruptcb.com
Sector	Container terminal
Location	Ennore, Tamil Nadu, South East India
Progress to date	Pre-construction phase

Ocean Sparkle

Amount invested to 31 March 2011	£7.3m
Ownership stake	8%
Website	www.oceansparkle.com
Sector	Port operations & marine services
Location	Operations at 18 ports Head office – Hyderabad
Progress to date	Profitable & dividend paying

Eredene Capital PLC

Board of Directors

Struan Robertson, Non-Executive Chairman

Struan Robertson is former Executive Chairman of BP Asia Pacific and ex-CEO of Wates Group. Struan was also a non-executive director of Forth Ports plc, which operates seven ports in the UK and was the largest ports company listed on the London Stock Exchange prior to its takeover and delisting. During a career with BP he held a number of senior posts such as Executive Chairman Asia Pacific, Chief Executive Oil Trading International and Chief Executive Malaysia. He is also senior independent non-executive director of Henderson TR Pacific Investment Trust plc and Salamander Energy plc.

Alastair King, Chief Executive and Founder

Alastair King qualified as a solicitor and practiced in London and Central Asia with Baker & McKenzie. From 1999 to 2002, he held several senior positions within NewMedia SPARK plc, an early stage technology venture capital investor. From February 2002, he was Managing Director of Galahad Capital plc, then an AIM-quoted cash shell, which completed the acquisition of Shambhala Gold Limited in December 2003 and changed its name to Galahad Gold plc. He holds an MSc in finance from London Business School and founded Eredene Capital PLC in 2005.

Gary Varley, Finance Director

Gary Varley is a Chartered Accountant with board level experience in sectors including private equity and real estate development. He joined PricewaterhouseCoopers in 1994, where he practised in the firm's audit, management consultancy and forensic accounting divisions. As well as a number of board level commercial roles, he was previously a Principal with the AIM quoted venture capital investor NewMedia SPARK plc where he sat on the fund's investment committee. Prior to joining Eredene on its formation, he was Finance Director of Nicholas King Homes plc.

Robert Arnold, Non-Executive Director

Robert Arnold is an experienced insurance industry professional having spent many years as a partner with the global insurance broker, Willis Faber & Dumas. Mr Arnold was also a Board Director of Allianz Portugal.

Sir Christopher Benson, Senior Independent Non-Executive Director

Sir Christopher Benson gained significant development experience with Arndale and thereafter became Managing Director of MEPC. He has been chairman of MEPC, Royal & Sun Alliance, The Boots Co., Costain and Albright & Wilson. He was also chairman of the London Docklands Development Corporation.

The Hon Charles Cayzer, Non-Executive Director

Charles Cayzer is an Executive Director of Caledonia Investments plc, one of the largest Investment Trusts listed on the London Stock Exchange. Charles was appointed a director of Caledonia in 1985, where he has responsibility for Caledonia's real estate investments. Charles is senior independent non-executive director of London & Stamford Property plc and non-executive director of Quintain Estates & Development plc.

Paul Gismondi, Non-Executive Director

Paul Gismondi is a Managing Director of Lazard & Co. where his main focus has been providing advice to the firm's clients on all forms of public and private equity and equity-linked financings. He is a Non-Executive Director of Hampson Industries Plc and formerly of Delta Plc and Panmure Gordon & Co.

Nikhil Naik, Non-Executive Director

Nikhil Naik heads Eredene Capital PLC's advisory team in India. He was until March 2006 Regional Director of P&O in India and he has a successful record in sourcing and managing large infrastructure projects throughout South Asia. An Indian national, Mr Naik led P&O's activities in South Asia for two years. He was an employee of P&O for 10 years during which he held a number of senior positions, including that of CEO of Mundra International Container Terminal at Mundra Port, a substantial port operator in Western India.

Eredene Capital PLC

Report of the directors for the year ended 31 March 2011

The directors present their report together with the audited financial statements for the year ended 31 March 2011

Results and dividends

The income statement is set out on page 20 and shows the result for the period

The directors do not recommend the payment of a dividend (2010 Nil)

Principal activities, review of business and future developments

Business review and principal activities

The Group makes private equity investments in infrastructure related companies in India, further detailed information on which is provided in the Chairman's Statement and Investment Portfolio Summary on pages 3 to 11

The results for the Group show a profit for the period of £1.9m (2010 £2.6m). As at 31 March 2011, the Group had a Net Asset Value ("NAV") attributable to equity shareholders of £65.4m (2010 £64.4m), representing 23.3 pence per share (2010 23.0p)

As an investment company, Eredene's performance is primarily judged by the change in its net asset value per share rather than non-financial indicators. Eredene's NAV per share has increased by 1.3% in the year to 31 March 2011 and by 2.2% from the 20.0p reported at 30 September 2010. Although this is less than the 5.4% increase in the FTSE All Share index over the same period, the increase is pleasing in the light of the continued volatility in global trade. The increase in NAV was primarily due to the increase in the fair value of Eredene's investments following Grant Thornton's independent valuation of Eredene's non-consolidated investments as at 31 March 2011. This led to a valuation gain of £4.9m (2010 gain of £6.4m).

Post balance sheet events

After the end of the financial year, Eredene raised £30m (before expenses) by way of a placing of 166,666,667 New Ordinary Shares at a price of 18 pence per share, which was at a small premium to the then market price. The placing was supported by a number of Eredene's largest shareholders and by some major new investors and was approved at a General Meeting of Shareholders on 10 May 2011. The shares were admitted to trading on AIM on 12 May 2011. It is intended that the majority of the proceeds will be used to fund Eredene's share in the development of Ennore Container Terminal and also to invest in potential pipeline projects in India.

Eredene Capital PLC

Report of the directors for the year ended 31 March 2011 (*Continued*)

Principal activities, review of business and future developments (*Continued*)

Investing Policy

Eredene Capital PLC is an equity investor in Indian infrastructure operating companies and holds its investments as part of an investment portfolio. The Company may invest through its own funds or potentially through funds that it manages. Its investment portfolio includes minority stakes which are accounted for as investments and direct majority stakes which are consolidated. It has no restrictions or maximum exposure limits on its investments and would intend, on average, to hold its investments for at least seven years until the underlying business reached full maturity. Its investment policy is focused on

- Indian infrastructure – primarily investment in Ports and Port Services, Logistics and Warehousing, Transportation and Real Estate sectors
- Investment in businesses with a potential to generate substantial capital growth providing a long-term capital appreciation and a steady dividend yield
- Target individual investments up to US\$35 million and equity holdings of greater than 20%
- Active role in investments through board participation and by sourcing experienced and trusted local partners. The management team of Eredene has significant experience in the target sectors
- Investment in a diversified portfolio of infrastructure assets and further diversification via balanced regional geographical exposure within India with a range of co-investment partners
- Gearing utilised at investee company level
- Generating management and performance fees in return for the investment and management of third party funds

Eredene Capital PLC

Report of the directors for the year ended 31 March 2011 (Continued)

Principal activities, review of business and future developments (Continued)

Principal risks and uncertainties

The execution of the Group's strategy is subject to a number of risks and uncertainties which include

- Infrastructure investments are early stage, long-term, illiquid investments and so the Group may not be able to exit at the time and at the price which it had forecast. The Group seeks to mitigate those risks by diversifying its portfolio across different sectors, different cities in India and different partners.
- Investment in India is subject to a number of government rules and regulations governing foreign investment and changes in those rules may adversely affect the Group's investments. The Group monitors this risk by seeking advice from specialist lawyers and tax advisors in India and by structuring its investments accordingly.
- The Group places its funds with financial institutions and so is exposed to credit risk. The Group manages that risk by placing funds primarily with institutions with a Standard & Poors credit rating of AA or higher.
- The Group receives interest income on its variable rate bank balances and fixed rate treasury deposits. A reduction in interest rates would reduce the Group's interest income.
- The Group invests in Indian companies and the fair value of those investments is denominated in Indian Rupees. A movement in foreign exchange rates would affect the carrying value of those investments and the unrealised gain or loss.
- The Company is subject to the UK Bribery Act 2010 and operates in a jurisdiction which has a higher perceived risk of corruption. The Company has adopted an Anti-Corruption and Bribery policy and taken appropriate measures to ensure that it has effective procedures in place to prevent corruption and bribery. This policy and the procedures underpinning it have been communicated to all directors, officers, employees and agents of the Company.

