

Date: 19 May 2008  
On behalf of: Eredene Capital PLC ("Eredene" or the "Company")  
Embargoed until: 0700hrs

**Eredene Capital PLC**  
**Preliminary Results for the twelve months to 31 December 2007**

Eredene Capital PLC (AIM: ERE), the AIM quoted investor in Indian infrastructure and real estate, is pleased to announce its preliminary results for the year ended 31 December 2007.

**Highlights**

- The period was defined by Eredene broadening its strategy to include investments in Indian infrastructure in sectors such as logistics, distribution warehouses and port services
- Net profit for the period of £0.2m (2006 – loss of £1.1m)
- Earnings per share for the period of 0.08p (2006 – loss of 0.68p per share)
- Gain on investments for the period of £1.8m (2006 – nil)
- Profit on disposal of subsidiary of £1.1m (2006 – nil)
- Net Asset Value of 24.1p per share as at 31 December 2007 (2006 – 23.9p)
- Cash balances as at 31 December 2007 of £48.6m (2006 - £50.2m)
- Exclusive agreement with Apeejay Surrendra Group, a global Indian business and the owners of Typhoo Tea, to source and co-invest in new projects in nine States in the North East of India
- Committed up to £36.5m in five investments announced during 2007 - four in logistics and infrastructure and one in real estate. Three of those investments are now revenue generating
- Current investment commitments for 71% of the net funds raised in the 2006 capital raising
- New investment announced since the end of 2007 - a second joint venture investment with Apeejay Surrendra Group for a 50% stake in the development of a Logistics Park at Kalinganagar in Orissa
- Pipeline of potential new investments with proposed equity commitments of up to £200m

**Commenting on the Company's results, David Coltman, Non-Executive Chairman, said:**

*"Eredene has achieved much in 2007. At this time last year we stated that we planned to broaden our investment strategy to include investments in logistics, distribution warehouses and port services in India - and we have done just that. We have established a firm base for future growth and we are now looking to build on this by exploring opportunities to manage third-party funds. We believe that this, coupled with continued positive developments in our existing investments in the Indian infrastructure sector, will provide much reason to be confident about 2008."*

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**Notes to Editors****About Eredene Capital PLC**

- Eredene Capital PLC is a UK-based company which invests in infrastructure projects and real estate developments in India. It focuses primarily but not exclusively on logistics, distribution warehouses and port services.
- The Eredene Group has made six joint venture investments in India to date - five in logistics and infrastructure and one in a residential development.
- Three of its investments are revenue generating. Current investment commitments to date total up to £39.1m, which represents 71% of the net funds Eredene raised in April 2006.
- Eredene trades on the Alternative Investment Market (AIM) of the London Stock Exchange.  
[www.eredene.com](http://www.eredene.com)

## **Chairman's Statement**

I am pleased to report on a year of considerable progress towards our primary goal of building a high-quality portfolio of infrastructure investments in India. This is my first Statement as the new Chairman of Eredene and I would like to thank my predecessor, Christopher Crosthwaite, for all he achieved in the formation of the Company and its evolution into its current form.

In the course of the year we embarked on a broadened strategy to invest primarily in logistics, distribution warehouses and port services. We made a positive start in implementing this strategy, and by the end of the year we had announced five investments and completed three of these. To date, we have completed six investments in total and three of them are now revenue producing.

Looking ahead, we have a robust pipeline of potential new investments with proposed equity commitments of up to £200m. Many of these potential new investments would be funded through new sources of capital as Eredene has now invested 71% of the net funds raised in 2006. During the course of 2008, Eredene will determine whether the funds required should be raised through a further placing of shares in the Company or via the raising of third party funds for which Eredene would act as the fund manager. Eredene would benefit from a management and performance fee where it managed third party funds.

## **Twelve Months to 31 December 2007**

During the year to 31 December 2007, Eredene made a profit of £0.2m (2006 – loss of £1.1m) representing 0.08p per share (2006 – loss of 0.68p per share). As at 31 December 2007, the Group had equity investments of £10.2m (2006 - £13.9m) and cash balances of £48.6m (2006 - £50.2m) representing 19.9p per share. The Group had a Net Asset Value (NAV) as at 31 December 2007 of £59.0m (2006 – £58.6m), representing 24.1p per share (2006 – 23.9p).

The year was defined by Eredene becoming an Indian infrastructure focused investment company. We announced that, having terminated our relationship with our previous investment advisor, Eredene had appointed Nikhil Naik to the board. Mr Naik was formerly head of P&O Ports' operations in India and now heads the investment advisory team based in Mumbai with which Eredene has a wholly exclusive relationship. Three of the six-member Mumbai team of investment analysts and managers are former employees of P&O Ports India. Using their backgrounds and expertise, the Mumbai team identified a number of potential investments in port services, transport and logistics, and five deals were announced by the end of the year with investment commitments totalling £36.5m. Three of those investments are now revenue generating.

