



**NAYA BHARAT PROPERTY COMPANY PLC**  
*(Incorporated in the Isle of Man)*

**Consolidated Annual Report**

Year ended 31 March 2009

*ISIN No. IM00B1N95Z00*

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## Management and Administration

### Directors

\* independent

Shankar Dey (Non-executive Chairman) \*  
James Rosapepe (Non-executive Director) \*  
Anderson Whamond (Non-executive Director) \*  
Jonathan Bradley (Non-executive Director) \*  
all of the registered office below

### Registered Office of the Company

Third Floor, Britannia House  
St. George's Street  
Douglas  
Isle of Man IM1 1JE  
British Isles

### Manager

Charlemagne Capital (IOM) Limited  
St. Mary's Court, 20 Hill Street  
Douglas  
Isle of Man IM1 1EU  
British Isles

### Nominated Adviser and Broker

Panmure Gordon (UK) Limited  
Moorgate Hall, 155 Moorgate  
London EC2M 6XB  
United Kingdom

### Placing Agent

Charlemagne Capital (UK) Limited  
39 St James's Street  
London SW1A 1JD  
United Kingdom

### Custodian

Anglo Irish Bank Corporation (International) PLC (formerly  
known as Anglo Irish Bank Corporation (I.O.M.) P.L.C.)  
Jubilee Buildings, Victoria Street  
Douglas  
Isle of Man IM1 2SH  
British Isles

### Administrator and Registrar

Galileo Fund Services Limited  
Third Floor, Britannia House  
St. George's Street  
Douglas  
Isle of Man IM1 1JE  
British Isles

### Auditors

KPMG Audit LLC  
Heritage Court, 41 Athol Street  
Douglas  
Isle of Man IM99 1HN  
British Isles

### Subsidiaries

Naya Bharat Property Company (Mauritius) Limited  
Naya Bharat Investments (Mauritius) Limited

## Management and Administration continued

**Registered office of the Subsidiaries**

St Louis Business Centre  
Cnr Des Roches & St Louis Streets  
Port Louis  
Mauritius

## Chairman's Statement

The year under review has been a difficult one for the Company with share prices falling sharply across the globe. The Company's investments in Indian real estate companies were particularly harshly impacted by the perceived reliance of such companies on the availability of financing given the severe dislocation in credit markets that occurred at this time. The Manager made a number of changes to the Company's investments over the year to reflect these developments, bringing stability to the portfolio whilst at the same time maintaining exposure to an eventual market recovery.

A number of larger companies were introduced to the portfolio, including DLF, the largest real estate company in India which is well-diversified both geographically and by sector, and Indiabulls Real Estate, another of the larger real estate companies, with an especially strong balance sheet. Arihant Foundations, a property developer with residential and office park projects in Chennai, was divested. Holdings in BSEL and ERA Infra Engineering were also divested towards the end of the year. The former, as a shopping mall player in Nagpur, was vulnerable to continuing weakness in the retail segment whilst the latter had outperformed the sector considerably. Unitech was divested early in the year but then raised cash from a partial sale of its telecom subsidiary and restructured a substantial part of its debt, thus alleviating the concerns which prompted the earlier disposal. It was therefore brought back into the portfolio later in the year.

Towards the end of the year, as a result of action taken across the globe to provide liquidity and support economic activity, amongst other factors, stockmarkets did indeed find some stability and more recently, subsequent to the year end, they have appreciated sharply, with these developments reflected positively in the net asset value of the Company.

Prospects for the Indian real estate market have also improved as the Indian government has introduced a variety of fiscal measures to stimulate the economy and the fall in the inflation rate to close to zero has helped the Reserve Bank of India to cut interest rates to an all-time low, with the benchmark repurchase rate now below 5%. The recent decisive re-election of the Congress party at the general election also sets the scene for a period of political stability, which should help foster continuing economic reform, providing further support to the real estate market.

The structural case for Indian real estate remains as powerful as ever. Sustained personal income growth and unusually favourable demographics are swelling an aspirational middle class customer base. Private equity interest is perking up as returns on offer grow. Companies themselves have stopped aggressive land-bank acquisitions and are now focussed on converting existing land-banks into cash.

The Company has the authority to purchase up to 14.99 per cent. of its own Ordinary Shares in issue. The Company may use that authority to purchase Ordinary Shares at a discount to the prevailing Net Asset Value per Share if suitable occasions arise and the Company has funds available for that purpose. The Board proposes to renew such authority at the forthcoming Annual General Meeting. Notice of the meeting and form of proxy for use thereat can be found at the end of this document.

In accordance with the aforementioned authority granted to the Company, the Company purchased at a discount and cancelled a total of 5,925,957 Ordinary Shares of the Company over the year to 31 March 2009 at an average price US 16.98 cents per share. As a result, there were 54,074,043 Ordinary Shares in issue as at the date of this report. There have been no further share buy backs subsequent to the year end.

**Shankar Dey**  
Chairman

1 September 2009

## Report of the Manager

Reporting Year: 1 April 2008 to 31 March 2009

Reporting Currency: USD  
 Share Price Return: -87.5%  
 NAV Return: -78.5%

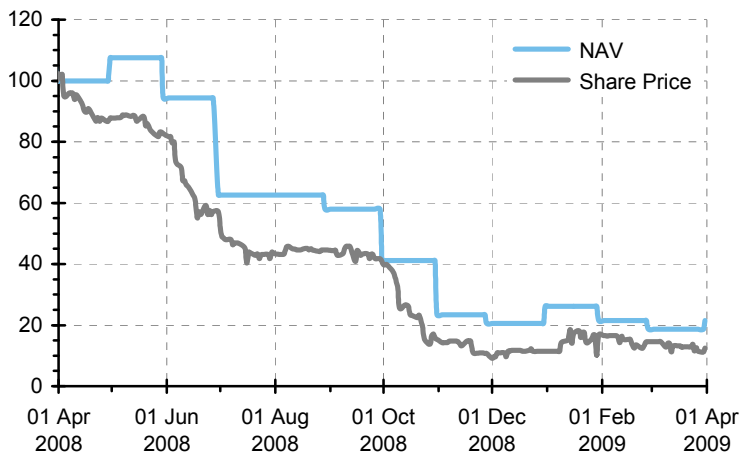


Chart rebased to 31 Mar 2008 = 100 Source: Charlemagne

The net asset value of the Naya Bharat Property Company stood at USD 0.23 per share on 31 March 2009. This represents a fall of 79% for the year and compares with the 84% fall recorded by the BSE Realty Index (in US dollar terms) over the same year. The Naya Bharat share price fell 88% over the year as its discount to asset value widened.

Global financial markets came under severe strain over the second half of 2008 and Indian asset prices proved particularly vulnerable to the worldwide withdrawal of credit. Given high fixed capital requirements and distant pay-back time horizons, few other industries depend as heavily on long-term credit as real estate, especially in its development stage. However, this trend was tempered as interest rates fell to an all-time low of 5% in the first quarter of 2009. This should result in lower mortgage rates over time, improving affordability. The government also lent support to the real estate sector by allowing banks to restructure real estate loans and ease the loan repayment pressures. Various fiscal measures were also introduced to stimulate the Indian economy and reduce the impact of a global economic downturn. Last but not least, with inflation falling close to zero, lower commodity prices will help reduce current account deficits as well as public sector deficits, given subsidies in place for food and fuel.

As a result of these developments, some of the more pessimistic views prevalent just a few months ago seem to have been misplaced. Indeed, recent indicators suggest that the economy may now be close to bottoming out; car and motorcycle sales figures from manufacturers have been growing strongly since December with, for example, the leading car producer Maruti Suzuki reporting sales up 15% over the year to March. Fears of large scale layoffs in the IT and Finance industries have also proven to be misplaced, with many banks hiring staff and adding branches.

