

Eredene Capital Limited

Annual Report and Financial Statements

Year ended 31 March 2016

Company number 05330839

Eredene Capital Limited

Annual report and financial statements for the year ended 31 March 2016

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Eredene Capital Limited

Corporate Information

Directors

R Shukla (Chairman)

R D Sellers (Appointed 6 August 2015)

D D S Robertson (Resigned 6 August 2015)

The Hon C W Cayzer (Resigned 6 August 2015)

Investment manager, Secretary and Registered office

Ocean Dial Asset Management Limited

14 Buckingham Street

London WC2N 6DF

Independent auditors

Kingston Smith LLP

60 Goswell Road

London EC1M 7AD

Legal advisers

Charles Russell Speechlys LLP

5 Fleet Place

London EC4M 7RD

Company number

05330839

Website

www.eredene.com

Eredene Capital Limited

Strategic Report (including the Investment manager's report) for the year ended 31 March 2016

The Company

Eredene Capital Limited (the "Company") was registered in England and Wales on 12 January 2005 as a closed-ended investment company listed on AIM of the London Stock Exchange. On 10 December 2014 the Board requested the cancellation of the admission of the Company's ordinary shares for trading on AIM and thereafter re-registered the Company as a private limited company. Subsequently the Company's ordinary shares can be bought and sold via a quarterly auction on the Asset Match regulated platform.

The Company has seven wholly owned Mauritian holding company subsidiaries; two in voluntary liquidation, one which holds Redeemable Preferences Shares in an investment company sold last year, and five which have a wholly owned Mauritian subsidiary; one of which acts as an investment holding company for an investment in the Company's portfolio, and one which is in voluntary liquidation.

The Company also has one wholly owned Indian subsidiary, Eredene Capital Advisors Private Limited, which provided independent investment advisory services to the Eredene Group until 31 March 2015 when it ceased trading. It is expected this subsidiary will be liquidated by the end of the calendar year.

Principal activities, investing policy and future developments

The Company was an equity investor in Indian infrastructure operating companies and holds its investments as part of an investment portfolio. It has no restrictions or maximum exposure limits on its investments. Currently the Company does not envisage making further investments in new projects and has concentrated on extracting maximum value from the existing portfolio and returning cash to shareholders.

Review of the business and net asset value

A detailed review of business and the performance of the investment portfolio are provided in the investment manager's report below.

As at 31 March 2016, the net asset value ("NAV") attributable to equity shareholders was £18.4m (2015: £24.0m), representing 8.51p per share (2015: 11.07p per share).

Principal risks and uncertainties including financial risk management

The execution of the current strategy is subject to a number of risks and uncertainties which include:

- Investment in India is subject to a number of Government rules and regulations governing foreign investment and taxation and changes in those rules may adversely affect the Group's investments. The Group monitors this risk by seeking advice from specialist lawyers and tax advisors in India and by structuring its investments accordingly.
- The Group places its funds with financial institutions and so is exposed to credit risk. The Group manages that risk by placing funds primarily with institutions with a Standard & Poors credit rating of A- or higher or which are Government owned.
- The Group invests in Indian companies and the fair value and held for sale value of those investments is denominated in Indian Rupees. A movement in foreign exchange rates would affect the carrying value of those investments and the unrealised gain or loss.
- The Group's investee companies are, in certain cases, dependent on bank financing and that financing may be difficult to obtain or renew on acceptable commercial terms.
- The Company is subject to the UK Bribery Act 2010 and operates in a jurisdiction which has a higher perceived risk of corruption. The Company has adopted an Anti-Corruption and Bribery policy following consultation with its lawyers and taken appropriate measures to ensure that it has effective procedures in place to prevent corruption and bribery. This policy and the procedures underpinning it have been communicated to all directors, officers, employees and agents of the Company.

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

Eredene Capital Limited

Strategic Report (including the Investment manager's report) for the year ended 31 March 2016

INVESTMENT MANAGER'S REPORT

The strategy of extracting and realising maximum value from the investment portfolio so as to return cash to shareholders has continued during, and after, the financial year, realising £6.8m in cash from the sale of three investments, details of which are summarised below in "Sales during the year" and "Sales since the year end", the latter which were held at "held for sale" values at 31 March 2016.

The Group is also in advanced negotiations to sell its stake in MJ Logistics Services, the warehousing and third party logistics business located in the Delhi region, exclusive of approximately 15.5 acres of industrial land it owns in Roorkee, Uttarakhand. This investment, including the land, is held at a value "held for sale" at 31 March 2016 of £7.7m (2015: fair value of £9.4m).

Two **investments held at fair value** remain in the portfolio:

1. **Contrans Logistic's** Pipavav CFS in Gujarat in Northwest India and a 128 acre greenfield site at Baroda in central Gujarat have a combined fair value of £4.4m at 31 March 2016. Pipavav CFS remains operational and profitable and the land at Baroda has planning permission to develop a rail and road Inland Container Depot (ICD) on the busy Delhi-Mumbai freight corridor. The Company continues to renew commercial permissions for this land in a phased manner and seek buyers.
2. Real estate projects, **Matheran Realty and Gopi Resorts**, were sold in July 2014. However, subject to the future profitability of these real estate projects, a further INR200.0m is expected to be received for this sale by the redemption of Redeemable Preference Shares (RPS) with a maturity of three years ending on 18 September 2017. Given the current development stage of these projects and uncertainty over their future cash flows, the RPS remain valued at the nominal amount of £1 as at 31 March 2016.

Sales during the year

In June 2015 the 50% stake in **Apeejay Infra-Logistics**, which operated two logistics parks at Haldia and Kalinganagar in East India, was sold for £0.8m in cash which was its value held for sale at 31 March 2015.

In October 2015, 11.5% of the Company's 14.5% stake in **Sattva CFS & Logistics**, the container logistics business located in Chennai, was sold for £0.8m in cash, compared to its proportionate fair value at 31 March 2015 of £0.9m.