Looking forward, Eredene has a pipeline of potential new investments with proposed equity commitments of up to £200m. The range of target investments includes logistics, warehousing, distribution, port and related services and real estate.

## **Indian Infrastructure**

Both the Indian central government and State governments acknowledge that India needs to invest billions of Rupees in building new infrastructure and upgrading existing facilities in order to sustain the country's rapid economic growth.

The Indian economy has undergone a remarkable transformation over the past two decades, and the country is now one of the fastest growing in the world and one of the largest manufacturers. India also has one of the world's largest pools of English speaking scientists, engineers, technicians and managers. India's annual growth in GDP per capita has accelerated from just 1.25 % in the three decades after independence in 1947 to about 8% - a rate of growth that is forecast to double average income in a decade.

Faster growth has been brought about by the far reaching and sweeping economic reforms undertaken since 1991 that have opened the economy to foreign trade and markedly reduced direct tax rates and government involvement in most investment decisions. But to keep pace with this growth, India requires massive investment in its infrastructure. India's transport demand, for example, has grown at 10% a year and Indian infrastructure has been unable to keep pace with economic expansion. India's ports are generally congested and inefficient, and many of its ports, distribution centres, roads, railways and airports inadequate.

India is rising to this challenge. The Indian Government, for example, recently announced plans to double the cargo handling capacity of the country's ports to 1.5 billion tonnes by 2012 through public-private partnership investments totalling \$25 billion.

### **Investment Partner**

In evaluating its potential investments, Eredene looks to co-invest and work with strong local partners. During the year Eredene signed an exclusive agreement with Apeejay Surrendra Group to source and co-invest in new projects in nine States in the North East of India including West Bengal and Orissa. Apeejay Surrendra, the owner of Typhoo Tea in the United Kingdom, is a global Indian business which employs more than 40,000 people in real estate, tea, hospitality, shipping and retail.

Eredene made an initial joint investment with Apeejay Surrendra Group – in a Logistics Park at Haldia in West Bengal – and has recently extended the partnership to co-invest in a second Logistics Park at Kalinganagar in Orissa.

### **Investment Portfolio**

The Eredene Group announced five joint venture investments in India in 2007 - four in logistics and infrastructure and one in a residential development:

- MJ Logistic Services is an investment of up to £11.0m for an initial 90% stake in a warehouse and distribution business in North India (completed post 31 December 2007).
- Apeejay Infra-Logistics is an investment of up to £5.25m with Apeejay Surrendra Group for a 50% stake in a Logistics Park in Haldia, West Bengal (completed post 31 December 2007).
- Box-Trans Logistics is an investment of up to £2.9m with Niroola & Partners for a 40% stake in a Container Freight Station at the Port of Pipavav in Gujarat.
- Sattva CFS Vichoor is an investment of up to £0.85m with the Sattva Business Group for a 49% stake in a Container Freight Station close to the Southern Indian ports of Chennai and Ennore.
- Matheran Realty is an investment of up to £16.4m for an expected final stake of 55% in a company developing low-cost housing for Mumbai's blue collar workforce.

### **Return on investments**

As an investment company, the Group's principal key performance indicator is the return that it has achieved on its investments. During 2007, the Group generated a total gain of £2.9m (2006 – £Nil) which arises as follows:

- As part of its restructuring, during the year Eredene sold its then portfolio of real estate investments in India through the disposal of its subsidiary Eredene Mauritius Ltd, generating a realised Group gain of £1.1m.

- Ernst & Young India performed an independent, fair-value valuation exercise on Eredene's three completed investments as at 31 December 2007, being Box-Trans Logistics, Sattva CFS Vichoor and Matheran Realty. The result of that fair value valuation exercise was an unrealised increase in value of £1.8m representing a 21% uplift over book cost as at 31 December 2007.

### **Further investment announced post balance sheet**

Eredene has announced one new investment since the end of 2007 - a further investment via the joint venture with Apeejay Surrendra Group for a 50% stake in the planned development of a Logistics Park at Kalinganagar in Orissa to service what is emerging as one of the largest steel clusters in India. The total project costs will be funded by both partners on an equal basis with Eredene's likely total equity investment forecasted at INR 210m (£2.6m).

Eredene has also transferred further investment amounts into all of its existing investments in line with the original phased investment tranches. The effect of the new investment and further tranches on existing investments is to reduce the Group cash balances to approximately £34.8m as at 30 April 2008 which represents 14.2p per share.

At 31 December 2007, the Group had conditionally committed 66% of the funds raised in the 2006 capital raising (2006 – 24%). This progress was pleasing as the Group had sold its then existing investment portfolio in June 2007 and so the investments comprising the 66% were all made in the second half of 2007. Following the Kalinganagar announcement, current investment commitments to date total up to £39.1m, which represents 71% of the net funds Eredene raised in 2006.

### **Approval of Investment Strategy**

Eredene's investment strategy will continue to be to invest in projects in logistics, warehousing, distribution, port and related services and real estate. Eredene currently invests in those sectors through its own funds and it is now also considering becoming an investment advisor to third party funds. Eredene would receive a management and performance fee in return.

