

Ishaan Real Estate plc
Annual Report and Accounts

2008



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Ishaan Real Estate plc is a real estate investment company investing in development projects in southern and western India, and currently holds interests in nine real estate projects in and around the cities of Mumbai, Hyderabad, Pune and Bangalore.

The principal focus of the projects in which Ishaan has invested is the development of Special Economic Zones ('SEZs') and IT parks, together with investment in commercial, hospitality, retail and residential developments. Ishaan, which raised a total of £207 million on admission to AIM in November 2006, has since completed investment in its initial portfolio of eight projects and has made an additional investment in an IT SEZ project in Navi Mumbai. The estimated area for development in the Company's real estate portfolio currently stands at 22.1 million square feet.

The nine projects in the portfolio, in which the Ishaan Group owns a 40% stake, were independently valued at £810 million by Cushman & Wakefield as on 31 March 2008 with Ishaan's 40% interest in these projects valued on a pro-rated basis at £324 million.

Strategy

Ishaan Real Estate plc invests in projects according to the Company's established investment criteria which stipulate that projects should comply with Foreign Direct Investment (FDI) norms, have achieved initial user status and secured the freehold or leasehold title or the development rights to the land where the proposed project is to be developed. The Group's key investment objective is to maximize returns to shareholders and so invest in projects which produce an internal rate of return of approximately 20 per cent to the Company after deducting the Group's costs, including any taxation, on a leveraged basis.

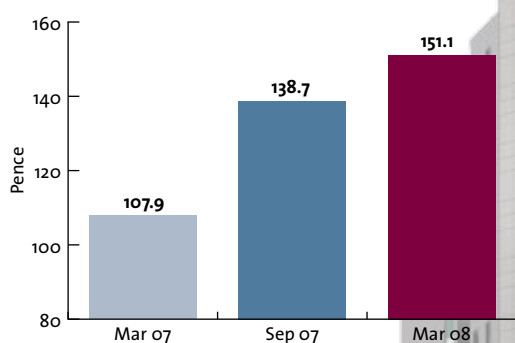
Highlights

- Portfolio value increased to £810 million from £524[#] million at 31 March 2007.
- Adjusted NAV per share* increased to 151.1p at 31 March 2008 from 107.9p at 31 March 2007. Reported NAV per share at 95.5p.
- 100% of investment in the Initial Portfolio completed. Additional investment of £26.2 million made in an IT SEZ project in Navi Mumbai in November 2007. Aggregate investment of £159.5 million has been made in nine projects in Mumbai, Hyderabad, Pune and Bangalore with 22.1 million sq. ft. planned for development.
- 2.4 million sq. ft. of pre-letting secured (including 636,000 sq. ft. under option). Rentals in line with or higher than those anticipated at the time of IPO.
- Completed first hand-over of space to the tenant for occupation in Mindspace, Madhapur, Hyderabad (Non-SEZ development) and first rental inflow commenced in April 2008.
- In addition to the pre-letting secured, approximately 20% of the saleable residential space in premium residential development project, Vivarea, in central Mumbai has been pre-sold at prices above those anticipated at the time of IPO.

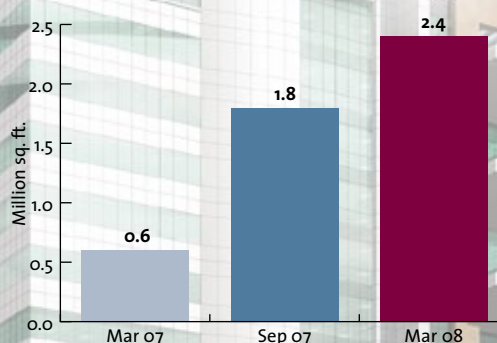
Since the year end

- Further pre-letting secured for 106,000 sq. ft. at Mindspace, Madhapur, Hyderabad (SEZ Development), increasing the total area pre-let to 2.5 million sq. ft. (including 679,000 sq. ft. under option). The total area pre-let now constitutes approximately 21% of the lettable area under construction.
- Further hand-over of space to tenant for fit-outs commenced in one building at Mindspace, Airoli, Navi Mumbai.

Adjusted NAV per share[†]



Cumulative pre-letting



[#] Does not include Juinagar, Navi Mumbai IT SEZ project invested in November 2007.

* Reported NAV per share is not considered the best method of evaluating performance as it excludes any valuation surpluses attributable to the investments. Adjusted NAV per share includes investments at current valuations in proportion to the Group's shareholdings after providing for potential performance fees payable to the investment adviser.

[†] Based on Cushman and Wakefield valuation at respective dates.

At a glance

“Good progress has been made with the development of our assets and we continue to see demand for Grade A real estate in the markets in which our projects are located.”



Mindspace, Navi Mumbai

- Location : Airoli, Navi Mumbai
- Type : IT SEZ
- Development : 3.9 million sq. ft.
- Estimated Completion : Q4 2011
- SEZ Status : Approved and notified



Mindspace, Hyderabad

- Location : Pocharam, Hyderabad
- Type : IT SEZ
- Development : 3.8 million sq. ft.
- Estimated Completion : Q1 2012
- SEZ Status : Approved and notified



Mindspace, Hyderabad

- Location : Madhapur, Hyderabad
- Type : IT SEZ
- Development : 4.7 million sq. ft.
- Estimated Completion : Q3 2010
- SEZ Status : Approved and notified



Mindspace, Hyderabad

- Location : Madhapur, Hyderabad
- Type : IT Park (non-SEZ)
- Development : 1.65 million sq. ft.
- Estimated Completion : Q1 2009



Inorbit, Hyderabad

- Location : Madhapur, Hyderabad
- Type : Mixed use - Retail, Offices
- Development : 1.08 million sq. ft.
- Estimated Completion : Q1 2009

Pre-letting details:

Project	Type	Total area pre-let (sq. ft.) [#]	Area under Option (sq. ft.)	Pre-letting as a % of lettable area
Mindspace – Airoli, Navi Mumbai	IT SEZ	653,000	220,000	17%
Mindspace (SEZ) – Madhapur, Hyderabad	IT SEZ	735,000	410,000	16%
Mindspace (Non-SEZ) – Madhapur, Hyderabad	IT Park	625,000	49,000	38%
Inorbit, Hyderabad	Primarily retail	425,000	–	56%*
Inorbit, Pune	Primarily retail	89,000	–	18%*
		2,527,000	679,000	

[#] includes area under option

* % of lettable retail area



Inorbit, Pune

- Location : Pune
- Type : Mixed use – Retail, IT Park (non-SEZ)
- Development : 0.68 million sq. ft.
- Estimated Completion : Q3 2009



Vivarea, Mumbai

- Location : Central Mumbai
- Type : Premium Residential
- Development : 1.5 million sq. ft.
- Estimated Completion : Q3 2009



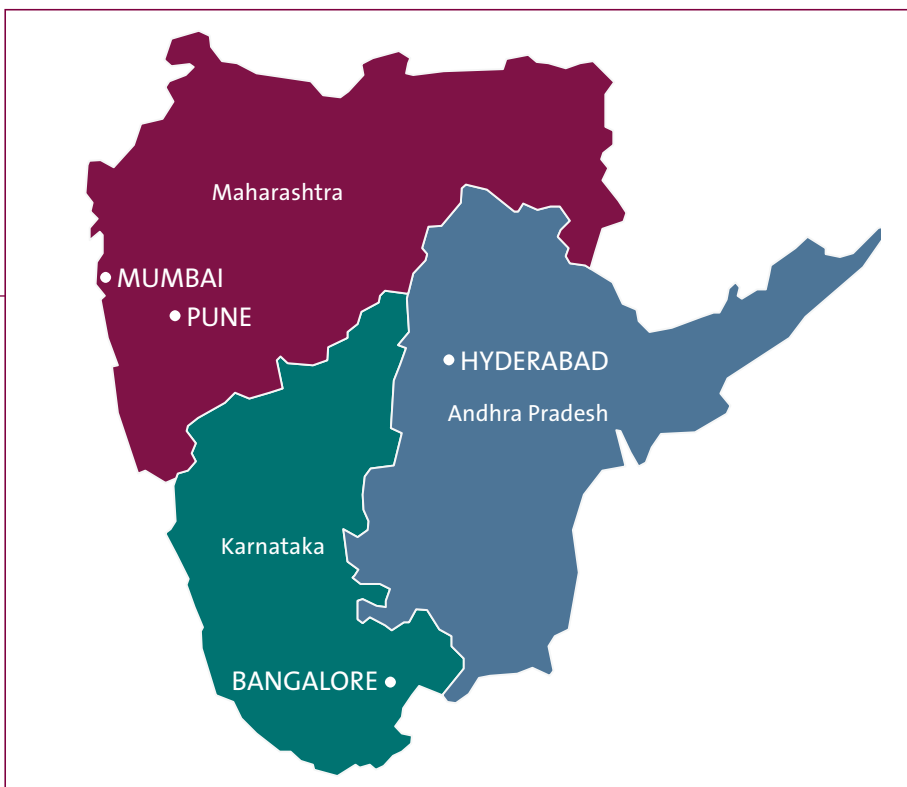
Commerzone, Bangalore

- Location : Bangalore
- Type : Mixed use – Hotel, Retail, IT Park (non-SEZ)
- Development : 1.01 million sq. ft.
- Estimated Completion : Q1 2010



Mindspace, Navi Mumbai

- Location : Juinagar, Navi Mumbai
- Type : IT SEZ
- Development : 4.5 million sq. ft.
- Estimated Completion : Q1 2012
- SEZ Status : Formal approval received





Chairman's Statement

I am pleased to report the Group's (Ishaan Real Estate plc together with its subsidiaries) results for the year ended 31 March 2008.

Portfolio

During the year under review, we completed the entire investment of £133.2 million in the Initial Portfolio comprising eight projects in Mumbai, Hyderabad, Bangalore and Pune. The Company acquired 40% stakes in Sundew Properties Private Limited, Intime Properties Private Limited and Genext Hardware and Parks Private Limited for a total consideration of £56.9 million.