Sales since the year end

In May 2016 the 79% stake in **Sattva Conware's** container freight station (CFS) at Vichoor, a joint investment with the Sattva Business Group in Tamil Nadu, was sold for £4.8m in cash, compared to the value held for sale at 31 March 2016 of £4.5m (2015: £5.7m).

In July 2016 the remaining 16% stake in **Sattva CFS & Logistics**, the container logistics business located in Chennai, was sold for £0.4m in cash, compared to the value held for sale at 31 March 2016 of £0.3m (2015: proportionate fair value of £0.4m).

Portfolio summary

Contrans Logistic

Fair value as at 31 March 2016	£4.4m
Amount invested in total to 31 March 2016	£5.7m
Ownership stake at 31 March 2016	44%
Website	www.contrans.in

Eredene Capital Limited

Strategic Report (including the Investment manager's report) for the year ended 31 March 2016

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

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

Outlook

The Company had cash of £1.8m on the balance sheet at 31 March 2016, which has increased to £6.8m at 31 August 2016. In line with the Company's stated strategy, further capital returns to shareholders will be made at the appropriate time whilst retaining adequate working capital. An orderly process of realising remaining investments in India will continue.

Approval

This strategic report was approved by the board and signed on its behalf by:

R D Sellers
Director

5 September 2016

Eredene Capital Limited

Report of the directors for the year ended 31 March 2016

The directors present their report together with the audited financial statements for the year ended 31 March 2016.

Results and dividends

The performance of the Group during the year is discussed in the strategic report (including the investment manager's report) on pages 3 to 5.

The results for the year are set out in the consolidated statement of comprehensive income on page 11. The directors do not recommend the payment of a dividend (2015: Nil).

Directors

The directors of the Company during the period were:

R Shukla
R D Sellers (Appointed 6 August 2015)
D S Robertson (Resigned 6 August 2015)
The Hon C W Cayzer (Resigned 6 August 2015)

Indemnity provisions for directors

The Articles of Association provide that subject to the provisions of the Companies Acts but without prejudice to any indemnity for which a director may otherwise be entitled, every director or other officer or auditor of the Company, or a director of any associated company, shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution or discharge of his duties or the exercise of his powers or otherwise in relation thereto, including (but without limitation) any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

Directors and Officers liability insurance cover is maintained by the Company, at its expense, on behalf of the directors of the Company, its subsidiaries and persons appointed a director of an investee company at the request of the Company.

Employees

The Company and the Group had no employees as at 31 March 2016 as operational and investment management was outsourced to an independent specialist manager in December 2013.

Disclosure of the number of employees, including directors, during the year and the remuneration is set out in note 3.

Going concern

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

Auditors

The auditors, Kingston Smith LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Eredene Capital Limited

Report of the directors for the year ended 31 March 2016

Statement as to Disclosure of Information to Auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the group's auditors are unaware, and
- the directors have taken all the necessary steps that they ought to have taken as directors in order make themselves aware of all relevant information and to establish that the group's auditors are aware of that information.

By order of the Board

R Sellers
Director

5 September 2016

Eredene Capital Limited

Statement of directors' responsibilities for the year ended 31 March 2016

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and the financial performances and cash flows of the group 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 accounting estimates that are reasonable and prudent;
- state whether in the preparation of the group financial statements, the group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- state whether the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Eredene Capital Limited

Report of the independent auditors to the members of Eredene Capital Limited

Independent Auditors' Report To The Members of Eredene Capital Limited

We have audited the financial statements of Eredene Capital Limited for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Eredene Capital Limited

Report of the independent auditors

Matters on which we are required to report by exception

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the parent company financial statements of Eredene Capital Limited for the year ended 31 March 2016.

Thomas Moore (senior statutory auditor)
For and on behalf of Kingston Smith LLP, statutory auditor
Devonshire House
60 Goswell Road
London
United Kingdom
EC1M 7AD

5 September 2016

Eredene Capital Limited

Consolidated Statement of Comprehensive Income for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Portfolio return and revenue			
Realised losses over fair value on disposal of investments		(124)	(302)
Unrealised adjustments on the revaluation of investments	10	(4,771)	684
Other portfolio income		1	11
		<u>(4,894)</u>	<u>393</u>
Operating expenses		(645)	(984)
Loss on foreign currency transactions		-	(7)
Finance income	5	-	6
		<u>(645)</u>	<u>(984)</u>
Loss before taxation on continuing operations	2	(5,539)	(592)
Loss on discontinued operations		-	(296)
		<u>(5,539)</u>	<u>(888)</u>
Loss before taxation	6	(5,539)	(888)
Taxation		(2)	(4)
		<u>(5,541)</u>	<u>(892)</u>
Loss for the year		(5,541)	(892)
Other comprehensive (losses) / income:			
Exchange differences on translating foreign operations		(1)	5
		<u>(1)</u>	<u>5</u>
Total comprehensive loss for the period		<u>(5,542)</u>	<u>(887)</u>

The notes on pages 15 to 34 form part of these financial statements.

Eredene Capital Limited

Consolidated Statement of Financial Position at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Non-Current Assets			
Property, plant and equipment	7	-	-
Intangible assets	8	-	-
Investments held at fair value through profit and loss	10	4,425	22,108
Other receivables	11	5	6
		<u>4,430</u>	<u>22,114</u>
Current Assets			
Trade and other receivables	11	21	45
Cash and cash equivalents		1,803	1,439
		<u>1,824</u>	<u>1,484</u>
Non-current assets held for sale	12	12,575	838
Total Assets		<u>18,829</u>	<u>24,436</u>
Current Liabilities			
Trade and other payables	13	(78)	(143)
Provisions	15	(310)	(310)
		<u>(388)</u>	<u>(453)</u>
TOTAL NET ASSETS		<u>18,441</u>	<u>23,983</u>
Equity			
Share capital	16	21,662	21,662
Special reserve		30,676	30,676
Capital redemption reserve		2,954	2,954
Translation reserve		(45)	(44)
Other reserves		997	997
Retained deficit		(37,803)	(32,262)
TOTAL EQUITY		<u>18,441</u>	<u>23,983</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2016.