Eredene will seek approval for the above at the AGM scheduled to be held on 23 June 2008.

### **Conclusion**

Eredene has achieved much in 2007. We stated in the Annual Report and Accounts this time last year that we planned to broaden our investment strategy to include investments in logistics, distribution warehouses and port services in India - and we have done just that. We have established a firm base for future growth and we are now looking to build on this by exploring opportunities to manage third-party funds. We believe that this, coupled with continued positive developments in our existing investments in the Indian infrastructure sector, will provide much reason to be confident about 2008.

**David Coltman**

NON-EXECUTIVE CHAIRMAN

19 May 2008

## Investment Strategy

- India focused
- Targeted at infrastructure - including logistics, distribution, port and related services and real estate
- Targeted at long-term substantial capital appreciation and growing dividend yield
- Targeted at individual investment size between US\$15m and US\$50m
- Targeted at equity holdings of greater than 20%
- Active involvement in investments through board participation
- Strong local partners having specific knowledge and insight

## Investment Portfolio

### POST-YEAR END

MJ LOGISTIC SERVICES

Amount Committed: **£11.0m**

Sector: **Warehousing**

Progress: **Operational**

HALDIA LOGISTICS PARK

Amount Committed: **£5.25m**

Sector: **Logistics Park**

Progress: **Land lease acquisition phase**

KALINGANAGAR LOGISTICS PARK

Amount Committed: **£2.6m**

Sector: **Logistics Park**

Progress: **Land lease acquisition phase**

### PRE-YEAR END

BOX-TRANS LOGISTICS

Amount Committed: **£2.9m**

Sector: **Maritime Logistics**

Progress: **Operational**

SATTVA CFS VICHOOR

Amount Committed: **£0.85m**

Sector: **Maritime Logistics**

Progress: **Operational**

MATHERAN REALTY

Amount Committed: **£16.4m**

Sector: **Real Estate**

Progress: **Construction phase**

## Review of Investments – Post year end investments

### MJ Logistic Services Limited

#### Warehousing and distribution business serving India's industrial North

The Eredene Group is investing up to INR 854m (£11m) in MJ Logistic Services Limited (MJLSL), a warehousing and distribution company operating in North India. MJLSL currently operates from more than 500,000 square feet of leased warehousing serving approximately 15 corporate clients, including Philips, Mico-Bosch, Godrej, Colgate Palmolive, Hindustan Lever, Coca Cola, ITC and Sharp.

MJLSL is implementing a project to build and operate three state of the art multi-user Logistics Centres in a 'hub and spoke' model serving India's industrial North. The new fully-owned warehouses will replace MJLSL's existing leased warehouses and it is anticipated that most of MJLSL's existing business will be moved across to the new warehouses once constructed, hence likely ensuring strong utilisation rates for the new premises.

The 'hub' will be located near Faridabad in the National Capital Region 50 km south of Delhi and the 'spokes' in the rapidly developing Northern States of Uttaranchal and Punjab. The three sites will offer some 1.35 million square feet of highly automated rack-shelf warehousing, of which up to half will be refrigerated. The new facilities will also offer online tracking and back office services such as packing, labelling and kitting. Construction of the 20-acre 'hub' is scheduled to commence in mid-2008 and to become operational by the end of the year. The 'spokes' are scheduled to be built and become operational in 2009.

The Eredene Group has acquired a 90% stake in MJLSL ([www.mjlsl.com](http://www.mjlsl.com)), this stake will decrease to 74% as agreed milestones are met over a period of five years. This investment in an integrated and modern warehousing operation is based on the growing demand in India for Third Party Logistics (3PL). Increasingly companies are seeking to outsource the logistics supporting their business - storage, refrigeration, inventory management, packaging and labelling, delivery tracking, customs clearance, freight forwarding, distribution and transportation - broadly any activity other than the manufacture and sale of goods.

India lags behind developed countries in the use of 3PL and industry and market surveys suggest that this service sector has the potential to grow by up to 20% per annum. The cost of logistics in India is 13% of GDP, which is high by international standards. The key to greater efficiency is outsourcing of logistics services, which in India is very low – less than 10% compared to as high as 80% in Japan.

Amount committed	£11.0m
Amount invested to date	£4.9m
Current ownership stake	90%
Sector	Warehousing
Location	Delhi region, North India
Date investment announced	21 December 2007
Progress to date	Operational

## Haldia Logistics Park

### Joint Venture with Apeejay Surrendra Group to develop a Logistics Park to serve Haldia Port

The Eredene Group is investing up to INR 420m (£5.25m) for a 50% stake in a joint venture company, Apeejay Infra-Logistics Pvt Ltd, to develop a large integrated Logistics Park in Haldia, West Bengal, which is a growing trading port and commercial hub for the East Indian city of Kolkata.

