

Placing of Ordinary Shares

YATRA CAPITAL LIMITED

India Property Fund

Placing by Fairfax I.S. PLC (“Placing”) of ordinary shares with no par value (“Ordinary Shares”) of Yatra Capital Limited (“Company”), a limited liability company incorporated in Jersey. The Placing is being made subject to the restrictions in this prospectus (“Prospectus”).

No public market currently exists for the Ordinary Shares. Application has been made to list the Ordinary Shares on Eurolist by Euronext Amsterdam N.V. (“Eurolist by Euronext”), the regulated market of Euronext Amsterdam N.V. (“Euronext N.V.”), under the symbol “YATRA”. It is expected that admission of the Ordinary Shares to Eurolist by Euronext will become effective and that trading in the Ordinary Shares will commence on 6 December, 2006 following completion of a placing of the Ordinary Shares with investors.

Delivery of the Ordinary Shares is expected to take place on or about 6 December, 2006.

Investing in the Ordinary Shares involves risks. See “Risk Factors” beginning on page 14.

Placing Price: €10 per Ordinary Share

This Prospectus is issued by the Company. To the best of the knowledge of the directors of the Company (“Directors”), having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts as at the date of this Prospectus, is true and accurate in all material respects and does not omit anything likely to affect the import of such information or make misleading any statement in the Prospectus, whether factual or in the nature of an opinion. The Directors accept responsibility for the information contained in this Prospectus accordingly.

This Prospectus constitutes a prospectus for the purpose of article 3 of Directive 2003/71/EC of the European Parliament and of the Council and has been prepared in accordance with Article 3 of the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), as amended, and the rules promulgated thereunder. This document has been approved by and filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) (“AFM”).

The admission of the Ordinary Shares on Eurolist by Euronext shall not constitute a warranty or representation by Euronext N.V. as to the competence of the service providers to or any other party connected with the Company, the adequacy and accuracy of the information contained in this Prospectus or the suitability of the Company for investment or any other purpose.

The Ordinary Shares have not been registered under the U.S. Securities Act of 1933, as amended, or under any applicable U.S. state securities laws and except as otherwise detailed in this document may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act of 1933, as amended). See “Restrictions on Distribution and Other Important Information” beginning on page 112, and “Transfer and Holding Restrictions” beginning on page 57.

Dated 28 November, 2006

Placing Agent:
Fairfax I.S. PLC

Listing and Paying Agent:
ABN AMRO Bank N.V.

Reliance on Prospectus

This Prospectus relates to the proposed Placing and Admission. Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of any such subscription including the risk involved. Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation or other matters and are advised to consult their own professional advisers. Potential investors in any doubt about the proposal discussed in this Prospectus, its suitability, or what action should be taken, should consult a financial adviser; stockbroker; bank manager; accountant or other independent adviser.

The Ordinary Shares comprised in the Placing are being issued solely on the basis of the information and representations contained in this Prospectus, and any further information given or representations made by any person may not be relied upon as having been authorised by the Company or the Directors. Neither the delivery of this Prospectus nor the allotment or issue of Ordinary Shares shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof.

This Prospectus is directed only to each person who receives it, and is not intended for any other person or to the public generally. Notwithstanding the above and anything else herein to the contrary, except as reasonably necessary to comply with applicable securities laws, effective from the date of commencement of discussions concerning this offering, each prospective investor and each of its employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the United States federal income “tax treatment” and “tax structure” (in each case, within the meaning of U.S. Treasury Regulation Section 1.6011-4) and all materials of any kind, including opinions or other tax analyses, of this offering that are provided to such prospective investor (or its representatives) relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorisation to make any disclosure, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

Jersey Regulation

The Company is governed by the Collective Investment Funds (Jersey) Law 1988, as amended (the “Funds Law”) and the subordinate legislation made thereunder. The Company and the Jersey Administrator have obtained permits under the Funds Law from the Jersey Financial Services Commission (“Jersey FSC”) to operate as functionaries within the island. The Jersey FSC is protected against liability arising from discharge of its functions under the Funds Law.

A copy of this document has been delivered to the Registrar of Companies in Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 and he has given, and has not withdrawn, his consent to its circulation. The Jersey FSC has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order, 1958 to the issue of the Ordinary Shares. It must be distinctly understood that, in giving these consents, neither the Registrar of Companies in Jersey nor the Jersey FSC takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it.

Profile of typical investor

Investment in the Ordinary Shares is only suitable for investors who are aware of and understand the risks involved and are able to withstand the loss of their invested capital. The Company’s investments will be subject to normal market fluctuations and the risks inherent in all investments and there are no assurances that appreciation will occur. Prospective investors should be aware that investment in India may carry a relatively high degree of risk compared to more developed markets. Investors may not realise the value of their initial investment and investment in the Company should be regarded as a long-term investment.

Changes and Forward-looking statements

Except as otherwise indicated, this Prospectus speaks as of the date hereof. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company after the date hereof.

Certain information contained in this Prospectus constitutes “forward-looking statements”, which can be identified by the use of forward-looking terminology, such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to the various risks and uncertainties (including those described in this Section) actual events or results or the actual performance of the Company may differ materially from those reflected or contemplated in such forward-looking statements. Forward-looking statements contained in this Prospectus are based on present information and beliefs, which may not be correct.

This Prospectus includes certain statements provided by the Company with respect to the Company’s future performance. Such estimates of future performance reflect various assumptions made by the Company which may or may not prove accurate, as well as the exercise of a substantial degree of judgement by the Directors as to the scope and presentation of such information. No representations or warranties are made as to the accuracy of such statements or estimates of future performance. Actual results achieved during projection periods may differ substantially from those projected.

Statements made in this Prospectus are based, as they relate thereto, upon the law and practice currently in force in the relevant jurisdictions, and are subject to changes therein.

Restrictions on Distribution

The distribution of this Prospectus is restricted in certain jurisdictions. It is the responsibility of any person or persons in possession of this Prospectus and wishing to purchase Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

Neither the Company nor any of its agents has any responsibility for any purchase, offer or sale of Ordinary Shares by any person other than the Placing Agent and the Company.

For further detail and information relating to restrictions on distribution, please see Section 14.

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1. SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision to invest in the Company should be based on a consideration of this Prospectus as a whole. No civil liability is to attach to the Company or the Directors solely on the basis of this summary unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

1.1 Summary details of Directors, Parties and Advisors

The Company

Yatra Capital Limited,
43 La Motte Street,
St Helier,
Jersey
JE4 8SD

Directors of the Company

Sir Nigel Broomfield,
David Hunter,
Ajoy Veer Kapoor,
William Kay,
Malcolm King,
Christopher Lovell,
Rohin Shah.

all of 43 La Motte Street,
St Helier,
Jersey
JE4 8SD

Jersey Administrator and Distributor

Minerva Fund Administration
Limited,
43 La Motte Street,
St Helier,
Jersey JE4 8SD

Listing Agent and Paying Agent

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10,
PAC: HQ 7006,
1000 EA Amsterdam

Placing Agent

Fairfax I.S. PLC,
46 Berkeley Square,
London
W1J 5AT

The K2 Group

K2 Property

K2 Property Limited,
2nd Floor, Prisma House,
4 Buswell Avenue,
Quatre-Bornes, Mauritius

K2 Administrator

Jupiter Management (Mauritius)
Limited,
2nd Floor, Prisma House,
4 Buswell Avenue,
Quatre-Bornes, Mauritius

K1 Investments

K1 Property Investments Limited,
Cassandra Centre 201/202,
29 Theklas Lyssioti Street, 3030
Limassol, Cyprus

The Advisory Group

Promoter and Investment Advisor to K2 Property:

Saffron Capital Advisors Limited,
2nd Floor, Prisma House,
4 Buswell Avenue,
Quatre-Bornes, Mauritius

Advisor in India:

Saffron Asset Advisors Private Limited,
3rd Floor, Khanna Construction House,
44 RG Thadani Marg,
Worli Mumbai 400 018, India

Legal Advisers

United Kingdom:

Mishcon de Reya,
Summit House
12 Red Lion
Square,
London
WC1R 4QD

Netherlands:

Simmons &
Simmons,
Weena 666
3012 CN
Rotterdam,
The Netherlands

Jersey:

Carey Olsen,
47 Esplanade,
St Helier,
Jersey
JE1 0BD

Mauritius:

T Mukund
Gujadhur,
River Court,
St Denis Street,
Port Louis,
Mauritius

India:

Nishith Desai
Associates,
93-B Mittal Court,
Nariman Point,
Mumbai 400 021,
India

United States:

Seward & Kissel
LLP
One Battery Park
Plaza,
New York,
NY 10004
United States

Auditors and Accountants

Jersey:

Pricewaterhouse Coopers
CI LLP,
22 Colomberie,
St Helier,
Jersey JE1 4XA

Mauritius:

Pricewaterhouse Coopers,
Training Centre,
Champ de Mars,
Port Louis,
Mauritius

India:

NA Shah Associates.
65-C Mittal Tower,
Nariman Point,
Mumbai 400 021
India

Bankers

Jersey:

HSBC Bank International Limited
HSBC House,
Esplanade,
St Helier, Jersey JE1 1HS

Mauritius:

HSBC Bank (Mauritius) Limited,
5th Floor, Les Cascades,
Edith Cavell Street,
Port Louis, Mauritius

1.2 **Placing Statistics, Market Information and Expected Timetable**

Placing Statistics

Placing Price per Ordinary Share	€10
Minimum subscription per Placee	€300,000
Number of Ordinary Shares being placed	10,000,000
Number of Ordinary Shares in issue immediately following the Placing	10,000,000
Market capitalisation immediately following the Placing (assuming in each case the Placing is subscribed in full)	€100,000,000

Market Information

ISIN Code	JE00B1FBT077
Euronext Symbol	YATRA
Security Code	29095

Expected Timetable

Date of allotment of Placing Shares	28 November 2006
Date of Admission to Eurolist by Euronext	6 December 2006
First trading date for Ordinary Shares	6 December 2006
First settlement date for trading in Ordinary Shares	6 December 2006

1.3 **Overview of the Fund**

The capital of the Company will be used to establish a fund to invest in the rapidly growing Indian real estate sector.

The Advisory Group and Investment Committee have significant experience in real estate development and investment, both internationally and within India. This experience, when applied to the opportunities in the market, should enable investors to achieve an exceptional return.

Application has been made to list the Ordinary Shares of the Company on Eurolist by Euronext.

1.4 **Structure of the Fund**

Yatra Capital Limited is a limited liability company incorporated in Jersey. The purpose of the Company is to enable the pooling of funds by investors for investment in K2 Property Limited, ("K2 Property") a company established in Mauritius as a vehicle for investment in Indian real estate. K2 Property is advised by Saffron Capital Advisors Limited, the Investment Advisor in Mauritius, and an Investment Committee.

K2 Property has a wholly owned subsidiary, K1 Property Investments Limited, incorporated in Cyprus.

1.5 **Investment Objective and Policies of the Fund**

The primary objective for the Fund will be to achieve capital growth for investors in excess of 25% per annum through the development, ownership and exploitation of high quality residential, commercial and retail properties in India. The detailed investment strategy and policies for the Fund are set out in Section 4 at pages 32 to 37.

1.6 **Advisory Group**

The Advisory Group consists of Saffron Capital Advisors Limited (the Investment Advisor), Saffron Asset Advisors Private Limited (incorporated in India) and their respective parent company, Saffron Capital Securities Limited (incorporated in Mauritius). The Advisory Group and its management team combine real estate experience both within India and internationally, and a proven history of value creation.

The Advisory Group has access to a strong flow of Indian real estate investment opportunities with the potential to create significant returns for investors through its network of relationships in the sector, and has already identified a number of potential investment targets requiring funds in the region of US \$500m.

1.7 Distributions, Dividend Policy and Exit

It is intended that all capital or income returned to the K2 Group from its investments net of any sums required to be set aside for fees and expenses should be distributed to the Company at the earliest available opportunity. For further information on the distribution policy applicable to the Fund, please see Section 11.11.

Once funds have been returned to the Company, they may be returned to Shareholders by way of dividend or other capital distribution, or may be reinvested at the discretion of the Board. Shareholders may also achieve an “exit” through disposal of their shares via Eurolist by Euronext.

1.8 Fees and Expenses

The Advisory Group will be paid annual advisory fees of 2% of Total Capital Commitments made to K2 Property. The Advisory Group will also be entitled to be reimbursed up to 1% of Total Capital Commitments for the establishment costs of the K2 Group, and will also be entitled to a 20% share of all profits of the Fund once investors have achieved their 11% IRR Hurdle Return.

1.9 Taxation

India is a relatively highly-taxed and highly-regulated environment, and Portfolio Companies in India will be subject to customary levels of taxation in India. Notwithstanding this, the Fund has been designed so as to be relatively tax efficient for investors. Please see Section 10 for further information.

1.10 Reasons for Placing

The Company is seeking to place 10 million Ordinary Shares in the Company at a price of €10 per Ordinary Share. Proceeds from the Placing will be used (a) to cover the existing expenses and establishment costs of the Company (b) to establish a reserve for the future and ongoing expenses of the Company (c) to make Capital Commitments to K2 Property.

1.11 Share Capital, Capitalisation and Indebtedness

The Company is a no par value company, authorised to issue up to ten Founder Shares of no par value, and an unlimited number of Ordinary Shares of no par value. The Founder Shares do not carry any right to dividends or profits and carry no right to vote unless there are no Ordinary Shares in issue.

As at the date of this document, two Founder Shares have been issued to the Jersey Administrator, and no Ordinary Shares have been issued. Assuming all the Ordinary Shares available under the Placing have been fully subscribed, the share capital of the Company will be €100,000,000 immediately following the Placing.

The Company has not traded since incorporation and has not incurred any indebtedness other than certain expenses relating to the Placing and the Admission estimated to be less than €550,000 together with commission payable to the Placing Agent with respect to the Placing.

1.12 Major Shareholders and Related Party Transactions

As at the date of this document, the sole shareholder of the Company is the Jersey Administrator. Since the Company has not traded, the Company has not entered into any transactions with related parties or otherwise other than the appointment of the Jersey Administrator and certain professional advisors.

Following the Placing and Admission, it is intended that the Company will subscribe for shares in K2 Property. This could be regarded as a “related party” transaction. The appointment of the Jersey Administrator could also be regarded as a “related party” transaction. For more information on these transactions please see Section 11.14.

1.13 Memorandum and Articles

The Articles of Association of the Company contains provisions, *inter alia*, to the following effect:-

- The holders of Ordinary Shares have the right to receive notice of and vote at general meetings of the Company;
- The special rights attached to any class of shares may be varied or abrogated with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders;
- Any share in the Company may be issued with such rights or restrictions as the Company may from time to time by Ordinary Resolution determine;
- Unissued shares shall be at the disposal of the Directors;
- Ordinary Shares may be held and transferred in uncertificated form;
- The Board may refuse to register any transfer of Ordinary Shares or may require the redemption or transfer of Ordinary Shares owned or which appear to be owned directly by any person who is not, in the opinion of the Directors, a Qualifying Investor (see Section 9.2 for further information);
- Holders of Ordinary Shares do not have the right to redeem their Ordinary Shares;
- The Company may from time to time purchase its own shares;
- Unless authorised under the Articles of Association, a Director may not vote or be counted in the quorum on any resolution of the Board in respect of any matter in which he has a material interest;
- The Company may by Extraordinary Resolution appoint any person to office as a Director or remove any person as a Director;
- The Company may be wound up at any time by Special Resolution;
- The net asset value of the Company will be determined semi-annually by the Directors as advised by the Auditors;
- The Company may not materially change its principal investment objectives and policies for a period of three years from the date of the Company’s Ordinary Shares becoming listed on Eurolist by Euronext without the sanction of an Ordinary Resolution;

A more detailed summary of the provisions of the Articles of Association of the Company is set out at section 11.8.

1.14 Documents on Display

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Mishcon de Reya at Summit House, 12 Red Lion Square, London WC1R 4QD and at the offices of ABN AMRO, at Gustav Mahlerlaan 10, 1000 EA Amsterdam during business hours on any weekday from the date of this Prospectus (Saturdays, Sundays and public holidays excepted) until the first anniversary of the Final Closing Date:

- The Memorandum and Articles of Association of the Company;
- The written consents of the Directors and other parties referred to above;
- This Prospectus and any supplemental documents and circulars;
- The Constitution of K2 Property;
- The Investment Advisory Agreement;

- The Administration Agreement and the K2 Administration Agreement;
- The draft K2 Subscription Agreement;
- The K2 Information Memorandum;
- The Investment Policy Memorandum; and
- Copies of such audited annual financial statements and unaudited interim financial statements of the Company as are made available in the relevant period.

1.15 Details of the Placing and Admission

It is anticipated that the entire amount of the 100,000,000 Ordinary Shares available under the Placing will be placed by the Placing Agent with Placees immediately prior to Admission, which will raise approximately €96,450,000 net of expenses and commission payable by the Company.

Application has been made to Euronext N.V. to admit the Ordinary Shares to trading on Eurolist by Euronext. It is expected that Admission will take place on 6 December 2006.

The Placing is conditional upon (*inter alia*) Admission taking place on or before 8am on 6 December 2006 (or such later date being not later than 22 December 2006 as the Company and the Placing Agent shall agree). The Placing Agent has agreed, conditionally, *inter alia*, on Admission to use its reasonable endeavours to procure Placees for the Ordinary Shares at a price of €10 per Ordinary Share.

ABN AMRO will act as the Listing Agent and Paying Agent for the Admission of the Ordinary Shares to listing and trading on Eurolist by Euronext.

The minimum consideration payable under the Placing by any underlying beneficial investor for the Ordinary Shares is €300,000. Following Admission, pending approval by the AFM of Jersey as a jurisdiction with sufficient home state control, Euronext N.V. will impose a minimum trading batch size of 10,000 Ordinary Shares (or more if the trading price of Ordinary Shares falls below €5 per Ordinary Share) with respect to trading of Ordinary Shares on Eurolist by Euronext.

1.16 Directors and Senior Management

1.16.1 Directors of the Company

The Directors of the Company, all of whom are non-executive, are:

Sir Nigel Broomfield,
David Hunter,
Ajoy Veer Kapoor,
William Kay,
Malcolm King,
Christopher Lovell,
Rohin Shah

Biographies of the Directors are set out in Section 7.1.

The Company does not retain any senior management, other than its directors, nor any employees.

1.16.2 Directors of K2 Property

The directors of K2 Property, all of whom are non-executive, consist of:

Rohin Shah,
Teewareesing Gopal,
Christopher Jones,
Ben Locknat Daby Seesaram,
Vipin Shah

Biographies of the directors of K2 Property are set out in Section 7.2

K2 Property does not retain any senior management other than its directors, nor any employees.

1.16.3 *Directors of K1 Investments*

The directors of K1 Property Investments Limited consist of Christopher Jones, Rohin Shah and Michael Davies. Biographies of the directors of K1 Investments are set out in Section 7.3.

1.17 **Summary of Risk Factors**

- The only significant investment likely to be made by the Company will be an investment in the shares of K2 Property. Shareholders will therefore be wholly dependent upon the performance of K2 Property and its underlying assets.
- The investments made by the Fund will be in unlisted companies with illiquid securities.
- K2 Property will be advised as to its investments by the Investment Advisor and Shareholders will not be able to participate in investment or other decisions relating to the Fund.
- The success of the Fund will depend upon the ability of the Advisory Group in sourcing, selecting, completing and realising appropriate investments on behalf of the Fund.
- The potential market opportunity identified by the Company has partly arisen from the economic liberalisation policies pursued by the current Government of India. These liberalisation policies may not continue in the future.
- There are numerous political, economic and social risks associated with investing in India all of which could adversely affect the Company's performance.
- The laws and regulations in India can be subject to frequent changes. Legal and regulatory protections and standards of enforcement customary in countries with developed securities markets may not be available.
- Indian Government approvals may be required before investments can be made in Portfolio Companies or before exits can be made from such companies. Failure to obtain such approvals will have negative tax and/or exchange control implications.
- There are numerous risks relating to investment in real estate development and special risks relating to investment in Indian real estate, including those relating to obtaining good title, and obtaining governmental and local authority approvals.
- The financial operations of the Company may be adversely affected by general economic conditions, or by conditions within the Indian real estate market.
- The Fund may in certain cases hold non-controlling interests in some Portfolio Companies and therefore may have limited ability to protect its position.
- The Indian rupee is not convertible, and many currency transactions require the prior permission of the Reserve Bank of India. The repatriation of capital may be hampered by changes in Indian regulations concerning exchange controls or political circumstances.
- Currency risk in relation to the Indian rupee is a significant risk factor and the cost of hedging this currency risk (if available) could reduce the returns of the Company.
- The K2 Group may operate using the US dollar as its base currency, and in this event the K2 Group will therefore be vulnerable to resulting currency risks.
- There can be no assurance that the K2 Group will be able to avail itself of the benefits of the tax treaties in place between India and Cyprus, and India and Mauritius. Any change in these treaties or to the tax regime in India could have a material adverse effect.

A more detailed description of the various risks applicable to an investment in the Company is set out in Section 2, Pages 14 to 23.

If a claim relating to the information in this Prospectus is brought before a court of a Member State of the European Economic Area, the plaintiff may, under national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before legal proceedings are initiated.

2. RISK FACTORS

An investment in the Company involves significant risks. These risks described together or alone could have a material adverse effect on the return of investment for prospective investors. Accordingly, before deciding to make any investment, prospective Shareholders should carefully study the specific risks described below together with all the information contained in this Prospectus, and seek independent investment and tax advice. Additional risks and uncertainties not presently known to the Directors, or that they currently deem immaterial may also have an adverse impact on the Group's prospects and business. There can be no assurance that the Company's investment objective will be achieved, or that a Shareholder will not lose all of his investment in the Company.

2.1 Risks relating to Investment in Indian Real Estate

2.1.1 *Use of Agricultural Land*

In India, certain lands are earmarked as agricultural lands, wherein only agricultural activities can be carried out. In order to carry out any nonagricultural activities, a prior permission will be required from the local authority of that particular area. If any Portfolio Company decides to utilise agricultural land, and fails to get the local authority's approval for usage for non-agricultural purposes, this could affect the returns of the Fund and the Company.

2.1.2 *Title*

The method of documentation of land records in India has not been fully computerised and is generally undertaken manually. This can result in registrations taking a significant amount of time, or being inaccurate in certain aspects. As a result, the title to real property may not be clear or may be in doubt.

2.1.3 *Land Acquisition*

The right to own property in India is subject to restrictions that may be imposed by the Government of India. Particularly, the Government of India has the right to acquire any land or a part thereof if such acquisition is for a 'public purpose' after paying the owner some compensation. Any such compensation may not be the rate that such a property might have achieved if it were sold in the market.

2.1.4 *Environmental Laws*

Indian Courts have implemented the "polluter pays" principle in the field of environment law, whereby the person, company or industry responsible for the pollution, through the use or disposal of hazardous or toxic substance, either on, under or in a property, would be liable to restore the property and the surrounding environment to an undergraded condition and compensate any victims thereby. The presence of contamination or hazardous or toxic substances, may adversely affect a Portfolio Company's ability to deal with such a property in any manner. This in turn could have an adverse impact on returns of the Fund and the Company.