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

Directors

The directors of the Company during the period were

R A Arnold (appointed 8 September 2010)
Sir C J Benson
The Hon C W Cayzer
D A Coltman (resigned 21 March 2011)
P A Gismondi (appointed 8 September 2010)
A J N King
N M Naik
D D S Robertson (appointed 21 March 2011)
G D Varley

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 17 of the financial statements.

Eredene Capital PLC

Report of the directors for the year ended 31 March 2011 (*Continued*)

Policy and practice on the payment of creditors

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment

The number of average days purchases of the Company represented by trade creditors at 31 March 2011 was 37 days (2010 17 days)

Going concern

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP has expressed its willingness to continue in office and a resolution to re-appoint it will be proposed at the annual general meeting.

By order of the Board



G D Varley
Company Secretary
21 July 2011

Eredene Capital PLC

Statement of directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Eredene Capital PLC

Report of the independent auditors

Independent auditor's report to the members of Eredene Capital PLC

We have audited the financial statements of Eredene Capital PLC for the year ended 31 March 2011 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Eredene Capital PLC

Report of the independent auditors (*Continued*)

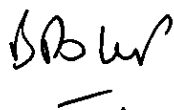
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



*Michael Goldstein (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
21 July 2011*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Eredene Capital PLC

Consolidated Statement of Comprehensive Income for the year ended 31 March 2011

		Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Portfolio return and revenue	Note		
Change in fair value of equity investments	12	4,921	6,400
Other portfolio income		55	115
		4,976	6,515
Revenue from services		3,468	1,672
Cost of sales for services		(2,621)	(1,508)
Gross profit		847	164
Gross profit and net portfolio return		5,823	6,679
Administrative expenses		(3,787)	(3,631)
Finance income	7	128	179
Finance costs	7	(701)	(102)
Profit before taxation	4	1,463	3,125
Taxation credit/(charge)	8	404	(489)
Profit after taxation		1,867	2,636
Other comprehensive income			
Foreign currency translation		(537)	1,159
Total comprehensive income for the period		1,330	3,795
Profit attributable to:			
Owners of the parent company		1,936	2,677
Minority interest		(69)	(41)
		1,867	2,636
Total comprehensive income attributable to:			
Owners of the parent company		1,247	3,641
Minority interest		83	154
		1,330	3,795
Earnings per share			
Basic and diluted	9	0.69p	1.01p

The notes on pages 24 to 55 form part of these financial statements

Eredene Capital PLC

Consolidated Balance Sheet at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	16,614	16,696
Investments held at fair value through profit or loss	12	39,713	26,341
Intangible assets	11	1,095	1,162
Deferred income tax asset		37	36
Other receivables	14	29	33
		57,488	44,268
CURRENT ASSETS			
Trade and other receivables	14	942	1,037
Cash and cash equivalents		15,558	27,591
		16,500	28,628
TOTAL ASSETS		73,988	72,896
CURRENT LIABILITIES			
Trade and other payables	15	(630)	(711)
Current income tax liabilities		(6)	(481)
Borrowings	16	(508)	-
NON-CURRENT LIABILITIES			
Borrowings	16	(5,565)	(5,770)
Provisions	18	(12)	(9)
TOTAL LIABILITIES		(6,721)	(6,971)
TOTAL NET ASSETS		67,267	65,925
EQUITY			
Share capital	19	28,024	28,024
Share premium	20	3,441	3,441
Special reserve	20	32,826	32,826
Foreign exchange reserve	20	1,291	1,739
Retained deficit	20	(185)	(1,663)
Capital and reserves attributable to equity shareholders of the company		65,397	64,367
Non-controlling interests		1,870	1,558
TOTAL EQUITY		67,267	65,925

The financial statements were approved by the Board of Directors and authorised for issue on 21 July 2011



A J N King
Director
Eredene Capital PLC
Company No 5330839

The notes on pages 24 to 55 form part of these financial statements

Eredene Capital PLC

Consolidated Statement of Changes in Equity for the year ended 31 March 2011

	Share capital £'000	Share premium £'000	Special reserve £'000	Foreign exchange reserve £'000
Year ended 31 March 2011				
As at 1 April 2010	<u>28,024</u>	<u>3,441</u>	<u>32,826</u>	<u>1,739</u>
Total comprehensive income for the period	-	-	-	(448)
Share based payment	-	-	-	-
Minority interest on dilution of shareholding	-	-	-	-
As at 31 March 2011	<u>28,024</u>	<u>3,441</u>	<u>32,826</u>	<u>1,291</u>
Year ended 31 March 2010				
As at 1 April 2009	<u>24,473</u>	-	<u>32,826</u>	<u>740</u>
Total comprehensive income for the period	-	-	-	999
Share based payment	-	-	-	-
Shares issued net of issue costs	3,551	3,441	-	-
Minority interest on acquisition of subsidiary	-	-	-	-
As at 31 March 2010	<u>28,024</u>	<u>3,441</u>	<u>32,826</u>	<u>1,739</u>
	Retained earnings/ (deficit) £'000	Share holders equity £'000	Non- controlling interest £'000	Total equity £'000
Year ended 31 March 2011				
As at 1 April 2010	<u>(1,663)</u>	<u>64,367</u>	<u>1,558</u>	<u>65,925</u>
Total comprehensive income for the period	1,695	1,247	83	1,330
Share based payment	33	33	-	33
Minority interest on dilution of shareholding	(250)	(250)	229	(21)
As at 31 March 2011	<u>(185)</u>	<u>65,397</u>	<u>1,870</u>	<u>67,267</u>
Year ended 31 March 2010				
As at 1 April 2009	<u>(4,361)</u>	<u>53,678</u>	<u>1,092</u>	<u>54,770</u>
Total comprehensive income for the period	2,642	3,641	154	3,795
Share based payment	56	56	-	56
Shares issued net of issue costs	-	6,992	-	6,992
Minority interest on acquisition of subsidiary	-	-	312	312
As at 31 March 2010	<u>(1,663)</u>	<u>64,367</u>	<u>1,558</u>	<u>65,925</u>

The notes on pages 24 to 55 form part of these financial statements

Eredene Capital PLC

Consolidated Cash Flow Statement for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Cash flow from operating activities			
Profit before taxation		1,463	3,125
Adjustments for			
Finance income		(128)	(179)
Dividend income		(55)	(25)
Unrealised gain on investments held at fair value		(4,921)	(6,400)
Share based payment charge		33	56
Foreign exchange differences		542	588
Depreciation		305	59
Amortisation		25	25
Goodwill written to income statement		-	26
Decrease/(increase) in trade and other receivables		88	(412)
Decrease in trade and other payables		(82)	(5)
Increase in provisions		3	9
Taxation paid		(59)	-
Net cash used in operating activities		<u>(2,786)</u>	<u>(3,133)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(927)	(4,812)
Purchase of investments		(8,451)	(1,662)
Interest received		139	190
Dividends received		55	25
Net cash used in investing activities		<u>(9,184)</u>	<u>(6,259)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	6,992
Proceeds from issue of shares in subsidiary to minority interest		36	441
Proceeds from borrowings		548	3,769
Net cash generated from financing activities		<u>584</u>	<u>11,202</u>
Net (decrease)/increase in cash and cash equivalents		<u>(11,386)</u>	<u>1,810</u>
Cash and cash equivalents at the beginning of the period		27,591	26,235
Exchange losses		(647)	(454)
Cash and cash equivalents at the end of the period	24	<u>15,558</u>	<u>27,591</u>

The notes on pages 24 to 55 form part of these financial statements

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011

1. Accounting policies

Eredene Capital PLC (the "Company") is a company incorporated and domiciled in the United Kingdom and quoted on the London Stock Exchange's AIM market. The consolidated financial statements of the Group for the year ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP. These are presented on pages 56 to 61.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis, except for the revaluation of certain investments.