R D Sellers
Director
Company No. 05330839

The notes on pages 15 to 34 form part of these financial statements.

Eredene Capital Limited

Consolidated Statement of Changes in Equity for the year ended 31 March 2016

	Share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Foreign exchange reserve £'000	Retained deficit £'000	Share holders equity £'000
Year ended 31 March 2016							
As at 1 April 2015	21,662	30,676	2,954	997	(44)	(32,262)	23,983
Loss for the year	-	-	-	-	-	(5,541)	(5,542)
Other comprehensive income for the year	-	-	-	-	(1)	-	(1)
Total comprehensive income for the year	-	-	-	-	(1)	(5,541)	(5,543)
As at 31 March 2016	21,662	30,676	2,954	997	(45)	(37,803)	18,441
Year ended 31 March 2015							
As at 1 April 2014	24,616	33,630	-	997	(49)	(31,370)	27,824
Loss for the year	-	-	-	-	-	(892)	(892)
Other comprehensive income for the year	-	-	-	-	5	-	5
Total comprehensive income for the year	-	-	-	-	5	(892)	(887)
Purchase and cancellation of treasury shares	(2,954)	(2,954)	2,954	-	-	-	(2,954)
As at 31 March 2015	21,662	30,676	2,954	997	(44)	(32,262)	23,983

The notes on pages 15 to 34 form part of these financial statements.

Eredene Capital Limited

Consolidated Statement of Cash Flows for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Cash flow from operating activities			
Loss before taxation		(5,539)	(888)
Adjustments for:			
Other portfolio income		(1)	(11)
Realised losses over fair value on disposal of investments		124	302
Changes in the fair value of investments		4,771	(684)
Depreciation and amortisation		-	10
Decrease in trade and other receivables		24	24
Decrease in trade and other payables		(65)	(154)
Taxation paid		(2)	(4)
Net cash used in operating activities		<u>(687)</u>	<u>(1,405)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(1)
Purchase of investments		(577)	(603)
Disposal of investments (net of cash)		1,628	4,875
Dividends received		-	11
Net cash used in investing activities		<u>1,051</u>	<u>4,282</u>
Cash flows from financing activities			
Purchase of treasury shares		-	(2,954)
Net cash used in financing activities		<u>-</u>	<u>(2,954)</u>
Net increase/(decrease) in cash and cash equivalents			
		363	(77)
Cash and cash equivalents at the beginning of the period			
		1,439	1,516
Exchange losses		1	-
Cash and cash equivalents at the end of the period	19	<u><u>1,803</u></u>	<u><u>1,439</u></u>

The notes on pages 15 to 34 form part of these financial statements.

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

1. Accounting policies

Eredene Capital Limited (the “Company”) is a company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Group for the year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the “Group”).

A. Going Concern

The directors have considered the appropriateness of preparing the accounts on a going concern basis in light of the decision to realise the Group’s investments in an orderly fashion (further details are given in the investment policy on page 4). There is no certainty over the timeframe over which the investments will be realised and the directors believe that the business will be able to realise its assets and discharge its liabilities in the normal course of business for at least 12 months from the date of the approval of these financial statements.

The directors therefore, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and so it remains appropriate to prepare the financial statements on a going concern basis.

B. Basis of preparation

The financial statements are presented in Sterling, the functional currency of the Company, rounded to the nearest thousand pounds (£000) except where otherwise indicated. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

The following IFRS have been issued but have not been applied by the group in preparing these financial statements as they are not as yet effective. The group intends to adopt these Standards when they become effective, rather than adopt them early.

- IFRS 9, ‘Financial Instruments’
- IFRS 15, ‘Revenue from Contracts with Customers’
- IFRS 16, ‘Leases’
- IFRS 11 (amendments), ‘Accounting for Acquisitions of Interests in Joint Operations’
- IAS 1 (amendments), ‘Disclosure Initiative’
- IAS 16 and IAS 41 (amendments), ‘Clarification of Acceptable Methods of Depreciation and Amortisation’
- IAS 16 and IAS 41 (amendments), ‘Agriculture: Bearer Plants’
- IAS 27 (amendments), ‘Equity Method in Separate Financial Statements’
- IFRS 10 and IAS 28 (amendments), ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’
- IFRS 10, IFRS 12 and IAS 28 (amendments), ‘Investment Entities: Applying the Consolidation Exemption’
- Annual Improvements to IFRSs: 2012-2014 – various clarifications

Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities at fair value through profit and loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees continue to be consolidated unless they are also investment entities. The criteria which define an investment entity are currently as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
 - An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;
-

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

1. Accounting Policies (continued)

- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's annual and interim accounts clearly state its objective of investing directly into portfolio investments for the purpose of generating returns in the form of capital appreciation. The Group has always reported its investment in portfolio investments at fair value. It also produces reports for investors of the funds it manages and its internal management report on a fair value basis.

The Board has concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties. The Board has also concluded that the Company therefore meets the definition of an investment entity. These conclusions will be reassessed on an annual basis for changes in any of these criteria or characteristics.

Use of estimates and judgements

The preparation of the Group's financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

Accounting for investments

The most significant estimates relate to the fair valuation of the investment portfolio.

The Group's investments held at fair value through profit or loss are valued based on the International Private Equity and Venture Capital Guidelines. An independent valuer, Bhuta Shah & Co LLP, was engaged to value the investments under those Guidelines. Valuations are made based on market conditions and information about the investment. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g interest rates, volatility and estimated cash flows). See notes 9 and 10 for details of the valuation methodologies employed.