2.1.5 *Rent Control*

In India various states have enacted rent control laws, which, *inter alia*, place restrictions on the amount of rent that may be collected from tenants (whether residential or, in some cases, commercial). If a Portfolio Company has invested in property that comes under the purview of rent control laws, this may adversely impact the returns the Portfolio Company may achieve from such property and thus consequentially have an adverse impact on the Fund's performance.

2.1.6 *Litigation*

Property litigation in India is generally very time consuming and complicated and there is generally a preponderance of litigation with respect to property. If any property in which a Portfolio Company has invested is subject to any litigation this could have an adverse impact, financial or otherwise on the Portfolio Company and therefore on the Fund and the Company.

2.1.7 *Tenancy Risk*

The bankruptcy or insolvency of or vacation by a significant tenant or a number of smaller tenants would have an adverse impact on the cash flows of a project.

2.1.8 *Performance Risks*

A portion of the Fund's assets may be invested in companies in highly competitive markets dominated by firms with substantially greater financial and possibly better technical resources than the Portfolio Companies in which the Fund invests. Portfolio Companies in which the Fund invests may operate in segments that face technological changes and/or may be dominated by other firms or organisations. These and other inherent business risks could affect the performance of the Portfolio Companies, and affect the value of the Fund's equity investments, thereby affecting the Fund as a whole.

2.1.9 *Cost Overruns*

Delays or cost overrun on real estate development projects can occur and these may decrease the profitability of a project or result in losses to the Fund and the Company. There can also be opportunity loss due to delays. Volatility or upward movement in commodity prices, especially of cement and steel, could also result in cost overruns. Projects could also face time and cost overruns due to force majeure risks that may not be mitigated.

2.1.10 *Risks of Real Estate Ownership*

Investments in land or property can be difficult, slow or impossible to realise. The Fund will be subject to the general risks incidental to the ownership of property, including changes in the supply of or demand for competing land or property in an area, changes in interest rates and the availability of mortgage funds, changes in the rates of property taxes, landlord / tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any land or property owned by Portfolio Companies will, therefore, depend on many factors beyond the control of the Fund and there is no assurance that there will be either a ready market for any land or property or that such land or property will be sold at a profit or will yield a positive cash flow.

2.1.11 *Gearing*

The Fund will be indirectly geared through exposure by the Portfolio Companies to bank borrowings secured on their underlying assets and equity. Where the cost of the borrowings exceeds the return on the assets, the borrowings will have a negative effect on the Fund's performance. A relatively small movement in the value of the underlying land or property or the returns derived there from may result in a disproportionately large movement, unfavorable as well as favorable, in the value of the return received in respect thereof.

In the event that Portfolio Companies enter into a bank facility agreement or arrangement, such agreement(s) or arrangement(s) may contain financial covenants. In particular, such agreements may require that the Portfolio Companies have assets exceeding a fixed percentage of the value of any loan drawn down. If the value of the assets of any such Portfolio Company falls so that any such financial covenant is breached, or if any other covenant is breached, the Portfolio Company concerned may be required to repay the borrowings in whole or in part, together with any attendant costs. In such circumstances the Portfolio Company may be required to sell, in a limited time, part or all of its assets, potentially in circumstances where there has been a downturn in land or property values generally, such that the realisation proceeds do not reflect the valuation of the land or property. Amounts arising under any bank facilities will rank ahead of shareholder's entitlements and hence returns may therefore be adversely affected by an early repayment.

2.1.12 *Liquidity and Valuation Risk*

Certain real estate assets may be slow to realise in difficult market conditions. There is no assurance that the estimates resulting from valuations will reflect the actual sales price even where such sales occur shortly after a valuation date.

2.1.13 *Development Risk*

It is likely that the Fund will undertake some development projects from a “Greenfield” start. Although the Fund intends to partner with developers with good track records in handling such development projects, various development risks will still apply. These include entitlement risk, risks arising from project delays, regulatory risk and statutory approval risk.

Development risk on integrated township projects and Special Economic Zones will remain high on account of political and regulatory risks, which could lead to significant time and cost overruns. Projects where the Fund bids for the land may subsequently get delayed due to delays in obtaining regulatory or statutory approvals.

2.2 Investment Risks

2.2.1 *Nature of Investment*

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise there from (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. It should be remembered that the price of equities and the income from them can go down as well as up.

Investors should not consider investing in the Company unless they already have a diversified investment portfolio.

No representation is or can be made as to the future performance of the Company and there is no assurance that the Company will achieve its investment objectives.

Investors must be prepared to bear the economic risks of any investment for an indefinite period of time and to be able to withstand a total loss of their investment. Prospective investors should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources.

If you are in any doubt about the contents of this document you should consult your financial adviser, accountant or other professional adviser.

The regulated market of Euronext N.V. may be less liquid than other major markets and consequently Shareholders may face difficulty when disposing of their Ordinary Shares. In addition, a disproportionately large percentage of the market capitalisation and trading volume of the regulated market of Euronext N.V. is represented by a small number of listed companies and conglomerates. Fluctuations in the prices of these companies’ securities may have a significant effect on the market price for the securities of other listed companies, including the price of Ordinary Shares.

2.2.2 *Possible Adverse Economic Conditions/Market Cycles*

The financial operations of the Company and the Fund may be adversely affected by general economic conditions, by conditions within the Indian real estate market or by the particular financial condition of vendors and other parties doing business with Portfolio Companies or the Fund.

Timing to market cycle is very important in this sector. An investment which looks favorable in a positive market cycle may become a loss-making proposition in a negative cycle. There will always be risk associated with market cycle.

2.2.3 *Nature of Underlying Investments*

The only significant investment that is likely to be made by the Company will be an investment in the shares of K2 Property. K2 Property is a public company incorporated in Mauritius with no identifiable market for its shares. Investors in K2 Property (including the

Company) will therefore be wholly dependent on the performance of K2 Property and its underlying assets (including the Fund) for any return of their investment in K2 Property. If K2 Property becomes insolvent then the Company may not recover any of its investment.

The investments made by the Fund will be in unlisted companies whose securities should be considered illiquid, and there can be no assurance that the Fund will be able to realise profits on its investments in a timely manner. These investments may be difficult to value and to sell or otherwise liquidate, and the risk of investing in such companies is much greater than the risk of investing in publicly traded securities. Moreover, these unlisted companies are not regulated by the same disclosure and investment protection norms that apply to listed companies.

Since the Fund may make only a limited number of investments and these may involve a high degree of risk, poor performance by even a few of these investments could lead to adverse effects on the returns received by the Fund.

The Fund will compete with other investors for potential investments in Portfolio Companies. This may result in fewer attractive investment opportunities. The Fund may not be able to identify and successfully close a sufficient number of high-quality investments. In addition, such competition may have an adverse effect on the length of time required to fully invest the funds of the Fund. To the extent the Fund has already drawn down capital from its contributors, pending investment in Portfolio Companies, these funds may be retained in cash or may be invested in short-term or medium-term money market instruments or in fixed deposits or any such equivalent instruments. Such investments may substantially reduce the Fund's overall returns.

The structure of the Fund has been devised with a view to providing certain tax efficiencies for investors (see section 10 for further details). However, the combination of (a) the Company being domiciled in Jersey, (b) the Company listing its Ordinary Shares in the Netherlands, (c) the proposed investment by the Company in K2 Property Limited, which is domiciled in Mauritius, and (d) the proposed investment by K2 Property through its subsidiary in Cyprus, K1 Investments, into the Trust and/or Portfolio Companies in India, produce multiple levels of corporate, administrative and financial activity in multiple jurisdictions. This will create additional costs to the investor which would not be present if the investor were to invest directly in Portfolio Companies in India. The use of multiple vehicles increases the risk that one or more of these might suffer an insolvency event, or suffer from administrative or management failure. In addition, the presence of multiple layers in the structure of the Fund means that the Company will not be able to exercise day to day control, or indeed any control over the underlying assets of the Fund, the operation of the Investment Advisor, or other operational aspects of the Fund. Whilst the Constitution of K2 Property does provide for the ability of K2 Shareholders to remove and appoint directors from and to the K2 Board, and thereby exercise control over the K2 Group and the Fund (including the potential ability to remove the Investment Advisor), such powers may be slow and difficult to realise in practice. Investors should assume that, except in exceptional circumstances, the Company will not be able to control or influence the activities of the K2 Group or the Fund.

2.2.4 Portfolio Risk

It is intended that the Fund will have a fair degree of diversification in its investments both by geographic region or asset type, and invest in projects having varying exit horizons. However, it may be the case that, the Fund invests in a small number of Portfolio Companies, in which event the proposed diversification would not be achieved. In this case, K2 Investors would have a higher exposure to the risk of poor performance in respect of individual investments in Portfolio Companies.

The only significant investment that is likely to be made by the Company will be an investment in the shares of K2 Property. Consequently, it is likely that there will be no diversification of investment at the Company level. The Company and its shareholders will therefore be wholly dependent on the performance and solvency of K2 Property, a single company.

2.2.5 *Leverage Delay*

In some cases, it may not be possible to tie up the leverage for the project before disbursement of funds by the Fund. This may lead to situations where the financing gap may have to be bridged by the Fund or additional comfort may have to be provided to lenders by the Fund, which could result in a higher risk exposure for the Fund than originally intended.

2.2.6 *Currency Exchange Rate Risks*

The Indian rupee is not convertible and most Capital Account Transactions (as defined below) require the prior permission of the Reserve Bank of India (the “RBI”). The Foreign Exchange Management Act (“FEMA”) and the rules and regulations made thereunder constitute the body of exchange controls applicable in India. FEMA divides foreign exchange transactions into two broad categories: Capital Account Transactions and Current Account Transactions. A “Capital Account Transaction” is defined as one that alters the assets or liabilities, including contingent liabilities outside India, of persons resident in India or the assets or liabilities in India of persons resident outside India. FEMA further provides for specific classes of transactions that fall within the ambit of Capital Account Transactions and the RBI has issued regulations governing each such class of transactions.

While the regulatory regime for hedging genuine currency risk has been relaxed, it is still not practical, given the costs, to hedge currency risks for more than relatively short periods of time, and even for short term hedging the cost can be high. Accordingly, currency risk in relation to the Indian rupee remains a significant risk factor, and the cost of hedging this currency risk (if available) could reduce the returns of the Company. A decrease in the value of the Indian rupee would adversely affect the Company’s returns and such a decrease may be likely given India’s current inflation rate and its budget deficits.

The operation of bank accounts in India will be subject to regulation by the RBI under the Indian Foreign Exchange Regulations.

There can be no assurance that the Indian Government would not, in the future, impose additional restrictions on foreign exchange. The repatriation of capital may be hampered by changes in Indian regulations concerning exchange controls or political circumstances. In addition, India may in the future re-introduce foreign exchange control regulations which could limit the ability of the K2 Group to repatriate dividends, interest or other income from investments or the proceeds from sale of securities. Any amendments to the Indian exchange control regulations may have an adverse effect on the Company’s performance.

The K2 Group may operate using the US dollar as its base currency. Consequently, any cash or other assets held by the K2 Group may be denominated in US dollars, and the K2 Group will therefore be vulnerable to resulting currency risks.

Capital Contributions may be made to K2 Property in US dollars, whilst Subscription Funds will be raised and held by the Company in euros. There may therefore be currency risks with respect to the value of Capital Contributions made by the Company.

2.2.7 *Indian Legal System*

The laws and regulations in India can be subject to frequent changes as a result of economic, social and political instability. In addition, the level of legal and regulatory protections customary in countries with developed securities markets to protect investors and securities transactions, and to ensure market discipline, may not be available. Where the legal and regulatory framework is in place, enforcement may be inadequate or insufficient. Regulation by exchanges and self-regulatory organisations may not be recognised as law that can be enforced through the judiciary or by means otherwise available to the investors in developed markets.

The Indian civil judicial process to enforce remedies and legal rights is relatively less developed and subject to delays. Enforcement by the K2 Group of civil rights under the laws of a jurisdiction other than India may be adversely affected by the fact that they may have significant assets in India and the enforcement of the rights against such assets in India will be subject to the delays and other limitations of the Indian judicial system.

2.2.8 *Non-Controlling Investments*

It is intended that the Fund should hold controlling interests in most Portfolio Companies. However, the Fund may in certain cases hold non-controlling interests in some Portfolio Companies and, therefore, may have a limited ability to protect its position in such companies.

2.2.9 *Third Party Co-Investment*

The Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve additional risks, including the possibility that such third party or parties may have financial difficulties that negatively impact such investment. Further, a co-venturer may have economic or business interests that are inconsistent with those of the Fund, or may be in a position to take action in a manner contrary to the Fund's investment objectives.

2.2.10 *Contingent Liabilities on Disposition of Investments*

In connection with the disposition of an investment, the K2 Group may be required to make representations about the investment typical of those made in connection with the sale of real estate. The K2 Group also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the K2 Group may need to establish reserves or escrows.

2.3 *Advisory and Operational Risks*

2.3.1 *Reliance on the Advisory Group*

K2 Property will be advised as to its investments by the Investment Advisor, and neither Shareholders nor K2 Investors (such as the Company) will be able to participate in investment or other decisions relating to the Fund.

The success of the Fund will depend to a large extent upon the ability of the Advisory Group in sourcing, selecting, completing and realising appropriate investments on behalf of the Fund. The success of the Fund will also depend upon the judgement of the Investment Committee and the Advisory Group in reviewing investment proposals. The Advisory Group may be given considerable latitude in its choice of Portfolio Companies and the structuring of investments. Accordingly, no person should invest in the Company unless such person is willing to rely on the abilities and expertise of the Advisory Group.

2.3.2 *Indemnification of Various Parties*

The K2 Constitution authorises K2 Property to indemnify and effect insurance for its directors, officers, employees, former employees, the K2 Administrator, the Custodian, the Investment Advisor and any other person to such extent as is authorised by the Companies Act 2001 of Mauritius.

The Investment Advisory Agreement provides for indemnification of the Investment Advisor for any and all actions, suits, proceedings, claims, damages, settlement payments, losses and liabilities arising in connection with the Investment Advisory Agreement, unless they result from gross negligence or wilful default or fraud.

Indemnification of the Investment Advisor and other relevant parties, may impair the financial condition of the K2 Group and their ability to acquire assets or otherwise achieve investment objectives or meet obligations. This in turn may have a negative impact on the financial position of the Company.

The Articles provide that, in so far as the Companies Law allows, every present or former Director, secretary and other officer or servant for the time being of the Company, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them, their or any of their heirs, administrators or executors shall or may incur or sustain by reason of being or having been a Director, secretary or other officer or servant and the

amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the Shareholders over all other claims. In so far as the Companies Law allows, the Articles further provide that none of the foregoing shall be answerable for the acts, receipts, neglects, or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers, brokers, or other persons into whose hands any money or assets of the Company may come, or for any defects of title of the Company to any property purchased, or for insufficiency or deficiency of or defect of title of the Company to any security upon which any monies of or belonging to the Company shall be placed out or invested, or for any loss, misfortune or damage resulting from any such cause as aforesaid, or which may happen in the execution of their respective offices or trusts, or in relation thereto.

2.3.3 *Failure to Meet Drawdowns*

Default by any K2 Investor (including the Company) of its obligations relating to a Drawdown may cause K2 Property to lack the capital necessary to make planned investments. Such default may, consequently, cause the Fund to breach its agreement with a Portfolio Company, causing the Fund to owe damages to such company. Loss of such opportunities, as well as the payment of damages, could result in a material adverse effect on the performance of the Fund, and the Company.

2.3.4 *Lack of Operating History*

The Company has not commenced operations yet and hence potential investors may not be able to evaluate for themselves the merits and risks of the Company's investments until after the investments are made.

2.4 *Other India-Related Risks*

2.4.1 *Political, Economic and Social Risk*

Political, economic, and social factors, changes in Indian law or regulations and the status of India's relations with other countries may adversely affect the value of the Company's assets. In addition, the Indian economy may differ favorably or unfavorably from other economies in several respects, including the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency, currency exchange rates and balance of payments position. The Company does not intend to obtain political risk or currency insurance. Future actions of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect private sector companies, market conditions and prices and yields of investments. The occurrence of sectarian unrest, or external tensions, could adversely affect India's political and economic stability and, consequently, adversely affect Portfolio Companies.

India's political, social and economic stability is related to its developing status. Certain developments (such as the possibility of nationalisation, expropriations or taxation amounting to confiscation, political changes, government regulation, social instability, diplomatic disputes or other similar developments), which are beyond the control of the Company and the Advisory Group, could adversely affect the Company's investments.

The current Government of India, formed in May 2004, has announced policies and taken initiatives that support the continued economic liberalisation policies that have been pursued by previous governments. There is, however, no assurance that these liberalisation policies will continue in the future. The pace of economic liberalisation could change, and specific laws and policies affecting taxation, foreign investment, currency exchange and other matters affecting the Fund's investments could also change. In addition, laws and policies affecting the various investments held by the Fund could change, adversely affecting the values or liquidity of those investments.

India's relations with its neighboring countries have historically been tense. Although there are periodic efforts to normalise relations between the two countries, significant military confrontations between India and Pakistan have occurred in the disputed region of Kashmir

in the last few years and both India and Pakistan continue to allocate substantial resources to the defense of their borders as a result. The Indian government is also confronted by separatist movements in certain states, including Jammu and Kashmir. India's population is comprised of numerous ethnic groups with diverse religions and languages, sometimes resulting in communal conflict among groups. Problems of this nature in the future could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including Fund Investments.

India remains a partly agrarian economy and a significant portion of its gross domestic product is derived from agriculture. As a result, severe monsoons or drought conditions could hurt India's agricultural production and dampen momentum in some sectors of the Indian economy, which could adversely affect the Company's performance.

2.4.2 *Government Approvals*

Certain Indian governmental approvals, including approvals from SEBI or the central government may be required before investments can be made in Portfolio Companies. The K2 Group may not have obtained all or some of these governmental approvals prior to the Final Closing Date. While the Directors expect these governmental approvals to be obtained shortly after the Final Closing Date, there can be no certainty that these approvals will be obtained by then, or at all.

Failure to obtain such approvals will have negative tax and/or exchange control implications for the K2 Group, which would adversely affect returns to the Company. Detailed consideration of some of these consequences are set out in Sections 10.1 to 10.4.

The Fund will operate in India under Indian laws and securities regulations. If policy announcements or regulations are made which require changes in the structure or operations of the K2 Group or the Trust, these may adversely impact the performance of the Fund.

Investment by the K2 Group in the Trust will be dependent on registration of K1 Investments (or K2 Property) as an FVCI with SEBI. SEBI grants FVCI registration after obtaining clearance from the RBI. The RBI may impose restrictions when it grants its consent for FVCI to SEBI. In the event the registration of K1 Investments or the VCF is terminated or is not renewed, the K2 Group could potentially be forced to redeem any interest in the Trust, and such forced redemption could adversely affect the Company's returns.

As at the date of this document, SEBI is delaying the issue of any FVCI registrations for real estate investors. While K1 Investments will apply for FVCI registration, there can be no assurance that FVCI registration will be granted by SEBI, in which case the K2 Group will not be able to benefit from the advantages of FVCI registration as detailed in Section 10.2.

2.5 **Tax Risks**

2.5.1 Investors in the Company are subject to a number of risks related to tax matters. In particular, the tax laws relevant to the K2 Group and the Company including current rates of taxation in Mauritius, Cyprus and India for Stamp Duty, Land Tax provisions, Corporate & Income Taxes, are subject to change. Any such change could affect the value of the investments held in the Fund and tax liabilities could be incurred as a result of such changes. The tax consequences of an investment in the Company and the ongoing investment in the Fund are complex, and the full tax impact will depend on circumstances particular to each investor and the additional peculiarities associated with respect to activities of the Fund. Accordingly, prospective investors are strongly urged to consult their tax advisors with specific reference to their own situations. The section of this Prospectus entitled "**Regulatory and Taxation Issues**" at Section 10, summarises the material tax considerations relevant to the Fund. This section and any other statement in this Prospectus concerning taxation is based upon current law and practice which is subject to change.

2.5.2 The K2 Group will seek exemptions under the India-Mauritius Tax Treaty and the India-Cyprus Tax Treaty (the "Treaties"), which would exempt gains on the sale of certain securities held by the Fund from Indian capital gains tax. However, there can be no

assurance that the K2 Group will be able to avail itself of the benefits of the Treaties, or that future legislation, regulation or court rulings will not limit or eliminate exemptions from capital gains taxes. Accordingly, sales of securities may be subject to capital gains tax in India, and this could significantly reduce returns for investors in the absence of an offset or credit for such tax under the tax laws or regulations of the investors' domicile.

Taxation of the income of K2 Property arising from its investments in India is expected to be minimised under the provisions of the Treaties. However, in any event, tax will be applicable to Portfolio Companies in India as described in Section 10.5 unless some special exemption applies. In addition, no assurance can be given that the terms of the Treaties will not be subject to re-negotiation in the future. Any change in one or both of the Treaties or to the tax regime in India could have a material adverse effect on the returns of K2 Property and the Company. There can be no assurance that either of the Treaties will continue and will be in full force and effect during the life of K2 Property and the Company. Further, it is possible that Indian tax authorities may seek to take the position that the K2 Group is not entitled to the benefit of one or both of the Treaties. There can be no assurance that the K2 Group will be able to obtain or maintain the benefit of either of the Treaties.

2.6 Tax and Regulatory Risks

2.6.1 The Company has not been and does not intend to become registered as an investment company under the U.S. Investment Company Act and related rules. The U.S. Investment Company Act and related rules provide certain protections to investors and impose certain restrictions on companies that are registered as investment companies (which, among other things, require investment companies to have a majority of disinterested directors, provide limitations on leverage, and limit transactions between investment companies and their affiliates). None of these protections or restrictions is or will be applicable to the Company or the Fund. In addition, in order to avoid being required to register as an investment company under the U.S. Investment Company Act and related rules, the Company has implemented restrictions on the ownership and transfer of Ordinary Shares, which may materially affect this ability of certain persons to hold or transfer Ordinary Shares. See Section 9 entitled "Transfer and Holding Restrictions" beginning on page 57.

2.6.2 The Company intends to restrict the ownership and holding of Ordinary Shares, so that no portion of the assets used by any investor or transferee to purchase and no portion of the assets used by such investor or transferee to hold the Ordinary Shares or a beneficial interest therein may be deemed to constitute the assets of a plan or may be deemed to constitute "plan assets" of any Plan ("Plan Assets"). The Company intends to impose such restrictions based on deemed and/or written representations. If the Company's assets were deemed to be Plan Assets subject to Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code, pursuant to U.S. Department of Labor regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101, (the "Plan Asset Regulations"), subject to Title I of ERISA or section 4975 of the U.S. Internal Revenue Code (i) the prudence and other fiduciary responsibility standards of ERISA would apply to investments made by the Company and (ii) certain transactions that the Company or the Fund may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code and might have to be rescinded.