New accounting standards and changes to existing accounting standards

1 Standards and interpretations effective in current period

Improvements to IFRSs (2009)

Revised IFRS 3 Business Combinations

Amendments to IAS 27 Consolidated and Separate Financial Statements

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

1 Accounting policies (*Continued*)

New accounting standards and changes to existing accounting standards (continued)

ii Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods commencing on or after 1 April 2011 or later periods, but they have not been early adopted

Revised IAS 24 Related Party Disclosures

Improvements to IFRSs (2010)

Deferred Tax Recovery of Underlying Assets (Amendments to IAS 12)

Presentation of items of other Comprehensive Income (Amendments to IAS 1)

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interest in other Entities

IFRS 13 Fair Value Measurement

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

1. Accounting policies (*Continued*)

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The results of any subsidiaries sold or acquired are included in the Group income statement up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. On disposal of a subsidiary, the consideration received is compared with the carrying cost at the date of disposal and the gain or loss is recognised in the income statement. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Subsidiaries' results are amended where necessary to ensure consistency with the policies adopted by the Group.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets and allocated from the acquisition date to each of the Group's cash generating units ("CGU") that are expected to benefit from the business combination. Goodwill may be allocated to CGUs in both the acquired business and in the existing business. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Acquired intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The pipeline of investments acquired is amortised over the period in which gains or losses on the investments made from the pipeline are expected to be realised of ten years. The amortisation charge for the period is included within administrative expenses.

Impairment of intangible assets (including goodwill)

Goodwill is not subject to amortisation but is tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows (i.e. cash generating units).

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

1 Accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and impairment. Depreciation on property, plant and equipment is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. It is calculated at the following rates:

Fixtures and fittings	-	6-20% per annum straight line basis
Office equipment	-	5-33% per annum straight line basis
Buildings	-	3-22% per annum straight line basis
Vehicles and machinery	-	5-10% per annum straight line basis

Financial assets

- Investments held at fair value through profit or loss

Investments in which the Group has a long-term interest and over whose operating and financial policies it exerts significant influence, but which are held as part of an investment portfolio, the value of which is through their marketable value as part of a basket of investments, are not regarded as joint ventures or associated undertakings. The treatment adopted is in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and the exemptions applying to venture capital organisations in IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures'.

These investments are measured at fair value through profit or loss. Gains and losses arising from changes in the fair value of these investments, including foreign exchange movements, are included in profit or loss for the period.

Unquoted investments are valued using appropriate valuation methodologies, based on the International Private Equity and Venture Capital Guidelines, which reflect the price at which an orderly transaction would take place between knowledgeable and willing market participants.

- Loans and receivables

Other receivables

Other receivables are recognised and carried at amortised cost less an allowance for any uncollectible amounts. Unless otherwise indicated, the carrying amount of the group's financial assets are a reasonable approximation to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits.

- Financial liabilities held at amortised cost

Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently carried at amortised cost.

Trade and other payables

Trade payables and other payables are recognised and carried at amortised cost and are a short term liability of the Group.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

1. Accounting policies (*Continued*)

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and translated to a foreign exchange reserve.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the instruments are recognised immediately in the income statement.

Portfolio return and revenue

Change in fair value of equity investments represents revaluation gains and losses on the Group's portfolio of investments.

Dividends receivable from equity shares are included within other portfolio income and recognised on the ex-dividend date or, where no ex-dividend date is quoted, are recognised when the Group's right to receive payment is established.

Revenue from services comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. This is primarily the provision of storage and transportation services, for which revenue is recognised on provision of services and dispatch of goods. Revenue is shown net of sales tax, returns, rebates and discounts.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is determined using an option pricing model and charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Where equity instruments are granted to persons other than employees, the income statement is charged with fair value of goods and services received. If it is not possible to identify the fair value of these goods or services provided, the income statement is charged with the fair value of the options granted.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

1. Accounting policies (*Continued*)

Deferred tax

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that at the time of the transaction, affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the rates of taxation enacted or substantively enacted at the balance sheet date.

Pension costs

The Company contributes to directors' and employees' personal money-purchase pension schemes. Contributions are charged to the income statement in the period in which they become payable.

National Insurance on share options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved schemes, provision for any national insurance contributions has been made based on the prevailing rate of national insurance. The provision is accrued over the performance period attaching to the award.

Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

2. Critical accounting judgements and estimates

The preparation of the Group's financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. 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. Actual results may differ from these estimates.

The directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the financial statements:

Accounting for investments

Investments in which the Group has a long-term interest and over whose operating and financial policies it exerts significant influence, but which are held as part of an investment portfolio, the value of which is through their marketable value as part of a basket of investments, are not regarded as joint ventures or associated undertakings. The treatment adopted is in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and the exemptions applying to venture capital organisations in IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures'.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

2. Critical accounting judgements and estimates (Continued)

Value of investments

The Group's investments held at fair value through profit or loss are valued based on the International Private Equity and Venture Capital Guidelines. An independent valuer, Grant Thornton, was engaged to value the investments under those Guidelines. The valuations are made based on market conditions and information about the investment. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility and estimated cash flows). See note 12 for details of the valuation methodologies employed.

Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment on at least an annual basis. The recoverable amount is determined using value in use calculations. The use of this method requires the estimation of future cash flows and the selection of a suitable discount rate in order to calculate the present value of these cash flows.

Share-based payments

The charge for share-based payments is calculated in accordance with the analysis described in note 21. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates and expected staff turnover. The directors draw on external sources to aid them in the determination of the appropriate data to use in such calculations.

3. Segmental analysis

The Group's only segment is private equity investment in India. The Group's revenue, profit before taxation and net assets are attributable to this single activity.

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Revenue from services	3,468	1,672
Other portfolio income	55	115
Revenue – all India based	3,523	1,787
Non-current assets – India based	17,732	17,873
Non-current assets – UK based	5	18

The Group's subsidiary, MJ Logistic Services Pvt Ltd, is dependent on two customers who each represent more than 10% of Group revenues with one customer representing £1.4m of revenue and the other £1.2m of revenue.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

4. Profit before taxation

This is arrived at after charging/(crediting)

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Staff costs (see note 5)	924	951
Depreciation of tangible fixed assets	305	59
Amortisation of intangible fixed assets	25	24
Foreign exchange differences	542	588
Hire of other assets - operating leases	-	2
Auditors' remuneration		
- audit services	63	58
- non-audit services		
- tax advisory	2	2
- other services	9	10

5. Employees

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Staff costs consist of		
Wages and salaries	792	792
Equity settled share-based payments	32	53
Social security costs	62	65
Other pension costs	38	41
	924	951

The average number of employees and directors during the period was as follows

	Year ended 31 March 2011	Year ended 31 March 2010
Management and administration	24	23
Warehouse and distribution	35	28
	59	51

The Group's Indian subsidiary investment MJ Logistic Services Ltd represents 16 of the management and administrative staff and all 35 of the warehouse and distribution staff

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (Continued)