The determination of fair value for an unlisted investment requires the use of estimates and assumptions. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

C. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
 - Exposure, or rights, to variable returns from its involvement with the investee; and
 - The ability to use its power over the investee to affect its returns.
-

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

1. Accounting Policies (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Most of the Group's interests in subsidiaries are recognised as fair value through profit or loss, and measured at fair value. Eredene Capital Advisors Private Limited, which provides investment advisory services, is not classified at fair value through profit and loss and continues to be consolidated. The Group also continues to consolidate the holding companies in Mauritius through which the investments are held.

The results for the discontinued operations carried out by group subsidiaries have been presented separately in the consolidated statement of comprehensive income in accordance with IFRS 5.

D. Impairment of intangible assets (including goodwill)

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

E. Property, plant and equipment

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

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

F. Financial assets

Investments held at fair value through profit or loss

Investments in which the Group has a long-term interest and over whose operating and financial policies it exerts significant influence, but which are held as part of an investment portfolio, the value of which is through their marketable value as part of a basket of investments, are not regarded as joint ventures or associated undertakings. The treatment adopted is in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and the exemptions applying to venture capital organisations in IAS 28 'Investments in Associates' and IFRS 11 – "Joint arrangements"

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

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

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

1. Accounting Policies (continued)

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

In the current year, the controlling stake in MJ Logistics, Sattva Conware and Sattva CFS have been classified as held for sale as they fulfilled the criteria.

Loans and receivables

- Other receivables are recognised and carried at amortised cost less an allowance for any uncollectible amounts. Unless otherwise indicated, the carrying amount of the Group's financial assets are a reasonable approximation to their fair value.
- Cash and cash equivalents comprise cash at bank and in hand and short term deposits of less than three months maturity.

Financial liabilities held at amortised cost

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

G. Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the reporting date. Any differences are taken to the profit or loss.

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

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

H. Portfolio return and revenue

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

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

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

1. Accounting Policies (continued)

I. Share-based payments

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

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

J. Deferred tax

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

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

K. Pension costs

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

L. National Insurance on share options

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

M. Operating leases

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

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

2. Operating loss

Group operating loss for the year is stated after charging the following:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Depreciation of tangible fixed assets	-	10
Foreign exchange losses	4	7
Auditors' remuneration		
- parent company audit services	17	17
- subsidiary company audit services	17	16
- non-audit services		
- tax advisory	-	2
- accounts preparation	-	13

3. Employees

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Staff costs consist of:		
Wages and salaries	61	465
Social security costs	6	26
Other pension costs	-	1
	<u>67</u>	<u>492</u>

The average number of employees, including directors, employed by the group during the year was:

	Year ended 31 March 2016	Year ended 31 March 2015
Management and administration	<u>1</u>	<u>3</u>

4. Directors' emoluments

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Directors' emoluments	61	113
Social security costs	6	26
Contributions to directors' money purchase pension schemes	-	1
	<u>67</u>	<u>140</u>

The directors are considered to be the key management personnel. The highest paid director's emoluments totalled £27,000 (2015: £58,000).

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

5. Finance income

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Interest receivable on bank deposits	-	6

6. Taxation

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Recognised in the income statement:		
<i>Current tax expense</i>		
Corporate income tax	2	4

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Loss on ordinary activities before tax	(5,539)	(888)
Loss on ordinary activities at the standard rate of Corporation tax in the UK for the period of 20% (2015: 21%)	(1,108)	(186)
Effects of:		
Expenses / (income) not deductible for tax purposes	1,003	(357)
Depreciation less than capital allowances	-	(1)
Non-taxable (gains)/losses on investments	-	299
Non-UK recoverable overseas losses	20	115
Tax losses carried forward	87	134
Tax charge for period	2	4

Deferred tax

No deferred tax asset has been recognised on unutilised taxable losses due to lack of certainty that taxable profits will be available against which deductible temporary differences can be utilised. The unutilised tax losses carried forward are £10.7m (2015: £9.0m).

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

7. Property, plant and equipment

Net book value at 31 March 2016

The Group has not held any property, plant and equipment during the year.

Year ending 31 March 2015	Fixtures & fittings	IT	Motor vehicles	Office equipment	Total
Cost					
At 1 April 2014	4	4	10	1	19
Additions	-	1	-	-	1
Disposals	(4)	(5)	(10)	(1)	(20)
Exchange differences	-	-	-	-	-
At 31 March 2015	-	-	-	-	-
Depreciation					
At 1 April 2014	2	1	3	-	6
Provided for in the period	3	1	5	1	10
Disposals	(5)	(2)	(8)	(1)	(16)
At 31 March 2015	-	-	-	-	-
Net book value at 31 March 2015	-	-	-	-	-

8. Intangible assets

Year ending 31 March 2016	Acquired Intangible Asset £'000
Cost	
At 1 April 2015	245
Exchange differences	-
At 31 March 2016	245
Aggregate amortisation and impairment	
At 1 April 2015	245
Amortisation charge for period	-
At 31 March 2016	245
Net book value at 31 March 2016	-
Year ending 31 March 2015	
Cost	
At 1 April 2014	245
Exchange differences	-
At 31 March 2015	245
Aggregate amortisation and impairment	
At 1 April 2014	245
Amortisation charge for period	-
At 31 March 2015	245
Net book value At 31 March 2015	-

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

8. Intangible assets (continued)

Acquired intangible asset

In June 2007 Eredene acquired Aboyne Mauritius Limited for the sum of £245,000. The assets acquired by Eredene were a deal pipeline of potential projects. Previously, the pipeline of investments has been amortised over the period of 10 years. However, in 2014 the Board concluded there was no longer any value in the pipeline and the asset was impaired to £nil.