In addition to the investment in the Initial Portfolio, the Group made a further investment of £26.2 million in an IT SEZ (Special Economic Zone) project in Navi Mumbai, which has a total potential development area of up to 4.5 million sq. ft. of commercial space. Ishaan acquired a 40% stake in, Newfound Properties and Leasing Private Limited ("Newfound"), the SPV

developing this property, for consideration of £26.2 million. This increases our total investment in the Indian real estate development projects to £159.5 million from £76.4 million invested as at 31 March 2007.

Of the net proceeds raised at the time of IPO, the Company has net cash of £40.7 million at 31 March 2008, with up to £25 million available for investment. The Company will evaluate alternatives, including investment in a further property, for deploying the remaining cash available for investment so as to maximise returns to the shareholders.

Results for the year ended 31 March 2008

Loss before tax for the year amounted to £1.8 million, arising from the cost of investment advisory fees and provision for promote fees payable to the investment adviser, offset by interest income on deposits held, pending investment.

Details of Investments made by Ishaan are given below:

Project	Location	SPV	Up to 31/03/07 (£m)	Shareholding at 31/03/07#	Up to 31/03/08 (£m)	Shareholding at 31/03/08#
Inorbit	Hyderabad & Pune	Trion	23.9	40%	23.9	40%
Mindspace	Airoli, Navi Mumbai & Pocharam, Hyderabad	Serene	38.6	40%	38.6	40%
Mindspace	Madhapur, Hyderabad (SEZ)	Sundew	–	–	26.0	40%
Mindspace	Madhapur, Hyderabad (Non-SEZ)	Intime	–	–	10.7	40%
Commerzone	Bangalore	Magna	13.9	40%	13.9	40%
Vivarea	Mumbai	Genext	–	–	20.2	40%
Mindspace	Juinagar, Navi Mumbai	Newfound	–	–	26.2	40%
Total			76.4		159.5	

includes future conversion rights of Ishaan

strong
performance

Valuation

The properties in the Portfolio have been valued by Cushman & Wakefield (India) Pvt. Limited (“Cushman & Wakefield”) at 31 March 2008. I am pleased to report that the value of Ishaan’s Portfolio has increased to £324 million (Ishaan’s 40% interest in the total portfolio value of £810 million, which includes construction cost incurred to date) at 31 March 2008, against £210* million at 31 March 2007. This increase in value has largely been driven by improved development plans that have increased the areas for development. In accordance with our accounting policies this valuation is not reflected in our balance sheet as our investments are carried at cost.

A comprehensive review of all projects in the portfolio was undertaken in September 2007. Based on the review, certain project schedules and costs were revised. The revisions have been taken into account in the valuation.

Net Asset Value per Share

Accounting net asset value per share was 95.5p at 31 March 2008 compared to 96.3p at 31 March 2007. The accounting net asset value per share is calculated based on the Group’s net assets of £197.8 million at the year end divided by the number of shares in issue at the balance sheet date of 207 million shares.

Adjusted net asset value per share was 151.1p at 31 March 2008. The adjusted net asset value per share is calculated by adjusting the Group’s net assets of £197.8 million at the year end to reflect the fair value, as determined by Cushman & Wakefield, of the properties held by the Group’s associates in proportion to Ishaan’s shareholding. The Group’s adjusted

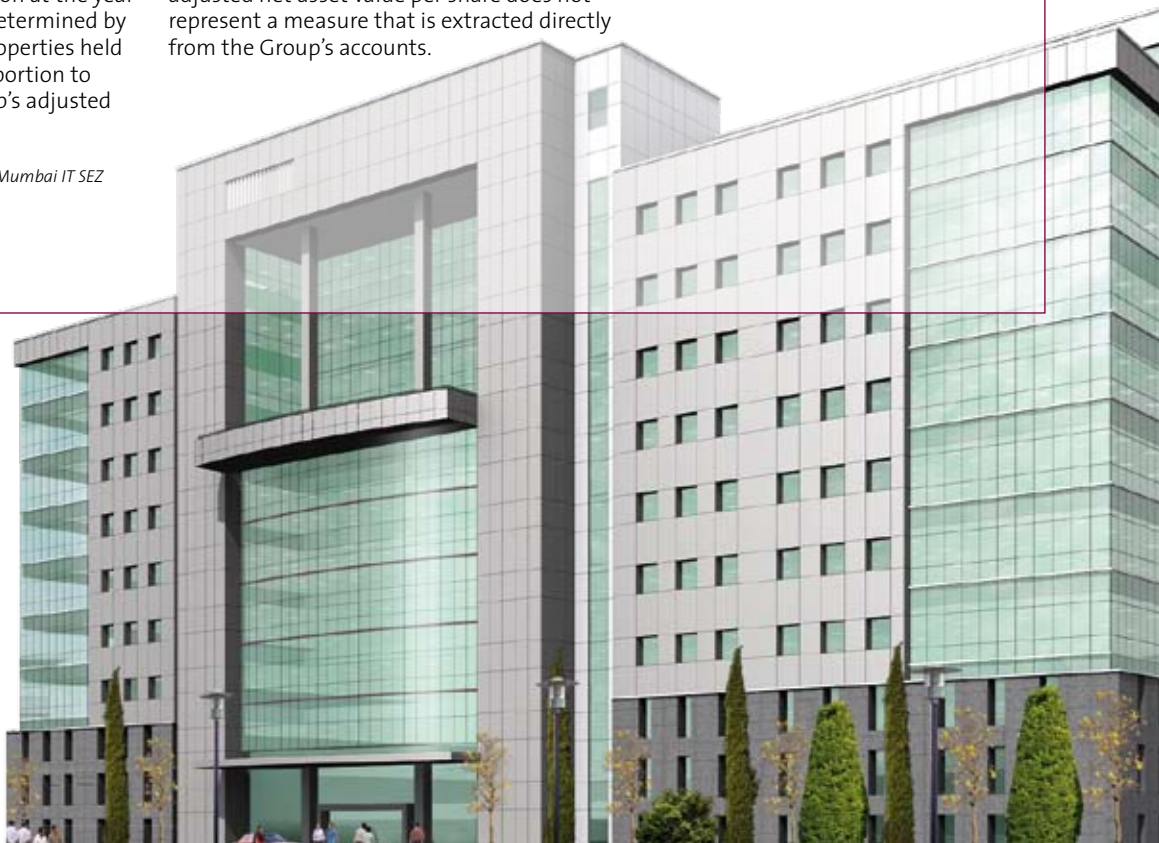
net assets are £312.9 million after allowing for a fair value adjustment of £115.1 million reflecting:

- Cushman & Wakefield’s valuation of the projects at 31 March 2008
- Potential performance fees payable to the investment adviser on disposal of the assets (calculated as the present value of the estimated performance fees based on estimated fair value gains at exit and an assessment of the ultimate IRR on each investment).

At 31 March 2007, the Company had invested in/provided for investment in three SPVs only. The Company has now invested a substantial portion of the net proceeds raised at the time of IPO and has made significant progress on the projects. The Company is, therefore, providing for the performance fees in the adjusted net asset value at 31 March 2008. Had the performance fees been provided for in March 2007 and September 2007, the adjusted net asset values would have been 107.9p at 31 March 2007 and 138.7p at 30 September 2007. The reported adjusted net asset value before providing for the performance fees was 112.03p at 31 March 2007 and 146.8p at 30 September 2007.

The adjusted net asset value per share of 151.1p is calculated using adjusted group net assets of £312.9 million divided by 207 million shares in issue at 31 March 2008. On the basis that the accounting policy for properties under development is to hold them at cost, adjusted net asset value per share does not represent a measure that is extracted directly from the Group’s accounts.

* Does not include value of Juinagar, Navi Mumbai IT SEZ project invested in November 2007



“We remain confident in our ability to progress with the development and pre-letting of our projects.”

Chairman's Statement

continued

Project Progress

Good progress has been made on the projects in the portfolio. We reached the milestone of completion of construction and tenant handover in the first building, at Mindspace Madhapur, Hyderabad (Non-SEZ development). This tenant has commenced occupation of part of the premises, with the Group receiving its first rental income in April 2008. Also, handover of space for fit-outs in one building commenced at Mindspace Airoli, Navi Mumbai.

With 598,000 sq. ft. pre-let as at 31 March 2007, letters of intent/lease agreements were signed for additional 1.8 million sq. ft. of space during the year ended 31 March 2008, largely with leading multinational companies. Since the year end, further pre-letting has been secured for 106,000 sq. ft. at Mindspace, Madhapur, Hyderabad (SEZ development), increasing the total leased and pre-let space in its commercial and retail development projects to 2.5 million sq. ft., representing approximately 21% of the lettable area under construction and 12% of the aggregate lettable area of the portfolio.

In addition, approximately 20% of the saleable residential space in Ishaan's premium residential project, Vivarea, in Central Mumbai, has been pre-sold at prices higher than those estimated at the time of IPO. Pre-sales of the apartments commenced at the end of October 2007.

As announced during the interim results, the aggregate area planned for development in the Initial Portfolio is estimated to increase from 15.3 million sq. ft. to 17.6 million sq. ft. The total area planned for development in

the Ishaan portfolio is now estimated to be 22.1 million sq. ft. including the new investment made in November 2007.

Financing

Despite the pressures of the significant tightening of liquidity across global credit markets since mid 2007 and the impact of measures put in place by the Reserve Bank of India to control lending by banks to the real estate sector, the Indian SPVs have been able to secure funding required for the buildings under construction on a timely basis and all projects are well placed to finance their future development requirements. While the interest rates at which the SPVs have secured funding have been higher than the rates anticipated at the time of IPO, the rates have been in line with the prevailing market rates, which have largely remained stable over the past six months.

Dividend

In accordance with the dividend policy set out in the IPO document, which stated that it was not anticipated that dividends would be paid in the foreseeable future, as projects remain in a highly capital intensive stage, the Board is not declaring a dividend this year. The Board will consider payment of dividends when it becomes commercially prudent to do so.

Outlook

IT/ITES companies have shown signs of deceleration in revenue and margin growth and companies in the banking and financial services sectors have also delayed execution of certain projects. IT companies have however shown signs of demand recovering as the year has progressed and the industry

has continued its growth momentum. With the global down turn likely to encourage many companies across US and Europe to look at further outsourcing options to reduce costs, India should continue to benefit from this trend as the hub of global outsourcing.