With credit conditions easing and the employment scenario not as bad as feared, property developers in the residential segment have responded with price cuts. All the large players, including DLF, Unitech and HDIL have announced projects priced as much as 30% below peak levels and have in return received reasonably enthusiastic responses. Demand may be being held back by some concern that prices will continue to fall but once prices stabilise and potential buyers realise that they are unlikely to fall any further, demand is likely to strengthen. These signs of recovery are however limited to the residential market. The commercial and retail segments of the property market remain depressed with companies attempting to reschedule their debt obligations, divest non-core assets and raise cash from private equity firms in order to improve their financial positions.

There were a number of changes to the composition of the Naya Bharat portfolio over the year under review. New companies coming into the portfolio included DLF, the largest real estate company in India, which is well-diversified both geographically and by sector, with its market leading position also giving it further defensive qualities, and Indiabulls Real Estate, another of the larger real estate companies, with an especially strong balance sheet, and a focus on the Mumbai commercial property sector.

## Report of the Manager continued

Ascendas India also came into the portfolio during the year. Ascendas India is a REIT with well-located commercial properties in Bangalore, Chennai and Hyderabad. It provides stable income, is relatively inexpensive and pays a 13% yield.

Arihant Foundations, a property developer with residential and office park projects in Chennai, was divested. Holdings in BSEL and ERA Infra Engineering were also divested towards the end of the year under review. The former, as a shopping mall player in Nagpur, was vulnerable to continuing weakness in the retail segment whilst the latter had outperformed the sector considerably.

Unitech was divested in July but then raised cash from a partial sale of its telecom subsidiary and restructured a substantial part of its debt, thus alleviating the concerns which prompted the earlier disposal. It was therefore brought back into the portfolio later in the year. Its share price fell by 76% over the intervening year.

The structural case for Indian real estate remains as powerful as ever. Sustained personal income growth and unusually favourable demographics are swelling an aspirational middle class customer base. Private equity interest is perking up as returns on offer grow. Companies themselves have stopped aggressive land-bank acquisitions and are now focussed on converting existing land-banks into cash. Economic activity is well supported by lower commodity prices, and fiscal and monetary stimulus which may offer some support to Indian property companies over the long term.

The Fund has a flexible cash policy. It seeks to be fully invested given the number of attractive investment opportunities in the Indian real estate market and related ancillary companies. However, in the event these investments become unattractive/overvalued, the Fund has the flexibility to raise cash levels to preserve capital. There is no limit on the percentage of NAV that can be held in cash.

### Top 10 Holdings as at 31 March 2009

### % of Total Assets

|                        |       |
|------------------------|-------|
| Unitech                | 18.0% |
| HDIL                   | 15.4% |
| DLF                    | 15.4% |
| Indiabulls Real Estate | 14.9% |
| IFCI                   | 9.1%  |
| BSE Realty Index PN    | 8.2%  |
| Ascendas India Trust   | 4.3%  |
| DSK Developers         | 2.3%  |
| Ansal Housing          | 1.8%  |
| Orbit Corporation      | 1.8%  |

### Charlemagne Capital (IOM) Limited

Manager

1 September 2009

## Directors' Report

The Directors hereby submit their annual report together with the audited consolidated financial statements of Naya Bharat Property Company plc (the "Company") for the year ended 31 March 2009.

### **The Company**

The Company is incorporated in the Isle of Man and has been established to invest in both listed and unlisted companies whose principal activity is the ownership and/or development of land in India.

### **Investment Policy**

Naya Bharat Property Company plc is an Isle of Man Company established to take advantage of the opportunities that exist in the Indian property market. The Company has an indefinite life and expects to provide Shareholders with an attractive return to be achieved primarily through long-term capital growth.

The Company will invest primarily in listed companies whose principal activity is the ownership and/or development of land in India. The Company's portfolio of investments will seek to provide exposure to the residential, commercial, retail, industrial and Special Economic Zone ("SEZ") sectors. Geographic exposure will also be diversified across major and secondary cities in India. The primary focus of target companies is the development of property portfolios/land banks, although certain investee companies may also retain completed properties for income generation. The Company may also invest in special situations such as small capitalisation stocks with perceived large undervalued property holdings, where a catalyst for re-valuation/realisation of the property assets is anticipated.

The Company may also invest in unlisted companies although it is not anticipated that the Company's investments in unlisted property companies will exceed 25 per cent. of Net Asset Value once fully invested and measured at the time of investment. However, if suitable opportunities arise, the Company may invest more than 25 per cent. of its Net Asset Value in unlisted property companies.

Additionally, the Company may invest in freely transferable low exercise price warrants, low strike price options, zero coupon equity linked notes or other similar instruments which in the view of the Manager offer an efficient means of providing the Company with exposure to Indian companies. These products typically aim to provide economic exposure to the underlying security without the associated tax and administrative burdens of investing directly in the local market.

To achieve its investing policy, the Company will rely on the Manager's disciplined bottom-up value-investing approach in order to select its investments. Where valuations appear too rich, the Company will not be averse to holding cash as a defensive strategy. In order to diversify its risk the Company or its Group intends, except in special circumstances, to limit its investment in property companies to ten. There is no limit to the percentage of NAV that may be held in cash.

The Manager will regularly travel to India in order to seek out new opportunities and monitor existing holdings. These trips will typically involve meeting with management of investee companies and industry research bodies and visiting project sites. The Manager may also utilise Charlemagne Capital's local resources in order to perform due diligence on potential investments.

The Company may, but does not currently intend to take a seat on the board of directors of investee companies. An active dialogue with the management teams of many of the investee companies will be pursued in an effort to put forward suggestions for improved investor/market visibility and transparency.

### *Hedging*

Although it is not anticipated that it will do so, the Company may enter into certain currency related transactions in order to hedge its currency risk.

### *Bank Borrowings*

In seeking to enhance returns for Shareholders, the Directors believe that it may be advantageous for the Company to borrow at an appropriate level in order to acquire investments which would achieve a higher return than the cost of borrowing. The Company or its Group may therefore make use of debt facilities for investment purposes and may borrow up to 50 per cent. of its NAV (measured at the time any borrowings are drawn down). The Articles contain no restrictions on borrowing.

## Directors' Report continued

### Results and Dividends

The results and position of the Company at the year end are set out on pages 10 to 14 of the financial statements.

The Directors intend to manage the Company's affairs to achieve shareholders returns through capital growth rather than income, and accordingly there can be no certainty that any dividend will be paid. The Directors reserve the right to make dividend distributions to holders of Ordinary Shares if and when it is considered appropriate. The Directors do not intend to declare a dividend at this time.

### Directors

The Directors during the year and up to the date of this Report were:

Shankar Dey  
James Rosapepe  
Anderson Whamond  
Jonathan Bradley

In accordance with the Company's Articles of Association Jonathan Bradley resigns as a director of the Company and offers himself for re-appointment at the forthcoming Annual General Meeting.

### Directors' and Other Interests

Anderson Whamond was an executive director of the Manager until 31 March 2009 when his role changed to that of non-executive. Until 31 March 2009 when he resigned his position, Mr Whamond was a director of Charlemagne Capital Limited ("CCL"), the parent of the Manager and Placing Agent. Mr Whamond holds 65,000 ordinary shares in the Company. He is also a shareholder of the CCL and additionally has an indirect family interest in shares of CCL.

Jonathan Bradley is a non-executive director of the Placing Agent and holds 20,000 ordinary shares in the Company.

Save as disclosed above and in Note 7.1, 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.

### Independent Auditors

KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with section 12(2) of the Companies Act 1982.

On behalf of the Board

**Jonathan Bradley**  
Director

1 September 2009

## 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 financial statements in accordance with International Financial Reporting Standards.

The Group's financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group 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.

On behalf of the Board

**Jonathan Bradley**

Director

1 September 2009

## Report of the Independent Auditors, KPMG Audit LLC, to the members of Naya Bharat Property Company plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Naya Bharat Property Company Plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the Consolidated 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 law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 8.