9. Investment portfolio

In accordance with IFRS 10, the proportion of the investment portfolio held by the Group's unconsolidated subsidiaries is presented as part of 'investments held at fair value through profit and loss'. A reconciliation of the fair value of investments through profit and loss is shown below:

Non-Current	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Opening book value	22,108	26,832
Additions	577	603
Disposals	(914)	(5,173)
Transfer to assets classified as held for sale	(12,575)	(838)
Fair value movement on investments held at fair value through profit and loss	(4,771)	684
Closing book value	4,425	22,108

All investments are unquoted investments. The expected holding period of Eredene's investment portfolio is on average greater than one year. For this reason the portfolio is classified as non-current. It is not possible to identify with certainty investments that will be sold within one year.

Fair value hierarchy

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

Level	Fair value input decisions	Financial instruments
Level 1	Quoted prices (unadjusted) from active market	Quoted equity instruments
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from price)	
Level 3	Inputs that are not based on observable market data - Unquoted equity instruments and loan instrument	Inputs that are not based on observable market data - Unquoted equity instruments and loan instrument

Unquoted equity instruments and debt instruments are measured in accordance with the International Private Equity and Venture Capital valuation guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments and debt instruments can be found in note 10.

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

9. Investment portfolio (continued)

The Group's investment portfolio for equity instruments is classified by the fair value hierarchy as follows:

Group	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2015	-	-	22,108	22,108
2016	-	-	4,425	4,425

This disclosure only relates to the directly held investment portfolio.

Level 3 fair value reconciliation

All investments held by the Group are unquoted; therefore refer to the table at the start of Note 10 for a reconciliation.

Unquoted investments valued using Level 3 inputs also had the following impact on the Statement of comprehensive income; realised losses over value on disposal of investment of £124,000 (2015: £302,000) and dividend income of £1,000 (2015: £11,000)

Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in the Note 10. A reasonable alternative assumption would be to apply a standard marketability discount of 10% as opposed to 15% for all assets rather than the specific approach adopted. This would have a positive impact on the directly held unquoted investment portfolio of £0.26m (2015: £1.3m).

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

10. Investments held at fair value through profit or loss

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

	Class of shares held	Net Assets/ (Liabilities) £'000	Profit/ (loss) before tax £'000	Date of financial statements	% held 31 March 2016	% held 31 March 2015
Contrans Logistic	Ord.	6,233	95	31-Mar-16	44.0%	44.0%

Details of the Company's subsidiaries are provided in note 3 to the Company financial statements.

At 31 March 2016 the cost and valuation of the Group's investments was as follows:

	Historical cost at 31/3/16 £'000	Prior periods Fair Value adjustments £'000	Additions £'000	Fair value adjustment on shares disposed £'000	Fair Value adjustments 1/4/15 – 31/3/16 £'000	Fair value at 31/3/16 £'000
Contrans Logistic	5,687	3	-	-	(1,265)	4,425

At 31 March 2015 the cost and valuation of the Group's investments was as follows:

	Historical cost at 31/3/15 £'000	Prior periods Fair Value adjustments £'000	Additions £'000	Fair value adjustment on shares disposed £'000	Fair Value adjustments 1/4/14 – 31/3/15 £'000	Fair value at 31/3/15 £'000
Contrans Logistic	5,687	(171)	-	-	174	5,690
Gopi Resorts	2,542	(1,551)	-	(991)	-	-
Matheran Realty	13,553	(11,330)	220	(2,443)	-	-
MJ Logistic Services	11,001	(2,294)	-	-	703	9,410
Sattva CFS & Logistics	697	2,349	-	(1,739)	(36)	1,271
Sattva Conware	4,177	1,422	383	-	(245)	5,737
	37,657	(11,575)	603	(5,173)	596	22,108

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

Valuation policy

The investments were independently valued at 31 March 2016 by Bhuta Shah & Co LLP. The investments are valued using appropriate valuation methodologies, in accordance with the International Private Equity and Venture Capital Guidelines endorsed by the British & European Venture Capital Associations, which reflect the amount for which an asset could be exchanged between knowledgeable, willing parties on an arm's length basis. The companies in which the Group has invested are at various stages of development. The methodology used in the valuation of these investments was Discounted Cash Flow.

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

10 Investments held at fair value through profit and loss (continued)

Whilst Bhuta Shah & Co LLP has independently valued the investments as explained above, the directors have valued the investment in MJ Logistic Services, Sattva CFS & Logistics and Sattva Conware based upon the sale value achieved for the investment post year end.

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

Investment Value – the directors have valued the investment MJ Logistic Services, Sattva CFS & Logistics and Sattva Conware based upon the sale value achieved for the investment post year end.

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

The movements in non-current investments were as follows:

	£'000
Carrying value at 1 April 2014	26,832
Purchases, at cost	603
Fair value adjustment	596
Disposal	(5,173)
Re-categorised as assets held for sale	(750)
Carrying value at 31 March 2015	22,108
Purchases, at cost	577
Fair value adjustment	(4,771)
Disposals	(914)
Re-categorised as assets held for sale	(12,575)
Carrying value at 31 March 2016	4,425

The table below summarises the valuation methodologies used in relation to each investment:

Investment	Valuation methodology
-------------------	------------------------------

Contrans Logistic	DCF & land value
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Quantitative information of significant unobservable inputs – Level 3

For those investments using the DCF valuation technique the unobservable inputs were:

Unobservable input	Rate
Revenue growth	64.30%
EBIT margin	182.80%
Discount rate	14.74%
Discount for lack of liquidity	15.00%

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

10. Investments held at fair value through profit and loss (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 March 2016 are as shown below:

Input	Sensitivity used	Effect on fair value £'000
Revenue growth	-5%	(2,866)
EBIT margin	-5%	(2,579)
Discount for lack of liquidity	10%	260

11. Trade and other receivables

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year:		
Other receivables	-	5
Prepayments and accrued income	1	1
Other taxes and social security receivable	20	39
	21	45
Amounts falling due in more than one year:		
Other receivables	5	6
	5	6

12. Assets classified as held for sale

Non-current assets held for sale

	31 March 2016 £'000	31 March 2015 £'000
MJ Logistic Services	7,705	-
Sattva CFS & Logistics	328	838
Sattva Conware	4,542	-
	12,575	838

At 31 March 2016 the sale of MJ Logistic Services, Sattva CFS & Logistics and Sattva Conware were in advanced negotiation, and therefore they have been reclassified as an assets held for sale. The disposals of Sattva Conware and Sattva CFS & Logistics were completed in May and July 2016 respectively.