In addition, with inflation in India reaching a thirteen year high, the Reserve Bank of India is taking monetary policy measures to contain inflation. Taken together with the global credit crisis, this may result in a further tightening of liquidity in domestic credit markets in the short term.

While some business sectors could therefore see signs of a short term slow down, the long term economic outlook for India continues to be robust. Strong fundamentals and consumption driven growth should help India sustain its economic growth.

The real estate sector could witness a softening in certain markets in the short term. However, demand for correctly priced Grade A projects similar to those under development by Ishaan is expected to be sustained and medium and long term prospects remain strong.

We remain confident of continuing with the progress made on development of the assets and also the pre-letting of the projects already commenced within the portfolio. With certain projects in the portfolio planned for completion in the next year, we shall work towards evaluation of exit options for such assets.

The quality of the assets in our portfolio and the demand for them is a positive indication of their robustness. I would like to pay tribute to the professional way in which our development partners have conducted the business over the past year and thank your directors for their diligence and support as well as extending a particularly warm welcome to Stephen Vernon who brings his expertise and energy to a well balanced Board.

Ian Henderson
Chairman
24 June 2008

40%

increase in adjusted
 net asset value per
 share over March 07



Portfolio

“Demand for correctly priced Grade A projects similar to those under development by Ishaan is expected to be sustained.”

The Portfolio includes commercial, residential, hospitality and retail real estate development projects located primarily in or around the Indian cities of Mumbai, Hyderabad, Bangalore and Pune, and provides the Group with a presence in India with significant geographic and sector diversification. Three SEZ projects in the portfolio Mindspace, Airoli, Navi Mumbai; Mindspace Madhapur, Hyderabad (SEZ development) and Mindspace, Pocharam, Hyderabad, have been approved and formally notified as SEZs and the fourth SEZ project Mindspace, Juinagar, Navi Mumbai has been approved as SEZ. The nine Projects in the portfolio have an aggregate planned built up area of approximately 22.1 million square feet.

Project	SPV	Type	Built up area (msf)	Estimated completion*
Mindspace – Airoli, Navi Mumbai	Serene	IT SEZ	3.91	Q4 2011
Mindspace – Pocharam, Hyderabad	Serene	IT SEZ	3.80	Q1 2012
Mindspace (SEZ) – Madhapur, Hyderabad	Sundew	IT SEZ	4.65	Q3 2010
Mindspace (Non-SEZ) – Madhapur, Hyderabad	Intime	IT Park	1.65	Q1 2009
Inorbit, Hyderabad	Trion	Primarily retail	1.08	Q1 2009
Inorbit, Pune	Trion	Primarily retail	0.68	Q3 2009
Vivarea, Mumbai	Genext	Residential	0.86 [#]	Q3 2009
Commerzone, Bangalore	Magna	Mixed use	1.01	Q1 2010
Mindspace – Juinagar, Navi Mumbai	Newfound	IT SEZ	4.50	Q1 2012
Total			22.14	

* Estimated completion dates have been revised since the IPO largely on account of planned increase in the development areas in certain projects in the Initial portfolio which required revision of the designs and planning permissions.

[#] This is the saleable area from the project

An aggregate area of approximately 2.5 million sq. ft. (including approximately 679,000 sq. ft. under option) has been pre-let, constituting approximately 21% of the lettable area under construction and 12% of the aggregate lettable area of the portfolio .

Details of the pre-lettings secured so far are as follows:

Project	Type	Total area pre-let (sq. ft.) [#]	Area under Option (sq. ft.)	Pre-letting as a % of lettable area
Mindspace – Airoli, Navi Mumbai	IT SEZ	653,000	220,000	17%
Mindspace (SEZ) – Madhapur, Hyderabad	IT SEZ	735,000	410,000	16%
Mindspace (Non-SEZ) – Madhapur, Hyderabad	IT Park	625,000	49,000	38%
Inorbit, Hyderabad	Primarily retail	425,000	–	56%*
Inorbit, Pune	Primarily retail	89,000	–	18%*
		2,527,000	679,000	

[#] includes area under option

* % of lettable retail area

progress

Mindspace – Airoli, Navi Mumbai

Project Highlights

Location : Airoli, Navi Mumbai

Type : IT SEZ

Development : 3.9 million sq. ft.

Estimated Completion : Q4 2011

SEZ Status : Notified



Project Summary

The Project is located in Airoli, Navi Mumbai, a satellite city of Mumbai located approximately 35 kilometres from central Mumbai. It benefits from well-planned and modern infrastructure, good connectivity and a large pool of educated manpower. The project is strategically located to become the commercial hub of the rapidly growing city of Navi Mumbai with close proximity to residential areas. The project is situated opposite Airoli Railway station and easily accessible from catchment areas like Vashi, Panvel, Chembur and Vikhroli.

The project involves development of a 3.9 million sq. ft. IT SEZ. The project is currently progressing ahead of schedule, with construction work in progress on seven of the proposed twelve buildings. Construction work in one of the buildings is nearing completion and the handover of space to the tenant for fit-outs has commenced in one building.

Pre-lettings with large multinational and IT/ITES companies have been secured for

approximately 653,000 sq. ft., representing 17% of the area planned for development. Rentals are in line with and in some cases higher than those anticipated at the time of IPO.

Demand for this property continues to be strong and negotiations are in progress with various multinational and IT/ITES companies for further pre-letting.

Mindspace – Pocharam, Hyderabad

Project Highlights

Location : Pocharam, Hyderabad

Type : IT SEZ

Development : 3.8 million sq. ft.

Estimated Completion : Q1 2012

SEZ Status : Notified



Project Summary

This project is located in Pocharam, Hyderabad, an upcoming nucleus of development with infrastructure well-suited to IT/ITES industries. With an existing residential catchment area and a number of colleges and universities in the vicinity, this SEZ will lead to the geographical diversification of current development to East Hyderabad. Pocharam is easily accessible by road and is expected to have a metro rail station close to the site. The proposed Hyderabad outer ring road is planned to pass 2 kms from the project. The new international airport shall be easily accessible via the outer ring road.

2.5m sq. ft.

pre-let. In addition –
20% of saleable
residential space
pre-sold at Vivarea



Portfolio

continued

This project is a 3.8 million sq. ft. IT SEZ development, planned to comprise 12 buildings set in 66 acres. Construction of two of the twelve buildings has begun, with super-structure work in-progress on both the buildings.

Mindspace – Madhapur, Hyderabad (SEZ Development)

Project Highlights

Location : Madhapur, Hyderabad
Type : IT SEZ
Development : 4.7 million sq. ft.
Estimated Completion : Q3 2010
SEZ Status : Notified



Project Summary

This project is located in Madhapur, Cyberabad, Hyderabad, the hub of the technology industry's development in Hyderabad, one of the largest cities in India. Equipped with excellent telecom infrastructure, well developed civic infrastructure and huge potential for trained manpower, Hyderabad has become an attractive choice for global IT/ITES companies. The project involves the development of an IT SEZ next to the existing Mindspace development. The project is well connected by road and transportation networks and is strategically located in the vicinity of the international airport.

This project totals approximately 4.7 million sq. ft. of planned development (increased by 59% from 2.9 million sq. ft. to 4.7 million sq. ft.).

Pre-letting has been secured with multinational/IT companies for approximately 735,000 sq. ft. (16% of the revised development area), at rentals higher than those estimated at the time of IPO.

Construction work is almost complete on one building, with finishing and service work in progress. Sub-structure work is in progress on another building and excavation is nearing completion on the third building.

Mindspace – Madhapur, Hyderabad (Non-SEZ Development)

Project Highlights

Location : Madhapur, Hyderabad
Type : IT Park (non-SEZ)
Development : 1.65 million sq. ft.
Estimated Completion : Q1 2009



Project Summary

This project is located in Madhapur, Cyberabad, Hyderabad, within the existing Mindspace development. The project involves development of three office buildings which will make up an IT park.

The area planned for development is now estimated to be 1.65 million sq. ft. (a 22% increase over the originally planned development of 1.4 million sq. ft. at the time of IPO).

Aggregate leasing secured at this project is now 625,000 sq. ft. (38% of the revised development area).

The first hand-over of space to a tenant for occupation has been completed. Rentals for the occupied area commenced in April 2008, which is the first rental inflow from the Ishaan portfolio.

Super-structure work is in progress on the other two buildings.

Inorbit – Madhapur, Hyderabad

Project Highlights

Location : Madhapur, Hyderabad
Type : Mixed use: Retail, Offices
Development : 1.08 million sq. ft.
Estimated Completion : Q1 2009



Project Summary

The project is a primarily retail development located in Madhapur, Cyberabad, Hyderabad, adjacent to the existing Mindspace development. Designed by the world's largest retail design firm "Callison", USA, it is a part of the IT city, situated approximately 15–20 kms from the city centre.

The project consists of plans to develop a 668,000 sq. ft. shopping centre with 298,000 sq. ft. of commercial space and 1,000 car parking spaces, aggregating 966,000 sq. ft. of planned development.

The area planned for development is expected to increase by 110,000 sq. ft. to 1.08 million sq. ft., an increase of 12%.

Letters of Intent have been signed for pre-letting of 425,000 sq. ft., representing 56% of the revised retail space planned for development.

Super-structure work is in progress at the site.

Inorbit, Pune

Project Highlights

Location : Pune
Type : Mixed use – Retail, IT Park (Non-SEZ)
Development : 684,000 sq. ft.
Estimated Completion : Q3 2009



Project Summary

The project is located in Pune, Maharashtra. The city's well-developed infrastructure, expressway connection to Mumbai located just two hours away, and large industrial areas situated in the vicinity, make Pune an attractive location for a range of companies including IT, ITES, BPO companies.

This mixed use development consists of plans to develop a 489,000 sq. ft. shopping centre with 195,000 sq. ft. commercial space and 800 car spaces.

First
 rental inflow
 commenced in
 Mindspace,
 Madhapur,
 Hyderabad (Non-
 SEZ Development)



Portfolio

continued

Letters of Intent have been signed for pre-letting of 89,000 sq. ft., representing 18% of retail space planned for development.

General excavation work has been completed on the mall building site. Foundation work is in progress.