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 the Companies Acts 1931 to 2004. We also report to if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and any other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

### *Basis of Opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the 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 and Parent Company's affairs as at 31 March 2009 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with the Companies Acts 1931 to 2004.

### **KPMG Audit LLC**

*Chartered Accountants*  
Heritage Court, 41 Athol Street  
Douglas  
Isle of Man IM99 1HN

3 September 2009

## Consolidated Income Statement

|   | Note | 31 March 2009   | For the period 8 December 2006<br>(date of incorporation) to<br>31 March 2008 |
|---|------|-----------------|---|
|   |      | US\$'000        | US\$'000  |
| <b>Income</b>   |      |                 |   |
| Interest income   |      | 10              | 282   |
| Dividend income   |      | 424             | 291   |
| Net changes in fair value of financial assets<br>at fair value through profit or loss | 5    | (50,451)        | 9,873   |
| <b>Total net (loss)/income</b>  |      | <b>(50,017)</b> | <b>10,446</b>   |
| <b>Expenses</b>   |      |                 |   |
| Manager's fees:   |      |                 |   |
| Annual fees   | 7.3  | 515             | 1,569   |
| Performance fees  | 7.3  | -               | 790   |
| Audit fees  |      | 65              | 35  |
| Legal and professional fees   |      | 21              | 22  |
| Directors fees  | 14   | 123             | 139   |
| Administration fees   | 8.3  | 126             | 120   |
| Nominated Adviser and broker fees   | 8.1  | 53              | -   |
| Custodian fees  | 8.2  | 103             | 118   |
| Company secretarial fees  |      | 12              | 15  |
| Accounts preparation  |      | 8               | 7   |
| Other expenses  |      | 86              | 502   |
| <b>Total operating expenses</b>   |      | <b>1,112</b>    | <b>3,317</b>  |
| <b>(Loss)/profit before tax</b>   |      | <b>(51,129)</b> | <b>7,129</b>  |
| Income tax expense  | 15   | -               | -   |
| <b>(Loss)/profit for the year/period</b>  |      | <b>(51,129)</b> | <b>7,129</b>  |
| <b>Basic and diluted (loss)/earnings per<br/>share (cent)</b>                         | 12   | <b>(88.93)</b>  | <b>11.88</b>  |

The Directors consider all results are derived from continuing operations.

## Consolidated Balance Sheet

|   | Note | Group<br>At 31 March 2009<br>US\$'000 | Group<br>At 31 March 2008<br>US\$'000 |
|---|------|---------------------------------------|---------------------------------------|
| Financial assets at fair value through profit or loss | 5    | 11,307                                | 64,533                                |
| Due from broker                                       |      | -                                     | 2,361                                 |
| Other receivables and prepayments                     |      | 85                                    | 96                                    |
| Cash at bank  | 10   | 1,095                                 | 5                                     |
| <b>Total current assets</b>                           |      | <b>12,487</b>                         | <b>66,995</b>                         |
| Issued share capital                                  | 11   | 541                                   | 600                                   |
| Share premium   | 11   | -                                     | 56,729                                |
| Foreign currency translation reserve                  |      | (30)                                  | 8                                     |
| Capital redemption reserve                            | 11   | 59                                    | -                                     |
| Retained earnings                                     |      | 11,723                                | 7,129                                 |
| <b>Total equity</b>                                   |      | <b>12,293</b>                         | <b>64,466</b>                         |
| Accruals and other payables                           | 9    | 194                                   | 2,529                                 |
| <b>Total current liabilities</b>                      |      | <b>194</b>                            | <b>2,529</b>                          |
| <b>Total liabilities</b>                              |      | <b>194</b>                            | <b>2,529</b>                          |
| <b>Total equity and liabilities</b>                   |      | <b>12,487</b>                         | <b>66,995</b>                         |

Approved by the Board of Directors on 1 September 2009.

**Jonathan Bradley**  
Director

**Anderson Whamond**  
Director

## Company Balance Sheet

|                                      | Note | Company<br>At 31 March 2009<br>US\$'000 | Company<br>At 31 March 2008<br>US\$'000 |
|--------------------------------------|------|---|---|
| Inter-company balances               |      | 12,341                                  | 64,571                                  |
| Other receivables and prepayments    |      | 33                                      | 60                                      |
| Cash at bank                         | 10   | 50                                      | 10                                      |
| <b>Total current assets</b>          |      | <b>12,424</b>                           | <b>64,641</b>                           |
| Issued share capital                 | 11   | 541                                     | 600                                     |
| Share premium                        |      | -                                       | 56,729                                  |
| Foreign currency translation reserve |      | 9                                       | 8                                       |
| Capital redemption reserve           | 11   | 59                                      |   |
| Retained earnings                    |      | 11,684                                  | 7,139                                   |
| <b>Total equity</b>                  |      | <b>12,293</b>                           | <b>64,476</b>                           |
| Accruals and other payables          | 9    | 131                                     | 165                                     |
| <b>Total current liabilities</b>     |      | <b>131</b>                              | <b>165</b>                              |
| <b>Total liabilities</b>             |      | <b>131</b>                              | <b>165</b>                              |
| <b>Total equity and liabilities</b>  |      | <b>12,424</b>                           | <b>64,641</b>                           |

The loss made by the Company for the year ended 31 March 2009 was US\$ (51,158,000) (2008: gain US\$7,129,000), after impairment of inter-company balances amounting to US\$ 51,483,689 (primarily as a result of the provisions made against the investments held by the Company's subsidiaries).

Approved by the Board of Directors on 1 September 2009.

**Jonathan Bradley**  
Director

**Anderson Whamond**  
Director

## Consolidated Statement of Changes in Equity

|  | Share<br>Capital | Share<br>Premium | Foreign<br>Currency<br>Translation<br>Reserve | Capital<br>Redemption<br>Reserve | Retained<br>Earnings | Total         |
|--|------------------|------------------|---|----------------------------------|----------------------|---------------|
|  | US\$'000         | US\$'000         | US\$'000                                      | US\$'000                         | US\$'000             | US\$'000      |
| Balance at 8 December 2006               | -                | -                | -   | -                                | -                    | -             |
| Proceeds from shares issued              | 600              | 59,400           | -   | -                                | -                    | 60,000        |
| Share issue expenses                     | -                | (2,671)          | -   | -                                | -                    | (2,671)       |
| Foreign exchange translation differences | -                | -                | 8   | -                                | -                    | 8             |
| Profit for the period                    | -                | -                | -   | -                                | 7,129                | 7,129         |
| <b>Balance at 31 March 2008</b>          | <b>600</b>       | <b>56,729</b>    | <b>8</b>                                      | <b>-</b>                         | <b>7,129</b>         | <b>64,466</b> |
| Balance at 1 April 2008                  | 600              | 56,729           | 8   | -                                | 7,129                | 64,466        |
| Share buyback                            | (59)             | -                | -   | 59                               | (1,006)              | (1,006)       |
| Transfer to retained earnings (note 11)  | -                | (56,729)         | -   | -                                | 56,729               | -             |
| Foreign exchange translation differences | -                | -                | (38)  | -                                | -                    | (38)          |
| Loss for the year                        | -                | -                | -   | -                                | (51,129)             | (51,129)      |
| <b>Balance at 31 March 2009</b>          | <b>541</b>       | <b>-</b>         | <b>(30)</b>                                   | <b>59</b>                        | <b>11,723</b>        | <b>12,293</b> |

