

This is the second of a series of regular newsletters from Eredene Capital PLC, the AIM-quoted Indian real estate investor. It is part of Eredene's commitment to keep you up to date with news about the Company and its investments and tell you how they are progressing.

▶ David Coltman - new non-Executive Chairman

David Coltman, a veteran of the airline industry and currently the Chairman of Edinburgh Worldwide Investment Trust PLC and the Senior Independent Director of John Menzies plc, a leading international logistics company, became non-Executive Chairman of Eredene Capital PLC in November 2007. Here he talks about India and his extensive international business career, which included a number of senior positions with British Airways, British Caledonian and United Airlines.



David Coltman

Are you bullish about India?

"Emerging markets are a fascinating opportunity, and India is the most interesting and exciting and probably the most accessible because you have a language and a culture and a system of government which we fundamentally understand – it's not an alien system. It's a hugely exciting time for all that is happening in India."

What is your experience in India?

"My experience in India has involved sub-contracting software development, which was extremely effectively done, helping with the establishment of one of the low cost airlines – IndiGo - and the investments we are making through John Menzies in Hyderabad and Bangalore airports."

How do you view the logistics sector?

"There is significant growth potential here, particularly in a rapidly developing economy such as India's. Increasingly companies are seeking to outsource whatever non-core activities they can, and therefore real estate projects providing logistics services make a lot of business sense."

What is your business background?

"I spent most of my life in the airlines industry, which is a hugely demanding business where every conceivable discipline is required at the highest level. There's a lot of government regulation, there's a huge security issue, there's a big public relations issue. You are at the cutting edge of technology. You deal in multiple currencies; it's hugely capital intensive, you have a massive use of computers and IT. You've got big unionisation and you carry people."

"I have worked in state-owned companies, I have worked in embryonic private companies, I have worked in America, I have worked in France and I now have a wide portfolio of directorships and interests."

▶ New Investments - the logic of logistics

Eredene's two latest investments are based on the growing demand in India for Third Party Logistics (3PL) – a 72 acre logistics park in Haldia, East India, and three multi-user logistics centres in a 'hub and spoke' model on 28 acres of land in North India.

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. Working with local partners to acquire well positioned sites in India on which to build state-of-the-art centres where these services can be provided is a key component of Eredene's strategy.

India lags behind developed countries in the use of 3PL and industry surveys suggest that this service sector has the potential to grow there by up to 20% per annum. Overall, 3PL activity accounts for less than 10% of total logistics operations in India, whereas the corresponding figures for the USA, Europe and Japan are 57%, 40% and 80% respectively.

Haldia

Eredene announced in November 2007 that it is investing up £5.25 million for a 50% stake in a 72-acre logistic park in Haldia, West Bengal, which is a fast-growing port and commercial hub for the East Indian city of Kolkata (formerly Calcutta). This is Eredene's first joint venture with Apeejay Surrendra, the owners of Typhoo Tea and a global Indian business, with whom Eredene has an exclusive agreement to source new projects in nine states in East India.

The logistics park site is approximately seven km from the Port of Haldia and about 140 km from Kolkata. It is situated in a strategic location in Haldia, a fast growing port and a large-scale petrochemicals centre with an oil refinery, fertilizer facilities, manufacturing plants and various light industries. The park will be developed to provide distribution warehousing and transport services as well as ancillary facilities such as commercial offices, hotels, shopping malls, and light processing workshops.

Multi-user logistics centres in North India

The Eredene Group announced in December 2007 that it has agreed to invest up to £11 million in a £26 million project to build and operate three multi-user logistics centres in a 'hub and spoke' model on 28 acres of land in Northern India.

The 'hub' will be located in the National Capital Region (NCR) to the south of Delhi, and the 'spokes' in the northern states of Uttaranchal and Punjab. The development on the three sites will total some 1.35 million square feet of highly automated rack-shelf warehousing, of which considerable space will be refrigerated.

Under the terms of the investment agreement, the Eredene Group will acquire a 90% stake in MJ Logistics Services Limited (MJLSL), the company developing and operating the new warehouses, which will also be part funded by locally raised debt of approximately £15 million. This stake will decrease to 74% as agreed milestones are met over a period of five years.

MJLSL is a warehousing and distribution company in North India with over 500,000 square feet of managed warehousing space serving approximately 15 corporate clients, including Philips, Mico-Bosch, Asian Paints, Godrej, Colgate Palmolive, Hindustan Lever, Coca Cola, ITC and Sharp.