Vivarea, Mumbai

Project Highlights

Location : Central Mumbai
Type : Premium Residential
Development : 1.5 million sq. ft.
Estimated Completion : Q3 2009



Project Summary

The project is located in Mahalaxmi, Central Mumbai. The buildings will overlook Mahalaxmi Race Course and the sea. This premium residential development of approximately 1.5 million sq. ft. (revised from the originally planned development of 1.1 million sq. ft.) comprises four residential towers. Of the four residential towers, one tower is being considered for conversion to a commercial building in order to enhance returns from the project. Saleable area from the project is approximately 860,000 sq. ft. Pre-launch sales of the apartments began in end October 2007. Demand for this project has been strong with approximately 20% of the total saleable residential space being pre-sold.

The average sale price achieved for the residential units pre-sold by March 2008 has been approximately 25% higher than the initial sale price and is higher than the price expected at the time of IPO. Current residential sale prices are about 50% higher than the price achieved when pre-sales commenced.

Super-structure work is in progress in the three residential towers.

Commerzone, Bangalore

Project Highlights

Location : Bangalore
Type : Mixed use – Hotel, Retail, IT Park (non-SEZ)
Development : 1.01 million sq. ft.
Estimated Completion : Q1 2010



Project Summary

This project is located in Whitefield, Bangalore. Known as the Silicon Valley of India, Bangalore is one of the fastest growing cities of India and a key location for the IT industry.

The project is being designed by Smallwood, Reynolds, Stewart & Stewart, and involves the development of a 250 room hotel, 150 serviced apartments, a shopping centre and an IT Park, with a total revised area of approximately 1 million sq. ft. With a view to enhance returns from this project the development mix was changed, resulting in an increase in the area for hotel and retail development.

Foundation work is in progress and discussions are at advanced stage with a major hotel operator for management of the hotel.

Mindspace – Juinagar, Navi Mumbai

Project Highlights

Location : Juinagar, Navi Mumbai
Type : IT SEZ
Development : 4.5 million sq. ft.
Estimated Completion : Q1 2012
SEZ Status : Formal approval received



Project Summary

This project is located in Juinagar, Navi Mumbai, a satellite city of Mumbai. This project site is in an area undergoing significant regeneration, and is close to existing and planned transport systems, the city centre of Navi Mumbai and large residential areas. The project is also in close proximity to the proposed Navi Mumbai International airport.

The project involves development of a 4.5 million sq. ft. IT SEZ and is scheduled for completion in the first quarter of 2012. The project is being designed by RSP Architect Planners & Engineers and has received formal SEZ approval from the government.

Excavation work is in progress.



Sustainable development

Under a commitment to develop environmentally friendly sustainable real estate, commercial buildings in the Company's portfolio are now planned to be compliant with LEED Certified Green buildings criteria. Green buildings criteria emphasise on usage of environmentally friendly building materials, effective waste management and efficient energy systems that can substantially reduce or eliminate negative environmental impacts and improve existing unsustainable design, construction and operational practices.

Some of the Green initiatives adopted for the commercial buildings in the portfolio are:

- Maximum usage of high efficiency water cooled chillers for better energy efficiency
- Use of CO₂ sensors to monitor indoor environmental quality
- Use of high performance double glazing and insulated brick walls for the exterior envelope
- Installation of building management systems
- Green landscaping, heat reflective paints and over deck insulation on the roofs to reduce heat transgress into building, thereby reducing air conditioning load.
- Usage of downward lighting in the exterior areas for reduction of light pollution
- Achieving exemplary water efficiency by using treated water from STP for make up water for flushing & landscaping and using water efficient plumbing fixtures
- Providing design and construction guidelines for fit-outs to tenants to encourage them to incorporate green building features
- Usage of ozone friendly HFC refrigerants for air-conditioning

- Usage of paints, adhesives and sealants with low Volatile Organic Content (VOC)

Commercial buildings in the Ishaan portfolio have mostly been registered as Green buildings with the Indian Green Building Council, which is affiliated to the US Green Building Council.

Besides contributing to a healthier environment these initiatives would help the tenants in optimising costs through efficient use of energy and water and also enhance employee productivity.

Portfolio value at

£810m



Board of Directors



Ian Henderson
Non-executive Chairman

Ian Henderson is currently chairman of Dawnay, Day Treveria plc, President of the New West End Company and Vice-President of the Board of Management of Central & Cecil Housing Trust. He is also part-time consultant to Quintain Estates and Development plc and a non-executive director of Liberty International plc and Evans Management Limited. He trained as a chartered surveyor, working initially at Hillier Parker May & Rowden before joining Land Securities, from where he retired as Group Chief Executive in 2004. He is a Trustee of the Natural History Museum and a Council Member of the Royal Albert Hall.



Neel Raheja
Non-executive Director

Neel Raheja, a member of the K Raheja family, has 13 years of business experience in Indian real estate with post-graduation in Commerce, Degree in Law and Owner/President Management Program from Harvard Business School. As K. Raheja Corp Group Director, Neel Raheja is responsible for all operations of the real estate business, which include Residential townships, Business & IT Parks and mixed-use developments across the country, and the strategic expansion in the Mall Business. He has also spearheaded the Hotel business development and growth. His other directorships include Shopper's Stop Limited, Inorbit Malls (India) Pvt. Ltd, Crossword Bookstores Ltd and Chalet Hotels Ltd. He is also the founding member of the Asia-Pacific Advisory Committee of the International Council of Shopping Centers.



Rajendra Chitale
Non-executive Director

Rajendra Chitale, a chartered accountant, is managing partner of M. P. Chitale & Associates, an accounting and consulting firm focused on the financial services industry and the Indian member firm of DFK International. He heads this Indian firm's practice in the fields of financial sector consulting and advisory services and fiscal and corporate advisory services. His current directorships amongst others include the Asset Reconstruction Company (India) Ltd., Reliance Capital Limited, Hinduja Ventures Ltd., Ambuja Cements Limited and the National Securities Clearing Corporation Ltd. He is also a member of the Insurance Advisory Committee of the Insurance Regulatory and Development Authority (IRDA) and a member of the Advisory Committee on Regulations of the Competition Commission of India.



Stephen Vernon

Non-executive Director

Stephen Vernon is Executive Chairman of Green Property Limited, an Irish property investment and development group active in Ireland and the UK. The company was listed on the Dublin and London stock exchanges when Mr. Vernon became Managing Director in 1993. In 2002 Mr. Vernon led a successful management buyout in a 2 billion Euro transaction and is now the largest individual shareholder. Green Property currently has approximately 1.25 billion Euro of real estate assets, the largest part of which is retail in Ireland. Mr. Vernon is 58 and is resident in Ireland. Prior to joining Green Property in 1993 he was Managing Partner of St. Quintin, a London based firm of Chartered Surveyors. He holds directorships of a number of property related companies.



Tim Walker

Non-executive Director

Tim Walker is a chartered accountant and Isle of Man resident. He is the former finance director of Swallow/Vaux Group plc, Strix and Burtonwood Brewery plc and was previously a non executive director of PFI Infrastructure Company plc. Tim is currently a non executive director and audit committee chairman of Aim listed Clean Energy Brazil plc and a number of private companies in the leisure and property industries.



Vittorio Radice

Non-executive Director

Vittorio Radice is chief executive officer of the Italian department store group La Rinascente and has been with the company since 2005. He is also non-executive director of McArthurGlen UK Limited. His experience in retail has included being executive director of Marks & Spencer plc (from 2003 to 2004), chief executive of Selfridges plc (from 1996 to 2003) and managing director of Habitat UK (from 1992 to 1996). He was a non-executive director of Shopper's Stop Limited, a Raheja Entity, from 2000 to 2006.

Report of the Directors

The directors hereby submit their Annual Report together with the audited financial statements of Ishaan Real Estate plc (the "Company") and the consolidated financial statements of the Company and its subsidiaries (together the "Group") for the financial year ended 31 March 2008.

The Company

The Company was incorporated in the Isle of Man and its principal activity is that of a holding company. It is the ultimate parent company of the Group, comprising the Company and the subsidiaries listed in note 11. The Company was established to acquire interests in foreign direct investment eligible Indian real estate development projects, with a focus on IT park development and special economic zones located in southern and western India. The Company will also invest in other real estate asset types including, but not limited to, commercial, hospitality, retail and residential development projects.

Business review and future developments

A review of the business is presented in the Chairman's Statement on pages 4 to 7. Consideration is also given in the Chairman's Statement to the future developments of the Company.

Results and dividends

The results and financial position of the Group and the Company at the year end are set out on pages 20 to 23 of the financial statements. The Group made a loss for the year after taxation amounting to £1.827 million (2007: (note 24) profit of £1.728 million) and this amount has been taken to reserves.

The directors anticipate that dividends will not be paid in the foreseeable future but will consider the payment of dividends when it becomes commercially prudent to do so. The directors do not intend to pay dividends unless the Group has generated profits and such profits have been remitted to and realised by the Company. The Directors do not therefore intend to declare a dividend at this time.

Directors

The directors who held office during the year and up to the date of this Report were:

Names	Date appointed
Ian James Henderson (Chairman)	31/10/06
Rajendra Prabhakar Chitale	31/10/06
Neel Chandru Raheja	31/10/06
Timothy Graham Walker	31/10/06
Vittorio Radice	31/10/06
Stephen John Roland Vernon	01/08/07

At each Annual General Meeting one third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office by rotation. The retiring directors shall be eligible for re-election. No director shall be required to retire and no person shall be incapable of being appointed or re-appointed a director by reason of having attained the age of seventy or any other age.

Directors' and other interests

Details of interests

Neel Raheja is a shareholder and director of various K Raheja entities. These include Trion Properties Private Limited, Serene Properties Private Limited, Genext Hardware and Parks Private Limited, Sundew

Properties Private Limited, Intime Properties Private Limited and Newfound Properties and Leasing Private Limited "the Indian Investment Vehicles" which have issued shares to the Mauritian Subsidiaries.

Neel Raheja indirectly co-owns the investment adviser – Neerav Investment Advisory Services (Cyprus) Private Limited.