Eredene has made the investment with Apeejay Surrendra Group, the owners of Typhoo Tea and a global Indian business which employs more than 40,000 people in real estate, tea, hospitality, shipping and retail. Apeejay Surrendra is Eredene's investment partner and Eredene has an exclusive agreement to source new projects with them in nine States in Eastern India. This was Eredene's first co-investment with Apeejay Surrendra Group ([www.apeejaygroup.com](http://www.apeejaygroup.com)).

The land for the project has already been specifically zoned for industrial use by the Haldia Development Authority and the lease acquisition is in process. The gross development cost for the project is approximately £24m. This will be funded through a total equity investment of £10.5m shared in equal proportion between Eredene and Apeejay Surrendra. The remainder will be funded through debt. Construction is due to commence in late 2008 and first revenues are expected in 2009.

The Logistics Park site is approximately seven km from the Port of Haldia and close to its petrochemicals centre. It will be developed to provide distribution warehousing and transport services as well as ancillary facilities such as commercial offices, hotels, retail outlets and light processing workshops.

Haldia is located 90 km downstream from Kolkata at the confluence of the Haldi and Hooghly rivers, and ranks as the 5th largest port in India. It is a major petrochemicals centre with an oil refinery, fertiliser facilities, manufacturing plants and various light industries. It hosts some of the biggest national and international petrochemical companies including Indian Oil Corporation, Tata Chemicals, Haldia Petrochemicals and Mitsubishi Chemical Corporation. The West Bengal Industrial Development Corporation (WBIDC) and Tata Steel have formed a Joint Venture to build a coking plant for the production of 800,000 tonnes of coke per annum, and the WBIDC has also recently proposed a 'Mega Chemical Industrial Estate' on a 10,000 acre site in Haldia.

Amount committed	£5.25m
Amount invested to date	£0.9m
Current ownership Stake	50%
Sector	Logistics Park
Location	Haldia, West Bengal, East India
Date investment announced	5 November 2007
Progress to date	Land lease acquisition phase

## Kalinganagar Logistics Park

### 30-acre site to serve Kalinganagar Industrial Complex in Orissa State's fast-growing steel hub

The Eredene Group has agreed to invest a forecasted INR 210m (£2.6m) in a planned 30-acre Logistics Park to serve the Kalinganagar industrial complex, a fast-growing steel hub in Orissa State's Jajpur district. It will be developed and managed by Apeejay Infra-Logistics Pvt Ltd, the joint venture company with which the Eredene Group is also developing an integrated Logistics Park in Haldia, West Bengal. It is anticipated that synergies and business efficiencies will be obtained by operating both Logistics Parks through the same company.

As with the Haldia JV, the Eredene Group has taken an equal 50% stake with its investment partner, Apeejay Surrendra Group. Both partners have invested an initial INR 5.25m (£68,000) each for an 80-year lease on the land, which is in the village of Khurunti, and close to the 13,000 acre Kalinganagar industrial complex which is emerging as one of the largest steel clusters in India. The two partners will invest further amounts on an equal basis with the Eredene Group's total equity commitment forecast to be up to INR 210m (£2.6m).

Large steel projects under implementation in the vicinity include India's Tata Steel's 6 million tonnes ("MT") plant and South Korean Posco's 12MT plant. ArcelorMittal, the world's largest steel producer, is developing a US\$9 billion integrated steel plant in the nearby district of Keonjhar with a total annual capacity of 12MT. Other leading iron and steel producers in the area include Jindal Stainless Steel, Nilanchal Ispat Nigam and Mesco Steel.

The Logistics Park will be the first fully purpose-built transport and warehouse facility to service the Kalinganagar region and it will specifically target the in-bound and out-bound cargo centred around the steel industry. Construction is scheduled to start in the second half of 2008 with operations targeted to start in 2009.

The location is well connected by road and rail - 129 km from the major port at Paradip and 86 km from the newly built Dhamra Port which is due to open by 2009. A new railway line linking Daitari and Banshapani that is scheduled to open later in 2008 will enable access to the rail network via a proposed siding.

Amount committed	£2.6m
Amount invested to date	£0.1m
Current ownership stake	50%
Sector	Logistics Park
Location	Kalinganagar, Orissa, East India
Date investment announced	7 May 2008
Progress to date	Land lease acquisition phase

## Review of Investments – Pre year end investments

### Box-Trans Logistics

#### Container Freight Station at Pipavav Port

The Eredene Group has committed to invest up to INR 233.3m (£2.9m) for a 40% stake in Box-Trans Logistics Pvt Ltd, a company developing the first dedicated Container Freight Station (CFS) at Pipavav, a fast-growing port in the South of Gujarat State. The CFS is on a 72-acre green-field site a few hundred metres from the port gates. There is also an option to acquire additional land for use as a 'Free Trade Warehousing Zone'.

The CFS is now operational following the construction of the main office, two bonded warehouses and the paving of part of the container yard. The CFS is equipped with a reach stacker, three cranes, four forklifts and nine trailers. Revenue-generating operations began on 29 January 2008 with a shipment of paving stones to the English Port of Felixstowe.