## Consolidated Cash Flow Statement

|  | Note | Year ended<br>31 March 2009 | For the period 8 December 2006<br>(date of incorporation) to<br>31 March 2008 |
|--|------|-----------------------------|---|
|  |      | US\$'000                    | US\$'000  |
| <b>Cash flows from operating activities</b>                    |      |                             |   |
| Purchase of financial assets                                   |      | (18,222)                    | (86,868)  |
| Proceeds from sale of investments                              |      | 23,326                      | 29,847  |
| Dividends received   |      | 410                         | 258   |
| Interest received  |      | 10                          | 282   |
| Interest paid  |      | -                           | (3)   |
| Operating expenses paid  |      | (3,425)                     | (848)   |
| <b>Net cash received from/(used in) operating activities</b>   |      | <b>2,099</b>                | <b>(57,332)</b>   |
| <b>Financing activities</b>                                    |      |                             |   |
| Share buyback  |      | (1,006)                     | -   |
| Proceeds from issue of shares                                  |      | -                           | 60,000  |
| Share issue costs  |      | -                           | (2,671)   |
| <b>Net cash (used in)/ generated from financing activities</b> |      | <b>(1,006)</b>              | <b>57,329</b>   |
| Net increase /(decrease) in cash and cash equivalents          |      | 1,093                       | (3)   |
| Effects of exchange rate changes on cash and cash equivalents  |      | (3)                         | 8   |
| Cash and cash equivalents at beginning of period               |      | 5                           | -   |
| <b>Cash and cash equivalents at end of year/period</b>         | 10   | <b>1,095</b>                | <b>5</b>  |

The accompanying Notes form an integral part of these consolidated financial statements

## Consolidated Schedule of Investments

| 31 March 2009<br>Investments                        | No of Shares<br>Nominal | Cost<br>US\$'000 | Fair Value<br>US\$'000 | % of Total<br>Assets |
|---|-------------------------|------------------|------------------------|----------------------|
| Housing Development & Infrastructure                | 389,726                 | 547              | 629                    | 5.0                  |
| Mahindra Lifespace                                  | 52,823                  | 115              | 138                    | 1.2                  |
| Unitech   | 3,218,815               | 1,658            | 2,218                  | 17.8                 |
| Ascendas India Trust                                | 1,539,399               | 539              | 526                    | 4.2                  |
| <b>P Notes <sup>1</sup></b>                         |                         |                  |                        |                      |
| ABN Indiabulls                                      | 338,265                 | 857              | 672                    | 5.4                  |
| ABN AMRO Bank 03-Jul-09 (HDIL)                      | 294,573                 | 2,947            | 475                    | 3.8                  |
| Citigroup Global Markets 17-Jan-2012 (IFCI Limited) | 1,848,446               | 1,052            | 703                    | 5.6                  |
| Citigroup Global Markets 17-Jan-2012 (HDIL)         | 210,013                 | 3,121            | 339                    | 2.7                  |
| Citigroup Global Markets 20-Jan-2010 (Kulkarni)     | 78,410                  | 454              | 31                     | 0.2                  |
| Deutsche Bank AG 30-Mar-17 (Orbit Corporation)      | 214,689                 | 1,416            | 221                    | 1.8                  |
| Deutsche Bank AG London (DLF Limited)               | 217,677                 | 2,858            | 718                    | 5.7                  |
| Deutsche Bank AG London (HDIL)                      | 150,351                 | 1,224            | 243                    | 1.9                  |
| Deutsche Bank AG London 12-May-2009 (Kulkarni)      | 202,434                 | 1,263            | 81                     | 0.6                  |
| Deutsche Bank AG London 23-Jul-08 (IFCI Limited)    | 1,043,027               | 696              | 397                    | 3.2                  |
| Deutsche Bank AG London 27-Mar-17 (Indiabulls)      | 583,065                 | 4,112            | 1,159                  | 9.3                  |
| Deutsche Bank AG London BSERREAL                    | 32,656                  | 935              | 1,005                  | 8.1                  |
| Deutsche Call Wts 05-Dec-16 (Ansal Housing)         | 63,068                  | 343              | 26                     | 0.2                  |
| JP Morgan (DLF Limited)                             | 52,647                  | 230              | 174                    | 1.4                  |
| JP Morgan (HDIL)                                    | 121,563                 | 313              | 196                    | 1.6                  |
| Merrill Lynch Intl & Co 08-Mar-2011 (Ansal Housing) | 484,762                 | 2,570            | 198                    | 1.6                  |
| Merrill Lynch Intl & Co 12-Jul-2010 (Kulkarni)      | 427,397                 | 2,392            | 170                    | 1.4                  |
| Maquarie Bank (DLF Limited)                         | 299,591                 | 3,554            | 988                    | 7.9                  |
| <b>Total Investments</b>                            |                         |                  | <b>11,307</b>          | <b>90.6</b>          |
| Other Current Assets                                |                         |                  | 1,180                  | 9.4                  |
| <b>Total Assets</b>                                 |                         |                  | <b>12,487</b>          | <b>100.0</b>         |

<sup>1</sup> P Notes are issued by EU rated credit institutions and derive their value from the underlying local Indian stock upon which they are issued and are listed on the Luxembourg or Dublin Stock Exchange. For further information see Note 5.

## Notes to the Consolidated Financial Statements

### 1 The Company

Naya Bharat Property Company plc (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 8 December 2006 as a public company with registered number 118539C.

Pursuant to an Admission Document dated 21 February 2007 (the "Prospectus") there was an original placing of up to 60,000,000 Ordinary Shares. Following the close of the placing on 26 February 2007 60,000,000 Ordinary Shares were issued.

The Shares of the Company were admitted to trading on the AIM market of the London Stock Exchange on 26 February 2007 when dealings also commenced.

The Company's agents and the Manager perform all significant functions. Accordingly, the Company itself has no employees.

#### *Dividend Policy*

The Directors have absolute discretion as to the payment of dividends and do not currently intend to pay dividends on the Ordinary Shares.

#### *Financial Year End*

The financial year end of the Company is 31 March in each year.

### 2 The Subsidiaries

Naya Bharat Property Company (Mauritius) Limited a wholly owned subsidiary of the Company, was incorporated as a limited liability company under the provisions of the Mauritius Companies Act 2001, Mauritius on 12 January 2007, registered number 067911 C1/GBL. 2 shares of US\$1 each have been issued to the Company. The Directors of the subsidiary are Dhanun Ujoodha, Mowlooda Randerah Taher, Anderson Whamond (resigned 2 February 2009), Jane Bates and Adrian Jones (appointed 2 February 2009).

Naya Bharat Investments (Mauritius) Limited is a wholly owned subsidiary of the Company. It was incorporated as a limited liability company under the provisions of the Mauritius Companies Act 2001, Mauritius on 28 December 2007, registered number 76564 C1/GBL. 2 shares of US\$1 each have been issued to the Company. The Directors of the subsidiary are Dhanun Ujoodha, Mowlooda Randerah Taher, Jane Bates (appointed 8 January 2008) and Adrian Jones (appointed 8 July 2008).

Naya Bharat Investments (Mauritius) Limited is registered with The Securities & Exchange Board of India ("SEBI") (effective 9 September 2008) as an sub-account of the Manager, acting in its capacity as a Foreign Institutional Investor, registration number 20080967 and the company therefore, is authorised to invest in Indian securities in accordance with SEBI regulations.

### 3 Accounting Policies

The annual audited consolidated financial statements of the Company for the year ended 31 March 2009 comprises of the Company and its subsidiaries (together referred to as the "Group").

The annual report was authorised for issue by the Directors on 1 September 2009.

#### 3.1 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IFRS").

#### 3.2 Basis of consolidation

##### *Subsidiaries*

Subsidiaries are those enterprises controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

## Notes to the Consolidated Financial Statements continued

### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### **3.3 Financial assets at fair value through profit or loss**

Investments are designated as at fair value through profit or loss. The Company invests in Indian listed real estate companies for which fair value is based on quoted market prices. The quoted market price used for financial assets held by the Company is the current bid price ruling at the year end without regard to selling prices. Where bid price is not available as at the year end, the last trade price is used. As at 31 March 2009, investments valued at US\$1,004,939 in the consolidated balance sheet were held at last trade price (31 March 2008: US\$41,960,983).

Purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recorded at cost, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred.

Gains and losses arising from changes in the fair value of the financial assets and liabilities are included in the income statement in the year in which they arise.

### **3.4 Foreign currency translation**

Indian Rupee is the currency of the primary economic environment in which the entity operates (the "functional currency").

The United States Dollar is the currency in which the annual results are presented (the "presentation currency").

Monetary assets and liabilities denominated in foreign currencies as at the date of these financial statements are translated to Indian Rupee at exchange rates prevailing on that date. Income and expenses are translated into Indian Rupee based on exchange rates on the date of the transaction. All resulting exchange differences are recognised in the income statement.

The accounts are presented in US\$ by translating the assets and liabilities at the exchange rate prevailing on the balance sheet date. Items of revenue and expense are translated at exchange rates on the date of the relevant transactions. Components of equity are translated at the date of the relevant transaction and not retranslated. All resulting exchange differences are recognised in equity.

### **3.5 Dividends**

Dividends are recognised as a liability in the year in which they are declared and approved. No dividends were declared as at 31 March 2009 (2008: nil).

### **3.6 Interest income and dividend income**

Interest income is recognised on a time-proportionate basis using the effective interest rate method.

Dividend income is recognised when the right to receive payment is established.

### **3.7 Segment reporting**

The Company has one segment focusing on maximising total returns through investing in real estate companies in India. No additional disclosure is included in relation to segment reporting, as the Company's activities are limited to one business and geographic segment.

### **3.8 Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds.

### **3.9 Income tax**

The Company is resident for taxation purposes in the Isle of Man and is subject to income tax at a rate of zero per cent. The Group is liable to tax in Mauritius on the activities of its subsidiaries.

## Notes to the Consolidated Financial Statements continued

### 4 Net Asset Value per Share

The net asset value per share as at 31 March 2009 is US\$0.23 per share (31 March 2008: US\$1.07 per share) based on 54,074,043 ordinary shares in issue as at that date (31 March 2008: 60,000,000 ordinary shares).

### 5 Investments

The P Notes below are issued by EU rated credit institutions and derive their value from the underlying local Indian stock upon which they are issued and are listed on the Luxembourg or Dublin Stock Exchange.

Financial assets at fair value through profit or loss:

| <b>31 March 2009</b>                                |           | Fair Value |
|---|-----------|------------|
| Security name                                       | Number    | US\$'000   |
| Housing Development & Infrastructure                | 389,726   | 629        |
| Mahindra Lifespace                                  | 52,823    | 138        |
| Unitech   | 3,218,815 | 2,218      |
| Ascendas India Trust                                | 1,539,399 | 526        |
| <b>P Notes</b>                                      |           |            |
| ABN Indiabulls                                      | 338,265   | 672        |
| ABN AMRO Bank 03-Jul-09 (HDIL)                      | 294,573   | 475        |
| Citigroup Global Markets 17-Jan-2012 (IFCI Limited) | 1,848,446 | 703        |
| Citigroup Global Markets 17-Jan-2012 (HDIL)         | 210,013   | 339        |
| Citigroup Global Markets 20-Jan-2010 (Kulkarni)     | 78,410    | 31         |
| Deutsche Bank AG 30-Mar-17 (Orbit Corporation)      | 214,689   | 221        |
| Deutsche Bank AG London (DLF Limited)               | 217,677   | 718        |
| Deutsche Bank AG London (HDIL)                      | 150,351   | 243        |
| Deutsche Bank AG London 12-May-2009 (Kulkarni)      | 202,434   | 81         |
| Deutsche Bank AG London 23-Jul-08 (IFCI Limited)    | 1,043,027 | 397        |
| Deutsche Bank AG London 27-Mar-17 (Indiabulls)      | 583,065   | 1,159      |
| Deutsche Bank AG London BSERIAL                     | 32,656    | 1,005      |
| Deutsche Call Wts 05-Dec-16 (Ansal Housing)         | 63,068    | 26         |
| JP Morgan (DLF Limited)                             | 52,647    | 174        |
| JP Morgan (HDIL)                                    | 121,563   | 196        |
| Merrill Lynch Intl & Co 08-Mar-2011 (Ansal Housing) | 484,762   | 198        |
| Merrill Lynch Intl & Co 12-Jul-2010 (Kulkarni)      | 427,397   | 170        |
| Maquarie Bank (DLF Limited)                         | 299,591   | 988        |
|   |           | 11,307     |

## Notes to the Consolidated Financial Statements continued

Financial assets at fair value through profit or loss:

| <b>31 March 2008</b>   |           | Fair Value    |
|--|-----------|---------------|
| Security name  | Number    | US\$'000      |
| ABN AMRO Bank 3/7/09 (HDIL)                                      | 193,642   | 3,138         |
| Citigroup Global Markets 17-Jan-2012 (Bhagyanagar India)         | 3,574,835 | 3,877         |
| Citigroup Global Markets 17-Jan-2012 (IFCI)                      | 1,848,446 | 2,032         |
| Citigroup Global Markets 17-Jan-2012 (HDIL)                      | 163,344   | 2,677         |
| Citigroup Global Markets 17-Jan-2012 (Orbit Corporation)         | 426,686   | 5,607         |
| Citigroup Global Markets 20-Jan-2010 (Era Infra Engineering)     | 485,984   | 7,196         |
| Citigroup Global Markets 20-Jan-2010 (DSK Developers)            | 601,958   | 2,424         |
| Citigroup Global Markets 24/10/12 (SSI Limited)                  | 339,932   | 887           |
| Citigroup Global Markets 20/01/10 (Ansal Properties)             | 92,000    | 355           |
| Deutsche Bank AG 11/05/09 (Arihant Found & Housing)              | 45,868    | 343           |
| Deutsche Bank AG 30/03/17 (Orbit Corporation)                    | 547,917   | 7,200         |
| Deutsche Bank AG London 04/01/18 (Era Infra Engineering)         | 29,400    | 435           |
| Deutsche Bank AG London 12-May-2009 (DSK Developers)             | 202,434   | 815           |
| Deutsche Bank AG London 23-Jul-2008 (IFCI)                       | 4,858,657 | 5,342         |
| Deutsche Bank AG London 27/02/09 (Ansal Properties)              | 57,600    | 222           |
| Deutsche Bank AG London 30/01/17 (SSI Limited)                   | 99,835    | 260           |
| Deutsche Call Wts 05/12/16 (Ansal Housing)                       | 63,068    | 246           |
| JP Morgan Intl 12/01/11 (Unitech)                                | 188,802   | 1,271         |
| Merrill Lynch Intl & Co 07-Mar-2011 (BSEL Infrastructure Realty) | 2,638,680 | 2,882         |
| Merrill Lynch Intl & Co 08-Feb-2012 (Akruti Nirm)                | 11,615    | 225           |
| Merrill Lynch Intl & Co 08-Mar-2011 (Ansal Housing)              | 702,431   | 2,665         |
| Merrill Lynch Intl & Co 12-Jun-2010 (Ansal Properties)           | 1,641,793 | 6,336         |
| Merrill Lynch Intl & Co 12-Jul-2010 (DSK Developers)             | 427,397   | 1,721         |
| Merrill Lynch Intl & Co 30-Nov-2011 (Arihant)                    | 249,138   | 1,862         |
| Merrill Lynch Intl 23/05/12 (ERA Infra Engineering)              | 80,937    | 1,199         |
| Morgan Stanley Asia Products 08-Jan-2009 (Unitech)               | 246,221   | 3,316         |
|  |           | <b>64,533</b> |