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

13. Trade and other payables

	31 March 2016 £'000	31 March 2015 £'000
Trade payables	1	18
Other taxes and social security payable	4	24
Accruals and deferred income	73	101
	<u>78</u>	<u>143</u>

14. Financial instruments and risk management

The Group finances its activities through the cash and short term deposits. During the prior year, the group cancelled the listing of its ordinary shares on the Alternative Investment Market (AIM) and re-registered the group as a private limited company so as to reduce the group's operating costs. Borrowing has been taken by the Company's Indian subsidiaries; however no debt funding has been taken at the parent company level.

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

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

Capital risk management

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

The Group took the decision in 2012 to return surplus capital to its shareholders following any material investments realisation rather than re-investing that capital into new investments. In December 2014, further capital management was achieved through the tender offer for £3m of ordinary shares. The 29,538,745 shares acquired by the Company were subsequently cancelled.

The company's shares were delisted from the London Stock Exchange's Alternative Investment Market during the prior year.

The Group has committed to continue this capital management programme through the return of further capital to shareholders whenever appropriate.

Currency risk

The Group is exposed to currency risk as its investment commitments may be denominated in Indian Rupees and may be made in phased stages. The Group may hedge its pending investment commitments for commercial reasons, and not for accounting purposes, when it has reasonable certainty of the timing and quantum of the transfer and where it considers hedging is appropriate.

The Group's investments are held in the accounts at fair value and that fair value was determined by Bhuta Shah & Co as part of an independent fair valuation exercise. The value of the investments was estimated in Indian Rupees as all the Group's investee companies operate in India.

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

14. Financial instruments and risk management (continued)

The Group has financial assets and liabilities denominated in Sterling and Indian Rupees.

At 31 March 2016	UK Sterling £'000	Indian Rupees £'000
Financial assets		
Fair value through profit or loss		
Investments held at fair value through profit or loss	-	4,425
Assets classified as held for sale	-	12,575
Loans and receivables		
Other receivables due in more than one year	-	-
Cash and cash equivalents	1,788	15
Other receivables due in less than one year	-	21
	1,788	17,036
At 31 March 2015		
Financial assets		
Fair value through profit or loss		
Investments held at fair value through profit or loss	-	22,108
Assets Classified as held for sale		838
Loans and receivables		
Other receivables due in more than one year	-	6
Cash and cash equivalents	1,391	48
Other receivables due in less than one year	-	5
	1,391	23,005
At 31 March 2016		
	UK Sterling £'000	Indian Rupees £'000
Financial liabilities held at amortised cost		
Trade payables	-	1
Other payables	-	4
Accruals	73	-
	73	5
At 31 March 2015		
Financial liabilities held at amortised cost		
Trade payables	-	18
Other payables	2	22
Accruals	101	-
	103	10

Credit risk

Credit risk is managed through the Company and its direct subsidiaries depositing funds primarily with banks with a Standard & Poor's rating of A- or which are Government owned. At 31 March 2016, 95% of the Group's cash balances were placed with entities with a credit rating of A- or higher or which were Government owned (31 March 2015: 83%).

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

14. Financial instruments and risk management (continued)

The Group's Indian subsidiary places funds with Indian banks whose credit rating may be less than A-

Cash at bank and bank term deposits	31 March 2016 £'000	31 March 2015 £'000
Standard & Poors credit rating		
AA or AA-	15	48
A or A-	-	1,145
Government owned	1,699	-
Not S&P rated	89	246
Total	1,803	1,439

Price risk

The Group has invested in unquoted Indian companies. Those investments are held at fair value and the value of those investments may be affected by market conditions. Management continues to monitor this risk. A 10% fall in the value of these investments would have increased the loss for the period by £0.4m (2015: £2.1 m).

Liquidity risk

As the Group is primarily equity funded and has high cash reserves, liquidity risk is deemed to be low.

Maturity of undiscounted financial liabilities	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
At 31 March 2016				
Trade payables	1	-	-	-
Other payables	4	-	-	-
Accruals	73	-	-	-
	78	-	-	-
At 31 March 2015				
Trade payables	18	-	-	-
Other payables	24	5	-	-
Accruals	101	-	-	-
	143	5	-	-

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

14. Financial instruments and risk management (continued)

Interest rate risk

	Non-interest bearing financial assets £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000
At 31 March 2016			
Investments held at fair value through profit or loss	4,425	-	-
Assets classified as held for sale	12,575		
Other receivables due in more than one year	5	-	-
Cash and cash equivalents	-	1,803	-
Other receivables due in less than one year	21	-	-
	17,026	1,803	-
At 31 March 2015			
Investments held at fair value through profit or loss	22,108	-	-
Assets classified as held for sale	838		
Other receivables due in more than one year	6	-	-
Cash and cash equivalents	-	1,439	-
Other receivables due in less than one year	45	-	-
	22,997	1,439	-

The Group has financial liabilities in the form of non-interest bearing trade payables, other payables and accruals.

	Non-interest bearing financial liabilities £'000	Floating - rate financial liabilities £'000	Fixed rate financial liabilities £'000
At 31 March 2016			
Trade payables	1	-	-
Other payables	4	-	-
Accruals	73	-	-
	78	-	-
At 31 March 2015			
Trade payables	18	-	-
Other payables	24	-	-
Accruals	101	-	-
	143	-	-

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Notes to the consolidated financial statements for the year ended 31 March 2016

15. Provision for liabilities

	31 March 2016 £'000	31 March 2015 £'000
<i>Current</i>		
At beginning of period	310	310
Charged to profit or loss	-	-
Utilised during period	-	-
At end of period	<u>310</u>	<u>310</u>

The Company has provided for its estimated £310,000 share of the remaining net liabilities and winding up costs of its investee company, Bay of Bengal Gateway Terminal Pvt Ltd.