Annual capacity by the end of 2008 is planned at 72,000 twenty-foot equivalent units (TEUs), and this will increase to 150,000 TEUs by 2015.

The developers of Box-Trans Logistics have a successful track record in the CFS and shipping sectors and have been operating a CFS at the Port of Mundra in the North of Gujarat State since 2003. Mundhra CFS has a current capacity of 60,000 TEUs ([www.mundhracfs.com](http://www.mundhracfs.com)).

The Port of Pipavav is owned and operated by the international shipping company Maersk and container traffic has grown rapidly from 38,000 TEUs in 2005 to 200,000 TEUs in 2007. A second container berth opened in March 2008 and as a result container traffic is forecast to increase to 400,000 TEUs per annum.

Pipavav, located in the Saurashtra region of Gujarat, is a major gateway to the Northern and Western industrial regions of India which together contribute about 50% of India's total container traffic. The Port is linked to the National Rail Network by a 380 kilometre broad-gauge railway.

Container Freight Stations are normally located close to ports and are designed to help de-congest them by moving cargo and customs related activities outside the port gates. A CFS typically provides value added services such as bonded warehousing, customs clearance, long-term storage, factory units for re-assembly of machinery and vehicles, warehouses for packing and unpacking containers, and rail and road transport services.

Amount committed	£2.9m
Amount invested to date	£2.9m
Current ownership stake	40%
Sector	Maritime Logistics
Location	Pipavav, Gujarat, North West India
Date investment announced	8 October 2007
Progress to date	Operational

## Sattva CFS Vichoor

### Container Freight Station for the ports of Chennai and Ennore in the South Indian State of Tamil Nadu

The Eredene Group has committed to invest INR 68.6m (£850,000) for a 49% stake in a joint venture with Sattva Group to develop and operate a new Container Freight Station (CFS) on a green-field site of approximately 30 acres to serve the ports of Chennai and Ennore in the South Indian State of Tamil Nadu.

The new CFS is located at Vichoor about 12 kilometres from Ennore and 17 kilometres from Chennai, both expanding ports where there is growing demand for container service facilities.

The CFS at Vichoor became operational in October 2007, handling 1,000 TEUs in the first month. It has two covered warehouses and a fully laid stacking yard of 42,000 square feet. It is being developed in three stages to handle an initial 40,000 TEUs per annum increasing to 120,000 TEUs by 2012.

Chennai is the second largest container port in India after Jawaharlal Nehru Port Trust on the outskirts of Mumbai. Chennai's container terminal is owned and operated by Dubai Ports World (formerly P&O Ports India), and a planned second container terminal will boost capacity to 1.5 million TEUs by 2010. Ennore's container terminal is in development and is forecast to become operational in 2011.

The Sattva Group is a significant regional logistics operator and has been operating a CFS in Chennai since 2000 ([www.sattva.in](http://www.sattva.in)).

Amount committed	£0.8m
Amount invested to date	£0.6m
Current ownership stake	49%
Sector	Maritime Logistics
Location	Chennai, Tamil Nadu, South East India
Date investment announced	28 September 2007
Progress to date	Operational

## Matheran Realty Private Ltd

### A Development Company constructing affordable homes for Mumbai's blue collar workers

The Eredene Group has entered into an investment agreement with Matheran Realty Private Limited (MRPL), a Mumbai-based development company whose core focus is building affordable housing in India. Eredene has committed up to INR 1,312m (£16.4m) with the final equity stake dependent on whether Eredene exercises all its options to invest further tranches and on whether MRPL achieves land acquisition milestones. Eredene held a combined direct and indirect stake in MRPL of 55% as at 31 December 2007.

Over the next 8-10 years, MRPL plans the phased acquisition of land to build low-cost residential units at a number of suburban sites on or close to the Mumbai railway network. Such sites will be within commuting distance of Mumbai to meet the soaring demand for affordable housing from the city's increasingly prosperous blue collar workforce. Surveys have identified a critical shortage of affordable housing for the estimated 30% of Mumbai's 18 million people who earn £1,250 per annum or less. MRPL's housing units will range in size between 300 and 500 square feet and will typically cost between £6,000 and £7,500.

Significant road and rail improvement projects are expected in and around Mumbai over the next five years making the selected locations more attractive as residential areas. These projects include the new international airport at Panvel and the Mumbai Trans-Harbour Rail Link, which will reduce the commuting time from central Mumbai to Mumbai's Southern and Eastern suburbs by approximately half in some locations.

The first phase of the development is in Karjat Central, southeast of the City, with further phases planned in nearby Karjat Township and in Khardi, further to the north. Karjat is linked by broad gauge passenger railway to Mumbai city. Construction at the Karjat Central site began on 26 March 2008 and around 10,000 units are planned to be built there on a 100-acre site in an integrated township master-planned by SKM Australia. The Karjat Central site is being developed by Matheran's subsidiary company, Gopi Resorts Pvt Ltd, in which Eredene holds an additional direct stake of 32.25%.