6. Directors' remuneration

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Directors' emoluments	460	400
Social security costs	36	32
Company contributions to directors' money purchase pension schemes	29	31
Share based payment	27	45
	552	508

Year ending 31 March 2011	Fees and salaries £'000	Benefits £'000	Pension contributions £'000	Total £'000
Executive directors				
A J N King	173	5	17	195
G D Varley	115	5	12	132
Non-executive directors				
R J Arnold	20	-	-	20
Sir C J Benson	35	-	-	35
The Hon C W Cayzer	35	-	-	35
D A Coltman	50	-	-	50
P A Gismond	20	-	-	20
N M Naik	-	-	-	-
D D S Robertson	2	-	-	2
	450	10	29	489

Year ending 31 March 2010	Fees and salaries £'000	Benefits £'000	Pension contributions £'000	Total £'000
Executive directors				
A J N King	165	2	17	184
G D Varley	110	3	14	127
Non-executive directors				
Sir C J Benson	35	-	-	35
The Hon C W Cayzer	35	-	-	35
D A Coltman	50	-	-	50
N M Naik	-	-	-	-
	395	5	31	431

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (Continued)

6. Directors' remuneration (continued)

Directors' share options	Options at 1/4/10	Granted in the period	Exercised in the period	Options at 31/3/11
Executive directors				
A J N King	7,409,198	990,000	-	8,399,198
G D Varley	2,682,960	660,000	-	3,342,960
Non-executive directors				
D A Coltman	1,000,000	-	-	1,000,000
N M Naik	5,160,000	990,000	-	6,150,000
	16,252,158	2,640,000	-	18,892,158

See note 21 for further details on the Company's share option schemes

The Group made contributions to two directors' own money purchase pension schemes in the year (2010 2)

Included in the directors' emoluments figure is an amount of £35,000 (2010 £35,000) paid to Caledonia Group Services Limited for the services of the Hon C Cayzer as a non-executive director. Caledonia Group Services is a subsidiary of Caledonia Investments plc which is a shareholder in the Company. The Cayzer Trust Company is a related party to Caledonia Investments plc and is a shareholder in that company. The Hon C Cayzer, who is a director of the Company, is a director and has a beneficial interest in both Caledonia Investments plc and the Cayzer Trust Company Limited.

Of the share based payment charge (see note 21), £27,000 relates to directors (2010 £45,000). The directors are the key management personnel of the Group.

7. Finance income and finance costs

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest receivable on bank deposits	128	179
	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Finance costs	701	102

The finance costs were incurred by the Group's Indian subsidiaries, MJ Logistic Services Ltd and Sattva Conware Pvt Ltd.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

8. Taxation

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Recognised in the income statement		
<i>Current tax expense</i>		
UK corporation tax	-	-
Adjustment to provision for prior period	(415)	481
<i>Deferred tax</i>		
Movement in deferred tax asset	11	8
Income tax (credit)/charge	<u>(404)</u>	<u>489</u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK applied to the Group profit before tax. The differences are explained below.

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit on ordinary activities before tax	<u>1,463</u>	<u>3,125</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK for the period of 28.0% (2010: 28.0%)	410	875
Effects of		
Expenses not deductible for tax purposes	107	119
Capitalised expenses deductible for tax purposes	11	6
Depreciation less than capital allowances	2	2
Non-taxable gains on investments	(1,378)	(1,792)
Non-UK recoverable overseas losses	331	361
Non-taxable dividend income	(15)	(7)
Tax losses carried forward	544	449
Non-taxable finance income	(1)	(5)
Adjustment to provision for prior period	(415)	481
Tax (credit)/charge for period	<u>(404)</u>	<u>489</u>

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

8 Taxation (*continued*)

Deferred tax

No deferred tax asset has been recognised on unutilised taxable losses due to lack of certainty that taxable profits will be available against which deductible temporary differences can be utilised. The potential unrecognised asset is £3.5m (2010: £2.9m).

9. Earnings per share and net assets per share

The calculation of the basic and diluted earnings per share is based on the profit for the period attributable to equity shareholders of £1,936,000 (2010: £2,677,000) and the weighted average number of shares in issue during the period of 280,240,031 (2010: 265,646,046). There was no difference between the basic earnings per share and diluted earnings per share as the dilutionary effect of the shares under option was less than 0.01p per share. 18.2 million shares (2010: 18.2 million) under option were non-dilutionary as the exercise price was in excess of the company's share price at the year end date. Further details of the share options issued, which could be more dilutive in the future, are set out in note 21.

The calculation of net asset value per share is based on the net assets attributable to equity shareholders of £65,397,000 (2010: £64,367,000) and the number of shares in issue at the period end of 280,240,031 (2010: 280,240,031).

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (Continued)

10. Property, plant and equipment

	Land & buildings £'000	Vehicles & machinery £'000	Fixtures & fittings £'000	Office equipment £'000	Total £'000
Year ending 31 March 2010					
Cost					
At 1 April 2009	11,112	64	31	61	11,268
Additions	3,331	1,083	373	26	4,813
Exchange differences	726	4	2	2	734
At 31 March 2010	15,169	1,151	406	89	16,815
Depreciation					
At 1 April 2009	2	14	13	23	52
Provided for in the period	32	9	5	13	59
Exchange differences	3	2	2	1	8
At 31 March 2010	37	25	20	37	119
Net book value					
At 31 March 2009	11,110	50	18	38	11,216
At 31 March 2010	15,132	1,126	386	52	16,696
Year ending 31 March 2011					
Cost					
At 1 April 2010	15,169	1,151	406	89	16,815
Additions	473	286	163	5	927
Disposals	-	-	(7)	(4)	(11)
Reallocations	(1,066)	1066	-	-	-
Exchange differences	(644)	(49)	(17)	(2)	(712)
At 31 March 2011	13,932	2,454	545	88	17,019
Depreciation					
At 1 April 2010	37	25	20	37	119
Provided for in the period	137	116	38	14	305
Disposals	-	-	(7)	(4)	(11)
Exchange differences	(2)	(3)	(2)	(1)	(8)
At 31 March 2011	172	138	49	46	405
Net book value					
At 31 March 2011	13,760	2,316	496	42	16,614

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (*Continued*)

11. Intangible assets

	Goodwill £'000	Acquired Intangible Asset £'000	Total £'000
Year ending 31 March 2010			
Cost			
At 1 April 2009	841	245	1,086
Exchange differences	143	-	143
At 31 March 2010	984	245	1,229
Aggregate amortisation and impairment			
At 1 April 2009	-	43	43
Amortisation charge for period	-	24	24
At 31 March 2010	-	67	67
Net book value			
At 31 March 2009	841	202	1,043
At 31 March 2010	984	178	1,162
Year ending 31 March 2011			
Cost			
At 1 April 2010	984	245	1,229
Exchange differences	(42)	-	(42)
At 31 March 2011	942	245	1,187
Aggregate amortisation and impairment			
At 1 April 2010	-	67	67
Amortisation charge for period	-	25	25
At 31 March 2011	-	92	92
Net book value			
At 31 March 2011	942	153	1,095

Acquired intangible asset

In June 2007, Eredene acquired Aboyne Mauritius Limited ('Aboyne Mauritius') for the sum of £245,000. The assets acquired by Eredene were a deal pipeline of potential projects and Eredene has subsequently invested in a number of those projects via Aboyne Mauritius.

The pipeline of investments acquired is amortised over the period in which gains or losses on the investments made from the pipeline are expected to be realised of ten years. The amortisation charge for the period is included within administrative expenses. There was 6.25 years of further amortisation remaining at 31 March 2011. There were no events or changes in circumstances during the period which indicated that the carrying amount may not be recoverable.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

11. Intangible assets (continued)

Goodwill

Goodwill arose on the acquisition of MJ Logistic Services Ltd on 7 January 2008. The recoverable value of goodwill has been determined using value in use calculations based on cash flow projections in respect of the cash generating unit towards which the goodwill was allocated. The goodwill arising in the period was allocated in full towards the Group's subsidiary, MJ Logistic Services Ltd.

