

28 November 2014

Eredene Capital PLC

("Eredene" or the "Company")

(a closed-ended investment company registered in England and Wales with company number 5330839)

Unaudited interim results for the six months ended 30 September 2014

Eredene Capital PLC, the AIM quoted investor in Indian infrastructure, announces its interim results for the six months ended 30 September 2014.

Highlights

- Net asset value ("NAV") attributable to equity shareholders as at 30 September 2014 of £26.4m (at 30 September 2013 restated: £51.4m), representing 10.70p per share (at 30 September 2013 restated: 14.20p)
- Return of capital of approximately £3.0m (10.0p per share) in December 2014 offered to shareholders which follows £19.9m (17.2p per share) returned to shareholders in October 2013 and £15.3m (18.0p per share) returned in August 2012
- Orderly process of realising investments in India continues in line with stated strategy to extract maximum value from portfolio with the sale of a 23% stake in Sattva CFS & Logistics for £1.9m cash in July 2014 and the sale of 100% of Aboyne Mauritius (including Matheran Realty and Gopi Resorts) for £3.0m in cash in September 2014 and redeemable preferences shares with potential value of up to INR 200m in the next three years
- Cost reduction programme continues with operating costs for the six months to 30 September 2014 significantly reduced to £0.4m (six months to 30 September 2013 restated: £1.4m)
- Cancellation of the admission of the Company's shares to trading on AIM to take place in December 2014 and re-registration as a private limited company expected to take place shortly thereafter in order to further reduce operating costs and better achieve its divestment strategy

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Chairman's Statement

Introduction

I am pleased to report the Company has continued to deliver its stated strategy of realising assets, reducing operating expenses and returning capital to shareholders in the period from the last financial year end to the date of this statement. Further to my letter and accompanying circular to shareholders posted on 3 November 2014, the Company will de-list from AIM and is expected to become a private limited company before the end of the calendar year, which should enhance the Company's ability to continue to deliver on all three elements of its stated strategy.

Financial Results

The Company had a net asset value ("NAV") attributable to equity shareholders as at 30 September 2014 of £26.4m (as at 30 September 2013 restated: £51.4m), representing 10.70p per share (as at 30 September 2013 restated: 14.20p), having incurred a total loss for the six months to 30 September 2014 of £1.5m (six months to 30 September 2013 restated: £15.6m).

Cash balances as at 30 September 2014 totalled £5.6m (as at 30 September 2013 restated: £23.7m) having received £3.0m in September 2014 for the sale of 100% of Aboyne Mauritius (including Matheran Realty and Gopi Resorts), £1.9m in July 2014 from the sale of a 23% stake in Sattva CFS & Logistics, and having invested a further £0.2m in the portfolio during the period. £19.9m was returned to shareholders in October 2013.

The Group's operating expenses for the six months to 30 September 2014 were £0.4m (six months to 30 September 2013 restated: £1.4m).

India's macroeconomic and political environment

The six month period to 30 September 2014 has been one of considerable change in India. The economic cycle showed signs of bottoming out following a period of turbulence in 2013 and a national General Election in May 2014 which has revitalised the political environment. Compared to a 15.5% fall in the same period to September 2013, the Rupee was relatively stable in this period, depreciating only 2.5% as an improvement in trade imbalances and better monetary policy brought greater stability.

The period was dominated by the General Election which saw the incumbent Congress led Government decimated by the opposition BJP. For the first time in thirty years India elected a majority Government, swayed by a strong campaign led by Narendra Modi who promised to deliver an open, accountable, pro-business, reform driven environment. The Government's first Budget in July provided a snapshot of what to expect over the course of this Parliament by committing to reduce the fiscal deficit to what, at the time, seemed an optimistic target of 4.1% of GDP. FDI limits were raised to 49% for both the Insurance and Defence sectors and tax incentives were introduced to encourage a revival in the infrastructure sector. In October the decision was made to use the collapse in global oil prices to end diesel subsidies, a radical step but one taken at an opportunistic time.