Each purchaser and subsequent transferee of Ordinary Shares (other than ABN AMRO and/or Euroclear) will be deemed to represent and warrant, that no portion of the assets used to acquire or hold its interest in Ordinary Shares constitutes or will constitute the assets of any Plan. The Articles provide that any purported transfer of Ordinary Shares in contravention of the restriction described in such representation will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of Ordinary Shares is not treated as being void for any reason, the Directors shall be entitled to compulsorily redeem

such Ordinary Shares or give notice to the holder requiring him to transfer such Ordinary Shares to a person who is qualified or entitled to own the same and who can accurately make such representation and warranty. See Section 9 entitled “Transfer and Holding Restrictions”.

For the purposes of this Section, “Plan” shall have the following meaning:

(i) an “employee benefit plan” (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”) (iii) an entity whose underlying assets are considered to include “plan assets”; or (iv) any plan, arrangement, entity or other person whose investment in the Company would be subject to any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 to cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company or any member of the Advisory Group (or other persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code or an entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement.

2.7 Batch Size Trading Restrictions

For reasons described in Sections 8.1, 10.2 and 12, pending the approval by the AFM of Jersey as a jurisdiction with sufficient home state control, Ordinary Shares will be traded in batch sizes of 10,000 Ordinary Shares per batch. If the price per Ordinary Share quoted on Eurolist by Euronext falls below €5.00 per Ordinary Share, Euronext N.V. will temporarily suspend trading of Ordinary Shares, so that the minimum number of Ordinary Shares per trading batch can be increased in order for the minimum consideration payable for Ordinary Shares to remain at €50,000 or more.

If an increase in the number of Ordinary Shares per trading batch leads to this number being higher than the actual number of Ordinary Shares held by individual Shareholders, this will prevent such Shareholders from selling the Ordinary Shares held by them. In addition, even where the number of Ordinary Shares held by a Shareholder exceeds the minimum batch size, Shareholders will not be able to sell all such excess Ordinary Shares unless the number of Ordinary Shares held is an exact multiple of the minimum batch size. Additional purchases of Ordinary Shares by such Shareholders will also need to exceed the minimum batch size. Consequently, Shareholders may be left with a number of Ordinary Shares which they cannot sell.

3. INVESTING IN INDIAN REAL ESTATE

3.1 India as an Investment Destination

3.1.1 *Growth Economy*

The current business environment in India features strong economic growth, characterised by increasing prominence of service and knowledge-based industries, and increasing flows of foreign investment.

With GDP growth of around 8.4% for 2005/6¹, India may now be characterised as one of the high growth economies, with faster growth than both many Asian counterparts such as Malaysia, Thailand, and the Philippines, and developed economies such as the United States and United Kingdom². According to the World Bank, India is now the fourth largest national economy on the basis of its “purchasing power parity”³.

A recent report has identified India together with Brazil, China and Russia, as the key potential global growth economies, and predicts that within half a century this group could outstrip the currently dominant members of the global economy (US, Britain, France, Japan, Germany and Italy), in terms of economic size. According to this report, India has the potential to grow at average rates higher than 5% per annum over the next 30 years. At this rate, the Indian economy is expected to overtake Italy by around 2016, Germany by around 2023 and Japan by 2032⁴.

Notwithstanding this high growth, inflation is relatively stable at around 5%⁵ and current interest (“repo”) rates are relatively low at around 6%⁶. This has resulted in a stronger and more stable currency with limited currency fluctuation.

Significant changes have taken place in the Indian economy since the early nineties. These include liberalised foreign investment and exchange regimes, significant reductions in tariffs and other trade barriers, reform and modernisation of the financial sector, and significant adjustments in government monetary and fiscal policies. These liberalisations and reforms have continued (and gathered increasing momentum) through the recent change in government, and India is now increasingly seen as consistently moving towards further liberalisation and economic growth.

3.1.2 *Global Services Hub*

The services sector is expected to be a major driver of economic growth in India. The contribution this sector makes to GDP in India has consistently grown from 43% in the mid-nineties to around 51% in 2003-04⁷. India’s competitive edge in services is its large pool of English speaking well-educated workforce, with over 300 universities, and around

¹ Reserve Bank of India – Press Release: “RBI releases Annual Report for 2005-06. Assessment of 2005-06.”

² CIA Factbook – “Rank Order – GDP – real growth rate” <https://www.cia.gov/cia/publications/factbook/rankorder/2003rank.html>

³ CIA Factbook – “Rank Order – GDP – purchasing power parity”
<http://www.cia.gov/cia/publications/factbook/rankorder/2001rank.html>

⁴ Goldman Sachs – “Dreaming with BRICs: The Path to 2050” page 19 www.gs.com/insight/research/reports/1010.pdf

⁵ Indian Business – India’s Business Climate “Economy” pages 1 and 2.
<http://www.indiainbusiness.nic.in/business-climate/eco-trends.htm> and <http://indiabudget.nic.in/es2004-05/chapt2005/chap11.htm> ,
Points 1.9 & 1.10

⁶ Indian Business – India’s Business Climate “Economy” pages 1 and 2.
<http://www.indiainbusiness.nic.in/business-climate/eco-trends.htm> and dollarDEX article entitled “Interest rates up in India” at
<http://www.dollardex.com/sg/index.cfm?current+../contents/indiafeb06&contentID=2599>

⁷ Statistical Outline of India – Page 1, Statistical Outline of India, 2004-05, Tata Services Limited

3m graduates produced every year⁸. This significant manpower advantage has resulted in India emerging as a major destination for outsourcing of R&D, IT and BPO services, and has made India a world leader in IT and BPO offshore outsourcing, capturing 46% of the total BPO business worldwide⁹. Going forward, India is expected to maintain its lead, with IT and BPO services revenues expected to reach a level of US \$77 bn (Rs. 3,388 bn) by 2008¹⁰.

3.1.3 *Investing in India*

The thriving and relatively stable Indian economy, combined with recent economic reforms, have led to significant increases in foreign investment. Foreign Direct Investment, or “FDI” is recognised as one of the important drivers of economic growth of the country, and the Indian Government has taken a number of steps to attract and facilitate further FDI inflows. FDI is now allowed in all key sectors of the economy and for many subsectors with no prior regulation approval required. However, FDI remains restricted in certain key sectors such as retail trade, agriculture plantation, real estate, insurance, banking and aviation. FDI inflows have increased significantly over the last 10 years, amounting to around US \$5.3 bn in 2004, and around US \$6 bn in 2005¹¹.

3.2 **Growth Drivers for Real Estate**

The real estate sector is a key beneficiary of India’s economic liberalisation process. The growing economy, rationalisation of lending rates, increased income and growing consumption have directly impacted the US \$12 bn real estate sector, which is poised to grow to over US \$40 bn within the next five years¹².

Strong economic performance across a large number of sectors is increasing corporate and personal incomes, leading to sustained buoyancy in demand for office space, housing, and properties for retail and other sectors such as health care and hospitality.

Until recently, the real estate sector in India was considered a “non-industrial sector”, known for high transaction costs, lack of transparency and poor performance from developers. However, several developments and trends have acted as catalysts in transforming the sector.

Aside from the buoyant Indian economy, the key drivers for the growth and development of the real estate industry in India include the following:

3.2.1 *Changing Demographics*

The 300 million strong middle class population in India has been continuing to grow in recent years, resulting in higher disposable incomes, and greater demand for homes, goods and services¹³. Per capita income in India grew 10.3% in 2003/4¹⁴, with this level of growth generally regarded as being sustainable over at least the medium term.

⁸ India Brand Equity Foundation – page 1 at <http://www.ibef.org/resource/quickfacts.aspx>, and India Study Center at page 1 at <http://www.indiastudycenter.com/univ/list.htm> and page 30 of “Current State of the Indian Economy” published by the Federation of Indian Chambers.

⁹ NASSCOM - http://www.nasscom.org/artdisplay.asp?cat_id=7101 and http://www.nasscom.org/artdisplay.asp?cat_id=811#1, and <http://www.redherring.com/Article.aspx?a=14850&hed=India+Outsourcing+to+Grow+10X> and http://www.nasscom.org/artdisplay.asp?cat_id=762

¹⁰ Technology News: India’s Outsourcing Boom at <http://www.dotnetspider.com/news/ShowNews.aspx?NewsId=5>

¹¹ Standard and Poor’s - <http://www2.standardandpoors.com>

¹² Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’ page 12

¹³ The Christian Science Monitor - <http://www.csmonitor.com/2005/010210/p01s04-wosc.html>, and <http://www.ibef.org/economy/consumermarket.aspx>

¹⁴ India Business Equity Foundation – Page 15, Statistical Outline of India, 2004-05, Tata Services Limited

India also has one of the youngest populations in the world, with 54% of the population under 25, and 70% at less than 35, implying that a comparatively large number of people will be added to the workforce by the year 2009¹⁵.

The Directors believe that improvements in education and opportunity, and increasing prosperity should continue to drive the economy generally. Social changes leading to a movement away from single-household extended families should in particular drive demand for housing and household goods.

3.2.2 *Increased Participation by Financial Institutions*

With the recent significant decreases in interest rates, and improvements to the stamp duty regime, banks and housing finance companies have become more active in servicing the housing and commercial property requirements of their clients. The process of applying for loans has been simplified, and the attitude to lending generally has become more positive, leading to 100% growth in the retail loan market, from US \$10 billion in 2001/2 to US \$22.8 billion in 2003/4¹⁶. This rapid growth has contributed in particular to demand in the residential real estate sector.

Notwithstanding this growth, penetration of mortgage lending and credit card financing is relatively low, at less than 2%, which suggests the potential for much further sustainable growth in the future¹⁷.

3.2.3 *Changing Profile of Developers/Builders*

The corporatisation of many real estate developers and builders has resulted in greater organisation and transparency. Leading corporates such as GESCO, Mahindra and ITC have now made their entry into the sector and are developing projects all over India using international quality construction and maintenance practices. Banks have also played an important role in this process, by increasing the availability of funds to this new breed of developers.

3.2.4 *Government Initiatives*

Until recently, growth in the real estate sector in India was hampered by legal and institutional rigidities, fiscal constraints, spatial development limitations and organisational bottlenecks. These included the Urban Land Ceiling and Regulation Act (ULCRA), Rent Control laws, a complicated stamp duty regime, antiquated land records, outdated building plan approval processes, and lack of co-ordination among relevant agencies.

National and local government are now playing a significant role in the development of the real estate industry. Recent key measures include the provision of tax incentives, the rationalisation of stamp duty and the computerisation of land records. There are also initiatives to modify rental and urban land ceilings, and to rationalise property taxes generally.

The positive government attitude and recent liberalisation initiatives have dramatically eased Foreign Direct Investment into the sector, prompting a rush amongst foreign developers, and other foreign investment funds.

These growth drivers have led India to become an exciting destination for real estate investment.

¹⁵ See Frontline article "Does demography advantage India" at <http://www.flonnet.com/fl2301/stories/20060127004010500.htm> and see <http://www.rediff.com/news/2004/feb/04inter.htm> and see publication by Primary Real Estate Advisors Private Limited entitled "Changes in Indian Economy Impacting Real Estate Sector" page 9

¹⁶ India Business Equity Foundation - <http://www.ibef.org/economy/consumermarket.aspx> page 2 paragraph 7

¹⁷ ICICI Bank – see page 10
<http://www.icicibank.com/pfsuser/aboutus/investorelations/investorpresentation/ppt/annual030502.ppt#10>

3.3 Real Estate Opportunities in India

The Indian real estate sector is expected to grow at an annual rate of 30%¹⁸, with steady growth in commercial space, residential properties, and property for retail and other purposes such as hospitality and healthcare. Yields in India for “A” Grade commercial and retail real estate range between 8% and 13% per annum¹⁹ (alongside attractive capital appreciation), thereby making sector returns relatively lucrative when compared with some of the developed western economies.

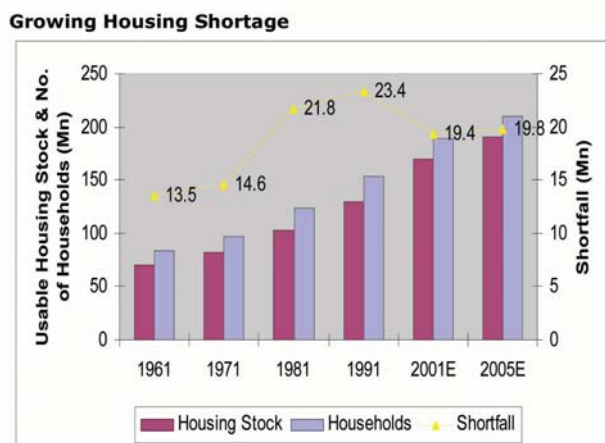
The various investment opportunities across the real estate sub-sectors include the following:-

3.3.1 Residential Real Estate

The residential sub-sector constitutes 80% of Indian real estate with estimated growth at 35% per annum²⁰. The growth in the BPO/IT sector, increasing disposable incomes, a pro-housing tax regime, low interest rates and increased availability of mortgage finance have served to generate further demand for mid and high-value apartments.

India has a fairly low mortgage penetration (around 2% mortgage-to-GDP ratio in India compared to more than 50% in the USA)²¹, which indicates further potential for growth. According to CRISIL research, India’s home financing market is expected to grow by almost 30% in 2005/6²². A strong mortgage market, with interest rates stabilised at approximately 9.25% for a 10 year mortgage²³, growing savings rates and changing demographics also mean that more people are entering the “home buyer” category at a relatively younger age.

There is currently a shortage of 19.4 million housing units with an estimated US \$25 bn of additional investment required²⁴. Due to high demand for land across the country, residential prices are increasing, with values of peripheral metropolitan locations rising because of scarcity of land in central locations. Development of planned satellite towns and suburbs is also increasing. It is estimated that the urban housing sector in India will require investment amounting to US \$25 bn (Rs. 1,100 bn) over the next five years²⁵.



Source: “Growing Housing Shortage” page 16. Merrill Lynch India Economics Report titled ‘Retailing and Real Estate – Future Growth Lies Here.’

¹⁸ See pages 13-14 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

¹⁹ Outlook Publications - <http://www.outlookmoney.com/scripts/IIH021C1.asp?sectionid=10&categoryid=1&articleid=411010>

²⁰ See pages 13 and 14 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

²¹ HDFC - <http://www.hdfc.com/pdf/HDFC-IUHF04.pdf> page 3 para 3

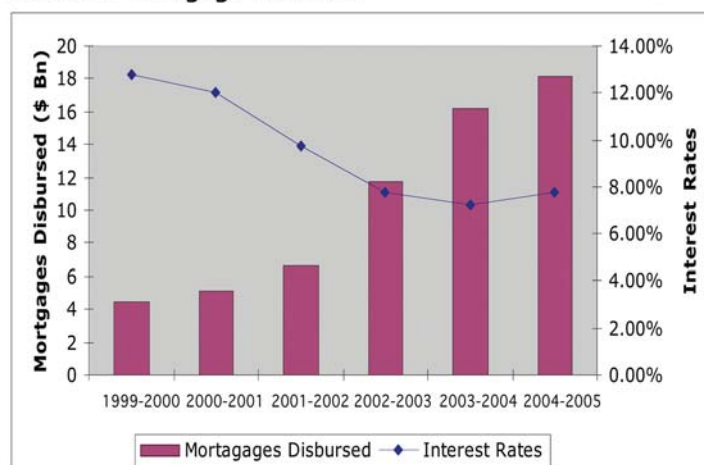
²² <http://www.indiaonline.com/bisc/hous.html> para 3

²³ Times of India - <http://timesofindia.indiatimes.com/articleshow/1422358.cms>

²⁴ See Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’ and ICICI Bank http://www.icicibank.com/pfsuser/icicibank/ibanknri/nrnewversion/commercial_realestate.htm

²⁵ Supreme Developers - <http://www.supremedevelopers.com/realestateinindia.htm>

Growth of Mortgage Business



Source: National Housing Bank -

<http://www.deccanherald.com/deccanherald/mar172006/realty1725552006315.asp>

3.3.2 Commercial Real Estate

The growth in the Indian economy generally is increasing corporate profitability and allowing businesses to invest in future growth by acquiring new and additional commercial space. At present, the key driver for this sector is India's pre-eminent position for off-shoring of IT and BPO services. The expected growth of around 40% in the IT and BPO industry²⁶ will create a substantial demand for world-class infrastructure. In 2003, the IT and BPO sectors accounted for 8.5 m sq. ft., or more than 80% of office space absorption²⁷.

An independent study by Cushman and Wakefield in 2002, estimated that by 2007 approximately 40 m sq. ft. of space would be required in registered IT Parks alone²⁸.

3.3.3 Retail Real Estate

The growth in organised retail is one of the big stories of Indian real estate. Based on the analysis of the available data, estimates suggest that the organised retail industry could be valued at around Rs 350 bn or US \$7 bn (in 2005), with current growth at 40% per annum, and total occupancy expected to grow from 10m sq ft to over 80m sq ft by 2010²⁹.

The rapidly expanding middle classes population, together with their increasing disposable incomes are predicted to result in organised retailing capturing around 20% of the total retail market by 2015³⁰. Social factors such as the dual household income culture have enhanced spending power, and purchasing patterns have moved towards "lifestyle" products, esteem-enhancing services and better quality shopping, entertainment and dining options.

The most prominent development in the sector has been the emergence of shopping malls, which not only fulfill the retail requirements of customers, but also provide them with an enhanced environment for their shopping "experience". Indicative estimates suggest that at present there are over 200 malls under construction across the country, each ranging from 100,000 sq. ft. to 1,000,000 sq. ft.³¹.

²⁶ CIOL – IT Unlimited - <http://www.ciol.com/content/special/2005/default.asp?page=best9>

²⁷ FICCI - <http://www.ficci.com/ficci/media-room/speeches-presentations/2005/nov/real-estate/session2/sanjay.pdf> page 8

²⁸ FICCI - <http://www.ficci.com/ficci/media-room/speeches-presentations/2005/nov/real-estate/session2/sanjay.pdf>

²⁹ Rediff.com - <http://inhome.rediff.com/money/2006/jan/21spec2.htm>

³⁰ See pages 4 and 10 Merrill Lynch India Economics Report titled 'Retailing & Real Estate – Future Growth Lies Here'

³¹ See page 2. Merrill Lynch India Economics Report titled 'Retailing & Real Estate – Future Growth Lies Here'

3.3.4 Integrated Townships

Integrated projects typically consist of large, integrated, mixed use and master planned developments, which would be largely comprised by residential components, along with retail, commercial and common facilities like education, leisure and healthcare. Projects such as these can offer attractive features to end-users, including well planned development, multiple residential options (apartments, row houses, plots etc), a “walk-to-work” culture, convenient shopping, entertainment and dining options, and captive education, leisure and healthcare facilities within a secure environment.

There has been an increasing trend of large scale townships being developed nationally to satisfy the demand for residential housing and retail/entertainment facilities.

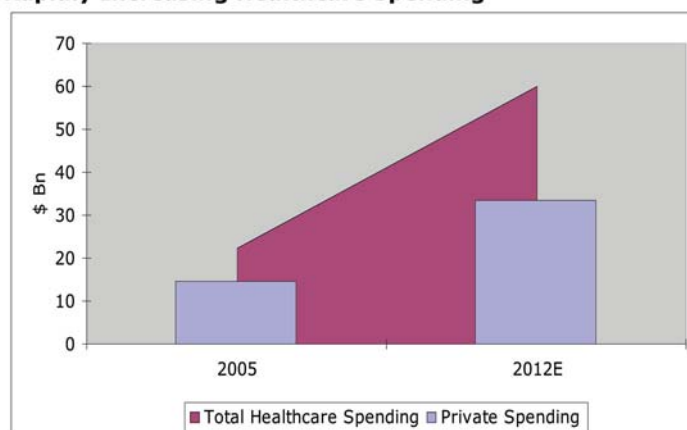
3.3.5 Niche Sectors

Other opportunities in real estate can be found in “niche” sectors, such as hospitality, healthcare, logistics, and government/state projects.

The hospitality sector in India is forecast to grow at 8.8% per annum over the next 10 years³². An additional 100,000 rooms will be required in the classified category by 2010³³. With rapidly increasing business and leisure travel and growing disposable incomes, there could be significant opportunities to invest and profit from the hospitality and leisure sectors.

The healthcare sector in India is growing at 13% per annum and is expected to grow to a US \$60 billion sector by 2012³⁴. Adding to the domestic demand is the growing concept of ‘medical tourism’, which is expected to touch revenues of over US \$1.5 billion by 2012³⁵.

Rapidly Increasing Healthcare Spending



Source: CII – McKinsey & Co
<http://ibef.org/industry/healthcare.aspx>

As India grows, and the demand for goods and services also increases, the need for high quality logistics and warehousing facilities is likely to grow exponentially. The Directors believe that there will be significant opportunities to invest in real estate associated with national logistics networks.

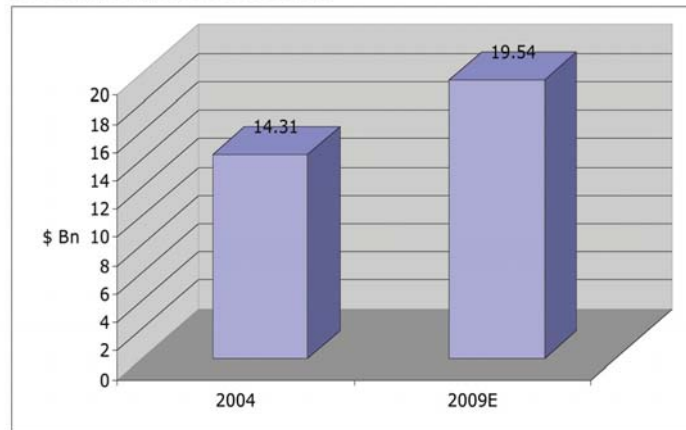
³² Hospitality Net – “Global Travel & Tourism Poised for Robust Growth in 2004” pages 2 and 3

³³ India Times – paragraph 7 <http://timesfoundation.indiatimes.com/articleshow/msid-81103010,prtpage-1.cms>

³⁴ India Business Equity Foundation - <http://www.ibef.org/industry/healthcare.aspx>

³⁵ India Business Equity Foundation - http://www.ibef.org/artdisplay.aspx?cat_id=163&art_id=10713

Growing Logistics Business



Source: Frost & Sullivan in "Asian Emergence: The Brave new World of Logistics" at <http://www.lq.ca/issues/12-1/article4.html>

Other opportunities could include government / quasi-government projects such as IT Parks and Region and City level infrastructure.