Options have been granted for nil consideration over Ordinary Shares of £0.01 each as follows:

Name	Number of Ordinary Shares under option	Grant date	Exercise period	Exercise price
Ian Henderson	300,000	20/11/06	7 years from 20/11/09	£1
Vittorio Radice	90,000	20/11/06	7 years from 20/11/09	£1

In addition, the following directors, on each anniversary date of their effective date of appointment, are entitled to share options over the number of Ordinary Shares calculated in accordance with the formula stated in their letters of appointment. The value of the share options to be granted is stated against their names below:

Name	Value of options GBP	Effective date of appointment
Ian Henderson	100,000	7/11/06
Vittorio Radice	30,000	7/11/06
Stephen Vernon	30,000	1/08/07

Ian Henderson and Vittorio Radice are entitled to the grant of share options for the financial year ended 31 March 2008. The value of the share options has been provided for in the financial statements. The Board at its meeting held on 5 March 2008 approved the grant of an option over 101,265 Ordinary Shares to Ian Henderson and over 30,379 Ordinary Shares to Vittorio Radice, at the average price of 98.75p per share.

Details of the terms attaching to the share options are set out in note 22.

The interests of the directors in the share capital of the Company as at 31 March 2008 are set out below:

Name	Number of Ordinary Shares
Ian Henderson	250,000
Vittorio Radice	150,000
Tim Walker	25,000
Stephen Vernon	300,000

The mid market price of each Ordinary Share as at 31 March 2008 was £0.905 (2007: £0.89) and the range during the year was £0.89 to £1.18 (2007: (note 24) £0.89 to £1.14).

Save as disclosed above, none of the directors had any interest during the year in any material contract for the provision of services which was significant to the business of the Company.

Substantial shareholdings

As at 30 May 2008, the Board had been notified, or was otherwise aware of, the following shareholdings exceeding 3% and over of the issued share capital:

Name	Number of Ordinary Shares	% of issued share capital
Lone Pine Capital, LLC	44,032,342	21.27
Deutsche Bank AG (Broker Group)	31,210,361	15.08
Standard Life Investments Ltd	20,616,239	9.96
Lansdowne Partners Limited	18,682,286	9.03
Matrix Capital Management, LLC	14,117,160	6.82
HSBC Investment Bank	9,972,709	4.82
ZA Capital, LLP	7,500,000	3.62

Independent auditors

On 5 March 2008, a resolution was passed to appoint KPMG Audit LLC as auditors and they express their willingness to continue in office in accordance with Section 12 (2) of the Isle of Man Companies Act, 1982.

Corporate governance

Whilst the combined code issued by the Financial Reporting Council does not apply to AIM companies, the directors consider corporate governance to be an important area and accordingly have provided the disclosure below to outline how the governance of the Group is conducted.

Board of Directors

The Company has an experienced Board which currently comprises a non-executive Chairman and five other non-executive directors.

The Board meets regularly and is provided with relevant information on financial, business and corporate matters prior to meetings. The directors are responsible for the determination and implementation of the Group's investment strategy and have overall responsibility for the Group's activities, including the review of the Group's investment activities and performance.

Audit Committee

The Company does not consider it necessary to establish an Audit Committee given the nature of the Company. The Board undertakes all functions that would normally be delegated to the Audit Committee including reviewing annual and interim results, receiving reports from the auditors, agreeing auditors' remuneration and assessing the effectiveness of the audit and internal control environment. Where necessary the Board will obtain specialist advice from either its auditors or other advisers.

Remuneration and Nomination Committees

The Company also does not intend to establish Remuneration and Nomination Committees as such committees would not be appropriate given the nature of the Company's operations. The Board will review annually the remuneration of the directors and agree the level of non-executive fees. Consideration will be given by the Board to future succession plans for Board members as well as consideration as to whether the Board has the skills required to effectively manage the Company. The Company will take all reasonable steps to ensure compliance by the directors and any employees with the provisions of the AIM rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose.

Investment Committee

The Company has an Investment Committee consisting of the directors of the Company's intermediate holding company, I Holding Company (Mauritius) Ltd, which will review any recommendations for acquisitions or divestments received from the investment adviser.

Internal control

The Board undertakes all functions that would normally be delegated to the Audit Committee which includes assessing the effectiveness of the audit and internal control environment. Where necessary the Board obtains specialist advice from either its auditors or other advisers. On 1 December 2006 Morefield Financial Consultants Limited were appointed as consultants to provide the Company with non-binding advice and services on financial issues, such as accounting procedures, management accounts, cash flow in relation to the Company's property portfolio and to perform such other similar services. In addition Simcocks Trust Limited were appointed to provide administration, registrar and accounting services to the Company, such services being controlled by their own internal procedures.

There are inherent limitations in any system of internal control and such a system can provide only reasonable, but not absolute, assurances against material misstatement or loss. The Company does not have its own internal audit function but places reliance on compliance and other control functions of its service providers.

By order of the Board

Ian Henderson
Chairman

24 June 2008

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' 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, which meet the requirements of Isle of Man company law. In addition, the directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards.

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss for that year.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors, KPMG Audit LLC, to the members of Ishaan Real Estate plc

We have audited the Group and parent company financial statements (“the financial statements”) of Ishaan Real Estate plc for the year ended 31 March 2008 which comprise the Group and Company Income Statements, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the Group and Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company’s members, as a body, in accordance with Section 15 of the Companies Act 1982. 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

The directors’ responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors’ Responsibilities on page 18.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Isle of Man Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ transactions with the Company is not disclosed.

We read the Directors’ Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group’s and parent company’s affairs as at 31 March 2008 and of the Group’s loss and parent company’s profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors’ Report is consistent with the financial statements.

KPMG Audit LLC

Chartered Accountants

24 June 2008

Douglas

Isle of Man

Income Statements

for the year ended 31 March 2008

	Notes	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 (note 24) GBP 000s	Company 2007 (note 24) GBP 000s
Administrative expenses	8	(5,510)	(1,049)	(1,469)	(381)
Share of post-tax losses of associates	10	(603)	–	(28)	–
Group operating loss from continuing operations		(6,113)	(1,049)	(1,497)	(381)
Net finance income	5	4,286	4,191	3,225	3,128
(Loss)/profit from continuing operations before tax		(1,827)	3,142	1,728	2,747
Taxation	6	–	–	–	–
(Loss)/profit for the year/period from continuing operations attributable to equity holders of parent		(1,827)	3,142	1,728	2,747
Basic and diluted (loss)/earnings per share attributable to equity holders of the parent for the year (expressed as pence per share)					
Basic (loss)/earnings per share	16	(0.88)	1.52	1.52	2.42
Diluted (loss)/earnings per share	16	(0.88)	1.52	1.52	2.42

The notes on pages 24 to 38 form an integral part of these financial statements.

Balance Sheets

as at 31 March 2008

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
ASSETS				
Non-current assets				
Investments in associates	188,241	–	85,047	–
Investments in subsidiaries	–	159,480	–	76,393
Amounts due from subsidiaries	–	3,516	–	1,089
	188,241	162,996	85,047	77,482
Current assets				
Trade and other receivables	234	228	992	985
Cash and short-term deposits	40,699	40,538	154,063	143,403
	40,933	40,766	155,055	144,388
TOTAL ASSETS	229,174	203,762	240,102	221,870
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the parent company				
Share capital	2,070	2,070	2,070	2,070
Share premium	195,481	195,481	195,481	195,481
Retained profits	208	6,114	1,739	2,758
Total equity	197,759	203,665	199,290	200,309
Current liabilities				
Trade and other payables	112	97	32,130	21,561
Non-current liabilities				
Financial liabilities	31,303	–	8,682	–
TOTAL EQUITY AND LIABILITIES	229,174	203,762	240,102	221,870

Approved by the Board of Directors on 24 June 2008
and signed on its behalf by:

Ian Henderson
Director

Tim Walker
Director

The notes on pages 24 to 38 form an integral part of these financial statements.

Cash Flow Statements

for the year ended 31 March 2008

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
OPERATING ACTIVITIES				
(Loss)/profit before tax from continuing operations	(1,827)	3,142	1,728	2,747
Adjustments for:				
Interest income	(4,286)	(4,191)	(3,225)	(3,128)
Share of losses of associates	603	–	28	–
Share-based payment charge	12	12	11	11
Grant of directors' annual share options	202	202	–	–
Investment adviser performance fee	1,993	–	–	–
Operating loss before working capital changes	(3,303)	(835)	(1,458)	(370)
Decrease/(increase) in trade and other receivables	758	757	(992)	(985)
(Decrease)/increase in trade and other payables	(127)	(127)	239	224
Net cash flows from operating activities	(2,672)	(205)	(2,211)	(1,131)
INVESTING ACTIVITIES				
Interest received	4,286	4,191	3,225	3,128
Investment in associates	(114,978)	–	(44,502)	–
Investments in subsidiaries	–	(104,424)	–	(55,056)
Increase in amounts due from subsidiaries	–	(2,427)	–	(1,089)
Net cash flows used from investing activities	(110,692)	(102,660)	(41,277)	(53,017)
FINANCING ACTIVITIES				
Proceeds from issue of share capital	–	–	2,070	2,070
Share premium less placement costs	–	–	195,481	195,481
Net cash flows used from financing activities	–	–	197,551	197,551
Net movements in cash and cash equivalents	(113,364)	(102,865)	154,063	143,403
Cash and cash equivalents at the beginning of the period	154,063	143,403	–	–
Cash and cash equivalents at 31 March	40,699	40,538	154,063	143,403
Represented by:				
Cash and short-term deposits	40,699	40,538	154,063	143,403
At 31 March	40,699	40,538	154,063	143,403

The notes on pages 24 to 38 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2008

GROUP	Note	Issued capital GBP 000s	Share premium GBP 000s	Retained earnings GBP 000s	Foreign currency translation reserve GBP 000s	Total equity GBP 000s
Shares issued on incorporation	15	–	–	–	–	–
Shares issued in the period	15	2,070	204,930	–	–	207,000
Share issue expenses		–	(9,449)	–	–	(9,449)
Share-based payment charge	22	–	–	11	–	11
Retained profit for the period		–	–	1,728	–	1,728
At 31 March 2007		2,070	195,481	1,739	–	199,290
Share-based payment charge	22	–	–	12	–	12
Grant of directors' annual share options	22	–	–	202	–	202
Retained loss for the year		–	–	(1,827)	–	(1,827)
Translation reserve – associates		–	–	–	82	82
At 31 March 2008		2,070	195,481	126	82	197,759

COMPANY	Note	Issued capital GBP 000s	Share premium GBP 000s	Retained earnings GBP 000s	Foreign currency translation reserve GBP 000s	Total equity GBP 000s
Shares issued on incorporation	15	–	–	–	–	–
Shares issued in the period	15	2,070	204,930	–	–	207,000
Share issue expenses		–	(9,449)	–	–	(9,449)
Share-based payment charge	22	–	–	11	–	11
Retained profit for the period		–	–	2,747	–	2,747
At 31 March 2007		2,070	195,481	2,758	–	200,309
Share-based payment charge	22	–	–	12	–	12
Grant of directors' annual share options	22	–	–	202	–	202
Retained profit for the year		–	–	3,142	–	3,142
At 31 March 2008		2,070	195,481	6,114	–	203,665

The notes on pages 24 to 38 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2008

1. The Company

The Company was incorporated in the Isle of Man on 11 August 2006 as a public company under the Isle of Man Companies Acts 1931 to 2004 with registered number 117470C. The Company's Ordinary Shares are traded on AIM.