A rejuvenated political environment has coincided with key indicators showing improvements on the macroeconomic front. Under the tenure of RBI Governor, Raghuram Rajan, the Rupee has shown stability and inflation has started to come under control. The stated CPI inflation targets of 8% by March 2015 and 6% by March 2016 now appear achievable, allowing the Central Bank to initiate an interest rate easing cycle. GDP growth has started to show signs of life as Q1 FY15 reported 5.7% versus 4.7% for the same quarter last year. This is the strongest GDP report for the last eight quarters and was driven by industrial output which grew by 4.2%, agriculture which grew by 3.8% and services which were 6.8% stronger. It will take time for India to return to growth exceeding the 7% level and for this to translate into improved corporate profitability but it is clear that the economy is bottoming out.

The risks to full recovery remain several. Should oil prices revert to an upward trend, the Government's mettle will be tested on the subsidy reduction and the monetary easing cycle may well be delayed. Although steps have been taken to introduce competition in key industries, notably coal, the approach will have to be measured in order to maximise the chances of reform success particularly as vested interests remain strong. Nevertheless, the outlook for India is considerably better than at the time of writing last year. There will always be challenges, but the country is on the cusp of a period of political and economic stability not recently experienced.

Outlook

Whilst approximately a further £3.0m is shortly being returned to shareholders, the Company will retain adequate cash on the balance sheet to continue an orderly process of realising its investments in India. However, significant realisations are not expected in the short term as we seek to enhance the value of the Company's three largest investments against a backdrop of improving valuations in the infrastructure sector in India supported by the better political and macroeconomic environment I have described in my statement.

Struan Robertson
Non-Executive Chairman

28 November 2014

Investment Manager's report

Introduction

The period saw some significant positive developments in the Indian political and economic climate as described by the Chairman. Although the macroeconomic front is looking better with improvements in key indicators, we are somewhat off seeing the positive effect of these on the corporate sector. On the back of this environment, Eredene remains confident of growth opportunities for the portfolio companies over medium term.

Investee Companies at 30 September 2014

Apeejay Infra-Logistics

A joint venture with Apeejay Surrendra Group, Apeejay Infra-Logistics owns and operates two logistics parks in East India – a 90 acre facility near Haldia Port in West Bengal and a 30 acre facility at Kalinganagar in Orissa. Eredene is currently exploring strategic options for this investment as both the logistics parks are likely to take considerable time to scale up and reach profitability.

Fair value as at 30 September 2014	£0.8m
Amount invested to 30 September 2014	£2.9m
Ownership stake at 30 September 2014	50%
Investment Partner	Apeejay Surrendra www.apeejaygroup.com

Apeejay Infra-Logistics Project One	Haldia Logistics Park
Sector	Logistics Park
Location	Haldia, West Bengal, East India
Progress to date	Operational & revenue generating

Apeejay Infra-Logistics Project Two	Kalinganagar Logistics Park
Sector	Logistics Park
Location	Kalinganagar, Orissa, East India
Progress to date	Operational & revenue generating

Contrans Logistic

Contrans Logistic's CFS located just outside Pipavav port in Gujarat saw solid growth in container volumes during the period (7,700 TEUs against 5,200 TEUs over same period last year) on the back of upsurge in non-cotton exports and import volumes. The company has made significant progress towards the renewal of commercial permissions for the 128 acre greenfield site at Baroda in Central Gujarat.

Fair value as at 30 September 2014	£5.5m
Amount invested to 30 September 2014	£5.7m
Ownership stake at 30 September 2014	44%
Website	www.contrans.in

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

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

MJ Logistic Services

MJ Logistic Services, a third party logistics and warehousing business in which Eredene owns a majority stake, saw flat growth compared to the same period last year; the cold storage business suffered from low occupancy due to excess supply in the market. However, the management however continues to be optimistic on its prospects with a strong customer pipeline including a large and established international quick service restaurant group.

Fair value as at 30 September 2014	£8.6m
Amount invested to 30 September 2014	£11.0m
Ownership stake at 30 September 2014	86%
Website	www.mjls.com
Sector	Warehousing & Third Party Logistics
Location	Delhi region, North India
Progress to date	Operational & revenue generating

Sattva CFS & Logistics – Vichoor CFS

The 26 acre container freight station (CFS) at Vichoor, a joint investment with the Sattva Business Group in Tamil Nadu, continues to record healthy growth and maintain strong profitability. The CFS which serves Chennai Port handled 41,876 TEUs (twenty foot equivalent units, the length of a standard container) in the half year ended 30 September 2014, compared to 39,908 TEUs during similar period in the previous year, a 5% increase. Eredene realised a 23% stake in the company through sale to Sattva Business Group in July 2014 for £1.9m in cash.