There was no provision for National Insurance on share options as the share price at 31 March 2016 was less than the lowest share option exercise price. The eventual liability to National Insurance on share options is dependent on the following factors:

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

16. Called up share capital

	31 March 2016 £'000	31 March 2015 £'000
<i>Allotted, called up and fully paid</i>		
216,617,465 (2015: 216,617,465) ordinary shares of 10p each	<u>21,662</u>	<u>21,662</u>

Ordinary shares of 10p each	Issued and fully paid			
	2016 Number	2016 £'000	2015 Number	2015 £'000
At 1 April	216,617,465	21,662	246,156,210	24,616
Cancellation of shares	-	-	(29,538,745)	(2,954)
At 31 March	<u>216,617,465</u>	<u>21,662</u>	<u>216,617,465</u>	<u>21,662</u>

Eredene Capital Limited

Notes to the consolidated financial statements for the year ended 31 March 2016

17. Reserves

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

Share premium account - the share premium account arose on the issue of shares by the Company at a premium to their nominal value. Expenses of share issues are charged to this reserve.

Special reserve account - the special reserve account was created on the cancellation of the then share premium account balance in July 2007. The Company is able to use the special reserve account to make market purchases of its own shares.

Capital redemption reserve - the capital redemption reserve was created on the cancellation of the shares purchased in the August 2012, October 2013 and December 2014 tender offers.

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

Other reserves - represents the cumulative movement in share options.

Foreign exchange reserve - arises on the consolidation of subsidiaries that do not prepare their financial statement in the Company's functional currency.

18. Share based payment

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

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of period	21.4p	19,429,465	21.4p	19,429,465
Outstanding at the end of the period	21.4p	19,429,465	21.4p	19,429,465

The following options were outstanding at 31 March 2016.

Date of grant	Exercise price	Exercisable in full from	Expiry Date	Number of options outstanding
<i>HMRC Approved Scheme</i>				
5 October 2006	30.25p	10/5/06	5/10/16	198,346
<i>Individual Option Agreements</i>				
10 May 2006	25.0p	10/5/09	10/5/16	9,549,986
23 June 2008	19.25p	23/6/11	23/6/18	6,500,000
29 April 2009	13.5p	See below	29/4/19	1,681,133
18 February 2011	17.5p	See below	18/2/21	1,500,000
				19,429,465

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Notes to the consolidated financial statements for the year ended 31 March 2016

18. Share based payment (continued)

The options issued on 29 April 2009 become exercisable in respect of one third of the ordinary shares over which they are granted on the first, second and third anniversary of 29 April 2009. The first two tranches have vested and the third tranche will vest if the Company's share price reaches 18p per share.

The options issued on 18 February 2011 become exercisable in respect of one third of the ordinary shares over which they are granted on the first, second and third anniversary of 18 February 2011, subject to the Company's share price reaching 19.25p, 21.2p and 23.3p respectively. None of those hurdles had been achieved by 31 March 2016.

Both sets of options will become exercisable in full in the event of an offer for the Company becoming unconditional in all respects.

The weighted average remaining contractual life of options outstanding at the end of the period was one year (2015: two years).

Of the total number of options outstanding at the end of the period 17,929,465 (2015: 17,929,465) had vested and were exercisable at the end of the period.

No share options were exercised or granted during the period (2015: None).

19. Notes supporting the cash flow statement

Cash and cash equivalents for the purposes of the cash flow statement comprises:	2016 £'000	2015 £'000
Cash available on demand	1,803	1,439

20. Related party transactions

Ocean Dial Asset Management Limited (ODAM), the company secretary, charged the group Investment Management fees of £300,000 (2015: £270,000) during the year. At the reporting date a balance of £nil was payable to ODAM (£25,000).

21. Ultimate parent undertaking and controlling party

As at 31 March 2016 the immediate controlling company was Eden Investment Holdings Pte. Limited, a company registered in Singapore. There is no single controlling party.

22. Post balance sheet events

On 19 May 2016 Coloba Mauritius Limited (CML) entered an agreement to dispose of its entire holding in Sattva Conware Private Limited for consideration of INR 431,875,175.

On 20 July 2016 Ennore Mauritius Limited (EML) entered an agreement to sell its remaining 28.1% holding in Sattva CFS & Logistics Private Limited for consideration of INR 32,625,000.

Eredene Capital Limited

Annual report for the company

Year ended 31 March 2016

Eredene Capital Limited

Report of the independent auditors to the members of Eredene Capital Limited

We have audited the parent company financial statements of Eredene Capital Limited for the year ended 31 March 2016 which comprise the Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Eredene Capital Limited

Report of the independent auditors to the members of Eredene Capital Limited

Matters on which we are required to report by exception

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

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

Other matters

We have reported separately on the group financial statements of Eredene Capital Limited for the year ended 31 March 2016.

Thomas Moore (senior statutory auditor)
For and on behalf of Kingston Smith LLP, statutory auditor
Devonshire House
60 Goswell Road
London
United Kingdom
EC1M 7AD

5 September 2016

Eredene Capital Limited

Balance Sheet of Eredene Capital Limited At 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Fixed assets			
Investments	3	17,064	23,274
		<u>17,064</u>	<u>23,274</u>
Current assets			
Debtors	4	41	60
Cash at bank and in hand		1,699	1,145
		<u>1,740</u>	<u>1,205</u>
Creditors: amounts falling due within one year	5	(52)	(78)
Net current assets		<u>1,688</u>	<u>1,127</u>
Total assets less current liabilities		18,752	24,401
Provisions	6	(310)	(310)
Net assets		<u>18,442</u>	<u>24,091</u>
Capital and reserves			
Share capital	7	21,662	21,662
Special reserve	8	30,677	30,677
Capital redemption reserve	8	2,954	2,954
Profit and loss account	8	(36,851)	(31,202)
Shareholders' funds	9	<u>18,442</u>	<u>24,091</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2016.