3.4 Location, Location, Location

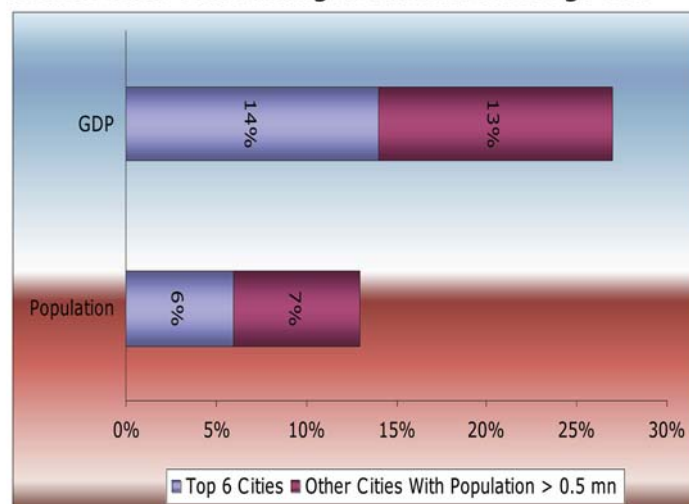
The geographic markets/cities within India may be categorised as follows:

- Tier I: The “big six” metropolitan areas such as Mumbai, New Delhi, Bangalore, Hyderabad, Chennai and Kolkata;
- Tier II: cities with population between 1m and 4m, including Pune, Indore, Nagpur, Ludhiana etc. (includes suburbs of Tier I cities, such as Noida, Navi Mumbai, etc.); and
- Tier III: cities with population between 0.5m and 1m, including Dehradun, Mangalore, Cuttack, Mysore, Srinagar, etc.

The smaller Tier II and Tier III cities have experienced higher growth, and are contributing almost as much to the national GDP as the larger Tier I cities. According to estimates from the National Council of Applied Economic Research, around 75% of India’s “sheer rich”, 64% of “clear rich” and 58% of “near rich” live in 67 Tier II and Tier III cities.

These cities share with Tier I cities the same growing aspirational middle class population with demand for high quality residential, retail and commercial developments, but these demands are not being serviced to the same extent as in the Tier I cities. At the same time, Tier III cities in particular benefit from lower land prices and labour costs, a significant pool of skilled labour, and a lower penetration to date of high quality developers with proper access to capital. Some cities also benefit from tax incentives.

Smaller Cities Contributing As Much As the Large One



Source: NCAER at <http://www1.economictimes.indiatimes.com/articleshow/1228613.cms>

3.5 Foreign Direct Investment (“FDI”) in Real Estate

The present policy of the Government of India is to allow limited access to FDI in the housing and real estate segment in two categories, permitted investments for Non Resident Indians (“NRIs”) and Persons of Indian Origins (“PIO”) and permitted investments for all other foreign investors.

Until recently, FDI was not permitted in real estate. However, in March 2005, the Indian Government introduced new guidelines permitting FDI investment in certain categories of real estate development. These guidelines may be summarised as follows:

- 100% FDI permitted in townships, housing, built-up infrastructure and construction development, including commercial premises, hotels, resorts, hospitals, educational institutions and recreational facilities;
- Minimum area to be developed:
 - Serviced housing plots – 25 acres/10 hectares;
 - Construction development – 50,000 sq. m;
- Minimum investment:
 - US \$10m for fully owned subsidiaries;
 - US \$5m for joint venture with Indian partners;
- Original investment cannot be repatriated before three years from completion of minimum capitalisation; and
- At least 50% of the project must be developed within five years from the date of obtaining the necessary clearances.

At present, the FDI guidelines do not permit investment in developed real estate for acquisition and resale, or for rental yield purposes. As the liberalisation process in India continues, the FDI guidelines may become further relaxed allowing for investment in all sectors.

The Fund will only be invested in real estate projects which would be compliant under the FDI Regulations (subject only to any subsequent legislative or regulatory changes which specifically allow investment in other projects).

Further detailed information on FDI restrictions for real estate can be found in Section 10.1.

4. INVESTMENT STRATEGY

4.1 Investment Objective and Parameters

The primary objective for the Fund is to achieve capital growth for investors through the development, ownership and exploitation of high quality residential premises, office buildings, and retail spaces in India. The Directors believe that the Indian real estate sector provides favourable macro-economic fundamentals, and offers investors the opportunity to participate in India's emerging growth story.

Investments will be sought for the Fund in projects within stable but growing sub-markets in India, generally with no more than 25% of the total capital of the Fund invested in a single metropolitan market area and no more than 25% of the total capital of the Fund invested in a single project. The minimum investment in a project will be likely to be US \$5 million (or the equivalent in Rupees), as required by the current FDI Regulations.

The Company will be participating in the Fund through an investment in the shares of K2 Property. It is anticipated that the entire capital of the Company, net of expenses, and after providing for ongoing and future expenses, will be invested in K2 Property with a view to achieving an internal rate of return on this investment in excess of 25%.

4.2 Investment Strategy

The Fund will be targeted at high quality properties in India with strong real estate fundamentals, attractive risk/return profiles, and potential for value creation. A disciplined investment approach will be used by the Investment Advisor to help establish a portfolio positioned to capitalise on growing real estate markets, while providing resilience to future market downturns.

It is intended that investments will be diversified across different asset classes and locations within India, between shorter-term development and longer-term development and yield-based opportunities, with a blend of projects offering differing risk-reward relationships, and projects involving more active and more passive involvement.

The following strategies will be employed so as to best achieve the Fund's objectives:-

4.2.1 *Leverage*

Leverage should be applied to each Portfolio Company at an average level of 60-65% per investment.

The increased capital provided by leverage will allow for increased portfolio diversification. Where the return on the investment exceeds the cost of the borrowing, leverage will have a positive effect on the Fund's performance.

4.2.2 *Proactive Involvement*

It is intended that, for the most part, investments in Portfolio Companies will be carried out in partnership with established developers and land owners who have identified a potential project and are looking for an investment partner. However, the Advisory Group are also expected to look to proactively identify potential projects for investment whereby the Fund can act as the principal and prime mover for the particular project, and bring together the relevant participants and service providers.

The level of the Fund's involvement in any particular project will be determined by the level of equity stake in the relevant Portfolio Company. Generally, a minimum 26% stake in each Portfolio Company should be achieved, with a representative seat on the board of directors, but ideally a stake of in excess of 50% should be sought, in order to exercise operating and financial controls. However, in the case of an investment in a pre-existing operating company with trading history, the Fund may take a position with a smaller equity stake.

4.2.3 *Pre-Approved Projects with clear exit strategy*

Investment will generally be committed to projects with relevant planning, regulatory and other governmental/state approvals and licences in place. In exceptional cases, the Fund may also take a position to invest in potentially lucrative projects without planning approvals after evaluating the risk/return profile of the proposed investment.

Investment should be committed to a project only after thorough due diligence and evaluation of all exit options, and with a clear exit strategy in mind focused on conservative long-term supply and demand fundamentals, rather than short-term market conditions.

4.2.4 *Projects and Partners of the Highest Calibre*

The aim for each of the Fund's investments will be to set the benchmark for the type of market they propose to serve. Consequently, it is intended that the location, design, amenities, construction quality, project financial and legal structures, marketing techniques and on-going property management of each project will set and maintain the highest possible standards.

It is intended that the Fund should partner with local developers and other service providers with credible reputations and track records.

4.2.5 *Sector Focus*

Investments should be diversified across a variety of sub-sectors within the real estate spectrum. These include:

(a) *Residential/Integrated*

Investments into the residential sector would include condominium developments, plotted developments, or a mix of both.

Given India's constantly growing population, and the preference within India for owning one's own home, the Directors believe it is likely that demand will continue in this sector notwithstanding economic downturns.

An attractive feature of the Indian residential market is pre-selling, whereby some housing units can be sold almost immediately after project announcement, thereby bringing cash inflows in the system. This ensures that a large project can be funded by committing a relatively smaller equity component, thereby dramatically increasing the return on investment equity.

It is proposed that approximately 35% of the Fund should be invested into the residential and integrated township sectors.

(b) *Commercial/IT*

It is proposed that up to 20% of the Fund should be invested in the commercial / IT sector.

Investments in this sector should meet the following criteria:

- Built-to-suit: with a focus on large corporate requirements, and investment committed only after identifying a tenant class and segment;
- Blue chip tenants: investment projects undertaken only with/for reputable Indian and international corporates to ensure long- term asset attractiveness;
- Covenants: strong covenants in commercial agreements with tenants to ensure easier fund-raising and exits.

(c) *Retail*

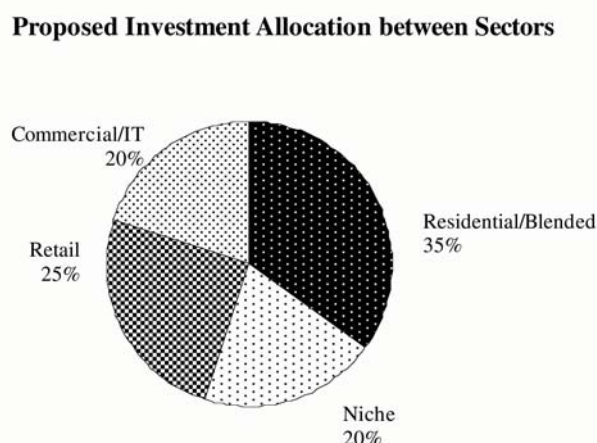
Because of the rapid growth in this sector over recent years, there is currently a high level of retail real estate development in certain locations (mainly Tier I Cities, or satellite towns servicing Tier I Cities) which may lead to a mismatched

demand-supply situation in the next 12-24 months in these specific markets. However, the Directors believe that opportunities remain in this sector in other locations and markets. Consequently, it is proposed that 25% of the Fund should be invested in the retail sector.

(d) *Niche*

It is proposed that 20% of the Fund should be invested into other “niche” sectors, such as hospitality, healthcare, logistics and government /state projects.

Proposed Investment Allocation between Sectors



4.2.6 Location Focus

The ideal location strategy for the Fund will be to enter markets/projects where entry (land) prices are low, but where there is significant scope for value addition.

Based on analysis of opportunities, it is proposed that the Fund is focused on projects in Tier I cities, as well as specific opportunities in Tier II and Tier III cities.

4.2.7 Investment Principles

The clear objective for the Fund should be to add significant value to all the numerous communities involved with the Fund – including investors, end-users of projects, business partners, associates, team members, and finally society in general.

The Directors intend that the Fund should adhere to the following investment principles:

- All projects should be for the overall long-term benefit of the communities they seek to serve;
- Projects should not cause any damage to the ecological balance and green cover of their surrounding environment;
- The business of the Fund should be conducted in an ethical and transparent manner with a strong focus on stringent governance; and
- The Fund should be modelled as a responsible corporate citizen, while delivering on its targets.

4.2.8 Investment Business Plan

It is proposed that between 5 to 20 investments will be made across the various sectors and locations. It is envisaged that most commitments will be made within the first 18 months of commencing operations. However, actual outflow of funds into the various Portfolio Companies would be linked to construction phasing and other project-specific parameters.

The minimum equity per project is likely to be US \$5 million (as per the FDI Regulations) and the maximum generally US \$25 million, with an equity stake of between 26% and 100% in each Portfolio Company.

In each case, the term of investment is dependent upon the specifics of the project, but the typical investment term would be at least three years. In retail and commercial developments, where it is customary to follow the construct-lease-hold-sell business model, the typical investment term may be as long as six to seven years.

A brief summary of the headline business plan for the Fund is provided below:

Minimum equity investment per project	US \$5m
Likely maximum equity investment per project	US \$25m
Likely number of investment projects	5-20
Likely average gearing at investment project level	50-66%
Typical ownership stake in each investment	26%-100%
Typical lifecycle (Capital Projects)	36-84 months

4.2.9 *Deal Flow Strategy*

The Fund will be focused on investment opportunities arising from the following sources:

(a) *Land acquisitions through strategic divestitures*

Certain companies may be looking to divest significant portions of their non-strategic real estate holdings. Often, these sellers may be motivated by strategic or accounting considerations rather than real estate fundamentals.

Similarly, due to the dynamic nature of the financial services industry, there may be opportunities to acquire real estate assets from domestic banks/financial institutions.

Many state governments are looking to encourage the development of business centres by improving infrastructure, and allocating large land parcels for commercial/residential developments at concessional rates.

The Advisory Group, in conjunction with strategic alliance partner Trammell Crow Meghraj, will be positioned to introduce opportunities for the Fund to acquire high quality land assets through privately negotiated transactions.

(b) *Off-Market Opportunities*

The Advisory Group is well-positioned to source investment opportunities yielding superior risk-adjusted returns due to its ability to access proprietary and privately negotiated “off-market” transactions by capitalising on its network of quality developers, domestic institutions, corporates, professional advisers and state governments. These relationships will be used to identify and pursue opportunities before they are widely marketed.

(c) *Network of Operating Partners*

The Advisory Group has developed an extensive network of local developers with access to deal flow, and knowledge and experience of a certain type of development and/or geographic area. Ideally, local partners should have extensive knowledge of local property market conditions and possess superior asset management and execution capabilities.

The Advisory Group has already identified a number of investment targets, with the potential to create significant returns for investors, through its network of relationships within the real estate sector.

4.2.10 *Investment Evaluation*

The Advisory Group has proposed using a comprehensive evaluation matrix in order to evaluate every potential opportunity on uniform parameters.

The following key parameters should be evaluated:

Market Factors

- Local political/economic stability: the political stability in the respective state; economic policy framework; transparency in governance; government's attitude towards private enterprise etc.;
- Demographic analysis: the trends in population, income, consumption pattern; social trends; cultural trends etc.;
- Demand and supply analysis: new supply being added; absorption rate; vacancy rates; new projects in the pipeline; growth industries adding to demand; commercial growth pattern of the city etc.;
- Local tax regime: stamp duties; property taxes; and other property-related taxation, if any;
- Local legal system: independence and strength of the judiciary vis-à-vis the executive and the legislature; cases pending; average time taken to decide on civil and criminal matters etc.;
- Competitor analysis: other developers operating in the market; their quality ratings; market perception; whether the Fund with / without its proposed partner can have a significant competitive advantage over them etc.;
- Property price trends: trend analysis over the last 10 years; current position/timing in the price cycle; projected trends for the next five years etc.;

Project Specific Factors

- Developer rating: proposed partner's rating / reputation within the city; past project history; satisfaction index of existing buyers etc.;
- Quality of land: title; access; frontage; utilities; connectivity; distance from city centre; surrounding developments; size; adjoining land availability; environmental issues; planning permissions; development mix permitted etc.;
- Quality of the proposed building: structural evaluation; title issues; quality of amenities; overall look and appeal; refurbishment costs;
- Quality of proposed tenant; whether respected corporate; business growth and stability; overall size of operations; specific terms of lease e.g. lock-in, escalation, break clause etc.;
- Regulatory approvals: whether already in place or not; if not, likelihood of approvals coming through; likely timeframe; likely costs etc.;
- Projected IRR: detailed financial analysis of the project; likely IRR basis with pessimistic, realistic and optimistic scenarios; sensitivity analysis; overall financial attractiveness of the proposition; likely taxation etc.;
- Exit strategy: clear well defined multiple exits in place; likely timing and exit values pre-defined etc.

4.2.11 Value Enhancement

Following investment by the Fund in a project, the Advisory Group will continue to focus on value enhancement throughout the life of the investment so as to ensure continued increase in value and attractiveness for other prospective investors, thereby ensuring an easier and more profitable exit. Examples of such value-enhancement include maintaining the most suitable tenant mix, ensuring high-quality maintenance and upkeep of buildings, and using well-considered project financial structuring and documentation. This approach is consistent with the proactive investment strategy to be applied to the Fund.

4.3 Divestment Strategy

It is intended that each Portfolio Company will be periodically analysed with respect to potential asset disposition. As part of this analysis, developments in property valuation levels, cash flow expectations for specific investments and investment sales trends will be reviewed. The business plan and exit strategy for each Portfolio Company will be periodically updated during the ownership period to reflect and take advantage of market conditions.

Exit for all projects will be linked to successful project completion. For pure development projects, exit would require a sale of the final development, while yield-based projects would be sold to new investors at the optimum time in the property rate cycle with rental income being derived from tenants in the interim period. Multiple bidders should be sought for each project, to maintain the highest possible valuation.

Exit opportunities will include potential sales to the following:

- End users/occupants: for residential developments;
- Real estate developers/investors: for retail, commercial and “opportunistic” developments;
- Financial institutions/banks or other real estate funds/investment trusts;
- Securitisation of lease rental income: for retail and commercial developments; and
- Initial Public Offering: in select cases where the project has become a brand in its own right and can be expanded nationally.

It may be decided to re-invest divestment proceeds into fresh or on-going projects over the seven year term of the Fund wherever there is a possibility of making significant returns in a relatively short period of time. The objective of such re-investment would be to maximise returns to investors. Any such re-investment would be carried out strictly as per the established investment strategy and investment evaluation parameters, and only if in the view of the Investment Committee the reinvestment would provide additional Returns to investors within the existing term of the Fund.

4.4 Investment Pipeline

The following are examples of some of the types of projects which have been identified by the Advisory Group as being suitable for investment by the Fund:-

4.4.1 *Shopping Mall: Maharashtra*

Synopsis

Over 1 million sq ft destination shopping mall located in a rapidly growing suburb of Mumbai. There is an opportunity for the Fund to invest US \$25m to acquire a 50% equity stake in the project.

Development Partner

The development partner is one of the largest developers in the Mumbai region with an excellent brand equity and credibility.

Investment Thesis

Over the past few years, this suburb has emerged as one of the most rapidly growing residential locations in Mumbai. Currently housing a population of over 1.5m, it is poised to grow rapidly in the years to come. The large scale residential development here is having a spillover effect on the opportunities for retail real estate development.

The proposed shopping mall is at an attractive location with excellent frontage & visibility. Most of the large scale residential developments are within a 2km radius of the site, thereby making it attractive to retailers & consumers alike.

The total land area under development is approximately 0.43m sq ft while the built-up area would be 1.0m sq ft.

Project Financials

The total project cost is estimated to be US \$101m with the equity investment sought being US \$25m. With project duration of three years, the target IRR for the investment is 29%.

4.4.2 IT Park: Uttar Pradesh (National Capital Region)

Synopsis

Over 1.2m sq ft IT Park located at an attractive location in the National Capital Region. There is an opportunity for the Fund to invest US\$19m to acquire a 74% equity stake in the project.

Development Partner

The development partner is one of the largest real estate development companies of North India with several large mixed use projects to its credit.

Investment Thesis

The National Capital Region has been successful in developing several large IT corridors and this IT Park is being planned in a location where several large IT companies are already present.

There are several large scale residential developments in the neighborhood of the project, which is connected to the main expressway being developed in the region. A new airport is also being planned in the vicinity.

The location has several competitive advantages including relatively economic real estate, better public infrastructure and local transport compared to other IT corridors in the National Capital Region.

The total land area under development is approximately 0.65m sq ft while the built-up area would be 1.2m sq ft.

Project Financials

The total project cost is estimated to be US\$70m with the equity investment sought being US\$19m. With project duration of four years, the target IRR for the investment is 34%.

4.4.3 Residential: Karnataka

Synopsis

Sixty-eight acres residential township located in Bangalore. The Fund has an opportunity to invest approximately US\$8m to acquire a 50% equity stake in the project.

Development Partner

The development partner is based out of western India and has several decades of proven track record in residential and commercial real estate in the west and south of India.

Investment Thesis

Bangalore is amongst the largest cities in India with a population of over 6m and a decadal growth rate of over 60%. It has the highest absorption rate of commercial & IT workspace in the country, absorbing over 6.8m sq ft in 2005.

The proposed residential township project is located in the vicinity of the Electronic City. The total area under consideration is approximately 68 acres. The site is in close vicinity of prime commercial areas like Banerghatta Road, Hosur Road and ORR, thus generating high housing demand primarily from the professionals working in these areas. Due to the high demand for plotted bungalow schemes in Bangalore, the project has been designed to create a residential township with bungalow units.

The total land area under development is 2.9m sq ft while the built-up area would be 1.6m sq ft.

Project Financials

The total project cost is estimated to be US\$91m with the expected equity investment sought being US\$8m. With project duration of 3 years, the expected IRR for the investment is 38%.

4.4.4 *Hotel: Maharashtra*

Synopsis

A luxury hotel of more than over 0.55 million sq ft located in a rapidly growing suburb of Mumbai. There is an opportunity for the Fund to invest US\$27.5 m to acquire a 50% equity stake in the project.

Development Partner

The development partner is one of the largest developers in the Mumbai region with an excellent brand equity and credibility.

Investment Thesis

Over the past few years, this suburb has emerged as one of the most rapidly growing residential locations in Mumbai. Currently housing a population of over 1.5m, it is poised to grow rapidly in the years to come. The suburb is also very close to the airport and has quickly grown as the epicentre for new age IT/ITES companies.

The site has an excellent location and connecting infrastructure. With the remarkable change in the culture and increase in the disposable income of the neighbourhood, the project is expected to be hugely successful.

The total land area under development would be 0.10 million sq ft, while the built-up area would be 0.55 million sq ft.

Project Financials

The total project cost is estimated to be \$58m with the equity investment sought being US\$27.5m. With project duration of 4 years, the expected IRR for the investment is 29%.

The projects detailed above are part of an overall “pipeline” of investments which have been identified by the Advisory Group as being suitable for the Fund, as summarised below:-

<i>Name</i>	<i>Location</i>	<i>Duration (yrs)</i>	<i>Indicative Project IRR</i>	<i>Indicative Equity Required US\$m</i>
Project 01	Thane – 1.1 m sq ft Retail Mall	3	29.52%	25.00
Project 02	Bangalore – 100 Acre Integrated Township	5	31.29%	14.39
Project 03	Mumbai 1.8 m sq ft mixed use commercial	4	34.94%	52.17
Project 04	Chennai – 1.2 m sq ft. IT Park	4	28.76%	8.15
Project 05	Pune – 106 acre Township	5	49.46%	5.33
Project 06	Thane 0.9 m sq. ft. IT Park	3	24.44%	9.89
Project 07	Mumbai – luxury hotel	4	28.78%	27.59
Project 08	Pune 70 acre township	5	34.30%	5.65
Project 09	Faridabad 123 acre Township	6	34.43%	13.37
Project 10	Thane 50 acre Township	5	31.60%	7.88
Project 11	Noida – 1.2 m sq. ft. IT Park	4	34.60%	18.55
Project 12	Bangalore – 68 acre Residential Township	3	38.42%	7.87
Project 13	Nagpur – Retail mall of 1.7 m sq ft	4	37.03%	16.11
Project 14	Mumbai – 7.5 acre Sports complex	5	45.84%	32.41
Project 15	Chennai – 1.6 m sq. ft. Residential	3	35.59%	5.30
Project 16	Jalandar – 100 acre Residential township	5	38.30%	32.17
Project 17	Agra – 150 acre mixed use township	4	35.92%	42.39
Project 18	Hyderabad – 30 acre IT Park	7	32.93%	27.39
Project 19	Bhopal – 150 acre Residential Township	4	33.91%	36.68
Project 20	Cochin – 35 acre mixed use Residential	5	33.15%	52.17
Project 21	Baroda – 75 acre mixed use Township	7	37.50%	39.23
Total				479.69
Overall Target IRR to K2 Investors			27.21%	

The target internal rates of return detailed in this table and elsewhere in this Prospectus are internal performance goals generated by the Advisory Group based upon currently available information, and estimates and assumptions which are beyond the control of the Advisory Group and the Company. Such target returns are not projections and are subject to change over time. Actual returns may vary significantly, and there can be no assurance that actual returns will meet the target returns suggested.