The following key assumptions were used to determine value in use	At 31/3/2011	At 31/3/2010
Discount factor	16.9%	16.9%
Perpetuity growth rate	4%	4%

The assumptions used in the calculation were based on past experience and forecasts of future performance. The cashflow projection was based on a period which commenced on 1 April 2011 and continued for five years. The calculation of value in use determined that there was no impairment of goodwill during the period.

The key assumptions used in the value in use calculation were

- Revenue growth rates
- Gross margin
- Operating expenses
- Discount rate
- Growth rate used to extrapolate cash flows beyond the five year period covered by management's projections

Projections were denominated in the same currency as the denomination of the goodwill balance to eliminate the effect of fluctuating exchange rates. Revenue growth rates used in management's projections are based on management's estimate of growth in the markets served, taking into account the current economic uncertainties. Gross margins and operating expenses are based on historical values and future expected values. The discount rate applied to the cash flows is based on a risk free rate adjusted for a risk premium to reflect both the increased risk associated with investing in equities and the systematic risk of the specific cash-generating unit. Long term growth rate is based upon the expected growth rate for the industry and the Indian economy.

Sensitivity analysis has determined that no reasonably possible change in the key assumptions used will result in significant impairment and that there is sufficient headroom in all of the key assumptions before the carrying value becomes impaired.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

12. Investments held at fair value through profit or loss

The Group has the following investments held at fair value through profit or loss, all of which are incorporated in India

	Class of shares held	Net Assets £'000	Profit/(loss) before tax £'000	Date of financial statements	% held 31 March 2011	% held 31 March 2010
Apeejay Infra-Logistics Pvt Ltd	Ord	5,051	3	31/3/10	50%	50%
Matheran Realty Pvt Ltd	A	11,938	(101)	31/3/10	63%	63%
Gopi Resorts Pvt Ltd	A & B	2,432	(205)	31/3/10	75%	75%
Contrans Logistic Pvt Ltd	Ord	6,973	(507)	31/3/10	44%	44%
Sattva CFS & Logistics Pvt Ltd	Ord	2,843	798	31/3/11	49%	49%
Sribha Infrastructure Solutions Co Pvt Ltd	Ord	303	(63)	31/3/08	37%	37%
Bay of Bengal Gateway Terminal Pvt Ltd	Ord	n/a	n/a	n/a	22%	-
Ocean Sparkle Ltd	Ord	45,604	7,403	31/3/11	8%	-

The Group's investment in Matheran Realty Pvt Ltd ("Matheran") at 31 March 2011 is held through a direct holding of 45% in Matheran and an indirect holding of 18% via the Group's 44% holding in Alibante Developments Ltd which itself held 42% of Matheran. The Group's investment in Gopi Resorts Pvt Ltd ("Gopi") is held through a direct holding of 32% in Gopi and an indirect holding of 43% via Matheran's stake of 68% in Gopi.

Whilst the Group has effective stakes in Matheran and Gopi in excess of 50%, those holdings are comprised of the above minority stakes which do not provide the Group with control of those entities. As a result the Group has accounted for Matheran and Gopi as investments held at fair value rather than as subsidiaries as the Group does not control Matheran or Gopi.

Details of the Group's subsidiaries are provided in note 4 to the Company financial statements.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

12. Investments held at fair value through profit or loss (Continued)

At 31 March 2011 the cost and valuation of the Group's investments was as follows

	Historical cost at 31/3/11 £'000	Unrealised gain/(loss) 1/4/10 – 31/3/11 £'000	Fair value at 31/3/11 £'000
Apeejay Infra-Logistics Pvt Ltd	2,196	369	4,854
Matheran Realty Pvt Ltd	10,128	431	8,518
Gopi Resorts Pvt Ltd	2,542	167	3,367
Contrans Logistic Pvt Ltd	5,572	1,146	8,166
Sattva CFS & Logistics Pvt Ltd	880	1,414	4,640
Sribha Infrastructure Solutions Company Pvt Ltd	2,126	(21)	470
Bay of Bengal Gateway Terminal Pvt Ltd	940	3	943
Ocean Sparkle Ltd	7,343	1,412	8,755
	31,727	4,921	39,713

At 31 March 2010 the cost and valuation of the Group's investments was as follows

	Historical cost at 31/3/10 £'000	Unrealised gain/(loss) 1/4/09 – 31/3/10 £'000	Fair value at 31/3/10 £'000
Apeejay Infra-Logistics Pvt Ltd	2,196	2,059	4,485
Matheran Realty Pvt Ltd	10,128	3,099	8,087
Gopi Resorts Pvt Ltd	2,542	(1,090)	3,200
Contrans Logistic Pvt Ltd	5,405	2,668	6,852
Sattva CFS & Logistics Pvt Ltd	880	796	3,226
Sribha Infrastructure Solutions Company Pvt Ltd	2,126	(1,132)	491
	23,277	6,400	26,341

The Group's holdings in the above investments are all held by wholly owned intermediate Mauritian registered holding companies except for Bay of Bengal Gateway Terminal Pvt Ltd which is directly owned by Eredene Capital PLC

The investments were independently valued at 31 March 2011 by Grant Thornton India. The investments are valued using appropriate valuation methodologies, in accordance with the International Private Equity and Venture Capital Guidelines endorsed by the British & European Venture Capital Associations, which reflect the amount for which an asset could be exchanged between knowledgeable, willing parties on an arm's length basis. The companies in which the Group has invested are at various stages of development. The methodologies used in the valuation of these investments include Earnings Multiples, Net Assets and Discounted Cash Flow.

Earnings Multiple – this methodology involves the application of an earnings multiple to the earnings of the business being valued in order to derive a value for the business. This methodology is appropriate where the business has an identifiable stream of continuing earnings that can be considered to be maintainable. A number of earnings multiples may be used including price/earnings and enterprise value/earnings before interest, tax, depreciation and amortisation.

Net Assets – this methodology involves deriving the value of a business by reference to the value of its assets. The assets and liabilities may be adjusted to reflect the fair value of those assets and liabilities as at the valuation date.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

12. Investments held at fair value through profit or loss (Continued)

Discounted Cash Flow – this methodology involves deriving the value of a business by calculating the present value of expected future cash flows. The cash flows and the terminal value are those of the underlying business rather than from the investment itself. A suitable discount rate is estimated based on the weighted average cost of capital of the business.

The actual methodologies used vary from investment to investment with the independent valuers applying an appropriate methodology based on the particular circumstances of the underlying business.

The movements in non-current investments were as follows

	£'000
Carrying value at 31 March 2009	18,279
Purchases, at cost	1,662
Unrealised gains on investments	6,400
Carrying value at 31 March 2010	26,341
Purchases, at cost	8,451
Unrealised gains on investments	4,921
Carrying value at 31 March 2011	39,713

13. Investments in subsidiary undertakings

The Group had the following principal subsidiaries during the period

Company Name	Nature of business	Country of Incorporation	Class of shares held	Ownership	
				31 March 2011	31 March 2010
MJ Logistic Services Ltd	Distribution warehousing	India	Ordinary	88%	90%
Sattva Conware Pvt Ltd	Container freight station	India	Ordinary	83%	85%

The Group's holding in MJ Logistic Services Ltd has been diluted from 90% to 88% due to the conversion of preference shares into ordinary shares by the MJ Logistic management team following the achievement of performance milestones.

The Group's holding in Sattva Conware Pvt Ltd has been diluted from 85% to 83% due to the conversion of preference shares into ordinary shares by the Sattva Conware management team following the achievement of performance milestones.