The principal activity of the Company and its subsidiaries is that of investment holding.

2. Statement of compliance with IFRS

The Group and the Company's financial statements are prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"). A summary of the principal accounting policies, which have been applied consistently, is set out in note 3. The preparation of financial statements in accordance with IFRS requires the directors to make estimates and assumptions that could affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

3. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention.

In preparing these financial statements, the Group has adopted IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements – Capital Disclosures. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profit or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

(b) Standards and interpretations not yet effective

At the date of authorisation of the financial statements, the following standards and interpretation were in issue, but not yet effective. The impact of these statements on the Group's financial statements in the period of initial application is not known at this stage. These statements, where applicable, will be applied in the year when they are effective.

International Accounting Standards (IAS/IFRS)		Effective for accounting periods beginning on or after
IFRS 8	Operating segments	1/1/09
IAS 23	Amendment – borrowing costs	1/1/09
IFRIC 13	Customer loyalty programmes	1/7/08

IFRS 8 introduces the "management approach" to segment reporting, with information based on internal reports. Management is currently assessing the impact of this on the disclosures to be presented regarding segmental reporting.

The directors do not expect the adoption of the other standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

(c) Basis of preparation

The Company and the Group's consolidated financial statements have been prepared in accordance with IFRS. The consolidated financial statements are presented in pounds sterling.

(d) Basis of consolidation

The Group financial statements incorporate the net assets and liabilities of the Group at the balance sheet date and their results for the year then ended.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them are eliminated.

(e) Investment in subsidiaries

In the Company's financial statements, investments in subsidiaries are shown at cost. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount is greater than the estimated recoverable amount, the difference is charged to the income statement. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(f) Interests in associates

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting. The accounting policies of associates are adjusted where necessary to be consistent with those of the Group.

3. Accounting policies (continued)

Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less distributions received and less any impairment in value of individual investments. Cost includes fees directly attributable to the acquisition of associates, including those payable to third parties for finding and recommending the acquisition of the investment measured at the date of acquisition (see "Adviser Fees" below). The Group income statement reflects the share of the associate's results after tax, with any other changes in the Group's share of an associate's net assets being included within the consolidated statement of changes in equity.

Provided that business activities are restricted to the holding or the development of property, acquisitions of interests in property via corporate entities (including interests held by associates) are not treated as business combinations. Accordingly, no goodwill arises on such acquisitions and the cost of the entity is allocated between the individual identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding sales taxes. In particular:

- (a) Revenue from the disposal of properties is recognised on legal completion of the contract.
- (b) Where properties are under development and agreement has been reached to sell such properties when construction is complete, revenue is recognised when the significant risks and rewards of ownership and effective control of the real estate have been transferred to the buyer. In most cases the significant risks and rewards of ownership and control over the existing incomplete real estate are not transferred until the buyer obtains possession at contractual completion. If the revenue recognition criteria have been met before construction is complete, then:
 - (i) if remaining work is required to finish construction of real estate already delivered into the possession of the buyer, then an obligation is recognised for the costs to complete the construction at the same time as the sale is recognised; or
 - (ii) if the remaining work represents goods or services that are separately identifiable from the real estate already delivered to the buyer, then part of sale proceeds are allocated, based on the relative fair values of the completed and outstanding work, to the outstanding work and is recognised when the outstanding work is performed.
- (c) Rental income represents amounts in respect of operating leases where the Group is lessor. Rentals receivable under operating leases, and incentives given for lessees to enter into lease arrangements, are spread on a straight-line basis over the term of the lease, even if payments are not made on that basis.
- (d) Interest income is recognised on a time proportion basis.

(h) Adviser fees

Adviser fees in respect of executory contracts, such as fees payable under the investment advisory agreement for ongoing advisory services, are charged to the income statement as they accrue.

Adviser fees payable in respect of other services, such as the performance fees payable under the investment advisory agreement for finding and recommending investments to the Group, are recognised when the service has been provided. Performance fees are not payable until the Group exits from each investment or the agreement is terminated other than for cause.

Where such fees are directly attributable to the acquisition by the Group of an associate they are included in the cost of investment in that associate. However, any subsequent changes in the discounted estimates of the payments to be made are recognised in the income statement (see "Other financial liabilities – adviser fees" below).

(i) Properties held as inventory in the accounts of the associates

Properties intended for sale in the ordinary course of business (including properties under development) are classified as inventory on the date of their acquisition and carried at the lower of cost and net realisable value in the accounts of the associates.

Cost includes all costs of purchase, conversion and other costs incurred in bringing the properties to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Upon a change in use resulting in the transfer of a property held for sale to investment property, the property is accounted for at fair value and any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in the income statement.

Notes to the Financial Statements continued

for the year ended 31 March 2008

3. Accounting policies (continued)

(j) Investment property under construction in the accounts of the associates

Property (which includes freehold/leasehold land) that is being constructed for future use as investment property is accounted for as property, plant and equipment (and held at cost) until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in profit or loss.

(k) Borrowing costs

Borrowing costs are recognised as an expense in the period they are incurred, except to the extent they are capitalised.

Borrowing costs that are directly attributable to the development of properties are capitalised in the cost of those properties. The interest capitalised is the gross interest incurred on the specific borrowings less any investment income arising from the temporary investment of those borrowings. Interest is capitalised from the commencement of development work until the date of practical completion when the asset becomes available for occupation. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

(l) Share-based payments

The cost of equity-settled transactions with employees and directors is measured by reference to the fair value at the date on which the entitlement is granted and is recognised in the income statement, together with a corresponding increase in equity, over the vesting period.

Fair value is determined by reference to the equity instrument issued using an appropriate option pricing model where necessary. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

(m) Foreign currency translation

Each subsidiary and associate of the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the operations in India is the Indian rupee. The functional currency of the subsidiaries in Mauritius is sterling. At the reporting date, the assets and liabilities of the Company's associates are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(n) Financial instruments

Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at fair value net of directly attributable issue costs.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

3. Accounting policies (continued)

Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Other financial liabilities – adviser fees

Liabilities arising from adviser fees that are determined by amounts realised on disposal of investments, or by the occurrence of other events, are financial liabilities and are initially recognised at fair value. Fair value is determined as the directors' estimate of the present value of the future cash flows payable. Where no reliable indicators of future market conditions exist, the directors base their estimates of future cash flows on conditions in the market at the date of approval of the financial statements. The discount rate used represents the directors' estimate of the risk adjusted value of money.

After initial recognition the liability is measured at amortised cost using the effective interest rate method. The estimates of the payments to be made are reviewed at each balance sheet date and the carrying value of the liability is adjusted to reflect actual and revised estimated cash flows using the instrument's original effective interest rate. The adjustment is recognised in the income statement.

(o) Taxation

Current tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- (a) where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- (b) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- (c) deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(p) Impairment of assets

At each balance sheet date, the carrying amounts of assets are assessed to determine whether there is any indication of impairment. If such indication exists, the Group estimates the recoverable amount of the asset, being the higher of the asset's net selling price and its value in use. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense in the income statement.

(q) Related parties

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

(r) Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are initially measured at cost which includes transaction costs. Subsequent to initial recognition, they are measured as set out below:

Notes to the Financial Statements continued

for the year ended 31 March 2008

3. Accounting policies (continued)

Trade and other payables

Trade and other payables are stated at their nominal value.

Loans to subsidiaries

Loans to subsidiaries are stated at an amount disbursed net of any capital repayments, and are interest free.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash deposited with banks and bank overdrafts repayable on demand.

4. Critical accounting judgments and key sources of estimation uncertainty

Critical accounting judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, the directors have made the following judgments that have a significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The determination of the functional currency of Group companies is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered those factors therein and have determined the functional currency of the Company and the Mauritius subsidiaries to be pounds sterling and of the Indian associates to be Indian rupee.

Provision for fees payable to the investment adviser

In accordance with the accounting policy presented in note 3, the directors have made their best estimate of the amount payable to the investment adviser at the balance sheet date. In order to determine the liability, the directors have used a model to calculate the expected Internal Rate of Return ("IRR") of each project which forms the basis of the adviser fees payable. Inputs to the model are based on various assumptions including future sale proceeds, build costs, financing costs, and an appropriate discount rate.

5. Net finance income

	Group 2008	Company 2008	Group 2007 (note 24)	Company 2007 (note 24)
	GBP 000s	GBP 000s	GBP 000s	GBP 000s
Interest income on bank balances	4,286	4,191	3,225	3,128
Net finance income	4,286	4,191	3,225	3,128

6. Taxation

Isle of Man

With effect from 6 April 2006 the Corporate Income Tax rate for Isle of Man resident companies is 0%. As such, the Company's tax liability is zero. Additionally, the Isle of Man does not levy tax on capital gains.

Shareholders resident outside the Isle of Man will not suffer any income tax in the Isle of Man on any income distributions to them.

Other

The subsidiaries and associates of the Company are taxed in accordance with the applicable tax laws in the countries in which they were incorporated.

7. Segment reporting

The directors consider the Group to be operating in one geographic segment and one business segment since all investments are in India and all the operations in India are concerned with property development. Consequently no segmental disclosures are presented.