It should be noted that the description of the projects included in this section 4.4 is based wholly upon information provided by the Advisory Group and has not been independently verified.

5. STRUCTURE AND PROCESS

The detailed legal and operational structure of Yatra Capital Limited and the Fund and the process for investment and divestment of assets is described below.

5.1 The Company

The Company is a limited liability company incorporated in Jersey on 26 May 2006 under the name of Yatra Capital Limited. It is proposed that the entire capital of the Company, net of expenses and after providing for ongoing and future expenses, should be invested by way of subscription in A Shares in K2 Property Limited.

The Company will be managed by its board of Directors (all of whom are non-executive), and administered by the Jersey Administrator. Please see Section 7.1 at page 49 for further information on the Directors and Section 7.10 at page 54 for further information on the Jersey Administrator.

It should be noted that the responsibility of the Directors and the Company generally with respect to the activities of the Fund will be limited to approving the decision to invest in K2 Property, and continuing to monitor the progress of the Fund through information received from K2 Property. The Board will not take any part in decision-making with respect to any investments or divestments by the Fund, although the Company will have the right to nominate two of the Directors as members of the Investment Committee for the Fund.

Where the term “the Fund” is used in this document, this refers to the assets of the K2 Group that are attributable to the funds invested in K2 Property by the Company, and not to the Company itself.

5.2 The K2 Group

K2 Property is a limited liability company incorporated in Mauritius under the name of K2 Property Limited. K2 Property has established a wholly-owned subsidiary in Cyprus under the name of K1 Property Investments Limited which is proposed to be registered as a Foreign Venture Capital Investor (“FVCI”) under the Securities and Exchange Board of India (“SEBI”) (FVCI) Regulations, 2000 (“FVCI Regulations”).

Using a subsidiary in Cyprus gives certain tax advantages with respect to interest income where the Fund’s investments are partly structured by way of debt securities (see Section 10.4 for further information).

Whilst K2 Property has the ability to issue further shares or other securities to investors other than the Company, it is not currently anticipated that any such issue will take place. This will mean that K2 Property will be a subsidiary of the Company.

K2 Property is managed by its board of directors. Except for one common director, this board will be independent from the Board of Directors of Yatra Capital Limited. Please see Section 7.2 for information on the directors of K2 Property.

There are certain benefits for a foreign investor in India being categorised as a FVCI. The registration of K1 Investments as an FVCI will allow K2 Group to make investments in Indian Portfolio Companies (also known as Venture Capital Undertakings or “VCUs”), or Indian Venture Capital Funds registered under the Securities and Exchange Board of India (Venture Capital Fund) Regulations 1995 (“VCFs”), without requiring any prior approval from the reserve Bank of India or the Foreign Investment Promotion Board.

In most cases, foreign investors in India are restricted with respect to the pricing of purchasing, subscribing or selling shares. FVCIs benefit from free entry and exit pricing, which means there are no such restrictions in place. FVCIs are also exempted from a number of provisions relating to listed investments, which allow them to exit from an investment on a listing, rather than being “locked in” for a year, as would normally be the case.

If FVCI registration is obtained, then depending on what is in the best interests of K2 Investors, the K2 Group may also make its investments through one or more schemes of the Trust. Notwithstanding the benefits of FVCI registration, if for whatever reason it is not possible to secure an FVCI registration, it is intended that the K2 Group will nevertheless make direct investments in Portfolio Companies under the FDI regime (see sections 10.1 and 10.2 for more details).

Investments may be made by the K2 Group either through K2 Property or K1 Investments. If FVCI registration is obtained for K1 Investments, it is likely that most of the investments made by the K2 Group will be made through K1 Investments. It is also likely that any investments with a debt component will also be made through K1 Investments, whether or not FVCI registration is obtained.

Whether or not FVCI registration is obtained, the Fund will only be invested in real estate projects which would be compliant under the FDI Regulations (subject only to any legislative or regulatory changes which would specifically allow investment in other projects).

5.3 The Trust

While K2 Property and its subsidiary, K1 Investments, will have the ability to invest directly into VCUUs, if FVCI registration is obtained, then most or all of the Fund's investments may be made by way of investment into one or more schemes of an investment trust based in India. It is intended that this trust will be registered with SEBI as a VCF, and may also receive investment from local investors in India, Non-Resident Indians ("NRIs"), Persons of Indian Origin ("PIOs") and other "foreign" investors. The Trust would be constituted as an "umbrella" investment trust incorporating a number of "schemes", which will allow for investment in Indian portfolio companies engaged in real estate activities in accordance with the provisions of the VCF Regulations, and with each scheme's constitution. If a scheme of the Trust has investors which are purely domestic investors and/or NRIs/PIOs the scheme concerned would be able to make some investments in real estate which would not be permitted under the FDI Regulations, as well as those which are permitted.

Each scheme of the Trust would, subject to applicable legal, regulatory and tax considerations, make permissible portfolio investments in equity and equity linked instruments of companies established to carry out real estate, ownership and exploitation in India.

5.4 The Advisory Group and Investment Committee

Saffron Capital Advisors Limited (the "Investment Advisor"), a limited liability company based in Mauritius, will advise K2 Property with respect to any investment decisions.

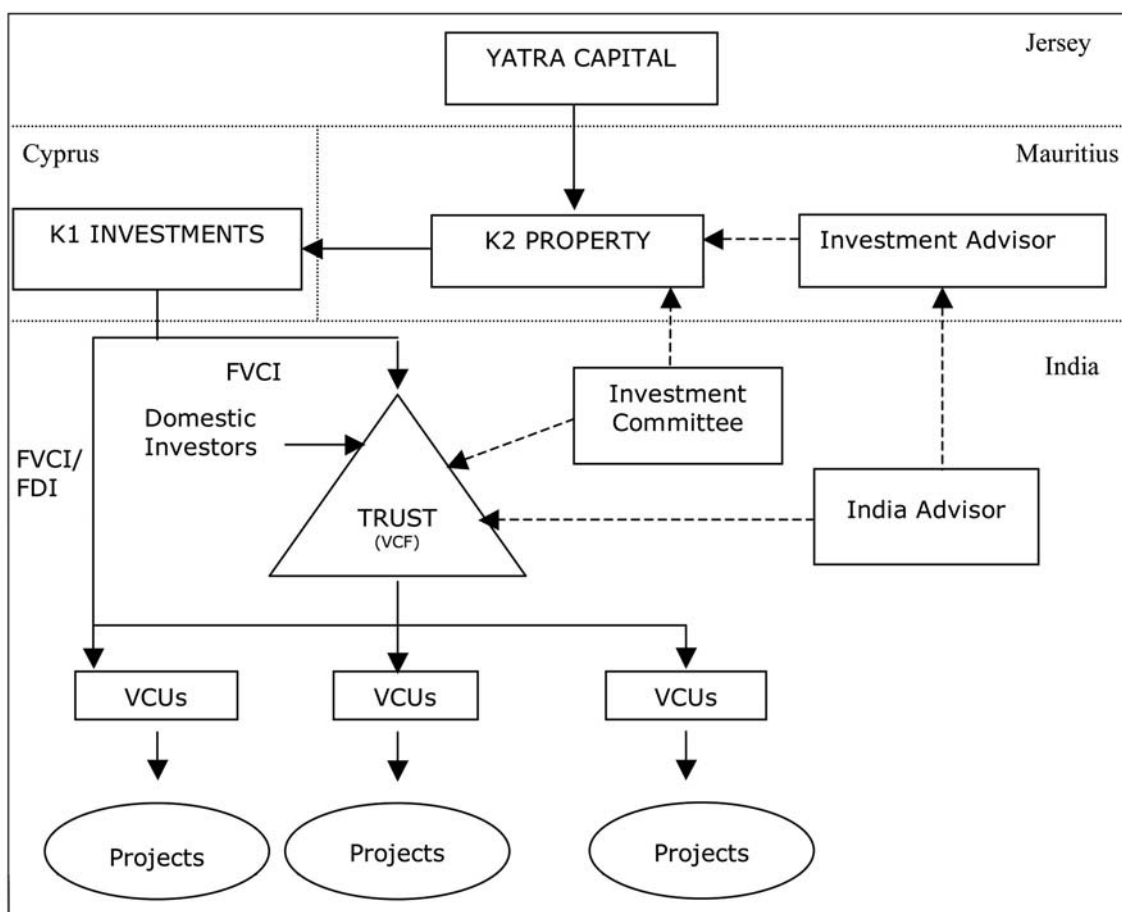
The Investment Advisor will be advised by Saffron Asset Advisors Private Limited, a limited liability company based in India (the "Indian Advisor"). The Indian Advisor is a wholly-owned subsidiary of Saffron Capital Securities Limited, a limited liability company based in Mauritius, which is also the parent company of the Investment Advisor, and these three companies together are known as the "Advisory Group". Please see Section 7.4 at page 51 for further information on the Advisory Group. The Indian Advisor would also supply investment advice to the Trust.

An Investment Committee will be appointed by K2 Property as an advisory committee to advise on any investment decisions to be made following recommendations from the Investment Advisor. Although K2 Property will not be legally bound to seek the advice of the Investment Committee, the K2 Board is expected in practice to seek the approval of the Investment Committee prior to making any investment decision. The Company will have the right to nominate two members of the Investment Committee from its own Board of Directors.

A separate investment committee comprised of the same individuals will also provide a similar advisory function to the Trust.

Please see Section 7.9 for further details on the members of the Investment Committee.

This structure may be illustrated as below:



5.5 Investment Process

In the event that the capital of the K2 Group is invested in one or more schemes of the Trust, the investment process for K2 Property will be very straightforward, since it is likely that this will be limited to an assessment of the terms and documentation of the relevant scheme of the Trust and confirming that these match the objectives and policies of the Fund. The K2 Board will be advised in this respect by the Investment Advisor and the Investment Committee. If the K2 Board, as advised by the Investment Advisor and Investment Committee, decides to make an investment into a scheme of the Trust, the terms of that investment will be governed by the terms of a Trust Contribution Agreement which will provide for K2 Property via its subsidiary, K1 Investments, to make drawdown of funds to the relevant scheme of the Trust upon issue of a relevant drawdown notice.

In the event that the K2 Group undertakes investments directly in Portfolio Companies under the FDI Regulations or the FVCI Regulations without participating in the Trust, the process described in the following paragraphs will be applied by K2 Property on a deal-by-deal basis, as advised by the Investment Advisor and Investment Committee.

5.5.1 Market Evaluation

The Advisory Group will continually assess the ideal investment focus for the Fund, suggesting refinements as the real estate market evolves. Regular weekly meetings will be held for its functional groups, at which current transactions, market trends and financial considerations will be evaluated and discussed.

5.5.2 Deal Sourcing

The Advisory Group's broad network of local operating partner relationships and industry contacts will enable the Fund to source private-market transactions and to promote a strong pipeline of deal flow.

5.5.3 *Deal Evaluation*

A rigorous and disciplined decision-making process will be applied with respect to any potential investment or divestment. Critical evaluation of the potential investment will be carried out in each case, using an in-depth understanding of the macroeconomic factors and real estate market, and the strengths and weaknesses of the various participants in the relevant sector.

As part of the standard operating procedures for the Fund, the investment evaluation matrix detailed in section 4.2.10 will be used in each case, to ensure consistent and standardised evaluation methodology, and to retain objectivity.

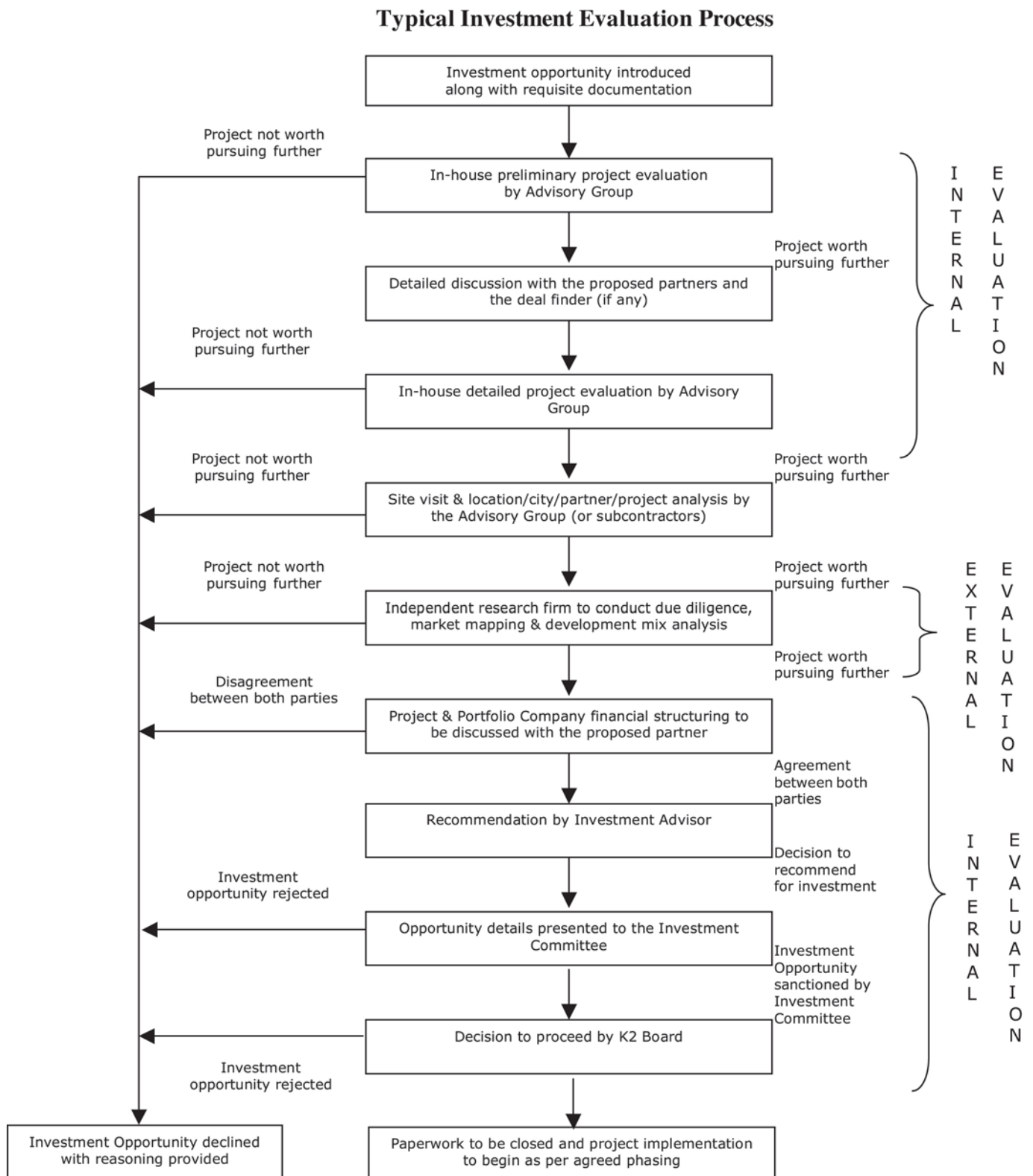
The Advisory Group intends to engage reputable international consultants such as Jones Lang LaSalle, Trammell Crow Meghraj, CB Richard Ellis and others for detailed evaluation and structuring of every serious project and will also make use of reputable market research agencies, legal firms, accounting and tax firms, and any other specialists required to comprehensively evaluate investment opportunities. The opinion of banks and other financial institutions will also be sought. This should provide an independent perspective on each investment opportunity and provide balance to the internal analysis process.

A particular focus of the deal evaluation process will be the investigation of title with respect to the land and/or existing property. Third party consultants will be used to carry out detailed due diligence on title and where possible a Certificate of Title will be provided. No investment will be made without thorough investigation of title being carried out.

Once the Investment Advisor decides to recommend an investment or divestment, each recommendation will be passed to the K2 Board, who will then seek the sanction of the Investment Committee. No investment will proceed without the sanction of its Investment Committee.

The final decision with respect to any investment or divestment will be taken by the K2 Board.

The following flowchart details the typical evaluation process that would be undertaken with respect to each potential investment:



This process has been devised to ensure that there is a fair degree of preliminary evaluation conducted in-house by the Advisory Group before any serious resources are committed to the opportunity.

A similar process should be undertaken by the Trust, (as advised by the Indian Advisor and the Investment Committee) with respect to any investments to be made by the Trust. Final decisions would be taken by the Trustees, which would include at least one professional trust company in India.

5.5.4 *Investment Structuring*

Each real estate development project will generally be carried out through a “special purpose vehicle” company which will become a “Portfolio Company” of the Fund. The capital structure of each Portfolio Company will be optimised so as to ensure the most favourable pricing and terms for the Fund using investment instruments such as common stock, preference shares, convertible shares, warrants, and debt instruments.

It is intended that the Fund should generally hold a significant ownership stake of at least 26% (and preferably in excess of 50%) in each Portfolio Company so as to exercise operating and financial controls.

The Advisory Group will seek to negotiate extensive contractual rights to protect the interests of the Fund, including the following:

- Seats on the board of directors and on committees of the board of each Portfolio Company;
- Negative covenants regarding major corporate decisions such as a prospective merger or acquisition, material contracts, etc.;
- Voting arrangement protections;
- Robust exit mechanisms; and
- Structuring of transactions so as to provide “back-end” incentives to operating partners in order to align their interests with those of the Fund.

5.5.5 *Investment Management*

The Advisory Group will continue to evaluate and monitor performance of each investment against established targets and seek to maximise exit values over each asset’s investment horizon. The Advisory Group will work with local partners to oversee the implementation of each Portfolio Company’s business plan, including ongoing capital expenditures, tenant improvements and financial performance.

6. GOVERNANCE AND TRANSPARENCY

The Directors are committed to maintaining an appropriate level of corporate governance. In particular, two Directors will be appointed to the Investment Committee of K2 Property, who will ensure appropriate performance reporting to the Company with regard to its investment into K2 Property. The Company does not intend to participate or interfere with investment management activity within K2 Property except to the extent necessary to protect the long term interests of the Company (although the presence of the two appointees to the Investment Committee should ensure that the Board will be kept fully informed).

The Company currently complies with applicable corporate governance requirements in Jersey. Jersey law does not contain a mandatory code of corporate governance, although it does impose statutory obligations on directors to act in good faith and with a view to the best interests of the company. The Company is not subject to the Combined Code on Corporate Governance published by the Financial Reporting Council of the United Kingdom.

The Directors do not consider it necessary to establish an audit committee given the nature of the Company's board structure and operations. The Board will undertake all functions that would normally be delegated to the audit committee, including reviewing annual interim results, receiving reports from auditors, agreeing the auditor's remuneration and assessing the effectiveness of the audit and internal control environment. Where necessary, the Board will obtain specialist external advice from either the Company's auditors or other advisors.

The Directors do not intend to establish remuneration and nomination committees, as such committees would not be appropriate given the nature of the Company's board structure and operations. The Board will review annually the remuneration of the Directors and agree a reasonable and market standard level of non-executive fees, with consideration given to the level of time commitment and expertise provided, and the risks involved. Continuing consideration will be given by the Board as to whether the Board continues to provide the level and range of skills required to manage the Company effectively, particularly in the light of the Company's relationship with the Jersey Administrator. The Company will take all reasonable steps to ensure compliance by the Directors with any relevant regulatory provisions relating to dealings in securities of the Company, and has adopted a share dealing code for this purpose.

The Board of Directors will meet periodically to receive reports from K2 Property, its representatives on the Investment Committee and from any functionaries appointed by the Company. The Company will review and monitor the investment arrangements entered into by it and compliance with any investment and borrowing limits adopted for the Company.

The Directors have not been appointed for any specific periods nor are they subject to retirement by rotation. None of the Directors have any agreement with the Company which provides for benefits upon termination of employment. Any voting rights held by the Company in underlying investment entities will be voted in such a manner as the Directors believe to be in the best long term interests of the Company. Any delegation of regulated functions in Jersey by any Jersey based functionaries including the Company will be undertaken in compliance with the Policy Statement and Guidance Notes on Outsourcing published by the Jersey FSC.

The K2 Board is obliged under Mauritius law to devise and establish appropriate corporate governance measures for the sustainability of the K2 Group, and review and re-assess these measures from time to time.

It is intended that maximum transparency is maintained in the investment evaluation, management and disposition process for the Fund, and a multi-tiered structure has been put in place to ensure this.

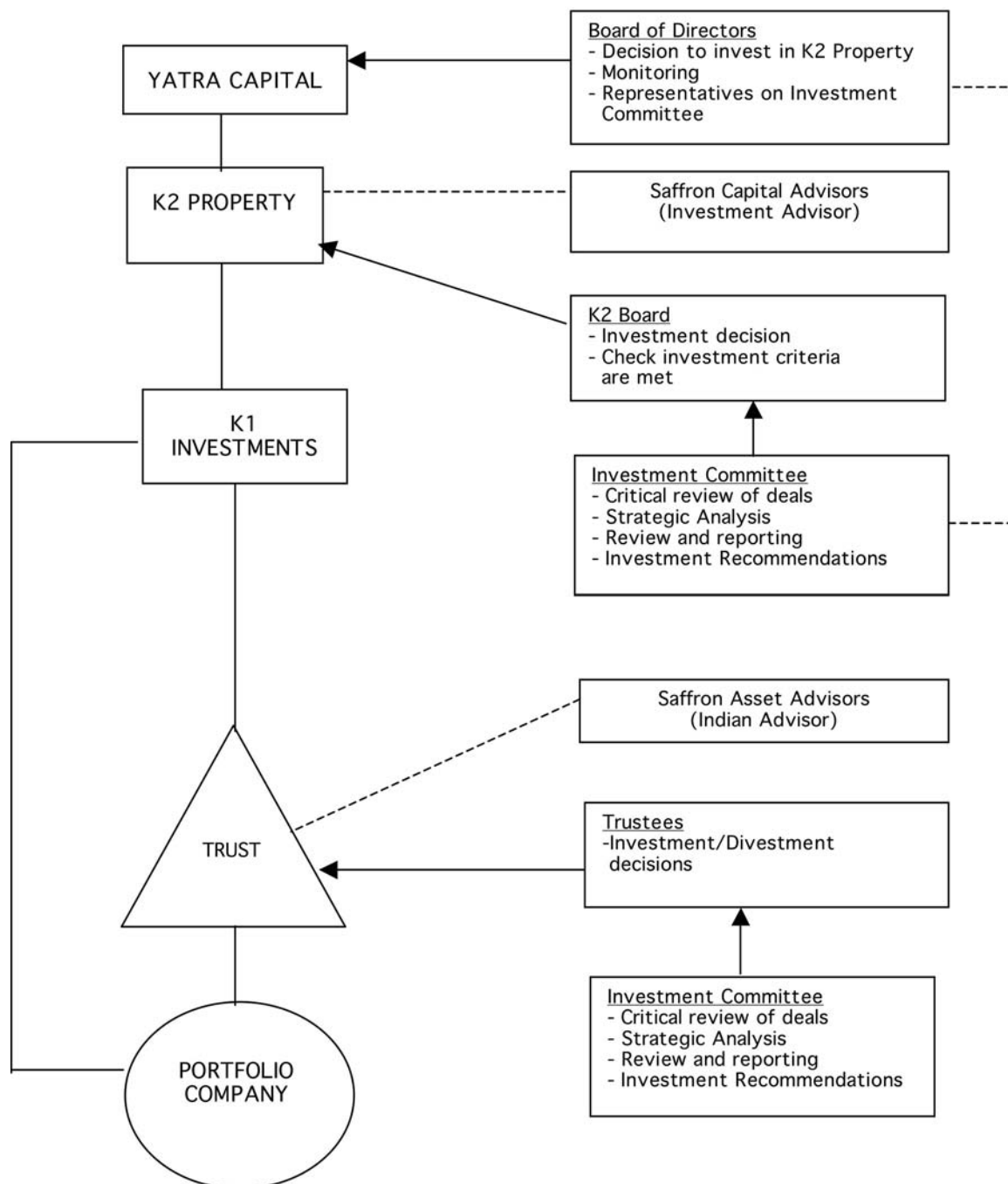
The following features will help to ensure that the Company's interests are fully protected:

- Investment Committee with two representatives from the Board of the Company to ensure independent decision-making;
- Compliance with the legal and regulatory requirements of Mauritius and the K2 Constitution monitored by the K2 Administrator;

- Adherence by K2 Property to the National Code of Corporate Governance of Mauritius monitored by the K2 Administrator; and
- Corporate governance measures disclosed in the Annual Report of the Company and of K2 Property.