Amount committed	£16.4m
Amount invested to date	£12.7m
Current ownership stake	63% - Matheran Realty Pvt Ltd 32.25% - Gopi Resorts Pvt Ltd (MRPL subsidiary)
Sector	Real Estate
Location	Mumbai region, Maharashtra, West India
Date investment announced	31 July 2007
Progress to date	Construction phase

**Consolidated Income Statement  
for the year ended 31 December 2007**

	Note	2007 £'000	2006 £'000
<b>Gains on investments at fair value through profit or loss</b>			
Unrealised gains	7	1,788	-
<b>Profit on disposal of subsidiary</b>	7	<u>1,142</u>	<u>-</u>
		<u>2,930</u>	<u>-</u>
<b>Administrative expenses</b>			
Ongoing		(2,758)	(2,758)
Contract termination costs		(2,830)	-
<b>Total administrative expenses</b>		(5,588)	(2,758)
<b>Finance income</b>		<u>2,855</u>	<u>1,748</u>
<b>Profit/(loss) before taxation</b>		197	(1,010)
Taxation	4	7	(106)
<b>Profit/(loss) for the financial year attributable to equity shareholders of the parent</b>		<u>204</u>	<u>(1,116)</u>
Earnings/(loss) per share – basic and diluted	6	0.08p	(0.68)p

**Consolidated Statement of Changes in Equity  
for the year ended 31 December 2007**

	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Special reserve £'000</b>	<b>Retained earnings/(deficit) £'000</b>	<b>Total equity £'000</b>
As at 1 January 2006	1,630	2,268	-	(267)	<b>3,631</b>
Loss for the year and total income and expense recognised for the year	-	-	-	(1,116)	<b>(1,116)</b>
Share based payment	-	-	-	344	<b>344</b>
Shares issued net of issue costs	22,843	32,878	-	-	<b>55,721</b>
<b>As at 31 December 2006</b>	<b>24,473</b>	<b>35,146</b>	<b>-</b>	<b>(1,039)</b>	<b>58,580</b>
Cancellation of share premium account	-	(35,146)	32,826	2,320	-
Profit for the year and total income and expense recognised for the year	-	-	-	204	<b>204</b>
Share based payment	-	-	-	266	<b>266</b>
<b>As at 31 December 2007</b>	<b>24,473</b>	<b>-</b>	<b>32,826</b>	<b>1,751</b>	<b>59,050</b>

**Consolidated Balance Sheet  
at 31 December 2007**

	Note	2007 £'000	2006 £'000
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment		32	-
Investments held at fair value through profit or loss	7	10,158	13,882
Intangible assets		233	-
Loan		-	274
		<u>10,423</u>	<u>14,156</u>
CURRENT ASSETS			
Other receivables		250	2,838
Cash and cash equivalents		48,639	50,191
		<u>48,889</u>	<u>53,029</u>
<b>TOTAL ASSETS</b>		<u>59,312</u>	<u>67,185</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables		(262)	(8,472)
Current tax liabilities		-	(106)
		<u>(262)</u>	<u>(8,578)</u>
NON-CURRENT LIABILITIES			
Provisions		-	(27)
<b>TOTAL LIABILITIES</b>		<u>(262)</u>	<u>(8,605)</u>
<b>TOTAL NET ASSETS</b>		<u>59,050</u>	<u>58,580</u>
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Share capital		24,473	24,473
Share premium		-	35,146
Special reserve		32,826	-
Retained earnings/(deficit)		1,751	(1,039)
<b>TOTAL EQUITY</b>		<u>59,050</u>	<u>58,580</u>

**Consolidated Cash Flow Statement  
for the year ended 31 December 2007**

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
<b>Cash flow from operating activities</b>		
Profit/(loss) before taxation	197	(1,010)
Adjustments for:		
Finance income	(2,855)	(1,748)
Profit on disposal of subsidiary	(1,142)	-
Unrealised gain on investments held at fair value	(1,788)	-
Share based payment charge	266	344
Depreciation	4	-
Amortisation	12	-
Decrease/(increase) in trade and other receivables	126	(2,839)
Increase in trade and other payables	61	99
(Decrease)/increase in provisions	(27)	27
Taxation paid	(99)	-
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(5,245)</b>	<b>(5,127)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(36)	-
Purchase of intangible asset	(245)	-
Purchase of investments	(11,094)	(5,612)
Proceeds from sale of subsidiary, less costs of disposal	12,082	-
Interest received	2,986	1,485
	<hr/>	<hr/>
<b>Net cash generated from/(used in) investing activities</b>	<b>3,693</b>	<b>(4,127)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	-	57,107
Share issue costs paid	-	(1,386)
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>55,721</b>
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,552)</b>	<b>46,467</b>
Cash and cash equivalents at the beginning of the year	50,191	3,724
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>48,639</b>	<b>50,191</b>
	<hr/>	<hr/>

## **Notes forming part of the financial statements for the year ended 31 December 2007**

### **1. Status of financial information**

The financial information contained in this announcement is extracted from but does not constitute the Group's statutory accounts for the year ended 31 December 2007 or the year ended 31 December 2006 as defined in Section 240 of the Companies Act 1985. The financial statements for the period ended 31 December 2006 which were prepared under UK Generally Accepted Accounting Practice ("UK GAAP") have been delivered to the Registrar of Companies. The financial statements for the year ended 31 December 2007 will be delivered following the company's Annual General Meeting. The auditors have reported on those financial statements; their reports were unqualified, did not include references to any matters to which the auditors draw attention by way of emphasis without qualifying their reports and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

### **2. Accounting policies**

Eredene Capital PLC (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2007 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"). This is the first time that the Group has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in compliance with UK GAAP accounting standards.