Private Investment in Indian Infrastructure expected to reach US\$101 billion by 2012

According to a report 'Investing in Global Infrastructure 2007' by Ernst and Young, private investment in India's infrastructure sector is expected to reach US\$101 billion by 2012. The report says India will have to compete with other developing as well as developed countries to attract this level of private funding in infrastructure. It said the Indian government could take several steps such as easing norms for foreign capital by removing external commercial borrowing restrictions, providing fiscal incentives and allowing pension funds to invest in the infrastructure sector. Currently, global investors in India's infrastructure market are mainly private equity funds and other investors from the US and European Union, whereas, the market's developers and contractors are mainly from Asia, Australia and the European Union. The report points out that the average internal rate of return on infrastructure projects in India is about 14% - 20% and is comparable with that of most other developing markets.

► Project Updates

The Matheran Realty Private Limited project to build up to 185,000 low income housing units within commuting distance of Mumbai, announced in July 2007, has completed its first major land acquisitions. Construction of the first prototype units is due to start in May 2008.

Eredene's investment in the Sattva Container Freight Station (CFS) at Vichoor in the southern State of Tamil Nadu is now completed. The CFS is already partly operational and producing revenue. Purchase of the final tranche of the 26-acre site will be completed by the end of January.

An initial 32-acre site has been selected for the Pipavav Container Freight Station (CFS) in the south of Gujarat State and land purchase formalities are being completed.

► Jose Mathew – a builder of ports

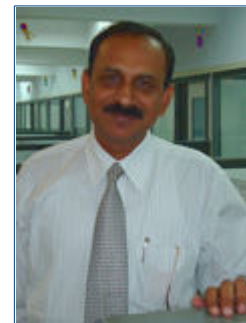
Jose Mathew, who joined Eredene's six-member project team in India as a Director in September 2007, has spent a lot of his career building ports, container terminals, and port infrastructure. Prior to joining Eredene he was Director responsible for the Indian sub-continent at DP World (formerly Dubai Ports which, in 2006, acquired P&O).

A Construction Engineer, Jose had key responsibilities during the building of India's premier port, Jawaharlal Nehru Port in Mumbai, and in the development of the green-field port at Kakinada in Andhra Pradesh and of a number of jetties on the west coast of India.

As the Civil Engineer responsible for P&O Ports South Asia and Middle East Region, Jose also built container terminals at Nhava Sheva, Chennai and Mundra and directed P&O projects in Pakistan and Iran. He managed a number of prestigious projects while working with leading consultancy and construction firms such as Howe (India), Bovis, and Larsen & Toubro Limited (L&VT).

"I expect to put my extensive experience in construction to very good use with Eredene, particularly as we are increasingly focussing on real estate projects connected with ports such as container freight stations and logistics parks," says Jose.

Jose was born in India's south western State of Kerala and he graduated from Bangalore University.



Jose Mathew

▶ India Macro Overview		
Area	Sq. Km	3.3M
Population	2001 census	1028M
Population growth rate	1991-2001	1.93%
GDP, at real growth rate	2006-07 E	US\$ 700B
GDP growth, at real growth rate	2006-07 E	9.40%
GDP per capita income	2006-07 E	US\$ 548
Inflation rate (Oct 2007)	Wholesale Price Index	3.10%
Interest rate	Prime Lending Rate	12.75% - 13.25%
1 year T-bill	Yield	7.37%
Exchange rate	US\$/INR	INR 39

Source: Reserve Bank of India, Central Statistical Organisation and National Portal of India

▶ Fund Details	
Fund size £M	57.1
Net asset value per share (30 Jun 07), GBp	23.17
Price per share (17 Jan 08), GBp	20.5
Issued shares	244,728,000
Market capitalisation, £M	50.2
Quoted London AIM	10 Feb 05
Fund launch date	10 Apr 06
Structure	Open ended

▶ Project Portfolio			
	Amount Invested	Sector	Progress
Matheran	£16.4m	Real Estate	Development phase
Sattva	£0.8m	Marine Logistics	Operational
Pipavav	£3.0m	Marine Logistics	Development phase
Haldia	£5.25m	Logistic Park	Land lease phase
MJ Logistics	£11.0m	Warehousing	Development phase

▶ Sector Breakdown		
	Total Committed	Invested to Date
Real Estate	28.16%	10.56%
Marine Logistics	6.84%	3.68%
Warehousing	20.40%	10.12%

Eredene's investment commitments now total up to £36.5 million which represents 66% of the net funds Eredene raised in April 2006.

Of the £36.5 million committed, £8.3 million had been invested by 31 December 2007.

▶ Gearing Levels			
	Total Forecast Equity	Total Forecast Debt	Forecast Gearing Ratio
Matheran	32.7	40	1.24%
Sattva	3.63	7.2	1.99%
Pipavav	6.0	3.9	0.65%
Haldia	21.0	26	1.24%
MJ Logistics	21.7	29.61	1.37%

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