Fair value as at 30 September 2014	£1.1m
Amount invested to 30 September 2014	£0.7m
Ownership stake at 30 September 2014	16%
Realisation proceeds since 31 March 2014	£1.9m (for 23% of Sattva CFS & Logistics)
Sector	Container Logistics
Location	Chennai, Tamil Nadu, South East India
Progress to date	Profitable & dividend paying
Investment partner	Sattva Business Group

Sattva Conware

Sattva Conware CFS, is located on a 56 acre site within reach of both Ennore and Chennai ports and the newly opened Kattupalli container terminal. The facility has a 92,000 square feet container yard and a 60,000 square feet EXIM cum bonded warehouse in addition to a 14,000 square feet domestic warehouse. This is the first full year of operations for the CFS having obtained all planning permissions earlier this year. It handled 4,458 TEUs of laden containers for the six month period ended 30 September 2014 with major cargo comprising rice, granite and auto components. The CFS is undergoing further capacity expansion in anticipation of an increase in the container traffic.

Fair value as at 30 September 2014	£5.2m
Amount invested to 30 September 2014	£4.2m
Ownership stake at 30 September 2014	79%
Sector	Container Logistics
Location	Ennore, Tamil Nadu, South East India
Progress to date	Operational & revenue generating
Investment partner	Sattva Business Group

Eredene Capital plc
Unaudited Consolidated Statement of Comprehensive Income
For the six months to 30 September 2014

	Note	Unaudited Six months to 30.09.14 £'000	Restated Unaudited Six months to 30.09.13 £'000	Audited Year to 31.03.14 £'000
Portfolio return and revenue				
Realised losses over fair value on disposal of investments		(275)	(529)	(529)
Unrealised adjustments on the revaluation of investments	3	(734)	(13,364)	(15,691)
Other portfolio income		-	33	86
		<u>(1,009)</u>	<u>(13,860)</u>	<u>(16,134)</u>
Operating expenses		(412)	(1,350)	(2,418)
(Loss)/Gain on foreign currency transactions		(21)	(395)	(278)
Other expenses		(50)	(1)	(334)
Other income		25	-	-
Finance income		2	23	32
		<u>(1,465)</u>	<u>(15,583)</u>	<u>(19,132)</u>
Loss before taxation		(1,465)	(15,583)	(19,132)
Taxation charge		(7)	(5)	(12)
		<u>(1,472)</u>	<u>(15,588)</u>	<u>(19,144)</u>
Loss for the period		(1,472)	(15,588)	(19,144)
Other comprehensive income				
Foreign currency translation		(1)	(53)	(52)
		<u>(1,473)</u>	<u>(15,641)</u>	<u>(19,196)</u>
Total comprehensive loss for the period		(1,473)	(15,641)	(19,196)
Loss per share - Basic and diluted	2	(0.60)p	(4.31)p	(6.21)p

Eredene Capital plc
Unaudited Consolidated Statement of Financial Position
At 30 September 2014

	Note	Unaudited 30.09.14 £'000	Restated Unaudited 30.09.13 £'000	Restated Audited 31.03.14 £'000
Non-Current Assets				
Property, plant and equipment		12	15	13
Investments held at fair value	3	21,145	25,040	26,832
Intangible assets		-	92	-
Other receivables		4	4	5
		<u>21,161</u>	<u>25,151</u>	<u>26,850</u>
Current Assets				
Trade and other receivables		179	53	70
Cash and cash equivalents		5,558	23,748	1,516
		<u>5,737</u>	<u>23,801</u>	<u>1,586</u>
Assets of disposal group classified as held for sale		-	2,921	-
Total Assets		<u>26,898</u>	<u>51,873</u>	<u>28,436</u>
Current Liabilities				
Trade and other payables		(237)	(161)	(297)
Provisions		(310)	(310)	(310)
		<u>(547)</u>	<u>(471)</u>	<u>(607)</u>
Non-Current Liabilities				
Corporation tax liabilities		-	-	(5)
Total Liabilities		<u>(547)</u>	<u>(471)</u>	<u>(612)</u>
TOTAL NET ASSETS		<u>26,351</u>	<u>51,402</u>	<u>27,824</u>
Equity				
Share capital		24,616	36,199	24,616
Share premium		-	16,268	-
Special reserve		22,047	17,311	22,047
Capital redemption reserve		11,583	8,491	11,583
Foreign exchange deficit		(50)	(50)	(49)
Other reserves		997	997	997
Retained deficit		(32,842)	(27,814)	(31,370)
TOTAL EQUITY		<u>26,351</u>	<u>51,402</u>	<u>27,824</u>
Number of ordinary shares in issue (000s)		246,156	361,994	246,156
NAV per share - Basic and diluted		10.70p	14.20p	11.30p