Net changes in fair value on financial assets at fair value through profit or loss:

|                    | 31 March 2009   | 31 March 2008 |
|--------------------|-----------------|---------------|
|                    | US\$'000        | US\$'000      |
| Realised           | (27,405)        | 8,717         |
| Unrealised         | (23,046)        | 1,156         |
| <b>Total gains</b> | <b>(50,451)</b> | <b>9,873</b>  |

## Notes to the Consolidated Financial Statements continued

Analysis of investments:

|                            | 31 March 2009<br>US\$'000 | 31 March 2008<br>US\$'000 |
|----------------------------|---------------------------|---------------------------|
| Investments – cost b/f     | 63,377                    | -                         |
| Acquisitions               | 18,222                    | 86,868                    |
| Disposals                  | (48,402)                  | (23,491)                  |
| Investments – cost c/f     | 33,197                    | 63,377                    |
| Unrealised gain            | (21,890)                  | 1,156                     |
| Investments – market value | 11,307                    | 64,533                    |

### 6 Interest bearing loans

On 1 March 2008, a loan facility between the Company and its subsidiary Naya Bharat Investments (Mauritius) Limited (the “Subsidiary”) for a maximum of US\$70,000,000 came into effect. The Subsidiary uses the loan solely for the purpose of investing in listed equity securities and to meet operational expenses. The loan is repayable by the Subsidiary on demand by the Company. Interest is accrued daily from the date the loan came into effect, at a rate equal to the USD overnight LIBOR on a basis of 360 days a year.

### 7 Related Party Transactions

#### 7.1 Directors of the Company

Anderson Whamond was an executive director of the Manager until 31 March 2009 when his role changed to that of non-executive. Until 31 March 2009 when he resigned his position, Mr Whamond was a director of Charlemagne Capital Limited (“CCL”), the parent of the Manager and the Placing Agent. Mr Whamond holds 65,000 ordinary shares in the Company. He is also a shareholder of CCL and additionally has an indirect family interest in shares of CCL.

Jonathan Bradley is a non-executive director of the Placing Agent and holds 20,000 ordinary shares in the Company (2008: 20,000 ordinary shares).

Charlemagne Capital (Investments) Limited, an entity associated with the Manager, holds 97,181 ordinary shares in the Company (2008: 397,181 ordinary shares).

As at 31 March 2009 Shares of the Company were held by a number of employees of the Charlemagne Capital group and by an employee benefit trust managed by an independent trustee, Sanne Trust Company Limited of which certain employees of the group and their families may be potential beneficiaries.

CCL’s shares are listed on the AIM Market of the London Stock Exchange.

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.

#### 7.2 Directors of the Subsidiaries

Jane Bates and Adrian Jones are directors of the Manager. In compliance with local regulations the subsidiaries have appointed directors who are employees of or are associated with, the registered office service provider.

#### 7.3 Manager fees

##### *Annual fees*

The Manager is entitled to an annual management fee of 1.75% per annum of the monthly net asset value of the Company. This fee will accrue monthly and is payable monthly in arrears by Naya Bharat Property Company (Mauritius) Limited.

The Manager shall also be entitled to recharge to the Group all and any reasonable costs and disbursements properly incurred by it in the performance of its duties including costs of travel save to the extent that such costs are staff costs or other internal costs of the Manager. All amounts payable to the Manager by the Company shall be paid together with any value added tax, if applicable.

## Notes to the Consolidated Financial Statements continued

Annual management fees payable during the year ended 31 March 2009 amounted to US\$514,592 (2008: US\$1,569,248), of which US\$52,013 is outstanding at the year end.

### *Performance fees*

The Manager is entitled to a performance fee, accrued monthly and calculated and payable after the end of each performance fee year, equal to 15% of any excess of the net asset value per ordinary share (after adding back dividends and other distributions and ignoring any accrued performance fee) as at the end of each performance fee year over the benchmark multiplied by the time weighted average number of ordinary shares in issue over the relevant year.

For these purposes the benchmark shall be equal to the highest net asset value per share as at the last valuation day in any preceding performance fee year and, in the case of the first performance fee year, shall be the Placing Price.

Performance fee years shall commence on 1 April and terminate on 31 March of the following year (or on the termination of the Management Agreement, if earlier).

Performance fees accrued during the year ended 31 March 2009 amounted to US\$nil (2008: US\$789,782).

## **8 Charges and Fees**

### **8.1 Nominated Adviser and Broker fees**

Pursuant to the Placing and in its capacity as AIM Sponsor, the Nominated Adviser and Broker was entitled to receive a fee of £75,000. The payment of this fee was conditional upon admission of the Company's Shares to AIM taking place on or before 26 February 2007 or such later date as may have been agreed, not being later than 31 March 2007. This amount has been charged to equity as a share issue expense.

As Nominated Adviser and Broker to the Company for the purposes of the AIM rules, the nominated adviser and broker is entitled to receive an annual fee of £25,000, payable twice yearly in advance, such annual fee to commence on 1 January 2008.

Nominated Advisor and Broker fees paid for the year ended 31 March 2009 amounted to £53,281 (2008: nil).

### **8.2 Custodian fees**

The Custodian is entitled to receive fees calculated as 5 basis points per annum of the net asset value of the portfolio of the Company, subject to a minimum monthly fee of US\$2,250, calculated monthly and payable quarterly in arrears.

Custodian fees for the year ending 31 March 2009 amounted to US\$103,253 (2008: US\$118,289), of which US\$24,150 is outstanding at the year end.

### **8.3 Administrator and Registrar fees**

The Administrator is entitled to receive a fee of 10 basis points per annum of the net asset value of the Company, subject to a minimum monthly fee of US\$7,500, calculated monthly and payable quarterly in arrears.

Additionally, the Administrator is entitled to receive a fee of US\$6,500 for assisting in the preparation of the annual and interim financial statements of the Company; US\$10,000 per annum for providing registered office and company secretarial services, and reimbursement of all costs incurred in utilising the services of CREST.

Administration fees for the year ending 31 March 2009 amounted to US\$125,718 (2008: US\$119,658), secretarial fees were US\$12,125 (2008: US\$14,553), financial statement preparation fees were US\$7,637 (2008: US\$6,500) and CREST fees were US\$8,289 (2008 : US\$9,950).

### **8.4 Other operating expenses**

The costs associated with maintaining the Company's subsidiaries, to include the costs of continuing incorporation and third party service providers, shall be chargeable to each subsidiary.

## Notes to the Consolidated Financial Statements continued

### 8.5 Audit fees

Audit fees payable for the year end 31 March 2009 amounted to US\$65,204 (2008: US\$34,714).

### 9 Accruals and other payables

|                             | Group<br>31 March 2009 | Company<br>31 March<br>2009 | Group<br>31 March 2008 | Company<br>31 March 2008 |
|-----------------------------|------------------------|-----------------------------|------------------------|--------------------------|
|                             | US\$'000               | US\$'000                    | US\$'000               | US\$'000                 |
| Performance fee payable     | -                      | -                           | 790                    | -                        |
| Management fee payable      | 52                     | -                           | 1,569                  | -                        |
| Administration fees payable | 29                     | 22                          | 51                     | 49                       |
| Audit fee payable           | 52                     | 48                          | 35                     | 33                       |
| CREST fees payable          | 2                      | 2                           | 2                      | 2                        |
| Custodian fees payable      | 24                     | 24                          | 50                     | 50                       |
| Directors fees payable      | 25                     | 25                          | 19                     | 19                       |
| Other payables              | 10                     | 10                          | 13                     | 12                       |
| <b>Total</b>                | <b>194</b>             | <b>131</b>                  | <b>2,529</b>           | <b>165</b>               |

### 10 Cash and Cash Equivalents

|                           | Group<br>31 March 2009 | Company<br>31 March 2009 | Group<br>31 March 2008 | Company<br>31 March 2008 |
|---------------------------|------------------------|--------------------------|------------------------|--------------------------|
|                           | US\$'000               | US\$'000                 | US\$'000               | US\$'000                 |
| Bank balances             | 1,095                  | 50                       | 5                      | 10                       |
| Cash and cash equivalents | 1,095                  | 50                       | 5                      | 10                       |

### 11 Share Capital

| Ordinary Shares                   | Number      | US\$'000 |
|-----------------------------------|-------------|----------|
| In issue at the start of the year | 60,000,000  | 600      |
| Share buyback during the year     | (5,925,957) | (59)     |
| In issue at 31 March 2009         | 54,074,043  | 541      |

At incorporation the authorised share capital of the Company was US\$300 million divided into Ordinary Shares of US\$1 each. On 5 February 2007 the Company cancelled 297 million unissued Ordinary Shares of US\$1 each and on the same day subdivided its remaining 3 million authorised Ordinary Shares of US\$1 each into 300 million shares of US\$0.01 each.