The work of the Advisory Group will be carried out by a team of finance, property and investment professionals, who will help to ensure that all potential investments are evaluated only in the prescribed manner, and that financial and other reporting is undertaken efficiently, accurately and in accordance with investor expectation.

The detailed governance structure of the Fund is presented below:



7. DIRECTORS, ADVISORS AND OTHER PARTIES

7.1 Directors of the Company

The Directors of the Company, all of whom are non-executive, are as follows:

Sir Nigel Broomfield, *Non-executive Director, Aged 69*

Sir Nigel Broomfield joined the Army from Cambridge University in 1959 and retired in 1969.

He joined the Foreign and Commonwealth Office in 1969 and served in London, Bonn, Moscow and New Delhi before becoming Ambassador in East Berlin from 1988 to 1990 at the time of the fall of the Berlin Wall. He served as Ambassador to united Germany from 1993 to 1997.

On retiring from the Foreign and Commonwealth Office, Sir Nigel became Director of the Ditchley Foundation near Oxford, a private charity engaged in organising high level conferences on political, economic and social issues. He retired from Ditchley in 2004 and moved to live in Jersey with which he has had associations for over 40 years.

Sir Nigel is a non-executive Director of the Smiths Group plc, of Cable & Wireless (Jersey), and is President of the German/British Chamber of Commerce and Industry in London.

Since 2005 he has been chairman of Leonard Cheshire.

David Hunter, *Non-executive Director, Aged 52*

David was a well-known UK property fund manager over a 20 year period up to 2005, with an exceptional track record of building and running Fund Management businesses. In recent years, he was responsible for £6.5bn in the UK and Europe with Arlington Property Investors.

David is now Managing Director of Hunter Advisers, a Property Fund Consultancy which offers advice on the launch and operation of Property Funds in the UK and overseas. Although a relatively new business, Hunter Advisers has already assembled a prestigious client base.

David was President of the British Property Federation 2003/04 and led the property industry delegation which successfully negotiated with the Government for the introduction of UK REITs.

Ajoy Veer Kapoor, *Non-executive Director, Aged 45*

An entrepreneur and banker in a career spanning over 25 years, with global exposure to real estate investment, development and management. Ajoy's last assignment was Global Head, Strategy & Implementation, Corporate Real Estate at HSBC, UK where he was responsible for strategic management and project implementation of 75m sq ft across 79 countries. Prior to that, he was Board member and Regional Head in India, Corporate Real Estate & Strategic Sourcing at Standard Chartered Bank, managing a mixed portfolio of over 11m sq ft. Ajoy has also been involved in development management of several million sq ft of real estate during his various assignments. During 1980 – 1995, he built and sold Lamco, a chain of convenience stores in the UK. Ajoy is one of the leading real estate professionals in India and is an active member of this community. Within India Ajoy is well known for creating value and delivering in a complex environment.

William Kay, *Non-executive Director, Aged 54*

William is Managing Director of Minerva Financial Services Limited in Jersey, a licensed trust company specialising in the formation and administration of offshore trusts and companies for international private clients. William is also a Director of Minerva Fund Administration Limited. Formerly he was the Managing Director of Barclays Private Bank & Trust Limited in the Channel Islands, 1994 – 2000. He joined the Barclays Group in 1975 and was a Senior Executive 1992 - 2001. Since its launch in 2002, William has also been a Non-executive director of The Westbury Property Fund Limited, a listed commercial property investment company.

Malcolm King, *Non-executive Director, Aged 61*

After qualifying at a general practice firm in 1968 Malcolm was one of the first in his profession to gain an MBA by taking a full time two-year course at the Ivey Business School of the University of Western Ontario, Canada.

Joining King & Co in 1970 he headed the investment part of the business for 23 years. That part of the business was involved in £10 billion of transactions during the last financial year.

In 1993 Malcolm restructured the asset management side of the business, which grew the properties under management from £850m to the current level of more than £10 billion today.

He was Senior Partner from 1987 to 2005 and International Chairman for 2005/6. In 1992 he both conceived and engineered the merger of King & Co with J P Sturge to form King Sturge. During his time as Senior Partner the company's turnover increased from just over £11m to approximately £100m and a staff of nearly 1600.

He is a non-executive director of Redrow plc and a Jersey based private property company as well as the managing director of a UK based private property company.

Christopher Lovell, *Non-executive Director, Aged 53*

Christopher Lovell is a solicitor and has practiced since 1979. He was a Partner with Theodore Goddard between 1983 and 1993 before setting up his own firm. He became a Partner and Director of Channel House Trustees Limited, a Jersey regulated trust company, in 2000. Channel House Trustees was acquired by Capita Group Plc in September 2005. He was a Director of BFS Equity Income and Bond PLC between 1998 and 2004 and Chairman of BFS Managed Properties between 2001 and 2005. Mr Lovell is currently a director of Capita Fiduciary Group ("Capita") and in addition to a number of funds for which Capita provides administrative services is also a director of Dawnay, Day Treveria PLC.

Rohin Shah, *Non-executive Director, Aged 40*

Rohin Shah is a chartered surveyor and managing director of Meghraj Properties Limited in London. He is currently responsible for a UK portfolio of commercial property with a value in the region of £750 million with mandates to invest another £750 million into the UK markets. His key client base is 60 private family offices. He has been involved with the Indian property markets since 1992 and established Trammell Crow Meghraj (latterly Chesterton Meghraj) in April 1995 as one of the first foreign property consultants in India. He started his career with Jones Lang LaSalle in 1986 and for 6 years was based in their London offices. He has a Masters in property investment from City University and has spent 10 years sitting on various committees at the Royal Institution of Chartered Surveyors from 1989 to 1999.

The Company does not retain any senior management, other than its directors, nor any employees. Administrative services are carried out by the Jersey Administrator.

7.2 Directors of K2 Property

The Directors of K2 Property, all of whom are non-executive, consist of Rohin Shah (see Section 7.1) plus four additional directors, as follows:

Teewareesing Gopal

Teewareesing Gopal, a resident of Mauritius, has worked in the offshore sector for over five years. He has wide experience in the administration of offshore companies, trusts and funds. He has also worked in a firm of Chartered Accountants based in London as audit supervisor and at Kemp Chaterris, Deloitte & Touche, Mauritius.

Christopher Jones

Christopher Jones is head of the Investment Funds Group at London law firm Mishcon de Reya. Prior to joining Mishcon de Reya, he was Director of Business Affairs at Ideas Hub, a venture finance and consulting business focused on the media and entertainment sectors. He qualified at city firm, Nicholson Graham Jones, and also worked at Johnson Stokes & Master in Hong Kong and Nabarro Nathanson in London. He has a Diploma in Corporate Finance from London Business School.

Ben Locknat Daby Seesaram

Ben Locknat Daby Seesaram, a resident of Mauritius, is a Barrister-at-Law with wide experience in public administration and the judiciary, as Chairman of various listed companies, government and parastatal bodies. He has extensive experience of over 10 years in the offshore financial services, specialising in international taxation, trusts and investment funds.

Vipin Shah

Vipin Shah was born in Kenya and educated in Nairobi, Mumbai and London where he was called to the English Bar as a member of the Honourable Society of the Middle Temple. Vipin Shah is also a Fellow of the Royal Postgraduate Medical School and Imperial College School of Medicine in recognition of charitable work undertaken by the family. He moved to Jersey, Channel Islands, in 1969 and, with his brother, Anant, established the banking and financial services business of the Meghraj Group in 1972. Vipin Shah is the Chairman of Minerva Financial Services Limited, Jersey, which is regulated by the Jersey Financial Services Commission to conduct Trust Company business.

K2 Property does not retain any senior management other than its directors, nor any employees. The K2 Board will be advised by the Investment Advisor and the Investment Committee with respect to investment decisions. Administrative services will be carried out by the K2 Administrator.

7.3 Directors of K1 Investments

The Directors of K1 Property Investments Limited consist of Christopher Jones, Rohin Shah (see sections 7.2 and 7.1) and Michael Davies.

Michael Davies

Michael Davies, a UK national now resident in Cyprus, is a UK lawyer. He is currently Senior Corporate Counsel within a leading global corporate, trust and fund service provision group. He is a member of the International Bar Association, the International Tax Planning Association and the Society of Trust & Estate Practitioners.

K1 Investments is a wholly-owned subsidiary of K2 Property, and is a vehicle to be used by K2 Property to make investments. It does not retain any senior management other than its directors nor any employees. Administrative services will be carried out by Trident Trust Company (Cyprus) Limited.

7.4 The Advisory Group

The Advisory Group consists of Saffron Capital Advisors Limited (the Investment Advisor), its parent company Saffron Capital Securities Limited (both incorporated in Mauritius) and its fellow subsidiary, Saffron Asset Advisors Private Limited (the Indian Advisor), incorporated in India.

The Advisory Group and its management team combine real estate experience both within India and internationally, and a proven history of value creation.

Due to extensive international exposure and a keen understanding of the Indian real estate market, the Advisory Group and its management team have the ability to profit from any “arbitrage” between the knowledge gaps that exist between the Indian and international markets.

The Advisory Group has full awareness of the international norms for governance and transparency and is committed to following them.

The Advisory Group has excellent relationships already in place with key stakeholders within the Indian real estate sector, including developers, investors, occupiers and government functionaries, and has access to a significant national network of offices with a team of people actively involved in the real estate services business.

The Advisory Group has access to a strong flow of Indian real estate investment opportunities with the potential to create significant returns for investors through its network of relationships in the sector, and has already identified a number of potential investment targets requiring funds in the region of US \$500m.

The Investment Advisor is contracted to provide investment advice on a non-exclusive basis to Eredene Capital PLC, a company listed on the AIM Market of the London Stock Exchange, with respect to the proposed investment of funds of approximately US \$100 million (or the sterling equivalent).

7.5 Directors of the Investment Advisor

The directors of the Investment Advisor are as follows:

Teewareesing Gopal

Teewareesing Gopal, a resident of Mauritius, has worked in the offshore sector for over five years. He has wide experience in the administration of offshore companies, trusts and funds. He has also worked in a firm of Chartered Accountants based in London as audit supervisor and at Kemp Chatterris, Deloitte & Touche, Mauritius.

Vimla Ramasamy

Vimla Ramasamy, a resident of Mauritius, has over six years experience in the offshore and onshore sectors. She has relevant expertise in the provision of secretarial services, fund administration and trust administration. She is also the Secretary of the Association of Company Secretaries of Mauritius.

Rohin Shah

Rohin Shah is a chartered surveyor and managing director of Meghraj Properties Limited in London. He is currently responsible for a UK portfolio of commercial property with a value in the region of £750 million with mandates to invest another £750 million into the UK markets. His key client base is 60 private family offices. He has been involved with the Indian property markets since 1992 and established Trammell Crow Meghraj (latterly Chesterton Meghraj) in April 1995 as one of the first foreign property consultants in India. He started his career with Jones Lang LaSalle in 1986 and for 6 years was based in their London offices. He has a Masters in property investment from City University and has spent 10 years sitting on various committees at the Royal Institution of Chartered Surveyors from 1989 to 1999.

Rohin Shah is also a director of the Company and of K2 Property.

Vipin Shah

Vipin Shah was born in Kenya and educated in Nairobi, Mumbai and London where he was called to the English Bar as a member of the Honourable Society of the Middle Temple. Vipin Shah is also a Fellow of the Royal Postgraduate Medical School and Imperial College School of Medicine in recognition of charitable work undertaken by the family. He moved to Jersey, Channel Islands, in 1969 and, with his brother, Anant, established the banking and financial services business of the Meghraj Group in 1972. Vipin Shah is the Chairman of Minerva Financial Services Limited, Jersey, which is regulated by the Jersey Financial Services Commission to conduct Trust Company business.

Vipin Shah is also a director of K2 Property.

7.6 Directors of the Indian Advisor

The directors of the Indian Advisor are Ajoy Kapoor (Managing Director) and Rohin Shah (see section 7.1).

Ajoy Veer Kapoor

An entrepreneur and banker in a career spanning over 25 years, with global exposure to real estate investment, development and management. Ajoy's last assignment was Global Head, Strategy & Implementation, Corporate Real Estate at HSBC, UK where he was responsible for strategic management and project implementation of 75m sq ft across 79 countries. Prior to that, he was Board member and Regional Head in India, Corporate Real Estate & Strategic Sourcing at Standard Chartered Bank, managing a mixed portfolio of over 11m sq ft. Ajoy has also been involved in development management of several million sq ft of real estate during his various assignments. During 1980 – 1995, he built and sold Lamco, a chain of convenience stores in the UK. Ajoy is one of the leading real estate professionals in India and is an active member of this community. Within India Ajoy is well known for creating value and delivering in a complex environment.

Ajoy Kapoor and Rohin Shah are also directors of the Company.

7.7 Management team of the Indian Advisor

The management team of the Indian Advisor will include the following:-

Ayan Desai

Ayan Desai, aged 29, has been working in investment management and financial services since 2000. In 2003, he established an investment consultancy and distribution agency, which was sold off in 2005. Prior to this, he was part of the agency team at Tata-AIG and from 2001 was involved in setting up agencies in Western Zone. He holds a masters degree in marketing from Mumbai University and an MBA (Finance) from Leeds Business School.

Darshan Mistry

Darshan Mistry, aged 39, has worked for eighteen years in the fields of construction, project management, corporate real estate management and retail. He has successfully delivered and managed corporate real estate portfolios in various customer-facing and demanding industries, such as banking and retail, and for various types of clients, including corporates and multi-nationals. His most recent position was at Lee Cooper Group, London, where his responsibilities included the design, development, planning, budgeting, sourcing, execution and project implementation of retail property projects across Asia, the Middle East, and Europe.

Ritesh Vohra

Ritesh Vohra, aged 30, has been an entrepreneur and professional in the real estate and retail advisory sectors with an experience spanning over eight years. His last assignment was CEO, First Franchising Private Limited (2000-2005), a boutique advisory firm focused on retail, franchise and real estate sectors. During this period, he was also an investor and director at Mediasset Holdings, a publishing business with magazine titles and a TV show in sectors like real estate, retailing and business opportunities. Prior to this, he set up the Retail & Leisure Advisory business in North India for Jones Lang LaSalle (1999-2000) and was also instrumental in setting up the Real Estate Advisory business for Chesterton Meghraj India (now Trammell Crow Meghraj) during 1998-1999.

7.8 Strategic Alliance Partner

Trammell Crow Meghraj is a strategic alliance partner of the Advisory Group. Trammell Crow Meghraj is one of India's leading real estate consultants with nationwide operations covering land, retail, residential, commercial, industrial and hospitality sectors and providing a wide range of services to clients, including agency, project management, investment advisory, consulting and facilities management. They have extensive development management experience, having managed over 19m sq ft nationally for organisations such as Tesco, Danfoss and Xansa. They have a professional staff of over 700 across 10 offices in eight key cities, and strong relationships with real estate developers, investors and end users nationally. Their recent investment from US property company Trammell Crow Company has opened more avenues to US and other corporate clients, including Dell, IBM, EDS and American Express.

7.9 Investment Committee

The current voting members of the Investment Committee are David Hunter and Malcolm King (see section 7.1) plus Anuj Puri and Harkirat Singh. The Chairman will be Ajoy Kapoor (see section 7.1), who will have a casting vote only.

Anuj Puri

Anuj Puri, aged 39 years, has been Managing Director of Trammell Crow Meghraj since 1999. He is currently also the Chairman of Real Estate and Construction Committee of Western Zone for CII. Recently appointed as a Non-executive Director of Dainik Jagran, India's largest selling Newspaper. He has over 15 years of experience in multi-disciplinary consulting ranging from real estate to social development projects. Key expertise lies in planning and undertaking demand assessment studies, valuation and transactional services including marketing strategies based on technical analysis of real estate markets.

Harkirat Singh

Harkirat Singh, a career banker, began his career at the Citibank training centre in Lebanon and then at Grindlays Bank, where he acted as country head for foreign exchange and securities, and as head of the investment bank for North India. Following this, he spent 18 years at Deutsche Bank, starting the bank's operation in India in 1981, and becoming the first Indian Chief Executive Officer- India from 1993 until his departure in 1998. Mr Singh led Deutsche Bank's first foray into Venture Capital with an investment in India's first venture capital company "Indus Venture Capital India Pvt. Ltd." After leaving Deutsche Bank, he was appointed Special Advisor to the managing board of Rabobank International on International strategy and capital management, and was subsequently made Rabobank's General Manager London and Country Head U.K. and Global Head Capital Markets. In 2002, Rabobank and Mr Singh were granted an approval for establishing a private bank in India, and Mr Singh acted as Chief Executive Officer and Managing Director for this new entity until April 2003. Mr Singh has acted as a member of the Board of Governors of the National Institute of Bank Management in India, a member of the advisory board of GEMS, a private equity fund based in Hong Kong, the chairman of the finance committee of the Indian Merchants Chamber, and a member of the Chief Executive Forum of the Economic Intelligence Unit of the Economist.

7.10 Administrators

Minerva Fund Administration Limited acts as the administrator of the Company. Minerva Fund Administration Limited was incorporated in Jersey on 26 September 2005 as a private limited liability company. It has a paid up share capital of £25,000 and is a wholly owned subsidiary of Minerva Financial Services Limited. Its business focus is on the provision of fund administration services. Minerva Financial Services Limited is licensed by the Jersey FSC to provide trust and company administration services. It was established in 2001 as a result of a merger between two long standing Jersey trust companies, City Management Limited and Kingsridge Trustee Company (Jersey) Limited. The latter company was owned by the Meghraj family.

Minerva Fund Administration Limited also acts as a distributor for the Company with respect to the introduction of investors. Its fees for acting as a distributor will be paid out of the placement fees detailed in Section 11.12.1.

Jupiter Management (Mauritius) Limited acts as the administrator of K2 Property. The K2 Administrator is a private company incorporated in the Republic of Mauritius on 11 September 2006. It is an Offshore Management Company, licensed and regulated by the Mauritius FSC under the Financial Services Development Act 2001 of Mauritius. Its main activities include establishing and providing administrative and secretarial services to offshore companies and trusts, and structuring and administering offshore funds.

7.11 Bankers and Custodians

HSBC Bank International Limited will act as banker to the Company. The Hong Kong and Shanghai Banking Corporation Limited will act as banker to K2 Property in Mauritius and, it is proposed that the Hong Kong Shanghai Banking Corporation in India will act as offshore custodian for the K2 Group.

The Jersey Administrator will undertake custodial type services for the Company in Jersey to the extent required by the Board although it is not currently envisaged that the Jersey Administrator will be formally appointed as "custodian".

The K2 Administrator will undertake custodial type services for K2 Property in Mauritius to the extent required by the K2 Board, although it is not currently envisaged that the K2 Administrator will be formally appointed as "custodian".

7.12 Placing Agent

Fairfax I.S. PLC will act as Placing Agent to the Company. Fairfax I.S. PLC is an institutional stock broking firm incorporated in England and is authorised and regulated by the Financial Services Authority in the United Kingdom. It is also a member of the London Stock Exchange.

8. THE PLACING AND USE OF FUNDS

8.1 The Placing

Fairfax I.S. PLC, as Placing Agent for the Company, has undertaken to use its reasonable endeavours to place 10,000,000 Ordinary Shares with investors at the Placing Price.

The Placing, which is not being underwritten, is conditional upon the admission of the Ordinary Shares to trading on Eurolist by Euronext by 6 December 2006, or such later time as the Placing Agent and the Company may agree, but in any event not later than 22 December 2006.

The Placing of the Ordinary Shares on behalf of the Company is intended to raise approximately €100,000,000 million before expenses. The expenses of Admission and the Placing payable by the Company are estimated at approximately €550,000, assuming the Placing is fully subscribed, so that the net proceeds of the Placing of the Ordinary Shares after commission payable to the Placing Agent are estimated to be approximately €96,450,000.

It is intended that the Company will be exempted from the obligation to obtain a licence pursuant to article 4 of the WTB, on the grounds of either (a) article 2b under b of the Exemption Regulation pursuant to article 14 of the WTB (*Uitvoeringsregeling ex artikel 14 Wet toezicht beleggingsinstellingen*) on the basis that the minimum consideration being payable for Ordinary Shares is €50,000 or more or (b) the Company being regulated by a jurisdiction approved by the AFM as having sufficient home state control for the purposes of article 17C of the WTB. The approval process for the approval of Jersey as a jurisdiction having sufficient home state control is currently ongoing.

The minimum consideration payable under the Placing by any Placee for Ordinary Shares is €300,000. Following Admission, pending approval by the AFM of Jersey as a jurisdiction with sufficient home state control for the purposes of Article 17c of the WTB, Euronext N.V. will impose a minimum trading batch size of 10,000 Ordinary Shares with respect to trading of Ordinary Shares on Eurolist by Euronext. If the price per Ordinary Share quoted on Eurolist by Euronext falls below €5 per Ordinary Share, Euronext N.V. will temporarily suspend trading of Ordinary Shares, so that the minimum number of Ordinary Shares per trading batch can be increased in order for the minimum consideration payable for Ordinary Shares to remain at €50,000 or more. This is so that the Company will be exempted from the obligation to obtain a licence pursuant to Article 4 of the WTB. Once the approval of Jersey as a jurisdiction with “sufficient home state control” by the AFM has been confirmed, this restriction will be removed. If approval is not confirmed, the Company will apply for a licence pursuant to Article 4 of the WTB, which once given, will enable the Company to remove the restriction on trading batch sizes. If the approval is not confirmed, and no licence is issued, it is likely to be necessary to maintain the restriction on minimum trading batch sizes.