Eredene Capital plc
Unaudited Consolidated Statement of Changes in Equity
For the six months to 30 September 2014

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Foreign exchange reserve £'000	Retained deficit £'000	Share holders equity £'000
Unaudited								
Six months ended								
30 September 2014								
As at 1 April 2014	24,616	-	22,047	11,583	997	(49)	(31,370)	27,824
Loss for the period	-	-	-	-	-	-	(1,472)	(1,472)
Other comprehensive income for the period	-	-	-	-	-	(1)	-	(1)
Total comprehensive income for the period	-	-	-	-	-	(1)	(1,472)	(1,473)
As at 30 September 2014	24,616	-	22,047	11,583	997	(50)	(32,842)	26,351
Restated								
Unaudited								
Six months ended								
30 September 2013								
As at 1 April 2013 (as previously reported)	36,199	16,268	17,311	8,492	-	(466)	(15,409)	62,395
Restatement due to change in accounting policy	-	-	-	(1)	996	469	3,183	4,647
As at 1 April 2013 (restated)	36,199	16,268	17,311	8,491	996	3	(12,226)	67,042
Loss for the period	-	-	-	-	-	-	(15,588)	(15,588)
Other comprehensive income for the period	-	-	-	-	-	(53)	-	(53)
Total comprehensive income for the period	-	-	-	-	-	(53)	(15,588)	(15,641)
Share based payment	-	-	-	-	1	-	-	1
As at 30 September 2013	36,199	16,268	17,311	8,491	997	(50)	(27,814)	51,402
Restated								
Audited								
Year ended								
31 March 2014								
As at 1 April 2013 (as previously reported)	36,199	16,268	17,311	8,492	-	(466)	(15,409)	62,395
Restatement due to change in accounting policy	-	-	-	(1)	996	469	3,183	4,647
As at 1 April 2013 (restated)	36,199	16,268	17,311	8,491	996	3	(12,226)	67,042
Loss for the period	-	-	-	-	-	-	(19,144)	(19,144)
Other comprehensive income for the period	-	-	-	-	-	(52)	-	(52)
Total comprehensive income for the period	-	-	-	-	-	(52)	(19,144)	(19,196)
Share based payment	-	-	-	-	1	-	-	1
Reduction of share premium	-	(16,268)	24,759	(8,491)	-	-	-	-
Purchase of treasury shares	(11,583)	-	(8,440)	-	-	-	-	(20,023)
Cancellation of treasury shares	-	-	(11,583)	11,583	-	-	-	-
As at 31 March 2014 (restated)	24,616	-	22,047	11,583	997	(49)	(31,370)	27,824

Eredene Capital plc
Unaudited Consolidated Cash Flow Statement
For the six months to 30 September 2014