The Group's holdings in the above subsidiaries are both held by wholly owned intermediate Mauritian registered holding companies.

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (Continued)

14. Trade and other receivables

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year		
Trade receivables	431	543
Less provision for impairment of trade receivables	-	(3)
Trade receivables – net	431	540
Other receivables	197	31
Prepayments and accrued income	166	147
Income tax receivable	92	154
Other taxes and social security receivable	56	165
	942	1,037
Amounts falling due in more than one year		
Other receivables	29	33
	29	33

15 Trade and other payables

	31 March 2011 £'000	31 March 2010 £'000
Trade payables	301	171
Other taxes and social security payable	49	62
Other payables	41	144
Accruals and deferred income	239	334
	630	711

16. Borrowings

	31 March 2011 £'000	31 March 2010 £'000
Non-current:		
Bank borrowing	5,539	5,743
Other borrowing	26	27
	5,565	5,770
Current:		
Bank borrowing	508	-
Total borrowing	6,073	5,770

All borrowings relate to amounts borrowed by the Group's subsidiaries MJ Logistic Services Ltd and Sattva Conware Pvt Ltd. The debt is non-recourse to the ultimate parent company, Eredene Capital PLC.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 *(Continued)*

17. Financial instruments and risk management

The Group finances its activities through the cash and short term deposits generated through the placing of its shares on the London Stock Exchange's Alternative Investment Market. Debt has been taken by the company's Indian subsidiaries however no debt funding has been taken at the parent company level.

The Group's financial instruments comprise investments held at fair value through profit or loss, cash and cash equivalents and other items such as trade and other payables and receivables which arise from its operations. The Group does not trade in financial instruments. The Group had no hedging transactions outstanding at the period end.

The main type of risk that the Group is exposed to is market risk. Market risk involves the potential for losses and gains and includes price risk, interest rate risk and currency risk.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and increase or decrease debt. The Group only borrows in subsidiaries with no debt held at the parent company level.

Currency risk

The Group is exposed to currency risk as its investment commitments may be denominated in Indian Rupees and may be made in phased stages. The Group hedges its pending investment commitments when it has reasonable certainty of the timing and quantum of the transfer and where it considers hedging is appropriate.

The Group's investments are held in the accounts at fair value and that fair value was determined by Grant Thornton India as part of an independent fair valuation exercise. The value of the investments was estimated in Indian Rupees as all the Group's investee companies operate in India. A 5% adverse change in the Pound Sterling/Indian Rupee exchange rate at year end would have led to a decrease in the unrealised fair value gain of £1.9m (2010: £1.25m).

The Group's two Indian subsidiaries have Indian Rupees as their functional currency. A 5% adverse change in the Pound Sterling/Indian Rupee exchange rate at year end would have led to a decrease in group net assets of £0.6m (2010: £0.6m).

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (Continued)

17 Financial instruments and risk management (Continued)

The Group has financial assets and liabilities denominated in Sterling, US dollars and Indian Rupees

At 31 March 2011	UK	US	Indian
Financial assets	Sterling	Dollars	Rupees
	£'000	£'000	£'000
Fair value through income statement			
Investments held at fair value through profit or loss	-	-	39,713
Loans and receivables			
Other receivables due in more than one year	-	-	29
Cash and cash equivalents	6,714	6,285	2,559
Trade receivables	-	-	431
Other receivables due in less than one year	5	-	193
	6,719	6,285	42,925

At 31 March 2010			
Financial assets			
Fair value through income statement			
Investments held at fair value through profit or loss	-	-	26,341
Loans and receivables			
Other receivables due in more than one year	-	-	33
Cash and cash equivalents	16,226	9,627	1,738
Trade receivables	-	-	540
Other receivables due in less than one year	10	-	21
	16,236	9,627	28,673

At 31 March 2011	UK	US	Indian
Financial liabilities	Sterling	Dollars	Rupees
	£'000	£'000	£'000
Financial liabilities held at amortised cost			
Borrowings	-	-	6,073
Trade payables	97	-	204
Other payables	-	-	41
Accruals	122	-	117
	219	-	6,435

At 31 March 2010			
Financial liabilities			
Financial liabilities held at amortised cost			
Borrowings	-	-	5,770
Trade payables	44	-	127
Other payables	-	-	144
Accruals	151	-	183
	195	-	6,224

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (*Continued*)

17 Financial instruments and risk management (*Continued*)

Credit risk

Credit risk is managed through the company and its direct subsidiaries depositing funds primarily with banks with a Standard & Poor's rating of AA or higher. Where a bank's credit rating is reduced to less than AA then the company will seek to move funds from that bank as term deposits expire. At 31 March 2011, 81% of the Group's cash balances were placed with entities with a credit rating of AA or higher (31 March 2010: 93%).

The Group's Indian subsidiaries place funds with Indian banks whose credit rating may be less than AA. The funds placed with the BBB rated entities were placed by MJ Logistic Services Ltd and Sattva Conware Pvt Ltd.

Cash at bank and bank term deposits	31 March 2011	31 March 2010
Standard & Poors credit rating	£'000	£'000
AAA	8,729	9,616
AA	3,866	16,089
A	393	138
BBB	2,558	1,710
Other	12	38
Total	<u>15,558</u>	<u>27,591</u>

Trade receivables represent amounts owed to the Group's Indian subsidiary MJ Logistic Services Ltd. Over 75% of the balance outstanding at 31 March 2011 was due from entities with a Standard & Poors CRISIL rating of AA or higher.

Price risk

The Group has invested in unquoted Indian companies. Those investments are held at fair value and the value of those investments may be affected by market conditions. Management continues to monitor this risk. A 10% fall in the value of these investments would have reduced the profit for the period by £ 3.9m (2010: £2.6m).

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (Continued)

17. Financial instruments and risk management (Continued)

Liquidity risk

As the Group is primarily equity funded and has high cash reserves, liquidity risk is deemed to be low. The Group's Indian subsidiaries, MJ Logistic Services Ltd and Sattva Conware Pvt Ltd had borrowings of £5.5m and £0.6m respectively as at 31 March 2011.

Maturity of undiscounted financial liabilities	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
At 31 March 2011				
Borrowings	1,324	1,591	4,562	1,667
Trade payables	301	-	-	-
Other payables	41	-	-	-
Accruals	239	-	-	-
	1,905	1,591	4,562	1,667
At 31 March 2010				
Borrowings	698	1,178	4,257	1,453
Trade payables	171	-	-	-
Other payables	144	-	-	-
Accruals	334	-	-	-
	1,347	1,178	4,257	1,453

Interest rate risk

The Group has interest bearing financial assets in the form of fixed rate bank deposits primarily with maturities of less than six months and floating rate current account balances.