8.2 Working Capital and Use of Funds

As at the date of this document, the Company does not have any indebtedness other than certain expenses related to the Placing and Admission estimated to be less than €550,000, plus any commission payable to the Placing Agent. In the event that the Placing and Admission do not proceed, any expenses relating to the Placing and Admission will be discharged by the Investment Advisor. In the event the Placing and Admission do proceed, immediately following the Final Closing Date, it is intended that the Company will subscribe for A Shares in K2 Property. After paying existing expenses and establishment costs of the Company, and establishing a reserve for future costs and expenses, all or substantially all remaining capital will be subscribed for K2 Shares. If the Placing is not fully subscribed then the Company will simply subscribe for fewer shares in K2 Property.

In the opinion of the Company, the working capital of the Company is sufficient for the Company’s present requirements, that is, for a period of 12 months from the date of this Prospectus.

In accordance with the terms of the K2 Subscription Agreement, 25% of the Capital Commitments of the Company to K2 Property will be payable immediately, and remaining Capital Commitments will be payable on or before the applicable Drawdown Date following issue by K2 Property of a Drawdown Notice to the Company. Drawdown Notices will give at least 21 days notice to the Company prior to the Drawdown Date. Failure to make the Capital Contribution specified on or before the relevant Drawdown Date will entitle K2 Property to (*inter alia*) compulsorily redeem or transfer any of the K2 Shares held by the Company (and its associates) at a price the K2 Board considers to be fair and reasonable.

Capital Commitments will be drawn down from the Company by K2 Property as may be required to finance Fund Investments, pay fees and expenses, and establish reserves for fees and expenses. After the third anniversary of the date of the K2 Subscription Agreement, Capital Commitments may not be drawn down to finance Fund Investments unless as a result of a binding commitment to invest made prior to that date, but may be drawn down on an as needed basis to pay fees and expenses and establish reserves for expenses and liabilities.

Capital Commitments of the Company which have not yet been drawn down by K2 Property, and Capital Contributions which have been drawn down by K2 Property may be invested by the Company and K2 Property respectively in Short Term Investments, (comprising bank deposits, government securities, treasury bills, short-term money market mutual funds, or corporate bonds or deposits rated no lower than “A-1”/“P-1”) pending drawdown, or as the case may be, investment in Trust Units or Portfolio Companies/Vcus. Distributable Proceeds arising from Fund Investments may also be held by K2 Property in Short Term Investments pending distribution to the Company by K2 Property.

All instruments evidencing title to any investment by the K2 Group in Trust Units or Vcus will be held by a custodian bank in India. No such custodian has yet been appointed but it is intended that Hong Kong and Shanghai Banking Corporation Limited in Mumbai will be engaged for this role in due course. Instruments evidencing title to the Company’s interest in K2 Property or in any Short Term Investments will be held by the Jersey Administrator on behalf of the Company. Any cash assets of the Company will be held in the name of the Company at HSBC Jersey. Instruments evidencing title to Short Term Investments of the K2 Group will be held by the K2 Administrator. Any cash assets of the K2 Group will be held in the name of K2 Property or K1 Investments at HSBC Mauritius.

Whilst there are no limits on the ability of the Company to borrow, it is not currently anticipated that the Company will participate in any significant borrowing. Borrowing and normal commercial leverage may take place at K2 Group/Fund level in accordance with the Investment Policy.

9. TRANSFER AND HOLDING RESTRICTIONS

9.1 Transfer and Holding Restrictions

The Ordinary Shares have not been registered under the U.S. Securities Act or under any applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act (“Regulation S”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any applicable U.S. state securities laws. The Company has not been registered under the U.S. Investment Company Act. The Ordinary Shares are being offered and sold (i) in the United States only to “qualified institutional buyers,” or QIBs, within the meaning under Rule 144A of the U.S. Securities Act that are also “qualified purchasers,” or QPs, as defined in Section 2(a)(51) of the U.S. Investment Company Act and (ii) outside the United States to persons other than U.S. Persons or “non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust) in reliance upon Regulation S under the U.S. Securities Act. As used herein, the terms “United States” and “U.S. person” have the meanings given to them in Regulation S.

Ordinary Shares may not be acquired with the assets of any Plan.

Each purchaser of Ordinary Shares will be deemed to have acknowledged, represented to and agreed with the Company and its agents that (1) either (i) it is not a U.S. Person (as defined in Regulation S) and is acquiring such Ordinary Shares for its own account or for the account of a non-U.S. Person in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S or (ii) it is a QIB that is also a QP, is acquiring such shares for its own account or for the account of one or more other QIBs that are also QPs, is not formed for the purpose of investing in Ordinary Shares, is not a dealer described in paragraph (a)(1)(ii) of Rule 144A under the U.S. Securities Act unless it owns and invests on a discretionary basis at least \$25 million in securities of issuers that are not affiliated persons of such dealer, is not a plan referred to in paragraph (a)(1)(i)(D) or (E) of Rule 144A under the U.S. Securities Act or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A under the U.S. Securities Act that holds the assets of such plan, unless investment decisions are made solely by the fiduciary, trustee or sponsor of such plan; and (2) the Company has not been registered under the U.S. Investment Company Act in reliance on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act; and (3) it will not offer, resell, pledge or otherwise transfer this security or a beneficial interest herein in the United States or to a U.S. person other than to a QP and subject to the additional restrictions on transfer set forth herein; and (4) no portion of the assets used by it to purchase, and no portion of the assets used by it to hold, such Ordinary Shares or a beneficial interest therein constitutes or will be deemed to constitute Plan Assets, and no portion of the assets used by any investor or transferee to purchase, and no portion of the assets used by such investor or transferee to hold, the Ordinary Shares or a beneficial interest therein constitutes or will be deemed to constitute the plan assets of a Plan.

Each purchaser of Ordinary Shares, by its acceptance thereof, will be deemed to have acknowledged that the Company reserves the right to make inquiries of any holder of the Ordinary Shares at any time as to such persons’ status under the U.S. securities laws and compliance with these transfer restrictions, and to require any such person that has not satisfied the Company that such person is holding appropriately under the U.S. securities laws or in compliance with such transfer restrictions to transfer such Ordinary Shares or interests immediately to a person qualified to own the same and to provide the Company with satisfactory evidence of such sale or transfer. The Company and its agents shall not be obligated to recognize any resale or other transfer of Ordinary Shares or any beneficial interest therein made other than in compliance with these restrictions.

It is anticipated that the Ordinary Shares will be quoted on Eurolist by Euronext. The Articles provide that any restrictions on holding and transfer of Ordinary Shares (including those detailed in this section) will not apply to the extent that they would not be permitted by the listing rules of any securities exchange or the regulations of any clearing system through which Ordinary Shares then trade and settle.

No market exists for the trading of the Ordinary Shares in the United States and none is expected to develop. The Ordinary Shares purchased by U.S. persons will be “restricted securities” as defined in Rule 144 under the U.S. Securities Act and may not be resold in the United States absent registration under the U.S. Securities Act and applicable U.S. state securities laws or pursuant to exemptions from the U.S. Securities Act and such laws. The Company does not intend to register the Ordinary Shares either under the U.S. Securities Act or any U.S. state securities laws.

Unless and until the Company determines otherwise in compliance with applicable law, the Ordinary Shares issued to U.S. persons may be in certificated form in which case they will not be eligible to be settled or transferred through Euroclear.

Any Placee that is a QIB that is also a QP will be required to execute and deliver a Placing Letter in which it makes the representations, acknowledgements and agreements set forth above, as well as additional representations, acknowledgements and agreements, including such to substantially the following effect:

- (i) It is not purchasing the Ordinary Shares with the intent or purpose of evading, either alone or in conjunction with any other person, the provisions of the U.S. Investment Company Act and acknowledges that the Company will not register under the U.S. Investment Company Act in reliance on Section 3(c)(7) of the U.S. Investment Company Act.
- (ii) It understands that the Ordinary Shares purchased by it are being offered to it and may be transferred only in transactions not involving any public offering in the United States within the meaning of the U.S. Securities Act and only to QPs. It understands that the Ordinary Shares have not been and will not be registered under the U.S. Securities Act or U.S. state securities laws and that the Company has not registered and will not register under the U.S. Investment Company Act. It agrees, for the benefit of the Company, any distributors or dealers and any such persons’ affiliates, that, if in the future it decides to offer, resell, pledge or otherwise transfer such Ordinary Shares purchased by it or any beneficial interest therein, any such offer, resale, pledge or transfer will be made in compliance with the U.S. Securities Act, the U.S. Investment Company Act and any applicable U.S. state securities laws and only (a) to the Company (upon redemption of such Ordinary Shares or otherwise) or (b) subject to the Company’s approval (and, at the discretion of the Company, upon the delivery of an opinion of counsel to ensure compliance with the U.S. Securities Act and such additional certifications or information relating to the transfer as the Company may request) (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (ii) to a person whom the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act (“Rule 144A”)) that is also a “qualified purchaser” (as defined in Section 2(a)(51) of the Investment Company Act) (a “Qualified Purchaser”) in a transaction meeting the requirements of Rule 144A, (iii) to a Qualified Purchaser and pursuant to another available exemption from registration under the U.S. Securities Act or (iv) to a Qualified Purchaser and pursuant to an effective registration statement under the U.S. Securities Act.

Each subsequent transferee of Ordinary Shares who is within the United States or a U.S. person may be required to execute and deliver a Transferee’s Letter, in the form provided by the Company, which will include certain written representations, agreements and acknowledgements relating to the transfer restrictions described herein. The Company and its agents shall not be obligated to recognize any resale or other transfer of Ordinary Shares or any beneficial interest therein made other than in compliance with these restrictions.

- (iii) It represents that no portion of the assets used by any transferee to purchase, and no portion of the assets used by such transferee to hold, the Ordinary Shares or a beneficial interest therein constitutes or will be deemed to constitute the assets of (a) an “employee benefit plan” (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of ERISA) that is subject to Title I of ERISA, (b) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”), (c) an entity whose underlying assets are considered to include “plan assets” or (d) any plan, arrangement, entity or other person whose investment in the Company would be subject to any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 to cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company and any member of the Advisory Group (or other persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code.
- (iv) It understands that the Ordinary Shares may be issued in certificated form and, unless the Company determines otherwise in compliance with applicable law, any such certificate may bear a legend to the following effect:

THE ORDINARY SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. YATRA CAPITAL LIMITED HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”) IN RELIANCE ON SECTION 3(c)(7) OF THE U.S. INVESTMENT COMPANY ACT. THIS ORDINARY SHARE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT, AND THIS ORDINARY SHARE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS ORDINARY SHARE IS HEREBY NOTIFIED THAT THE SELLER OF THIS ORDINARY SHARE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”). THE HOLDER OF THIS ORDINARY SHARE AGREES FOR THE BENEFIT OF THE COMPANY, ANY DISTRIBUTORS OR DEALERS AND ANY SUCH PERSONS’ AFFILIATES THAT (A) THIS ORDINARY SHARE AND ANY BENEFICIAL INTEREST THEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED SUBJECT TO THE COMPANY’S APPROVAL (AND, AT THE DISCRETION OF THE COMPANY, UPON THE DELIVERY OF AN OPINION OF COUNSEL TO ENSURE COMPLIANCE WITH THE SECURITIES ACT AND SUCH ADDITIONAL CERTIFICATIONS OR INFORMATION RELATING TO THE TRANSFER AS THE COMPANY MAY REQUEST) ONLY (a) TO (I) A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A), (II) THAT IS ALSO A “QUALIFIED PURCHASER” (AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT) (A “QUALIFIED PURCHASER”), (III) THAT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN ORDINARY SHARES, (IV) THAT IS NOT A DEALER DESCRIBED IN PARAGRAPH (A)(1)(ii) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS AT LEAST \$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF SUCH

DEALER, (V) THAT IS NOT A PLAN REFERRED TO IN PARAGRAPH (A)(1)(i)(D) OR (E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (A)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH PLAN, UNLESS INVESTMENT DECISIONS ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, AND (VI) THAT IS ACTING FOR ITS OWN ACCOUNT, OR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 UNDER THE U.S. SECURITIES ACT, (c) TO A QUALIFIED PURCHASER THAT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN ORDINARY SHARES AND PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (d) TO A QUALIFIED PURCHASER THAT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN ORDINARY SHARES AND PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (a) THROUGH (d) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND (B) THE PURCHASER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS ORDINARY SHARE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE HOLDER ACKNOWLEDGES THAT THE COMPANY RESERVES THE RIGHT TO MAKE INQUIRIES OF ANY HOLDER OF THIS ORDINARY SHARE AT ANY TIME AS TO SUCH PERSONS' STATUS UNDER THE U.S. SECURITIES LAWS AND THE TRANSFER RESTRICTIONS SET FORTH HEREIN, AND TO REQUIRE ANY SUCH PERSON THAT HAS NOT SATISFIED THE COMPANY THAT SUCH PERSON IS HOLDING APPROPRIATELY UNDER THE U.S. SECURITIES LAWS OR IN COMPLIANCE WITH SUCH TRANSFER RESTRICTIONS TO TRANSFER SUCH ORDINARY SHARES OR INTERESTS IMMEDIATELY TO A PERSON QUALIFIED TO OWN THE SAME AND TO PROVIDE THE COMPANY WITH SATISFACTORY EVIDENCE OF SUCH SALE OR TRANSFER.

EACH HOLDER OF A SECURITY IS DEEMED TO HAVE REPRESENTED AND WARRANTED THAT NO PORTION OF THE ASSETS USED BY IT OR ANY TRANSFEREE TO PURCHASE, AND NO PORTION OF THE ASSETS USED BY IT OR SUCH TRANSFEREE TO HOLD, THE ORDINARY SHARES OR A BENEFICIAL INTEREST THEREIN CONSTITUTES OR WILL BE DEEMED TO CONSTITUTE THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" (WITHIN THE MEANING OF SECTION 3(3) OF ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE, AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OR ANY PLAN, ARRANGEMENT, ENTITY OR OTHER PERSON WHOSE INVESTMENT IN THE COMPANY WOULD BE SUBJECT TO ANY OTHER STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT WOULD HAVE THE SAME EFFECT AS REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR AND CODIFIED AT 29 C.F.R. SECTION 2510.3-101 TO CAUSE THE UNDERLYING ASSETS OF THE COMPANY TO BE TREATED AS ASSETS OF THAT INVESTING ENTITY BY VIRTUE OF ITS INVESTMENT (OR ANY BENEFICIAL INTEREST) IN THE COMPANY AND THEREBY SUBJECT THE COMPANY AND ITS MANAGER (OR OTHER PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE COMPANY'S ASSETS) TO LAWS OR REGULATIONS THAT ARE SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS CONTAINED IN TITLE I OF ERISA OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OR AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT.

- (v) It acknowledges that the Company reserves the right to make inquiries of any holder of Ordinary Shares at any time as to such person's status under the U.S. securities laws and the transfer restrictions set forth herein and to require any such person that has not satisfied the Company that such person is holding appropriately under the U.S. securities laws or in compliance with such transfer restrictions to transfer such Ordinary Shares immediately to a person qualified to own the same and to provide the Company with satisfactory evidence of such sale or transfer.
- (vi) It agrees that it will inform each subsequent purchaser of Ordinary Shares from it of these transfer restrictions.
- (vii) It acknowledges that the Company, its agents, any distributors or dealers or their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements. If it is acquiring the Ordinary Shares for the account of a QIB that is also a QP, it represents that it has sole investment discretion with respect to such account and that it has full power to make the foregoing representations, acknowledgements and agreements on behalf of such account.

9.2 **Qualifying Investors**

Ordinary Shares must be held by a Qualifying Investor. A "Qualifying Investor" is a person, in the opinion of the Directors (i) able to acquire and hold Ordinary Shares without violating applicable laws, (ii) whose holding of Ordinary Shares does not prejudice the tax position of the Company or its Shareholders or cause them a legal, regulatory, pecuniary, fiscal or other material administrative disadvantage or cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply (iii) whose holding or acquisition of Ordinary Shares would not cause the assets of the Company to become "Plan Assets" (iv) whose holding or acquisition of Ordinary Shares would not result in the Company being required to be registered as or otherwise being deemed to be an "Investment Company" under the U.S. Investment Company Act.

The Directors may refuse to register any transfer of Ordinary Shares which is made to a person other than a Qualifying Investor or made other than in accordance with the Articles.

In the event that it comes to the notice of the Directors that any Ordinary Shares are owned directly or beneficially by any person who is not a Qualifying Investor, the Directors shall be entitled to compulsorily redeem such Ordinary Shares held by such person or give notice to such person requiring him to transfer such Ordinary Shares to a person who is qualified or entitled to own the same. Until the redemption or a transfer is affected, the person shall not be entitled to any of the rights or privileges attached into the Ordinary Shares, including, any right to attend or vote at any general meeting of the Company or receive dividends. Notwithstanding any registration or recognition of any such transfer, the Company shall not be deemed to have waived any of its rights to require information from Shareholders or require future transfers by Shareholders.

With respect to Ordinary Shares that are listed for trading on a securities exchange, the Directors will not be permitted to decline to register or recognise any transfer of such Ordinary Shares to the extent that the refusal to register or recognise such transfer would not be permitted by the listing rules of Ordinary Shares exchange or the regulations of any clearing system through which such securities then trade and settle.

9.3 **Disclosure of Interests**

Under the Articles, subject to certain exceptions, the Directors may, by delivering a notice in writing to a Shareholder, require the Shareholder to disclose to the Company the identity of any other person known to it who has a beneficial or other interest in the Company held by the Shareholder and the nature of such interest. Any Shareholder who provides such information pursuant to a notice delivered by the Directors will also be required to notify the Directors of any

change in the information provided. Any information concerning beneficial and other interests in Ordinary Shares that is provided to the Directors will be kept in a register maintained by the Jersey Administrator.

If a Shareholder defaults in the obligation to provide information concerning the beneficial or other interests in the Ordinary Shares held by the Shareholder, the Directors will be permitted for so long as the default is continuing to direct that in respect of the Ordinary Shares in respect of which the default has occurred the Shareholders concerned will not be entitled to vote in general meetings or class meetings, and where such shares represent at least 0.25% of the class of Ordinary Shares concerned, the direction notice may additionally direct that dividends will be retained by the Company (without interest) and that no transfer of the Ordinary Shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

Under the new Dutch Act on the Disclosure of Major Holdings in Listed Companies that has come into force as of 1 November 2006, following Admission, Shareholders holding Ordinary Shares or voting rights in excess of 5% of the total share capital or voting rights of the Company will be required to file statements of legal or beneficial ownership with the AFM. Shareholders are required to notify the AFM if, as a result of an acquisition or disposal of shares or an issuance or cancellation of shares, their percentage interest, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% of the total share capital or voting rights of the Company.

10. REGULATORY AND TAXATION ISSUES

THIS SECTION IS ONLY A SUMMARY OF THE REGULATORY AND TAXATION ISSUES RELATING TO THE COMPANY AND THE FUND AND IS NOT A COMPREHENSIVE DISCLOSURE REGARDING ALL APPLICABLE LAWS AND REGULATIONS. THE REGULATORY AND TAX ISSUES REFERRED TO UNDER THIS SECTION ARE SUBJECT TO CHANGES FROM TIME TO TIME.

INDIA IS A RELATIVELY HIGHLY-TAXED AND HIGHLY-REGULATED ENVIRONMENT, AND PORTFOLIO COMPANIES IN INDIA WILL BE SUBJECT TO CUSTOMARY LEVELS OF TAXATION IN INDIA. NOTWITHSTANDING THIS, THE FUND HAS BEEN DESIGNED SO AS TO BE RELATIVELY TAX EFFICIENT FOR INVESTORS.

IT IS THE RESPONSIBILITY OF ALL PERSONS INTERESTED IN SUBSCRIBING FOR SHARES OF THE COMPANY TO INFORM THEMSELVES AS TO ANY INCOME OR OTHER TAX CONSEQUENCES ARISING IN THE JURISDICTIONS IN WHICH THEY ARE RESIDENT OR DOMICILED OR HAVE ANY OTHER PRESENCE FOR TAX PURPOSES, AS WELL AS ANY FOREIGN EXCHANGE OR OTHER FISCAL OR LEGAL RESTRICTIONS WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF THE SHARES. THE COMPANY HAS NO PRESENT PLANS TO APPLY FOR ANY CERTIFICATIONS OR REGISTRATIONS, OR TO TAKE ANY OTHER ACTIONS, UNDER THE LAWS OF ANY JURISDICTION WHICH WOULD AFFORD RELIEF TO LOCAL INVESTORS THEREIN FROM THE NORMAL TAX/REGULATORY REGIME OTHERWISE APPLICABLE TO AN INVESTMENT IN THE SHARES OF THE COMPANY.

PLEASE NOTE THAT THE SUMMARY OF THE REGULATORY AND TAX CONSIDERATIONS IN THIS SECTION IS BASED ON THE CURRENT PROVISIONS OF THE LAWS OF JERSEY, INDIA, MAURITIUS, CYPRUS, THE NETHERLANDS AND THE UNITED KINGDOM, AND THE REGULATIONS THEREUNDER, AND THE JUDICIAL AND ADMINISTRATIVE INTERPRETATIONS THEREOF, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT REGULATORY AND TAX IMPLICATIONS.

10.1 Exchange Control Regulations

India

There are two alternative methods for K2 Property to make investments into Indian Portfolio Companies – (1) Directly, or through its subsidiary K1 Investments, under the Foreign Direct Investment (“**FDI**”) regime; (2) Once K1 Investments obtains its registration as a FVCI, either through K1 Investments under the FVCI regime or through K1 Investments and through the Trust under the FVCI regime and the VCF regime (see section 10.2.3 for details of the VCF regime).

Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act 1999 (the “**FEMA**”). FEMA provides the statutory framework that governs India’s system of controls on foreign exchange dealings. Through it the government of India exercises its policy with respect to foreign private investment in India and all dealings by residents of India with non-residents and with foreign currency. As per Section 6(3)(b) of FEMA, the Reserve Bank of India (the “**RBI**”) has been given the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. Without permission (general or special) from the RBI, residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security. Accordingly, the RBI prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations in 2000, (“**FDI Regulations**”), pursuant to which no person resident outside India and no company that is not incorporated in India can purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the general or special permission of the RBI.

The FDI Regulations provide that an Indian entity may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only as specified under FEMA and the rules and regulations made thereunder or as permitted by the RBI.

The Government of India established the Foreign Investment Promotion Board (“**FIPB**”) to regulate all FDI into India.

FDI in most sectors is now permitted under what is known as the ‘automatic route’, which essentially means that a foreign investor can bring in investment (by way of issue of shares) in these sectors without the prior approval of any regulatory body under the Indian exchange control regulations. However, there are certain sectors which continue to be regulated, wherein FDI is either totally prohibited (such as defense) or wherein maximum limits on foreign investment have been specified (such as foreign investment in the telecom sector).