	Unaudited Six months to 30.09.14	Restated Unaudited Six months to 30.09.13	Audited Year to 31.03.14
	£'000	£'000	£'000
Cash flow from operating activities			
Loss before taxation	(1,465)	(15,583)	(19,132)
Adjustments for:			
Finance income	(2)	(23)	-
Dividend income	-	(33)	(87)
Realised loss over fair value on disposal of investments	275	529	564
Unrealised adjustments on the revaluation of investments	734	13,364	15,691
Share based payment charge	-	1	2
Depreciation	2	3	6
Amortisation	-	12	104
Decrease/(increase) in trade and other receivables	(108)	(13)	(31)
(Decrease)/increase in trade and other payables	(72)	(334)	(187)
Taxation paid	-	-	(12)
	<hr/>	<hr/>	<hr/>
Net cash used in operating activities	(636)	(2,077)	(3,082)
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	(10)	(12)
Purchase of investments	(220)	(127)	(1,362)
Disposal of investments	4,898	8,160	8,160
Interest received	2	23	-
Dividends received	-	33	87
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	4,679	8,079	6,873
Cash flows from financing activities			
Purchase of treasury shares	-	-	(20,023)
	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	-	-	(20,023)
Net decrease in cash and cash equivalents	4,043	6,002	(16,232)
Cash and cash equivalents at the beginning of the period	1,516	17,799	17,799
Exchange losses	(1)	(53)	(51)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	5,558	23,748	1,516

Eredene Capital plc
Notes forming part of the unaudited interim results
for the six months ended 30 September 2014

1. Accounting policies

A. Basis of preparation

The interim financial information for the periods ended 30 September 2014 and 30 September 2013 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board and does not constitute statutory accounts within the meaning of the Companies Act 2006. The statutory accounts for the period ended 31 March 2014, which were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified, did not include any references to any matters to which the auditors drew attention without qualifying their report, and did not contain a statement made under Section 498(2) or Section 498(3) of the Companies Act 2006.

The financial information in this report comprises the Group balance sheets as at 30 September 2014, 31 March 2014 and 30 September 2013 and related statements of comprehensive income, cash flow, changes in equity and related notes for the period then ended ("financial information"). The financial information has been prepared in accordance with the Group's principal accounting policies as set out in the Annual Report for the period ended 31 March 2014. There have been no changes in the existing policies. It has been prepared on the historical cost basis, except for the revaluation of certain investments. As permitted, the Group has not applied IAS 34 "Interim Reporting" in preparing this interim report.

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 judgments, 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 judgments, which have the most significant effect on the amounts recognised in the financial statements:

Assessment as 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;
- 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.

Application and significant judgments

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. Two entities, MJ Logistics and Sattva Conware, which the Group previously consolidated, is now recognised at fair value.

The Group's investments held at fair value through profit or loss are valued based on the International Private Equity and Venture Capital Guidelines. Apart from Apeejay Infra-Logistics the 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).

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.

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. At 30 September 2013, investments in Matheran Realty and Gopi Resorts were classified as a disposal group. At 30 September 2014, Matheran & Gopi had been sold.

B. Restatement - Impact of the application of IFRS 10

In line with the year end policy, the Group applied IFRS 10 Consolidated Financial Statements, which requires restatement of previous financial statements. Further, the application of IFRS 13 Fair Value Measurement resulted in additional disclosures in the consolidated financial statements.

The nature and the impact of this new standard and amendment are described below:

IFRS 10 Consolidated Financial Statements

Under IFRS 10, MJ Logistics and Sattva Conware CFS have been classified as investment entities. Previously, they were carried at fair value in accordance with IAS 39 having taken the exemption allowed under IAS 28.

Impact on statement of comprehensive income

As a result of this change in treatment the total return generated by the investment entities is no longer presented on a line-by-line basis but combined and shown as a new line in the Statement of comprehensive income – “Unrealised adjustments on the revaluation of investments”. This has resulted in a restatement of prior year figures where previously consolidated line items are now aggregated into this line.

Translation of investment entity subsidiaries which are non-sterling denominated will no longer be shown as part of other comprehensive income “Foreign currency translations” and will now be included as part of the fair value movement on investment entity subsidiaries held at fair value. Consequently these translation amounts will no longer be shown as a movement in the translation reserve and it will become a movement in capital reserves. IFRS 10 has been retrospectively applied as if IFRS 10 was in effect from 1 April 2013. The translation reserve has been restated to reflect the impact of IFRS 10 for the six months to 30 September 2013 by £469,000, with corresponding movements in capital reserves. Basic and diluted earnings per share of the Group have been restated as a result of adopting IFRS 10.