	Non-interest bearing financial assets £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000
At 31 March 2011			
Investments held at fair value through profit or loss	39,713	-	-
Other receivables due in more than one year	29	-	-
Cash and cash equivalents	996	3,933	10,628
Trade receivables	431	-	-
Other receivables due in less than one year	197	-	-
	41,366	3,933	10,628
At 31 March 2010			
Investments held at fair value through profit or loss	26,341	-	-
Other receivables due in more than one year	33	-	-
Cash and cash equivalents	148	545	26,898
Trade receivables	540	-	-
Other receivables due in less than one year	31	-	-
	27,093	545	26,898

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

17. Financial instruments and risk management (Continued)

The average rate at which the fixed rate assets were fixed in 2011 was 0.6% (2010: 0.7%) and the average period for which the assets were fixed was 65 days (2010: 87 days)

A 5% reduction in the interest rate earned during 2011 would have reduced the finance income for the period by approximately £6,000 (2010: £9,000)

The Group has financial liabilities in the form of fixed and floating rate borrowings and non-interest bearing trade payables, other payables and accruals

	Non- interest bearing financial liabilities £'000	Floating - rate financial liabilities £'000	Fixed rate financial liabilities £'000
At 31 March 2011			
Borrowings	26	6,026	21
Trade payables	301	-	-
Other payables	41	-	-
Accruals	239	-	-
	607	6,026	21
At 31 March 2010			
Borrowings	27	5,709	34
Trade payables	171	-	-
Other payables	144	-	-
Accruals	334	-	-
	676	5,709	34

Fair value of financial assets and liabilities

There is no material difference between the carrying value and fair value of the Group's aggregate financial assets and liabilities

From 1 April 2009, the Group adopted the amendment to IFRS7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices from observable market transactions) or indirectly (i.e. derived using a valuation technique that uses only data from observable markets)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 *(Continued)*

17. Financial instruments and risk management *(Continued)*

At 31 March 2011	Level 1	Level 2	Level 3
Financial assets	£'000	£'000	£'000
Fair value through income statement			
Investments held at fair value through profit or loss	-	-	39,713
At 31 March 2010			
Financial assets			
Fair value through income statement			
Investments held at fair value through profit or loss	-	-	26,341

The following table sets out the changes in level 3 instruments

Investments held at fair value through profit or loss	Year ending 31/3/11 £'000	Year ending 31/3/10 £'000
Opening balance	26,341	18,279
Additions	8,451	1,662
Gains and losses recognised in profit or loss	4,921	6,400
Closing balance	39,713	26,341
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	4,921	6,400

Level 3 inputs are sensitive to the assumptions made when determining fair value. A reasonably possible alternative assumption would be to apply a standard marketability discount of 5% rather than the rate of 15% used. This would have the effect of increasing the fair value of investments held at fair value by £2.8m.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

18. Provision for liabilities

	31 March 2011 £'000	31 March 2010 £'000
National insurance on share options		
At beginning of period	9	-
Charged to income statement	3	9
At end of period	<u>12</u>	<u>9</u>

The eventual liability to National Insurance on share options is dependent on the following factors

- the market price of the Company's shares at the date of exercise,
- the number of options that will be exercised, and
- the prevailing rate of National Insurance at the date of exercise

19. Called up share capital

	31 March 2011 £'000	31 March 2010 £'000
<i>Authorised</i>		
400,000,000 (2010 400,000,000) ordinary shares of 10p each	<u>40,000</u>	<u>40,000</u>
<i>Allotted, called up and fully paid</i>		
280,240,031 (2010 280,240,031) ordinary shares of 10p each	<u>28,024</u>	<u>28,024</u>

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

20. Reserves

The following describes the nature and purpose of each reserve within equity

Share premium account - the share premium account arose on the issue of shares by the Company at a premium to their nominal value

Special reserve account - the special reserve account was created on the cancellation of the then share premium account balance in July 2007. Subject to undertakings given to the High Court for the protection of creditors, the Company will be able to use the special reserve account to make market purchases of its own shares

Retained earnings - the retained earnings represents cumulative net gains and losses recognised in the Group Income Statement

Foreign exchange reserve – arises on the translation of foreign subsidiaries

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

21 Share based payment

Eredene Capital PLC has issued equity-settled share based options under individual option agreements and under an HMRC approved scheme

	Weighted average exercise price (pence) 2011	Number 2011	Weighted average exercise price (pence) 2010	Number 2010
Outstanding at the beginning of period	21.9p	20,714,797	23 0p	18,204,332
Granted during the period	17.5p	3,150,000	13 5p	2,588,000
Lapsed during the period	-	-	13 5p	77,535
Outstanding at the end of the period	21.3p	23,864,797	21 9p	20,714,797

The following options were outstanding at 31 March 2011

Date of grant	Exercise price	Exercisable in full from	Expiry Date	Number of options outstanding
<i>HMRC Approved Scheme</i>				
5 October 2006	30 25p	10/5/06	5/10/16	198,346
<i>Individual Option Agreements</i>				
10 February 2005	25 0p	10/5/06	10/2/15	1,956,000
10 May 2006	25 0p	10/5/09	10/5/16	9,549,986
23 June 2008	19 25p	23/6/11	23/6/18	6,500,000
29 April 2009	13 5p	See below	29/4/19	2,510,465
18 February 2011	17 5p	See below	18/2/21	3,150,000
				23,864,797

The options issued on 29 April 2009 become exercisable in respect of one third of the ordinary shares over which they are granted on the first, second and third anniversary of 29 April 2009. The options issued on 18 February 2011 become exercisable in respect of one third of the ordinary shares over which they are granted on the first, second and third anniversary of 18 February 2011. Both sets of options will become exercisable in full in the event of an offer for the Company becoming unconditional in all respects.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

21. Share-based payment (Continued)

The weighted average contractual life of options outstanding at the end of the period was 7 years (2010 7 years)

Of the total number of options outstanding at the end of the period 16,889,464 (2010 13,870,999) had vested and were exercisable at the end of the period

No share options were exercised during the period (2010 None)

3,150,000 share options were granted during the period (2010 2,588,000) The weighted average fair value of each option granted during the period was 1.06p (2010 0.62p)

The following information is relevant in the determination of the fair value of options granted during the period under the equity share based agreements entered into by the Company

Equity-settled	Options issued in year ending 31 March 2011	Options issued in year ending 31 March 2010
Option pricing model used – Black Scholes		
Share price at grant date (pence)	17.12	12.25
Exercise price (pence)	17.50	13.50
Expected average contractual life (years)	5	5
Expected volatility	14%	14%
Expected dividend yield	5.20%	5.00%
Risk-free interest rate	3.35%	3.71%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a market average volatility rate

	31 March 2011 £'000	31 March 2010 £'000
The share-based remuneration expense comprises		
Equity-settled schemes	33	56

Eredene Capital PLC

Notes forming part of the financial statements
for the year ended 31 March 2011 (*Continued*)

22 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is set out below. These amounts relate to commitments made by the Group's Indian subsidiaries, MJ Logistic Services Ltd and Sattva Conware Pvt Ltd.

	31 March 2011 £'000	31 March 2010 £'000
Property plant and equipment	<u>161</u>	<u>713</u>

Operating lease commitments

The Group had future minimum total commitments under non-cancellable operating leases as set out below.

	31 March 2011 £'000	31 March 2010 £'000
Operating leases which expire		
Less than one year	2	36
Later than one year and no later than five years	<u>261</u>	<u>326</u>

23. Business combinations

There were no acquisitions or disposals in the period or prior period.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

24. Notes supporting the cash flow statement

Cash and cash equivalents for the purposes of the cash flow statement comprises	2011 £'000	2010 £'000
Cash available on demand	5,265	823
Short-term deposits	10,293	26,768
	<u>15,558</u>	<u>27,591</u>

25. Contingencies

A Cyprus company Alibante Developments Ltd ("Alibante"), which is controlled by the former CEO of Matheran Realty, is a fellow shareholder in Matheran Realty and obtained an order in December 2008 from the Mumbai Company Law Board ordering that the current capital structure, composition of the board of directors and fixed assets of Matheran Realty and Gopi Resorts should not be changed. This order has prevented Matheran Realty and Gopi Resorts from raising debt funding and so has slowed progress on its development. Matheran Realty and Gopi Resorts have appealed to have this order lifted however the legal process is still being heard at the Mumbai Law Board.

The Eredene Group has initiated legal proceedings against Alibante in Cyprus and at the London Court of International Arbitration. The arbitration was heard in May 2011 and an order is expected from the Tribunal by the end of 2011.

The directors are of the opinion that Alibante's case is unfounded however if Alibante was successful in the proceedings in India, Cyprus or the United Kingdom then this could have a negative impact on the value of the Eredene Group's investments in Matheran Realty and Gopi Resorts.