R D Sellers
Director

Company No. 05330839

The notes on pages 40 to 44 form part of these financial statements.

Eredene Capital Limited

Statement of Changes in Equity for the year ended 31 March 2016

	Share capital	Special reserve	Capital redemption reserve	Retained deficit	Share holders equity
	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2016					
As at 1 April 2015	21,662	30,677	2,954	(31,202)	24,091
Loss for the year	-	-	-	(5,649)	(5,649)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,649)	(5,649)
As at 31 March 2016	21,662	30,677	2,954	(36,851)	18,442
Year ended 31 March 2015					
As at 1 April 2014	24,616	33,631	-	(9,384)	48,863
Loss for the year	-	-	-	(21,818)	(21,818)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(21,818)	(21,818)
Purchase and cancellation of treasury shares	(2,954)	(2,954)	2,954	-	(2,954)
As at 31 March 2015	21,662	30,677	2,954	(31,202)	24,091

The notes on pages 40 to 44 form part of these financial statements.

Eredene Capital Limited

Notes forming part of the Eredene Capital Limited company financial statements for the year ended 31 March 2016

1. Accounting policies

The following principal accounting policies have been applied:

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

These financial statements for the year ended 31 March 2016 are the first financial statements of Eredene Capital Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. The transition to FRS 102 has not had any impact on the reported financial position or performance of the previous year.

The financial statements are prepared in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions under the provisions of FRS 102:

- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d) to prepare a statement of cash flows on the basis that the Company is a qualifying entity and the Company's cash flows is included in the consolidated financial statements.
- From disclosing the Company key management personnel compensation, as required by paragraph 33.7.

Going concern

The directors at the time of approving the financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis of accounting in preparing the financial statements.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Eredene Capital Limited

Notes forming part of the Eredene Capital Limited company financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Share-based payments

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

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

Eredene Capital Limited

Notes forming part of the Eredene Capital Limited company financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

The charge for share-based payments is calculated in accordance with the analysis described in note 18 to the Group financial statements. The option valuation model used requires highly subjective assumptions to be made including expected volatility, dividend yields, risk-free interest rates and expected staff turnover. The directors draw on a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Pension costs

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

National Insurance on share options

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

Related party disclosures

The company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions with other group companies.

Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Carrying value of fixed asset investments

The Company carries its investments in subsidiaries at cost less provision for impairment as opposed to fair value as this cannot be reliably measured.

2. Loss for the financial period

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its profit and loss account or other comprehensive income in these financial statements. The loss for the year dealt with in the profit and loss account of the Company was £5.65m (2015: £21.8m).

Eredene Capital Limited

Notes forming part of the Eredene Capital Limited company financial statements for the year ended 31 March 2016

3. Fixed asset investments

The Company had the following principal and indirect subsidiaries during the period:

	Country of Incorporation	Class of shares held	Ownership	
			2016	2015
Aboyne Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Bandra Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Bandra Mauritius Ltd	Mauritius	Ordinary	100%	100%
Coloba Mauritius Holding Ltd**	Mauritius	Ordinary	100%	100%
Coloba Mauritius Ltd**	Mauritius	Ordinary	100%	100%
Ennore Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Ennore Mauritius Ltd	Mauritius	Ordinary	100%	100%
Haldia Mauritius Holding Ltd**	Mauritius	Ordinary	100%	100%
Haldia Mauritius Ltd *	Mauritius	Ordinary	100%	100%
Juhu Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Juhu Mauritius Ltd	Mauritius	Ordinary	100%	100%
Pipavav Mauritius Holding Ltd	Mauritius	Ordinary	100%	100%
Pipavav Mauritius Ltd	Mauritius	Ordinary	100%	100%
Eredene Capital Advisors Pvt Ltd	India	Ordinary	100%	100%

All of the above subsidiaries are investment holding companies except for Eredene Capital Advisors Pvt Ltd that provided investment advisory and support services to other group companies in Mauritius in respect of their investments in India.

*Sold in the year to 31 March 2016

**In liquidation

Total investment in subsidiaries	2016	2015
	£'000	£'000
At beginning of period	23,274	48,219
Additions	882	900
Disposals	-	(16,506)
Impairments	(7,092)	(9,339)
At end of period	17,064	23,274

Additions represent subscriptions for shares in the above subsidiaries.

4. Debtors

	31 March 2016	31 March 2015
	£'000	£'000
Other debtors due within one year	21	39
Prepayments and accrued income	-	1
Amounts due from group undertakings	20	20
	41	60

Eredene Capital Limited

Notes forming part of the Eredene Capital Limited company financial statements for the year ended 31 March 2016

5. Creditors: amounts falling due within one year

	31 March 2016 £'000	31 March 2015 £'000
Other taxes and social security	-	3
Accruals and deferred income	52	75
	<u>52</u>	<u>78</u>

6. Provision for liabilities

	31 March 2016 £'000	31 March 2015 £'000
At beginning of period	310	310
Released in period	-	-
At end of period	<u>310</u>	<u>310</u>

The Company has provided for its estimated £310,000 share of the remaining net liabilities and winding up costs of its investee company, Bay of Bengal Gateway Terminal Pvt Ltd.

There was no provision for National Insurance on share options at the period end as the share price at 31 March 2016 was less than the lowest share option exercise price. The eventual liability to National Insurance on share options is dependent on the following factors:

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

7. Share capital

Details of the share capital of the Company are included in note 16 to the consolidated financial statements.

8. Related party transactions

Details of the Company's related party transactions are included in note 20 to the Group financial statements.

9. Control

As at 31 March 2016 the immediate controlling company was Eden Investment Holdings Pte. Limited, a company registered in Singapore. There is no single controlling party.