Impact on statement of financial position

The closing fair value of the net assets of the investment entities is now combined and stated in ‘Investments held at fair value through profit and loss’. This has resulted in a restatement of prior year figures where previously consolidated line items are now aggregated into this line. Cash balances held in investment entity subsidiaries are aggregated into the “Investments held at fair value” line and not consolidated. Group transactions which would have previously been eliminated on consolidation are no longer eliminated.

Impact on cash flow statement

The cash flow statement is impacted by the adoption of IFRS 10 because the cash held by investment entity subsidiaries is no longer consolidated. It now forms part of the fair value of the investment entity subsidiary.

IFRS 13 Fair Value Measurement

The Group has adopted IFRS 13 which relates to the fair value measurement of assets and liabilities. Investments are recognised and de-recognised on the date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment. The Group manages its investments with a view to profiting from the receipt of investment income and capital appreciation from changes in the fair value of equity investments.

Unquoted investments are designated at fair value through profit and loss and are subsequently carried in the balance sheet at fair value. Fair value is measured using the International Private Equity and Venture Capital valuation guidelines (IPEV).

All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis, applying the Group’s valuation policies.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

At 30 September 2013, investments in Matheran and Gopi were classified as held for resale on account that they met the criteria laid out in IFRS 5. At 31 March 2014, the Board had withdrawn from the sale and as a consequence, both investments were reclassified back to investments held at fair value through profit and loss. The investments have subsequently been sold during the current period.

Statement of Changes in Equity

The Statement of Changes in Equity for the year ended 31 March 2014 disclosed in these unaudited interim results for the six months ended 30 September 2014 has been restated compared to the same statement in the audited annual results for the year ended 31 March 2014, as a result of the misclassification of the movement in reserves resulting from the purchase and subsequent cancellation of treasury shares in October 2013 when the Company returned capital to shareholders. The effect of the restatement is to increase the Capital Redemption Reserve by £11,583,000 and to reduce the Special Reserve by the same amount as at 31 March 2014.

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.

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. This represents a change in accounting policy in the current year. 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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). In prior periods, the Group has recognised an intangible asset relating to a pipeline of investments (at 30 September 2013: £92,000) At 31 March 2014, the Board concluded the pipeline no longer held any value and the remaining value was impaired down to £nil.

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 IAS 31 'Interests in Joint Ventures'.

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

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.

At 30 September 2013, the controlling stake in Matheran and its subsidiary Gopi had been classified as held for sale on acquisition as it fulfilled the criteria. The investments were sold during the current six months.

Loans and receivables

- Other receivables
- Other receivables are recognised and carried at amortised cost less an allowance for any uncollectible amounts. Unless otherwise indicated, the carrying amounts of the group's financial assets are a reasonable approximation to their fair value.
- Cash and cash equivalents
- 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

- Borrowings
- Borrowings are recognised initially at fair value. Borrowings are subsequently carried at amortised cost.
- Trade and other payables
- Trade payables and other payables are recognised and carried at amortised cost and are a short term liability of the Group.

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 balance sheet date. Any differences are taken to the income statement.

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

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

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.

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 income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

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

J. Deferred tax

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

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

K. Pension costs

The Company contributed to directors' personal money-purchase pension schemes. Contributions were charged to the income statement in the period in which they become payable. No charges were made in the six months to 30 September 2014.

L. National Insurance on share options

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

M. Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

2. Earnings per share and net assets per share

The calculation of the basic earnings per share is based on the loss for the six months to 30 September 2014 attributable to equity shareholders of £1.5m (six months to 30 September 2013 restated: loss of £15.6m) and the weighted average number of shares in issue during the six months to 30 September 2014 of 246,156,210 (six months to 30 September 2013: 361,994,426). 23.1m shares under option (as at 30 September 2013: 23.1m) were non-dilutive due to the Company being loss making.

The calculation of net asset value per share is based on the net assets attributable to equity shareholders of £26.4m (as at 30 September 2013 restated: £51.4m) and the number of shares in issue at 30 September 2014 of 246,156,210 (as at 30 September 2013: 361,994,426).