26. Related party transactions

The Group has entered into an investment advisory agreement with Eredene Infrastructure Pvt Ltd, a company owned by Mr Nikhil Naik who is a director of the Company. Investment advisory fees totalling £687,000 (2010: £696,000) were paid during the period. This amount was used to pay the operating costs of the Mumbai advisory team including the office costs, travel costs and staff costs for a team of six. There were no amounts payable at the year end.

During the period, the Company charged an amount of £71,000 (2010: £111,000) to Glendevon King Ltd relating to the use of office space and services at the Company's offices on normal commercial terms. Alastair King, a director of the Company, is a director and the majority shareholder of Glendevon King Ltd.

Eredene Capital PLC

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

26. Related party transactions (Continued)

The group makes minority equity investments as set out in note 12. These investments are not equity accounted for (as permitted by IAS 28) but are related parties. The total amounts included for these investments are

	2011 £'000	2010 £'000
Income statement		
Change in fair value of equity investments	4,921	6,400
Other portfolio income	55	115
Balance sheet		
Investments held at fair value through profit or loss	39,713	26,341

27. Post balance sheet events

After the end of the financial year, Eredene raised £30m (before expenses) by way of a placing of 166,666,667 new Ordinary Shares at a price of 18p per share, which was at a small premium to the then market price. The placing was supported by a number of Eredene's largest shareholders and by some major new investors and was approved at a General Meeting of Shareholders on 10 May 2011. The shares were admitted to trading on AIM on 12 May 2011.

Eredene Capital PLC

Company Balance sheet at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
Fixed assets			
Tangible fixed assets	3	5	18
Investments	4	51,422	41,325
		51,427	41,343
Current assets			
Debtors	5	113	65
Cash at bank and in hand		9,142	21,600
		9,255	21,665
Creditors amounts falling due within one year	6	(204)	(653)
Net current assets		9,051	21,012
Total assets less current liabilities		60,478	62,355
Provisions for liabilities and charges	7	(12)	(9)
Net assets		60,466	62,346
Capital and reserves			
Share capital	8	28,024	28,024
Share premium account	9	3,441	3,441
Special reserve	9	32,826	32,826
Profit and loss account	9	(3,825)	(1,945)
Shareholders' funds	10	60,466	62,346

The financial statements were approved by the Board of Directors and authorised for issue on 21 July 2011



A J N King

Director

The notes on pages 57 to 61 form part of these financial statements

Eredene Capital PLC

Notes forming part of the Eredene Capital PLC company financial statements for the year ended 31 March 2011

1. Accounting policies

The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK GAAP and Company law

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any allowance for impairment

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with fair value of goods and services received. If it is not possible to identify the fair value of these goods or services provided, the profit and loss account is charged with the fair value of the options granted.

The charge for share-based payments is calculated in accordance with the analysis described in note 21 to the Group financial statements. The option valuation model used requires highly subjective assumptions to be made including expected volatility, dividend yields, risk-free interest rates and expected staff turnover. The directors draw on a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes. Deferred tax balances are not discounted.

Pension costs

The Company contributes to directors and employees personal money-purchase pension schemes. Contributions are charged to the profit and loss account in the period in which they become payable.

Cashflow Statement

The Company has used the exemption under FRS1 Cashflow Statements, not to prepare a cashflow statement, as a consolidated cashflow statement is included in the financial statements of its ultimate holding company which are publicly available.

Eredene Capital PLC

Notes forming part of the Eredene Capital PLC company financial statements for the year ended 31 March 2011 (*Continued*)

1. Accounting policies (*Continued*)

National Insurance on Share Options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted, provision for any National Insurance contributions has been made based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Related party disclosures

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures', not to disclose transactions with other group companies.

2. Loss for the financial period

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its profit and loss account in these financial statements. The loss for the period dealt with in the profit and loss account of the Company was £1,913,000 (Year ended 31 March 2010: loss of £2,511,000).

Eredene Capital PLC

Notes forming part of the Eredene Capital PLC company financial statements
for the year ended 31 March 2011 (*Continued*)

3. Tangible fixed assets

	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost			
At 1 April 2010	7	43	50
Disposals	(7)	(4)	(11)
At 31 March 2011	-	39	39
Depreciation			
At 1 April 2010	3	29	32
Charge in the period	4	9	13
Disposals	(7)	(4)	(11)
At 31 March 2011	-	34	34
Net book value			
At 31 March 2011	-	5	5
At 31 March 2010	4	14	18

4 Fixed asset investments

The Company had the following principal subsidiaries during the period

	Country of Incorporation	Class of shares held	Ownership	
			2011	2010
Aboyne Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Bandra Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Coloba Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
West Coast Port Holding Ltd	Mauritius	Ordinary	100%	100%
Ennore Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Eredene Ennore Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Haldia Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Juhu Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
West Port Services Holding Ltd	Mauritius	Ordinary	100%	100%
Pipavav Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Total investment in subsidiaries and investments			2011	2010
			£'000	£'000
Cost				
At beginning of period			41,325	37,690
Additions			10,097	3,635
At end of period			51,422	41,325

Additions represent subscriptions for shares in the above companies and in the investee company, Bay of Bengal Gateway Terminal Pvt Ltd

Details of the Group's investments are contained in note 12 to the consolidated financial statements

Eredene Capital PLC

Notes forming part of the Eredene Capital PLC company financial statements
for the year ended 31 March 2011 (Continued)

5. Debtors

	31 March 2011 £'000	31 March 2010 £'000
Other debtors due within one year	53	19
Prepayments and accrued income	60	46
	<u>113</u>	<u>65</u>

6. Creditors, amounts falling due within one year

	31 March 2011 £'000	31 March 2010 £'000
Trade creditors	97	44
Corporation tax	-	481
Other taxes and social security	15	13
Accruals and deferred income	92	115
	<u>204</u>	<u>653</u>

7. Provision for liabilities

	31 March 2011 £'000	31 March 2010 £'000
National insurance on share options		
At beginning of period	9	-
Charged to income statement	3	9
At end of period	<u>12</u>	<u>9</u>

The eventual liability to National Insurance on share options is dependent on the following factors

- the market price of the Company's shares at the date of exercise,
- the number of options that will be exercised, and
- the prevailing rate of National Insurance at the date of exercise

8. Share capital

Details of the share capital of the Company are included in note 19 to the consolidated financial statements

9. Reserves

	Share premium acc. £'000	Special reserve £'000	Profit and loss acc £'000
At 31 March 2010	3,441	32,826	(1,945)
Loss for the period	-	-	(1,913)
Share-based payment	-	-	33
At 31 March 2011	<u>3,441</u>	<u>32,826</u>	<u>(3,825)</u>

Eredene Capital PLC

Notes forming part of the Eredene Capital PLC company financial statements
for the year ended 31 March 2011 *(Continued)*

10. Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Loss for the period	(1,913)	(2,511)
Share based payment	33	56
Issue of shares (net of issue costs)	-	6,992
	(1,880)	4,537
Opening shareholders' funds	62,346	57,809
Closing shareholders' funds	60,466	62,346

11. Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below

	2011 £'000	2010 £'000
Operating leases which expire		
Less than one year	-	31
Between two and five years	38	-

12. Related party transactions

Details of the Company's related party transactions are included in note 26 to the Group financial statements

Forward-looking statements *(the following is not part of the Financial Statements)*

This document may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of Eredene Capital PLC. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Eredene Capital PLC including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, foreign exchange rates, inflation, the impact of competition, delays in implementing proposals, the timing, impact and other uncertainties of future investments, the impact of tax or other legislation and other regulations in the jurisdictions in which Eredene Capital PLC and its affiliates operate. As a result, Eredene Capital PLC's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.