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.

#### *Transition to IFRS*

IFRS 1 "First-time adoption of International Financial Reporting Standards" sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements.

The Group is required to establish its IFRS accounting policies as at 31 December 2007 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 January 2006.

The accounting policies set out below have been applied in preparing the consolidated financial statements including comparative information for the year ended 31 December 2006 and in preparing the opening IFRS balance sheet at 1 January 2006, the Group's date of transition. Whilst IFRS changes to comparative results have affected presentation and classification, there are no changes to the retained loss and total equity as previously reported for those periods under UK GAAP.

#### *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.

#### *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.

#### *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	- 20% per annum straight line
Office equipment	- 33% per annum straight line

#### *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 IAS39 'Financial Instruments: Recognition and Measurement' and the exemptions applying to venture capital organisations in IAS28 'Investments in Associates' and IAS31 '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 year.

Unquoted investments are valued using appropriate valuation methodologies, based on the International Private Equity and Venture Capital Guidelines, which reflect the amount for which an asset could be exchanged between knowledgeable, willing parties on an arm's length basis.

##### *- Loans and receivables*

###### *Other receivables*

Other receivables are recognised and carried at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off when identified.

### *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*

#### *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.

### *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.

### *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 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.

### *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.

### **3. 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.

#### *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. 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 (eg interest rates, volatility, estimated cash flows, etc.) and therefore, cannot be determined with reason.

#### *Share-based payments*

The charge for share-based payments is calculated using a share option valuation model which 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.

#### 4. Taxation

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Recognised in the income statement		
<i>Current tax expense</i>		
UK corporation tax	-	106
Adjustment for overprovision in prior period	<b>(7)</b>	-
	<hr/>	<hr/>
Current tax (credit)/charge	<b>(7)</b>	106
	<hr/>	<hr/>

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to the Group profit/(loss) before tax. The differences are explained below:

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Profit/(loss) on ordinary activities before tax	<b>197</b>	(1,010)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	<b>59</b>	(303)
Effects of:		
Expenses not deductible for tax purposes	<b>429</b>	110
Depreciation in excess of capital allowances	<b>(2)</b>	-
Non-taxable gains on investments and disposal of subsidiary	<b>(879)</b>	-
Non-UK recoverable overseas losses	-	375
Non-taxable finance income	<b>(11)</b>	-
Tax losses carried forward/(utilised)	<b>404</b>	(76)
Adjustment for overprovision in prior period	<b>(7)</b>	-
	<hr/>	<hr/>
Tax (credit)/charge for year	<b>(7)</b>	106
	<hr/>	<hr/>

#### *Deferred tax*

No deferred tax has been recognised on unutilised taxable losses. The potential unrecognised asset is £404,000 (2006 - £Nil).

## 5. Dividends

The Board does not recommend the payment of a dividend for the year (2006 - £Nil).

## 6. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the profit for the year of £204,000 (2006 loss - £1,116,000) and the weighted average number of shares in issue during the year of 244,728,000 (2006 - 163,370,082). The effect of all potential ordinary shares under option is not dilutive as the average share price for the period was less than the average exercise price.

## 7. Investments at fair value through profit or loss

The Group has the following investments held at fair value through profit or loss:

	Country of Incorporation	Class of shares held	Ownership	
			2007	2006
Matheran Realty Pvt Ltd	India	A	55%	-
Sattva CFS & Logistics Pvt Ltd	India	Ordinary	49%	-
Box-Trans Logistics Pvt Ltd	India	Ordinary	40%	-
City Centre Mall Nashik Pvt Ltd	India	Ordinary	-	50%
Five Star Developers Pvt Ltd	India	Ordinary	-	30%
Twenty First Century Properties Pvt Ltd	India	Ordinary	-	35%

The Group's investment in Matheran Realty Pvt Ltd ("Matheran") at 31 December 2007 is held through a direct holding of 33% in Matheran and an indirect holding of 22% via the Group's 43.5% holding in Alibante Developments Ltd which itself held 51.2% of Matheran.