3. Investments held at fair value through profit or loss

At 30 September 2014 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	% held 30.09.14	% held 30.09.13	% held 31.03.14
Apeejay Infra-Logistics	Ord.	50.0%	50.0%	50.0%
Contrans Logistic	Ord.	44.0%	44.0%	44.0%
MJL Logistic Services	Ord.	86.0%	86.0%	86.0%
Sattva CFS & Logistics	Ord.	16.0%	39.0%	39.0%
Sattva Conware	Ord.	79.0%	83.0%	79.0%

At 30 September 2014 the cost and valuation of the Group's investments were as follows:

	Historical cost at 30.09.14 £'000	Prior periods Fair Value adjustments £'000	Fair value adjustment on shares disposed £'000	Fair Value adjustments 01.04.14 – 30.09.14 £'000	Fair value at 30.09.14 £'000
Apeejay Infra-Logistics	2,900	(2,150)	-	-	750
Contrans Logistic	5,687	(171)	-	18	5,534
MJ Logistic Services	11,001	(2,294)	-	(143)	8,564
Sattva CFS & Logistics	697	2,349	(1,740)	(229)	1,077
Sattva Conware	4,177	1,423	-	(380)	5,220
	24,462	(843)	(1,740)	(734)	21,145

At 30 September 2013 the restated cost and valuation of the Group's investments were as follows:

	Historical cost at 30.09.13 £'000	Prior periods Fair Value adjustments £'000	Fair value adjustment on shares disposed £'000	Fair Value adjustments 01.04.13 – 30.09.13 £'000	Fair value at 30.09.13 £'000
Apeejay Infra-Logistics	2,900	1,206	-	(1,791)	2,315
Contrans Logistic	5,687	2,872	-	(2,552)	6,007
MJ Logistic Services	10,851	(273)	-	(2,438)	8,140
Sattva CFS & Logistics	697	3,770	-	(669)	3,798
Sattva Conware	3,912	2,229	-	(1,361)	4,780
	24,047	9,804	-	(8,811)	25,040
Reclassified as asset held for sale					
Matheran Realty	12,770	(7,707)	-	(3,084)	1,979
Gopi Resorts	2,542	(131)	-	(1,469)	942
	39,359	1,966	-	(13,364)	27,961

At 31 March 2014 the cost and valuation of the Group's investments were as follows:

	Historical cost at 31.03.14 £'000	Prior periods Fair Value adjustments £'000	Fair value adjustment on shares disposed £'000	Fair Value adjustments 01.04.13 – 31.03.14 £'000	Fair value at 31.03.14 £'000
Apeejay Infra-Logistics	2,900	1,206	-	(3,356)	750
Contrans Logistic	5,687	2,872	-	(3,043)	5,516
Gopi Resorts	2,542	(131)	-	(1,420)	991
Matheran Realty	13,553	(7,707)	-	(3,623)	2,223
MJ Logistic Services	11,001	(273)	-	(2,021)	8,707
Sattva CFS & Logistics	697	3,770	-	(1,421)	3,046
Sattva Conware	4,177	2,229	-	(807)	5,599
	40,557	1,966	-	(15,691)	26,832

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

4. Investment disposals

On 18 September 2014, Aboyne Mauritius Limited, the Mauritian holding company which holds the investment in the real estate projects, Matheran Realty and Gopi Resorts, was sold for a total consideration of up to INR 500.0m of which INR 300.0m (£3.0m) was received in cash on the date of sale. Subject to the future profitability of the real estate projects, the balance of INR 200.0m is expected to be satisfied by the redemption of Redeemable Preference Shares (RPS's) with a maturity of three years ending on 18 September 2017. Given the early

development stage of these projects, the RPS's have been valued at the nominal amount of £1 as at 30 September 2014.

On 29 July 2014, a 23% stake in Sattva CFS & Logistics Pvt Limited was sold for £1.9m in cash. The remaining stake of 16% is included in the Group's investment portfolio disclosed in note 3 above.

5. Forward-looking statements

This document may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of Eredene Capital PLC. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Eredene Capital PLC including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates, foreign exchange rates, inflation, the impact of competition, delays in implementing proposals, the timing, impact and other uncertainties of future investments, the impact of tax or other legislation and other regulations in the jurisdictions in which Eredene Capital PLC and its affiliates operate. As a result, Eredene Capital PLC's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

6. Interim Results

Copies of the Interim Results will be available from www.eredene.com