8. Administrative expenses

	Group 2008	Company 2008	Group 2007 (note 24)	Company 2007 (note 24)
	GBP 000s	GBP 000s	GBP 000s	GBP 000s
Directors' fees and expenses	80	80	31	31
Secretarial and administration	138	114	109	101
Audit fees	186	156	190	176
Investment adviser fee (note 20)	2,407	–	766	–
Other professional fees	291	291	317	28
Other expenses	201	194	45	34
Share-based payment charge	12	12	11	11
Grant of directors' annual share options	202	202	–	–
Investment adviser performance fee (note 18)	1,993	–	–	–
	5,510	1,049	1,469	381

The Company has no employees.

9. Directors' remuneration

Details of the directors' remuneration is as follows :

	2008 Basic salary per annum £000s	2008 No. of Ordinary Shares under option	2007 Basic Salary per annum £000s	2007 No. of Ordinary Shares under option
R P Chitale	30	nil	30	nil
T G Walker	30	nil	30	nil
I J Henderson	nil	300,000	nil	300,000
V Radice	nil	90,000	nil	90,000
N C Raheja	nil	nil	nil	nil
S J R Vernon	nil	nil	n/a	n/a

Total fees paid to the directors for the year ended 31 March 2008 amounted to £60,000 (2007: (note 24) £26,000).

The directors are each entitled to receive reimbursement of any expenses in relation to their appointment. Total expenses reimbursed to the directors for the year ended 31 March 2008 amounted to £14,876 (2007: (note 24) £5,000).

In addition, the following directors, on each anniversary date of their effective date of appointment, are entitled to share options over the number of Ordinary Shares calculated in accordance with the formula stated in their letters of appointment. The value of the share options granted is stated against their names below:

	Value of options GBP	Effective date of appointment
Ian Henderson	100,000	7/11/06
Vittorio Radice	30,000	7/11/06
Stephen Vernon	30,000	1/8/07

Ian Henderson and Vittorio Radice are entitled to the grant of share options for the financial year ended 31 March 2008. The value of the share options has been provided for in the financial statements. The Board at its meeting held on 5 March 2008 approved the grant of an option over 101,265 Ordinary Shares to Ian Henderson and over 30,379 Ordinary Shares to Vittorio Radice, at the average price of 98.75p per share.

Details of the terms attaching to the share options are set out in note 22.

Notes to the Financial Statements continued

for the year ended 31 March 2008

10. Investments in associates

	Group 2008	Company 2008	Group 2007 (note 24)	Company 2007 (note 24)
	GBP 000s	GBP 000s	GBP 000s	GBP 000s
Unquoted				
Balance brought forward from 1 April	85,047	—	—	—
Additions	83,087	—	76,393	—
Performance fees payable to the investment adviser (note 18)	20,628	—	8,682	—
Share of post-acquisition losses	(603)	—	(28)	—
Foreign currency translation	82	—	—	—
At 31 March	188,241	—	85,047	—

Details of the investments in associates are as follows:

Investee company	Country of incorporation	Type of shares	Cost £	% holding
Trion Properties Private Limited	India	Equity	21,179,491	40.00
		Preference ¹	2,777,645	100.00
Serene Properties Private Limited	India	Equity	35,774,656	40.00
		Preference ¹	2,800,100	100.00
Magna Warehousing and Distribution Private Limited	India	Equity	11,083,105	40.00
		Preference ¹	2,777,645	100.00
Genext Hardware and Parks Private Limited	India	Equity	17,203,358	38.80
		Preference ³	2,924,275	100.00
Sundew Properties Private Limited	India	Equity	23,066,109	39.87
		Preference ²	2,962,623	100.00
Intime Properties Private Limited	India	Equity	7,733,528	39.89
		Preference ²	2,962,623	100.00
Newfound Properties and Leasing Private Limited	India	Equity	23,300,767	38.64
		Preference ³	2,934,020	100.00

¹ The preference shares shall be redeemed at par at any time at the option of the Company, but in no event earlier than three years from the date of allotment or any such period as may be required by law and not later than seven years from the date of allotment or such other period as may be required by law. The preference shares shall, subject to availability of profits during any financial year, be entitled to nominal non cumulative dividend of INR1 per preference share per year. The preference shares shall not carry any voting rights, even if dividend on the preference shares has remained unpaid for any year or dividend has not been declared by the Company for any year.

² The preference shares shall be compulsorily converted into equity shares in one tranche at the expiry of a period of three years and ten calendar days from the date of the allotment. Out of the face value of INR100,000 of each of the preference share upon its conversion, INR10 shall be treated as the face value of each equity share and INR99,990 shall be treated as premium payable in respect of each such equity share. The preference shares shall, till the date of conversion and subject to availability of profits during any financial year, be entitled to nominal non-cumulative dividend of INR1 per preference share per year. The preference shares shall not carry any voting rights, even if dividend on the preference shares has remained unpaid for any year or dividend has not been declared by the Company for any year.

³ The preference shares shall be compulsorily converted into equity shares in one tranche at the expiry of a period of three years and ten calendar days from the date of the allotment. Out of the face value of INR1,000,000 of each of the preference shares upon its conversion, INR10 shall be treated as the face value of each equity share and INR999,990 shall be treated as premium payable in respect of each such equity share. The preference shares shall, till the date of conversion and subject to availability of profits during any financial year, be entitled to nominal non-cumulative dividend of INR1 per preference share per year. The preference shares shall not carry any voting rights, even if dividend on the preference shares has remained unpaid for any year or dividend has not been declared by the Company for any year.

The principal activity of all associates is to do business in real estate.

All associates draw up their accounts to 31 March.

10. Investments in associates (continued)

Summarised financial information extracted from the 31 March 2008 financial statements of the associates are given below:

	Magna 2008 GBP 000s	Serene 2008 GBP 000s	Trion 2008 GBP 000s
Share of the associate's balance sheet:			
Total assets	5,182	14,706	10,175
Total liabilities	2,340	10,353	7,789
Share of the associate's results:			
Total revenue	–	–	–
Loss for the year	(83)	(273)	(129)

	Genext 2008 GBP 000s	Sundew 2008 GBP 000s	Intime 2008 GBP 000s	Newfound 2008 GBP 000s
Share of the associate's balance sheet:				
Total assets	8,571	7,144	6,298	3,098
Total liabilities	4,538	3,917	3,200	714
Share of the associate's results:				
Total revenue	–	–	–	–
(Loss)/Profit for the year	(98)	3	–	(23)

Summarised financial information extracted from the 31 March 2007 financial statements of the associates are given below:

	Magna 2007 GBP 000s	Serene 2007 GBP 000s	Trion 2007 GBP 000s
Share of the associate's balance sheet:			
Total assets	3,461	6,363	4,531
Total liabilities	669	1,973	2,102
Share of the associate's results:			
Total revenue	40	–	–
Loss for the year	(4)	(3)	(21)

Notes to the Financial Statements continued

for the year ended 31 March 2008

11. Investments in subsidiaries

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
Balance brought forward	–	76,393	–	–
Additions during the period	–	83,087	–	76,393
At 31 March	–	159,480	–	76,393

Details of investments in subsidiaries are given below:

Name of subsidiaries	Country of incorporation	% holding	Principal activity	
Held by the Company				
I Holding Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
Held by I Holding Company (Mauritius) Ltd				
I-1 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
I-2 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
I-3 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
I-4 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
I-5 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
I-6 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
I-7 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares
I-8 Company (Mauritius) Ltd	Mauritius	100	Investment holding	Ordinary Shares

The registered office of each of the above subsidiary undertakings is 6th Floor, MaxCity Building, 21 Remy Ollier Street, Port Louis, Mauritius.

12. Amounts due from subsidiaries

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
Loan due from I Holding Company (Mauritius) Ltd	–	3,516	–	1,089
At 31 March	–	3,516	–	1,089

The above loan is unsecured, interest-free and has no fixed repayment terms.

13. Trade and other receivables

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
Debtors and prepayments	234	228	992	985
At 31 March	234	228	992	985

14. Cash and short-term deposits

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
Cash at bank and in hand	140	118	45	8
Short-term deposits	40,559	40,420	154,018	143,395
At 31 March	40,699	40,538	154,063	143,403

The short-term deposits are made for varying periods between one month and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The interest rate earned on short-term deposits fluctuated between 4.9% and 6.9% during the period.

15. Share capital and share premium

	Number of Ordinary Shares of £0.01 each	GBP 000s
Authorised: 31 March 2007 and 2008	400,000,000	4,000
Allotted, called up and fully paid: 31 March 2007 and 2008	207,000,000	2,070

The Company was incorporated on 11 August 2006 with an authorised share capital of £2,000 comprising 2,000 shares of £1 each. Two Ordinary Shares of £1 each were issued on incorporation.

On 7 November 2006, all of the issued and unissued Ordinary Shares of £1 each in the capital of the Company were sub-divided into 200,000 Ordinary Shares of £0.01 each and the authorised share capital of the Company was increased from £2,000 to £4,000,000 by the creation of 399,800,000 new Ordinary Shares of £0.01 each.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's assets.

Details of shares since incorporation are as follows:

	Number of shares	Nominal value £	Share premium £	Total £
Subscriber shares: 11 August 2006	2	2	–	2
Reduction and cancellation of share capital: 7 November 2006	(2)	(2)	–	(2)
Share sub-division and increase: 7 November 2006	200	2	198	200
Shares issued on listing: 24 November 2006	206,999,800	2,069,998	195,480,802*	197,550,800
As at 31 March 2007 and 2008	207,000,000	2,070,000	195,481,000	197,551,000

*net of share issue expenses of £9,449,000.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board manages the Group's affairs to achieve shareholder returns through capital growth rather than income, and monitors the achievement of this through growth in net asset value per share.

Gearing may be employed by the Group with the aim of enhancing shareholder returns. This is in the form of bank borrowings, secured on specific investment properties, taken on by the Company's associates.

Group capital comprises share capital, share premium and reserves.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements continued

for the year ended 31 March 2008

16. (Loss)/earnings per share

Basic and diluted (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to the equity shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the year.