At 31 December 2007 the cost and valuation of the Group's investments was as follows:

	Cost 2007 £'000	Unrealised gain 2007 £'000	Valuation 2007 £'000	Cost and valuation 2006 £'000
Matheran Realty Pvt Ltd	5,992	363	6,355	-
Sattva CFS & Logistics Pvt Ltd	647	939	1,586	-
Box-Trans Logistics Pvt Ltd	1,731	486	2,217	-
City Centre Mall Nashik Pvt Ltd	-	-	-	4,402
Five Star Developers Pvt Ltd	-	-	-	6,728
Twenty First Century Properties Pvt Ltd	-	-	-	2,752
	<b>8,370</b>	<b>1,788</b>	<b>10,158</b>	<b>13,882</b>

The investments were valued at 31 December 2007 by Ernst & Young India. The valuations were carried out in accordance with the International Private Equity and Venture Capital Guidelines.

The movements in non-current investments were as follows:

	<b>£'000</b>
Carrying value at 31 December 2005	-
Purchases, at cost	13,882
	<hr/>
Carrying value at 31 December 2006	13,882
Disposals on sale of subsidiary	(13,882)
Purchases, at cost	8,370
Unrealised gains on investments	1,788
	<hr/>
Carrying value at 31 December 2007	<b>10,158</b>
	<hr/>

At 31 December 2007, the Group had the following conditional commitments outstanding on its investments held at fair value through profit or loss.

	<b>2007 £'000</b>
Matheran Realty Pvt Ltd	10,489
Sattva CFS & Logistics Pvt Ltd	219
Box-Trans Logistics Pvt Ltd	1,193
	<hr/>
	<b>11,901</b>
	<hr/>

The above investment commitments relate to investment agreements signed between the Group and the above listed investee companies.

The Group has a commitment to invest a further £10,489,000 in Matheran. £4,196,000 of this commitment is dependent on Matheran achieving certain conditions including land acquisition targets. The remainder of the investment commitment is at Eredene's option.

The Group's commitment to invest a further £219,000 in Sattva CFS & Logistics Pvt Ltd ("Sattva") is dependent on Sattva achieving certain conditions including land acquisition targets.

The Group's commitment to invest a further £1,193,000 in Box-Trans Logistics Pvt Ltd ("Box-Trans") is dependent on Box-Trans achieving certain conditions including land acquisition targets.

In June 2007, the Company sold its subsidiary Eredene Mauritius Limited, which held its then entire investment portfolio, to K2 Property Limited ('K2'), a subsidiary of Yatra Capital Limited for a total consideration of £12.25m cash.

Of this consideration, Eredene received £9.75m in respect of its interest in the three projects in which it had invested. Eredene had invested £8.16m in these projects at the date of disposal (excluding related deal costs). K2 assumed the deferred consideration of £5.5m for these projects.

The remaining balance of the £12.25m was in respect of a reimbursement of £2.50m, for a deposit of £2.53m which Eredene paid when it entered into a conditional term sheet to invest in the development of a hotel project in Bangalore. Eredene has no further liability in relation to this project.

The profit on disposal of Eredene Mauritius Limited was as follows:

	<b>£'000</b>	<b>£'000</b>
Cash proceeds		12,250
Net assets disposed of:		
Investments	13,882	
Other receivables	2,531	
Other payables	(5,473)	
	<hr/>	
Disposal costs		(10,940) (168)
		<hr/>
Profit on disposal		<b>1,142</b>
		<hr/>

The Company had the following principal subsidiaries during the year:

	<b>Country of Incorporation</b>	<b>Class of shares held</b>	<b>Ownership</b>	
			<b>2007</b>	<b>2006</b>
Aboyne Mauritius Ltd	Mauritius	Ordinary	100%	-
Eredene Mauritius Ltd	Mauritius	Ordinary	-	100%
Haldia Mauritius Holding Ltd	Mauritius	Ordinary	100%	-
Bandra Mauritius Holding Ltd	Mauritius	Ordinary	100%	-

## 8. Post balance sheet events

The Group has entered into a number of further investment commitments since 31 December 2007.

On 21 December 2007, the Group announced its agreement to invest up to £11m in MJ Logistic Services Ltd for an initial 90% stake. The first investment under that agreement was made on 7 January 2008.

On 5 November 2007, the Group announced its agreement to invest up to £5.25m in Apeejay Infra-Logistics Pvt Ltd for a 50% stake. The first investment under that agreement was made on 23 January 2008.

On 7 May 2008, the Group announced its agreement to invest a further forecasted £2.6m into Apeejay Infra-Logistics Pvt Ltd to fund the development of the Kalinganagar Logistics Park.

The Group invested a further £4.1m in two further tranches in Matheran Realty Pvt Ltd in February and March 2008 as part of the remaining outstanding investment commitment. The Group invested a further £2.5m in April 2008 in the Matheran group in the form of a direct investment in Matheran's subsidiary, Gopi Resorts Pvt Ltd.

The Group invested a further £1.1m in Box-Trans Logistics Pvt Ltd in April 2008 as part of the remaining outstanding investment commitment.

## **9. Forward-looking 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.

## **10. Report and Financial Statements**

Copies of the Report and Financial Statements will be posted to shareholders by 29 May 2008 and will also be available from [www.eredene.com](http://www.eredene.com).