During the year 5,925,957 shares were bought back for a total consideration of US\$1,006,454.20. The buyback was effected through retained reserves with an amount equal to the nominal value of the shares repurchased being transferred to a capital redemption reserve in accordance with local statutory requirements.

On 13 February 2008 the Company received confirmation from the High Court of Justice of the Isle of Man of its approval for the Company to cancel the amount of the share premium account and for such amount to be credited as a distributable reserve. The Company stated its intention to seek such approval in its admission document dated 21 February 2008. Having received court approval, the amount of the share premium account so cancelled was credited as a distributable reserve which may be applied in any manner in which the Company's profits available for distribution are able to be applied.

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 regards to the Company's assets.

## Notes to the Consolidated Financial Statements continued

### 11.1 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 monitor 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 would be in the form of bank borrowings, secured on the investment portfolio.

Group capital comprises share capital, share premium and reserves.

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

### 12 Loss/earnings per share

Basic and diluted (loss)/earnings per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary shares in issue during the year

|   | 2009     | 2008   |
|---|----------|--------|
| (Loss)/ profit attributable to equity holders of the Company (US\$'000) | (51,129) | 7,129  |
| Weighted average number of ordinary shares in issue (thousands)         | 57,493   | 60,000 |
| Basic and diluted earnings per share (cent per share)                   | (88.93)  | 11.88  |

### 13 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 31 March 2009:

|                  |         |
|------------------|---------|
| Indian Rupee     | 50.7200 |
| Singapore Dollar | 1.5225  |
| GBP              | 0.6980  |

### 14 Directors' Remuneration

#### *The Company*

The maximum amount of remuneration payable to the Directors permitted under the Articles of Association is US\$200,000 per annum. The Directors each receive a fee of US\$25,000 per annum accrued monthly and payable quarterly in arrears. Additionally the Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. Total fees and expenses payable to the Directors for the year ended 31 March 2009 amounted to US\$104,219 (2008: US\$117,465) and Directors insurance cover amounted to US\$19,077 (2008: US\$21,920).

#### *The Subsidiaries*

No fees are paid to the Directors of the subsidiaries except in circumstances where a director is appointed in compliance with local regulations and in such cases the fees payable are nominal.

### 15 Taxation

#### *Isle of Man taxation*

The Company is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man and is technically subject to taxation on its income but the rate of tax will be zero. An annual corporate charge is payable. The exemption fee charge for 2008/2009 tax year is £250.

There are no corporation, capital gains or inheritance taxes payable in the Isle of Man. No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue, transfer, conversion or redemption of Ordinary Shares.

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

## Notes to the Consolidated Financial Statements continued

Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to Manx income tax on dividends received from the Company.

### *Mauritius taxation*

The subsidiaries are registered as Category 1 Global Business Companies ("GBC1") and each have obtained a Category One Global Business Licence certificate from the Mauritius Financial Supervision Commission. They each maintain a registered office in Mauritius and as such, the subsidiaries are deemed residents of the Republic of Mauritius and a certificate of tax residence for each of the subsidiaries has been obtained from the Mauritius Revenue Authority. Accordingly, the subsidiaries have been advised that they should maintain their place of effective management in Mauritius so as to be resident in Mauritius and qualify as a resident of Mauritius for the purposes of the Mauritius/India income tax treaty.

A GBC1 is taxed on its chargeable income (including dividends, interests and other income but not capital gains less expenses) at a corporate rate of 15% which is reduced to a net effective tax rate of 3% or even less :

Normal tax rate 15% less EITHER

Deemed tax credit of 80% on foreign sourced income – 80% of 15% (12%) – 3%

OR

Actual foreign tax credit, if written evidence is available where then the tax payment in Mauritius can even be (Actual foreign tax credit) – Nil

A GBC1 is exempt from capital gains tax in Mauritius.

### *United Kingdom*

The affairs of the Company are conducted so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains, other than certain income deriving from a UK source.

## **16 Financial Risk Management**

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 Group's strategy on the management of investment risk is driven by the Group's investment objective. The main objective of the Group is to maximise the total returns to investors through long-term capital growth.

The Group invests in Indian listed real estate companies in order to focus on maximising total returns. The Group's securities are susceptible to market price risk arising from uncertainties about future prices of these instruments caused by market factors specific to the instrument or its issuer or factors affecting all instruments traded in the market. The Manager reviews the position on a day to day basis and the Directors review the position at the Board meetings.

The Group's investment activities expose it to various types of market risks (including, for example, interest rates, foreign exchange rates and rates of inflation), industry conditions, competition, political and diplomatic events, tax laws, environmental laws, changes in the law and other factors can substantially and either adversely or favourably affect the value of the securities in which the Group invests and, therefore, the Group's performance and prospects.

At 31 March 2009, if the market value to the investment portfolio had increased/decreased by 80% with all other variables held constant, this would have increased/decreased the net assets attributable to shareholders by approximately US\$9,045,798 (31 March 2008: 10% US\$6,453,273), based on US\$11,307,248 (i.e. including Due from Broker balances) (31 March 2008: US\$66,825,509).

## Notes to the Consolidated Financial Statements continued

The performance of the Group can decrease as well as increase. In addition to market price risk, the main risks arising from the Group's financial instruments are as follows:

### *Foreign exchange risk*

The Group's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than the functional currency Indian Rupee. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to these currencies. For the year under review the currencies giving rise to this risk are primarily US Dollars.

The Group may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency of Indian Rupee. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets and liabilities denominated in currencies other than the United States Dollar.

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

At the reporting date the Group had the following exposure:

| Currency          | 31 March 2009<br>% |
|-------------------|--------------------|
| Indian Rupees     | 24.3               |
| Singapore Dollars | 4.3                |
| US Dollars        | 71.4               |

The following table sets out the Group's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

|                   | Monetary Assets<br>US\$'000 | Monetary Liabilities<br>US\$'000 | Net Exposure<br>US\$'000 |
|-------------------|-----------------------------|----------------------------------|--------------------------|
| Indian Rupees     | 2,985                       | -                                | 2,985                    |
| Singapore Dollars | 526                         | -                                | 526                      |
| US Dollars        | 8,976                       | (194)                            | 8,782                    |
|                   | 12,487                      | (194)                            | 12,293                   |

### *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. This relates also to financial assets carried at amortised cost, as they have a short term maturity.

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

|                                   | 31 March 2009<br>US\$'000 |
|-----------------------------------|---------------------------|
| Other receivables and prepayments | 85                        |
| Cash at bank                      | 1,095                     |
|                                   | 1,180                     |

Management does not expect any counterparty to fail to meet its obligation.

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 obligation.

## Notes to the Consolidated Financial Statements continued

The Group will be exposed to credit risk on parties with whom it trades and will also bear the risk of settlement default. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and counter-parties on recognised and reputable exchanges. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Group will be exposed to credit risk on the counterparties with which it trades in relation to options, futures, forward contracts and other derivative financial instruments that are not traded on a Recognised Exchange. Such instruments are not afforded the same protections as may apply to participants trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The Group will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which the Group trade such instruments, which could result in substantial losses to the Group. The Company monitors its risk by monitoring the credit quality and financial positions of the counterparties the Group use.