Diluted (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year, plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
(Loss)/profit attributable to equity holders of the Company (GBP thousands)	(1,827)	3,142	1,728	2,747
Weighted average of number of Ordinary Shares in issue (thousands)	207,000	207,000	113,717	113,717
Dilution in respect of employee share option schemes (thousands)	–	136	1	1
Weighted average number of Ordinary Shares in issue (diluted) (thousands)	207,000	207,136	113,718	113,718
Basic (loss)/earnings per share (pence)	(0.88)	1.52	1.52	2.42
Diluted (loss)/earnings per share (pence)	(0.88)	1.52	1.52	2.42

17. Trade and other payables

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
Amounts due to I Holding Company (Mauritius) Ltd.	–	–	–	21,337
Amounts due to related parties	–	–	31,891	–
Amounts due to other creditors	40	25	–	5
Accruals	72	72	239	219
At 31 March	112	97	32,130	21,561

Amounts due to related parties and amounts due to I Holding Company (Mauritius) Ltd as at 31 March 2007 represented the amounts payable for the purchase of the remaining equity in Serene Properties Private Limited and Magna Warehousing and Distribution Private Limited to increase the Group's investment to 40%.

18. Financial liabilities

	Group 2008 GBP 000s	Company 2008 GBP 000s	Group 2007 GBP 000s	Company 2007 GBP 000s
Investment adviser performance fees	31,303	–	8,682	–
At 31 March	31,303	–	8,682	–

The provision for performance fees payable to the investment adviser represents the directors estimate of the present value of the future cash flows payable, discounted using the directors' estimate of the risk adjusted value of money. These fees are considered to be directly attributable to the acquisition by the Group of its investment in its associates and the amount provided on initial recognition has been included in the cost of the Group's investment in associates (see note 10).

Subsequent to initial recognition, any adjustment is recognised in the income statement. The amount of such adjustment for the year ended 31 March 2008 was £1,993,000 (2007: (note 24) £nil). Details of the agreement are disclosed in note 20.

19. Financial instruments

The Group's activities expose it to a variety of financial risks: market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk.

Market price risk

The Company's strategy on the management of market price risk is driven by the Company's investment objective. The Company has been established to invest in the real estate development in India. The main objective of the Company is to provide shareholders with capital growth.

The Group is exposed to property price and property rental risk. The Group is not exposed to the market price risk with respect to financial instruments as it does not hold any equity securities.

Foreign exchange risk

The Group's operations are conducted in India, via its associates, which generate revenue, expenses, assets and liabilities in Indian rupees, not the Company's functional currency (GBP). As a result, the Group is subject to the effects of exchange rate fluctuations with respect to the Indian rupee.

The Group's policy is not to enter into any currency hedging transactions.

At the reporting date the Group had the following exposure in terms of net assets:

	31 March 2008 % of net assets
Currency	
UK sterling	20
Indian rupees	80

If the Indian rupee appreciated/depreciated by 5% against sterling the effect on net assets would be to increase/decrease net assets by £7,944,000.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	31 March 2008 000s	31 March 2007 000s
Currency		
UK sterling	234	992
Indian rupees	40,699	154,063
	40,933	155,055

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Management does not expect any counterparty to fail to meet its obligations. No financial assets were impaired as at 31 March 2008 or 31 March 2007.

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash balances.

The Group's liquidity position is monitored by the investment manager and the Board of Directors.

Notes to the Financial Statements continued

for the year ended 31 March 2008

19. Financial instruments (continued)

Residual undiscounted contractual maturities of financial liabilities:

Year ended 31 March 2008

	Less than 1 month GBP 000s	1–3 months GBP 000s	3 months to 1 year GBP 000s	1–5 years GBP 000s	Over 5 years GBP 000s
Financial liabilities					
Trade and other payables	83	14	15	–	–
Adviser fees	–	–	–	57,130	–
	83	14	15	57,130	–

Year ended 31 March 2007

	Less than 1 month GBP 000s	1–3 months GBP 000s	3 months to 1 year GBP 000s	1–5 years GBP 000s	Over 5 years GBP 000s
Financial liabilities					
Trade and other payables	26,307	5,807	15	–	–
Adviser fees	–	–	–	23,489	–
	26,307	5,807	15	23,489	–

Interest rate risk

The Group is exposed to interest rate risk via cash balances, which are invested at short-term market interest rates.

The weighted average interest rate on cash balances as at 31 March 2008 was 5.70% (31 March 2007: 5.33%). Cash balances comprise short-term deposits which mature as follows:

	31 March 2008 cash balances GBP 000s	31 March 2007 cash balances GBP 000s
Less than 1 month	1,379	20,045
1–3 months	39,320	134,018
3 months to 1 year	–	–
	40,699	154,063

In addition, the financial liability regarding investment adviser fees is measured initially at fair value and then at amortised cost using the effective interest rate method.

The effective interest rate on the financial liability is the discount rate used in the calculation of the net present value of the future liabilities, which is 25%.

20. Related party transactions

Terms and conditions of transactions with subsidiaries

At the balance sheet date there was a £3.516 million (2007: £1.089 million) amount due from the Company's subsidiary, I Holding Company (Mauritius) Limited ("I Holdings"). This loan is unsecured, interest-free and has no fixed repayment terms. There are other inter-company loans between I Holdings and the Mauritian sub-subsidiary holding companies ("Mauritian SPVs") outstanding at 31 March 2008 which are eliminated on consolidation and are not disclosed in these accounts.

Investment adviser fees

The investment adviser is entitled to a performance fee in respect of each Mauritian SPV which is designed to encourage the investment adviser to seek the highest returns on the underlying projects. Pursuant to the performance fee arrangements, if the Mauritian SPVs achieve an SPV level IRR in respect of the partial or total realisation of an investment in excess of 10%, then the investment adviser will be entitled to a performance fee of 20% of the realised proceeds which exceeds the proceeds required to achieve a 10% SPV level IRR (with such participation increasing to 30% for that portion of the realised proceeds from an investment which exceeds the proceeds required to achieve a 20% SPV level IRR). The fair value of the total performance fee payable to the investment adviser at 31 March 2008 is £31.303 million (2007: £8.682 million).

In addition, the annual base fee paid to the investment adviser for the year in accordance with the terms of the agreement is £2,402,304 (2007: £765,552). The annual base fee is calculated on a quarterly basis based on the agreed formula of 2% on committed capital less an allowance of £150,000 pro rated per quarter less a further deduction of £500,000 pro rated per quarter up to 31 December 2007.

Directors' interests

Neel Raheja is a shareholder and director of various K Raheja Corp entities. These entities include the Indian Investment Vehicles, which are 40% owned by the Company, the K Raheja entities which have sold shares in the Indian Investment Vehicles to the Company and K Raheja Services Private Limited which is contracted to provide services to the Indian Investment Vehicles.

The amount paid by the Indian Investment Vehicles to K Raheja Services Private Limited during the year was £4.034 million (2007: (note 24) £0.929 million). Neel Raheja indirectly co-owns the investment adviser, Neerav Investment Advisory Services.

During the year, an amount of £9.573 million was paid to K Raheja Corp entities in relation to the purchase of 2,596 Ordinary Shares in Genext Hardware and Parks Private Limited, £17.865 million for the purchase of 336,181 Ordinary Shares in Sundew Properties Private Limited, £3.076 million for the purchase of 204,710 Ordinary Shares in Intime Properties Private Limited and £20.043 million for the purchase of 3,517 Ordinary Shares in Newfound Properties and Leasing Private Limited. During 2007, the amounts paid to certain K Raheja entities for shares in the Indian Investment Vehicles were as follows: £16.498 million for 7,871 Ordinary Shares in Trion Properties Private Limited, £26.098 million for 16,365 Ordinary Shares in Serene Properties Private Limited and £5.793 million for 12,953 Ordinary Shares in Magna Warehousing and Distribution Private Limited.

Information on directors' emoluments and share options is given in note 9. The Company and Group has no employees, so there is no disclosure of key management compensation.

Notes to the Financial Statements continued

for the year ended 31 March 2008

21. Holding and ultimate holding company

Ishaan Real Estate plc, is the holding and ultimate parent company of the Group.

22. Share-based payments

In November 2006, 390,000 share options were granted to directors under the “IPO option plan” and remain outstanding at the year end. The exercise price of the options is equal to the market price of the shares on the date of grant. The options vest within three years from date of grant. The fair value of the options granted is estimated at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The weighted average contractual life of each option granted is 10 years. There are no cash settlement options. The IPO options will generally become exercisable at the third anniversary of their date of grant (“exercise date”), and are not subject to the satisfaction of performance targets. The IPO options may not be exercised under any circumstances following the 10th anniversary of grant. The fair value of options granted during the year ended 31 March 2008 was estimated on the date of grant using the following assumptions:

	2008	2007
Dividend yield (%)	–	–
Expected volatility (%)	16.12	17.32
Risk-free interest rate (%)	4.96	5.81
Expected life (years)	3	3
Weighted average share price (GBP)	1.01	1.06

The expected volatility assumption reflects the assumption that the historical volatility is indicative of future trends which may not necessarily be the actual outcome.

The charge recognised in the share-based equity reserve was £11,778 (2007: (note 24) £11,216).

Three of the directors, Ian Henderson, Vittorio Radice and Stephen Vernon are entitled to receive a grant of annual share options. The options are exercisable immediately and have an exercise price of £0.01. Each is entitled to receive an agreed value of shares per annum following the first anniversary of their effective dates as follows:

	Value of options GBP	Effective date
Ian Henderson	100,000	7/11/06
Vittorio Radice	30,000	7/11/06
Stephen Vernon	30,000	1/8/07

The charge recognised during the year ended 31 March 2008 was as follows:

	2008 GBP 000s	2007 GBP 000s
Ian Henderson	140	–
Vittorio Radice	42	–
Stephen Vernon	20	–
Balance carried forward	202	–

This charge has been recognised in the share-based equity reserve.

23. Post-balance sheet events

There have been no material post-balance sheet events which would require disclosure or adjustment to the 31 March 2008 financial statements.

24. Comparative period

The comparative figures are for the period from 11 August 2006 (date of incorporation) to 31 March 2007.

Notes

Notes

Corporate Information

Directors

Ian James Henderson (Chairman)
Neel Chandru Raheja
Rajendra Prabhakar Chitale
Stephen John Roland Vernon
Timothy Graham Walker
Vittorio Radice

Company Secretary

Anne Elizabeth Couper Woods

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