Substantially all of the cash held by the Group is held by Citibank (the "Bank"). Bankruptcy or insolvency by the Bank may cause the Group's rights with respect to the cash held by the Bank to be delayed or limited. The credit rating of the Bank is A1/A. If the credit quality or financial position of the Bank deteriorates significantly the Manager will move the cash holdings to another bank.

At 31 March 2009, balances due from brokers and other receivables were exposed to credit risk. The total amount of financial assets exposed to credit risk approximates to their carrying value in the Balance Sheet.

The Group uses P Notes and other similar types of instruments to gain exposure to the underlying listed Indian companies. These instruments are issued by EEA credit institutions rated A or higher.

### *Liquidity risk*

The Group manages its liquidity risk by maintaining sufficient cash balances for working capital requirements. The Group's liquidity position is monitored by the Manager and the Board of Directors.

Other creditors and accruals fall due for settlement within less than one month.

### *Interest rate risk*

The majority of the Group's financial assets are non-interest bearing. Cash held by the Group is invested at short-term market interest rates. As a result, the Group is not subject to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. However, it is subject to cash flow risk arising from changes in market interest rates.

Given that the cash held by the Group at the year end is not considered to be significant and no other financial assets or liabilities are interest bearing, no sensitivity analysis has been performed.

## **17 Post Balance Sheet Events**

There were no post balance sheet events that require to be brought to the attention of shareholders.

# NAYA BHARAT PROPERTY COMPANY PLC

*(Incorporated in the Isle of Man)*

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the above-named Company will be held at Third Floor, Britannia House, St. Georges Street, Douglas, Isle of Man IM1 1JE, British Isles on Monday 12 October 2009 at 10:00 a.m. and any adjournment thereof, to transact the following business:

### As ORDINARY RESOLUTIONS:

1. To receive and consider the Chairman's Statement, Report of the Directors, Report of the Manager, Auditors' Report and the Audited Financial Statements of the Company for the year to 31 March 2009;
2. To re-appoint the following director retiring by rotation:  
Jonathan Bradley
3. To re-appoint KPMG LLC, Isle of Man as Auditors of the Company for the year to 31 March 2010; and
4. To grant standing authority such that the Company be authorised generally and without conditions to make market purchases of its ordinary shares (within the meaning of Section 13(2) of the Isle of Man Companies Act 1992) on such terms as the Directors may from time to time determine provided that (a) it may not purchase more than 14.99% of the ordinary shares of US\$0.01 each; (b) it may not pay more than 5% (exclusive of expenses) over the average of the middle market price of the ordinary shares for the five business days immediately before the day on which the Company agrees to buy the shares; (c) this authority will expire on 12 October 2010 or, if earlier, the conclusion of the next Annual General Meeting of the Company.

By Order of the Board  
Suzanne Jones  
Secretary

Date: 16 September 2009

*Registered Office*  
Third Floor, Britannia House  
St. Georges Street  
Douglas  
Isle of Man IM1 1JE  
British Isles

### NOTES:

- 1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him; a proxy need not be a member of the Company. In the case of joint holders, if more than one of such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy.
- 2 A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude a member from attending and voting at the Meeting if he so wishes. In the event that a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.
- 3 In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, should be deposited at the Company's registered office of Third Floor, Britannia House, St George's Street, Douglas, Isle of Man IM1 1JE, British Isles (Attn: Suzanne Jones) Fax: 44 (0)1624 692601 no later than two days before the date appointed for holding the meeting.

# NAYA BHARAT PROPERTY COMPANY PLC

(Incorporated in the Isle of Man)

## FORM OF PROXY

To be used for the Annual General Meeting of the above-named company to be held at Third Floor, Britannia House, St. Georges Street, Douglas, Isle of Man IM1 1JE, British Isles on Monday 12 October 2009 at 10:00 a.m. to transact the following business:

I/We <sup>1</sup> \_\_\_\_\_  
Of <sup>1</sup> \_\_\_\_\_ being member(s) of  
the above-named Company, hereby appoint the Chairman of the Meeting <sup>2</sup> or \_\_\_\_\_  
of \_\_\_\_\_ or Suzanne Jones or  
failing her, Margaret Corkill as my / our proxy to vote on my / our behalf at the Annual General Meeting of the Company to be held on 5 October 2009 and at any adjournment thereof.

I/We direct my / our proxy to vote in respect of the Resolutions to be proposed at such Annual General Meeting in the following manner <sup>3</sup>:-

### ORDINARY RESOLUTIONS

1. THAT the Chairman's Statement, Report of the Manager, Report of the Directors, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year ended 31 March 2009 be approved;
2. THAT Jonathan Bradley be re-appointed a director;
3. THAT KPMG, Cayman Islands be re-appointed the Auditors of the Company for the year ending 31 March 2010 at a fee to be approved by the Directors; and
4. THAT the Company be granted standing authority such that the Company be authorised generally and without conditions to make market purchases of its ordinary shares (within the meaning of Section 13(2) of the Isle of Man Companies Act 1992) on such terms as the Directors may from time to time determine provided that (a) it may not purchase more than 14.99% of the ordinary shares of US\$0.01 each; (b) it may not pay more than 5% (exclusive of expenses) over the average of the middle market price of the ordinary shares for the five business days immediately before the day on which the Company agrees to buy the shares; (c) this authority will expire on 12 October 2010 or, if earlier, the conclusion of the next Annual General Meeting of the Company.

|   | FOR | AGAINST | ABSTAIN |
|---|-----|---------|---------|
| 1. THAT the Chairman's Statement, Report of the Manager, Report of the Directors, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year ended 31 March 2009 be approved;   |     |         |         |
| 2. THAT Jonathan Bradley be re-appointed a director;  |     |         |         |
| 3. THAT KPMG, Cayman Islands be re-appointed the Auditors of the Company for the year ending 31 March 2010 at a fee to be approved by the Directors; and  |     |         |         |
| 4. THAT the Company be granted standing authority such that the Company be authorised generally and without conditions to make market purchases of its ordinary shares (within the meaning of Section 13(2) of the Isle of Man Companies Act 1992) on such terms as the Directors may from time to time determine provided that (a) it may not purchase more than 14.99% of the ordinary shares of US\$0.01 each; (b) it may not pay more than 5% (exclusive of expenses) over the average of the middle market price of the ordinary shares for the five business days immediately before the day on which the Company agrees to buy the shares; (c) this authority will expire on 12 October 2010 or, if earlier, the conclusion of the next Annual General Meeting of the Company. |     |         |         |

Signature \_\_\_\_\_

Dated:

2009

**NOTES:**

- 1 Full name(s) and address(es) to be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.
- 2 If you wish to appoint a person other than the Chairman of the Meeting as your proxy please delete the words "the Chairman of the Meeting" and print the name and address of the person you wish to appoint in the space provided.
- 3 Please indicate with a "X" in the appropriate space beside the resolution how you wish your proxy to vote on your behalf on a poll. Except as otherwise instructed, your proxy will exercise his discretion as to how he votes or whether he abstains from voting.
- 4 This form of proxy must be signed by the member or his attorney duly authorised in writing, or if the appointer is a corporation the form of proxy must be executed under the hand of an officer of the corporation duly authorised on their behalf.
- 5 A member entitled to attend and vote is entitled to appoint one or more parties to attend and, on a poll, to vote instead of him. A proxy need not also be a member. In the case of joint holders, if more than one such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy
- 6 In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, should be deposited at the Company's registered office of Third Floor, Britannia House, St George's Street, Douglas, Isle of Man IM1 1JE, British Isles (Attn: Suzanne Jones) Fax: 44 (0)1624 692601 no later than two days before the date appointed for holding the meeting.