The FDI Regulations prescribe certain conditions to be met in order for a foreign investment to be eligible for the automatic route. Some of the significant conditions to be complied with are as follows:

- The investment should be within the sectoral caps, if any;
- A foreign investor who has an existing venture in India, or a technology transfer/trade mark agreement in the same field as that of the Indian company in which the FDI is proposed would not be eligible for this automatic route. Such investments will require prior approval of the FIPB;
- The price at which the investment is made should be in compliance with the formula prescribed under the FDI Regulations. The FDI regulations prescribe a minimum price for foreign investment, which is arrived at on the basis of a prescribed formula. For purchase of shares of an unlisted company, the minimum price to be paid by the non-resident investor is linked to the net asset value (“**NAV**”) and the Profits Earnings Capacity Value (“**PECV**”) of the shares. For purchases of shares of a listed company the minimum price to be paid by a non-resident investor is the market price of the shares on the stock exchange. Similarly, for exits involving transfer from a non-resident to a resident, the exit price is capped at the price of the shares on the stock exchange (if the shares are listed) or the NAV or earnings per share (“**EPS**”) if the shares are unlisted. A special exemption has been carved out for FVCIs investing under the FVCI Regulations (please see section 10.2 for further details).

The Government of India has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, RBI will continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Investments not qualifying for the automatic route require the prior approval of the FIPB.

The acquisition of existing shares from an Indian resident by a non-resident and vice versa does not require the prior approval of the RBI, provided the transfer fulfils certain conditions, such as, pricing norms, sectoral cap, etc. Further, as a post-transfer compliance, transfers will have to be notified to the RBI in the forms prescribed, along with certain documents, such as consent letters from the transferor and the transferee, and a certificate from a Chartered Accountant.

Transfer of shares of an Indian company between two non-residents does not require any regulatory approvals, unless the transferor has an existing venture in India, or a technology transfer/trade mark agreement in the same field as that of the Indian company whose shares are being transferred.

Foreign Investment in Real Estate Sector

As per FEMA Regulations, foreign investors are permitted to invest in the real estate sector under the automatic route in certain categories and subject to certain limitations and conditions as summarised in the table below:

<i>Project</i>	<i>Key Characteristics</i>
Integrated Townships and other Development Projects	<p>100% FDI is permitted under the “automatic” route for the development of integrated townships, housing, building infrastructure and construction development projects (including but not restricted to housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to certain guidelines including the following:</p> <ul style="list-style-type: none">• Minimum area to be developed under each project will be:-<ul style="list-style-type: none">• Serviced housing plots – 25 acres / 10 hectares;• Construction development – 50,000 sq. metres• Minimum Capitalisation norm – US \$10 mn for a wholly owned subsidiary and US \$5 mn for a joint venture with an Indian partner. Funds to be brought in within 6 months of commencement;• Minimum lock-in period of 3 years from completion of minimum capitalisation to apply before repatriation of original investment without prior approval of FIPB;• Minimum of 50% of the integrated project development to be completed within a period of 5 years from the date of obtaining all statutory clearances.
Roads & Highways, Ports and Harbours	100% FDI permitted under the “automatic route” in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours.
Airports	Up to 100% FDI permitted. However, investment by foreign investors beyond 74% requires prior approval of the FIPB.
Mass Rapid Metro Transit System	FDI up to 100% is permitted on an automatic basis in MRMTS in all metros, including associated real estate development.
Special Economic Zones	100% FDI is permitted under the automatic route subject to the relevant FIPB guidelines.
Industrial Parks, Model Towns and Growth Centres	FDI up to 100% is permitted in Industrial Parks subject to the approval of Empowered Committee that has been established by the Government of India ³⁶ .
Health Care	Health care 100% foreign investment is allowed in this sector and hence, FDI may be allowed in the construction of hospitals.
Hotels & Tourism	100% FDI permitted. Hotels include restaurants, beach resorts, and other tourist complexes providing accommodation and/or catering and food facilities to tourists. Tourism related industry include travel agencies, tour operating agencies and tourist transport operating agencies, units providing facilities for cultural, adventure and wildlife experience to tourists, surface, air and water transport facilities to tourists, leisure, entertainment, amusement, sports, and health units for tourists and Convention/Seminar units and organisations.

³⁶ Chapter VI of the Manual on Foreign Direct Investment in India and Notification issued by the Ministry of Commerce and Industry, Department of industrial Policy and Promotion, dated April 1, 2002.

Whether or not the FVCI route is used for making investments, the Fund will only be invested in real estate projects that would be compliant under the FDI Regulations, so investment will be limited to the categories detailed above in any event (subject only to any subsequent legislation or regulatory change which specifically allow investment in other projects).

Non-Resident Indians (“NRIs”) and Persons of Indian Origin (“PIOs”) are permitted to invest in certain other categories in the real estate sector.

Except as stated above, the policy of the Government of India is to restrict equity investment in the real estate sector but not to restrict foreign construction and related firms from business activities in the Indian housing and real estate sector without making any equity investment. Such business activities can include engineering services, architectural services, designing services, and service and works contracts.

Mauritius, Cyprus and Jersey

All exchange control regulations have been suspended in Mauritius. In the event that they are reintroduced, they will most probably not in any case apply to K2 Property as it is licensed as a “Category 1 Global Business Company” in Mauritius for the purposes of the Financial Services Development Act 2001.

Exchange controls do not apply to Cyprus companies. They may hold and manage assets and liabilities in any foreign currency and in any country, including freely convertible and transferable balances with banks in Cyprus.

Exchange controls in Jersey are applied in accordance with international sanctions.

10.2 Securities Law Regulations

The Netherlands

Pursuant to article 4 of the Dutch Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen*) (“WTB”) it is prohibited to offer units in a collective investment scheme or attract funds for the investment in a collective investment scheme if the manager does not have a licence, unless an exception, exemption or individual dispensation applies. Pursuant to article 17c of the WTB, certain foreign collective investment schemes are excepted from this prohibition provided that the relevant collective investment scheme is subject to actual supervision in its home country and the level of supervision is considered adequate by the Dutch Minister of Finance. In such cases, the supervision as exercised in the home country of the relevant collective investment scheme, is relied upon, provided that the relevant collective investment scheme is registered in accordance with article 17c of WTB with the AFM. Such registration requires that a statement of supervision by the competent home country authority, is submitted to the AFM.

At present, supervision as exercised by the relevant authorities in Jersey is not yet considered adequate and consequently the above exception is not yet available to the Company. For that reason the minimum consideration payable under the Placing by any Placee is €300,000. Following Admission, pending approval by the Dutch Minister of Finance of Jersey as a jurisdiction with adequate home country control as mentioned above, Euronext N.V. will impose a minimum trading batch size of 10,000 Ordinary Shares with respect to trading of Ordinary Shares on Eurolist by Euronext. If the price per Ordinary Share quoted on Eurolist by Euronext falls below €5 per Ordinary Share, Euronext N.V. will temporarily suspend trading of Ordinary Shares so that per trading batch can be increased in order for the minimum consideration payable to remain at €50,000 or more. This is in order for the Company to be exempted from the above obligation to obtain a licence, which exemption is in accordance with article 2b under b of the Exemption Regulation pursuant to article 14 of the WTB (*Uitvoeringsregeling ex artikel 14 Wet toezicht beleggingsinstellingen*). Once the approval of Jersey by the Dutch Minister of Finance has been confirmed and the Company will be registered with the AFM, this restriction will be removed. If such approval is not confirmed, the Company will apply for a licence directly pursuant to Article 4 of the WTB, which, once given, would enable the Company to remove the restriction on trading batch size. If the approval is not confirmed and no licence is issued, it is likely to be necessary to maintain the restriction.

If the Company were to be registered in accordance with article 17c of the WTB, the Company would be subject to certain ongoing requirements relating to the disclosure of certain information to investors, including the publication of financial statements. These include that the Company's annual financial statements and the Company's semi annual financial statements must contain the information, to the extent applicable, as set forth in paragraph IV under D. of the Dutch Decree on the Supervision of Collective Investment Schemes (*Besluit toezicht beleggingsinstellingen*).

Jersey

The Company is governed by the Collective Investment Funds (Jersey) Law 1988, as amended (the "Funds Law") and the subordinate legislation made thereunder. The Company and the Jersey Administrator have obtained permits under the Funds Law from the Jersey Financial Services Commission ("Jersey FSC") to operate as functionaries within the island. The Jersey FSC is protected against liability arising from discharge of its functions under the Funds Law.

India

Securities and Exchange Board Of India (SEBI) (Venture Capital Funds) Regulations

If FVCI registration is obtained for K1 Investments, then it is likely that the K2 Group will make investments via the Trust, which will be constituted in India, and registered with SEBI as a VCF. The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 (the "**VCF Regulations**") (as amended) require Indian Venture Capital Funds ("**VCFs**"), who wish to make use of the tax benefits available to venture capital funds (see section 8.3 below), to register with SEBI and comply with the provisions of the VCF Regulations.

The VCF Regulations define a 'venture capital fund' to mean a fund established in the form of a trust or a company and registered under these regulations which has a dedicated pool of capital raised in a manner specified in the regulations, and which invests in 'venture capital undertakings'. The term 'venture capital undertaking' ("**VCU**") has been defined to mean a domestic company whose shares are not listed in India and which is engaged in a business, which does not fall within the negative list. The current negative list includes sectors such as gold financing (excluding those companies which are engaged in gold financing for jewellery), non-banking financial services (excluding those non-banking financial companies which are registered with the Reserve Bank of India and have been categorised as 'equipment leasing' or 'hire purchase companies'), activities not permitted under the Industrial Policy of the Government of India and such other activities that may be notified by SEBI in consultation with the Indian government.

The VCF Regulations prescribe that the raising of commitments should be undertaken strictly on a private placement basis and the minimum investment that can be accepted by a VCF from an investor is Rs. 500,000 (approximately US\$ 11,364). They also prescribe that a subscription/contribution agreement and/or a placement memorandum detailing the strategy for investments, risk factors and taxability of investors should also be issued prior to raising commitments.

The VCF Regulations restrict VCFs from listing their securities on a recognised stock exchange in India for a period of three years from the date of their issue. Accordingly, the Trust will not be in a position to list its securities for a period of three years from the time of issue.

The VCF Regulations lay down several investment restrictions on VCFs, which are required to be achieved by the VCF by the end of its life cycle. These restrictions are as follows:

- A VCF cannot invest more than 25% of its aggregate capital commitments in any one VCU;
- A VCF would have to invest at least 66.67% of its investible funds (i.e. the corpus of the fund net of administration and advisory expenses of the fund) in unlisted equity shares or equity linked instruments (i.e. instruments convertible into equity shares or share warrants, preference shares, debentures compulsorily or optionally convertible into equity) of a VCU;
- A VCF may invest up to 33.33% of its investible funds;
 - by way of subscription to an initial public offering ("IPO") of a VCU whose shares are proposed to be listed on a recognised stock exchange;

- in debt/debt instruments of a VCU in which the VCF has already made an investment by way of equity;
- preferential allotment of equity shares of a listed company subject to lock in period of one year;
- in the equity shares or equity linked instruments of a financially weak company (i.e. a company which has at the end of the previous financial year accumulated losses, which has resulted in erosion of more than 50% but less than 100% of its net worth as at the beginning of the previous financial year) or a sick industrial company whose shares are listed; and
- in special purpose vehicles which are created by a VCF for the purposes of facilitating or promoting investment in accordance with the VCF Regulations;
- A VCF cannot invest in associate companies. ‘Associate company’ in this context means a company in which a director or trustee or sponsor or settlor of the VCF or the investment advisor holds either individually or collectively, equity shares in excess of 15% of the paid-up equity share capital of the VCU concerned.

A registered VCF will be subject to investigation/inspection of its affairs by an officer appointed by SEBI and in certain circumstances, SEBI has the power to direct the VCF to divest assets of the VCF, to stop launching any new schemes, to restrain from disposing of any assets, to refund monies of investors and to cease operating for a specified period.

If registration as a VCF is not obtained for the Trust, then it is likely that K2 Property, through its subsidiary K1 Investments, will make direct investments in Portfolio Companies under the FDI Regulations and, subject to obtaining the necessary approvals, as an FVCI.

Securities and Exchange Board of India (Foreign Venture Capital Investor Regulations)

It is proposed that K1 Investments will be registered with SEBI as a “Foreign Venture Capital Investor” (“FVCI”) under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations 2000 (“FVCI Regulations”). Under the FVCI Regulations, a person or entity registered as a FVCI by SEBI is entitled to invest its entire corpus in a VCF or in one or more VCUs in accordance with the investment restrictions stipulated in the FVCI Regulations and as may be further specified by SEBI. The restrictions specified in the FVCI Regulations are similar to those applicable to a VCF, as summarised above, except that a FVCI may invest its entire capital in one VCF or VCU. These investment restrictions are required to be achieved by the FVCI by the end of its life cycle.

The following benefits will be available under the FVCI Regulations to a FVCI approved by SEBI:

- (i) FVCIs are eligible to freely remit monies into India for making investments in a domestic VCF or VCU without any prior approval of the FIPB or the RBI. Under the normal FDI route, while fresh issue of shares by companies in most sectors has been made automatic, a purchase of shares of an Indian company by a non-resident from a resident may still require to be approved by the FIPB and the RBI.
- (ii) As per a notification issued by the Reserve Bank of India in December 2000, FVCIs benefit from free entry and exit pricing. As summarised above in section 8.1, under the Foreign Exchange Management Act, 1999 and the regulations issued thereunder, the entry and exit pricing of non-resident investors under the FDI route is regulated. For purchase of shares of an unlisted company, the minimum price to be paid by the non-resident investor is linked to the net asset value of the shares. Similarly, for exits involving transfer from a non-resident to a resident, the exit price is capped at the price of the shares on the stock exchange (if the shares are listed) or to the net asset value if the shares are unlisted. A special exemption has been carved out for FVCIs whereby they will be exempted from both the entry and exit pricing regulations.

- (iii) SEBI has also exempted transfer of shares from FVCIs to “promoters” (for which see next section regarding DIP Guidelines) from the public offer provisions under the takeover code, if the relevant VCU becomes listed post investment. This ensures that if promoters have to buy back a VCU’s shares from an FVCI, they will not be burdened with the public offer requirement which otherwise could require them to make an offer to the other shareholders of the VCU to buy from them up to 20% of the paid-up capital of the VCU concerned.
- (iv) FVCIs registered with SEBI have been accorded Qualified Institutional Buyer (“QIB”) status and would accordingly be eligible for subscribing to securities at the initial public offering of a VCU through the “book-building” route.
- (v) Under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (the “**DIP Guidelines**”), the entire pre-issue share capital of a company undertaking an IPO is restricted from sale for a period of one-year from the date of allotment in the public issue. However, an exemption has been granted to domestic VCF’s, and FVCIs who have held the relevant shares for at least one year before the date of filing for the IPO. In most cases, this would essentially allow a FVCI to exit from its investments immediately upon listing (see following section).

If FVCI registration is not obtained for K1 Investments, then it will not be possible for the K2 Group to make an investment in a VCF, such as the Trust, without the prior approval of the FIPB, and it is therefore likely that the K2 Group will make investments directly in Portfolio Companies under the FDI regime.

SEBI Regulations on Initial Public Offerings

In the event that any Portfolio Company pursues an initial public offering (“**IPO**”) and there is thereby a potential exit for the Fund, the DIP Guidelines could have a significant impact. This section summarises some of the provisions of the DIP Guidelines, which could be relevant for the Fund in the above circumstances.

The DIP Guidelines regulate the public issues by listed and unlisted companies. All offers for sale and rights issues by companies whose equity share capital is listed (except in certain cases of rights issues where the aggregate value of securities offered does not exceed Rupees Five million) are subject to approval by SEBI.

A notable feature of the Indian capital markets is the close identification of promoters with their companies. In order to discipline new issues in the market, SEBI has stipulated that promoters must retain a certain minimum certified holding of the equity capital issued by the company. SEBI DIP Guidelines also require the disclosure of the aggregate shareholding of the promoters group as well as the details of the *inter se* transfer of securities amongst the promoters. For the purposes of these disclosures, the term “promoter” includes the person who is in overall control of the company. *However, financial institutions, Venture Capital Funds, FVCIs, scheduled banks, foreign institutional investors and mutual funds are not deemed to be “promoters” or “promoter groups”.*

A minimum of 20% of the post issue capital must be held by the promoters and cannot be disposed of until the expiry of three years from the date of allotment. However, *inter se* transfer of promoter holdings is possible subject to the lock-in being made applicable to the transferees for the remaining period of the lock-in. Promoters are also obligated to bring in their full subscription to the issue prior to the public offer.

DIP Guidelines impose lock-in restrictions on the pre-issue share capital of an unlisted company and securities issued on firm allotment basis. Under these guidelines, the entire pre-issue share capital, other than the promoter’s contribution (which shall continue to have a three year lock-in), shall be locked-in for a period of one year from the date of allotment in the public issue. The lock-in period of one year shall not be applicable to the pre-issue share capital:

- a. held by venture capital funds (i.e. VCFs) and FVCIs registered with the SEBI (although a SEBI Press Release dated June 26, 2006 states that shareholdings of VCFs and FVCIs held in a company prior to making an IPO would be exempt from lock-in requirements only if the shares are held by them for a period of at least one year at the time of filing of the draft prospectus with SEBI) ; or

- b. held for a period of at least one year at the time of filing the draft offer document with SEBI and being offered to the public through offer for sale; or
- c. Pre-IPO shares held by employees other than promoters, which were issued under employee stock option or employee stock purchase scheme of the issuer company before the IPO, provided the issuer company has complied with the requirements of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

Investment may be made through the Fund in Portfolio Companies by participating in a private offer of securities by the issuer. The Indian Companies Act, 1956 stipulates that the issuing company should obtain the prior approval of its existing shareholders, through a special resolution, before it places its securities preferentially.

All issues of capital by listed companies by way of shares or convertible securities on a preferential basis are subject to fulfillment of certain requirements stipulated by SEBI. In particular, such preferential offers must be made at a price not less than the higher of:

The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six-month period ending on the date thirty days prior to the date of the general meeting of shareholders where such a proposal is considered,

Or

The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two-week period ending on the date thirty days prior to the date of the general meeting of shareholders where such a proposal is considered.

Further, any shares issued on a preferential basis by a listed company to any person including promoters/promoters group shall be subject to a lock-in for a period of one year from the date of their allotment. Such lock-in may also be applicable with respect to an investment in listed securities by way of preferential issue of shares by the Portfolio Company. The lock-in stipulated herein is in addition to the lock-in imposed on promoters under the SEBI DIP Guidelines.

10.3 Taxation Issues at the Trust level

Taxation of a SEBI registered VCF and its investors will be governed according to provisions of section 10(23FB) read with section 115U of the Income Tax Act of India, 1961 (ITA). Accordingly, once registered as a VCF, the Trust would be regarded as a pass through entity i.e. any income earned by the Trust would be exempt from tax in its hands under section 10(23FB) of the ITA and taxed only in the hands of the investors (including the K2 Group) when distributions are made by the Trust as if the investments were made directly by the investors in the underlying investments, under section 115U of the ITA. Further, income in the hands of investors (including the K2 Group) would bear the same character as in the hands of the Trustees of the Trust. Accordingly, dividends received by the Trust from underlying investments would be tax exempt in the hands of its investors (including the K2 Group).

Under Section 31 of the Taxes Act of 2002 of Cyprus, the income of a trust is taxable at the beneficiary level as if the beneficiary had actually received the income. Thus the Trust will be transparent for Cyprus tax purposes, and the Subsidiary will be taxed in Cyprus on its income received from the Trust, as if it were income from Portfolio Companies (see section 8.4.3 below).

10.4 Taxation Issues at the K2 Group level

10.4.1 *Taxation of the K2 Group in India as per the India–Mauritius Tax Treaty/India-Cyprus Tax Treaty*

The taxation of K2 Property and K1 Investments in India shall be governed by the provisions of the ITA, read with the provisions of the India-Mauritius Tax Treaty (“**IM Treaty**”) and India-Cyprus Tax Treaty (“**IC Treaty**”) respectively. As per Section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the IM Treaty and IC Treaty.

In order for the IM Treaty and IC Treaty provisions to apply, K2 Property and K1 Investments must be a Mauritius and Cyprus tax resident respectively. K2 Property and K1 Investments are expected to receive a Mauritius and Cyprus tax residency certificate from the Mauritius and Cyprus tax authorities respectively.

Taxation of the income of the K2 Group arising from investments in India should be minimised under the provisions of the IM Treaty and/or the IC Treaty. However, no assurance can be given that the terms of the IM Treaty and/or the IC Treaty will not be subject to re-negotiation in the future and any change could have a material adverse effect on the returns generated by the K2 Group. There can be no assurance that the IM Treaty and/or the IC Treaty will continue and will be in full force and effect during the life of K2 Property and K1 Investments.

K2 Property and/or K1 Investments are expected to derive profits in the form of capital gains, dividends and interest on account of its investments in the Indian Portfolio Companies.

Capital Gains

According to the provisions of the IM Treaty and IC Treaty, all capital gains realised by K2 Property and K1 Investments, whether long-term or short-term, will not be subject to tax in India, provided K2 Property and K1 Investments do not have a permanent establishment in India. As K2 Property and K1 Investments hold or are expected to hold a tax residency certificate from the Mauritius and Cyprus Income-tax Authorities respectively, all the capital gains realised by K2 Property and K1 Investments should be subject to tax only in Mauritius and Cyprus respectively.

If the benefits of the IM Treaty or the IC Treaty are denied to K2 Property and K1 Investments respectively or if K2 Property and K1 Investments are held to have a permanent establishment in India, gains derived by K2 Property and K1 Investments due to the sale of shares or securities of the Portfolio Companies, may be subject to taxation in India as follows:

- Long-term capital gains (being gains on sale of shares held for a period of more than twelve months) arising on transfer of listed equity shares executed on a recognised stock exchange in India will be exempt from tax in India. However, as per the Finance Act 2006, since K2 Property and K1 Investments are each organised in the form of a company, a Minimum Alternate Tax at the rate of 10% (excluding currently applicable surcharge and education cess) may be levied on such long term capital gains derived by the K2 Group;
- Short-term capital gains (being gains on sale of shares held for a period of twelve months or less) arising on transfer of listed equity shares executed on a recognised stock exchange in India will be taxed at the rate of 10% in India (excluding currently applicable surcharge and education cess);
- Long-term capital gains arising on transfer of listed equity shares executed off the recognised stock exchange in India will be taxable at 10% in India (excluding currently applicable surcharge and education cess);
- Short-term capital gains arising on transfer of listed equity shares executed off the recognised stock exchange in India will be taxed at the rate of 40% in India (excluding currently applicable surcharge and education cess);
- Long-term capital gains from sale of unlisted Indian securities would be taxed at the rate of 20% in India (excluding currently applicable surcharge and education cess); and
- Short-term capital gains from sale of unlisted Indian securities would be taxed at the rate of 40% (excluding currently applicable surcharge and education cess).

The exemption on long term capital gains and reduction of rate for short term capital gains would be applicable only if the sale / transfer of the equity shares takes place on a recognised stock exchange in India. All transactions entered on a recognised stock exchange in India will be subject to a securities transaction tax (“STT”) levied on the transaction value at the applicable rates.

Dividends

Dividends are currently exempt from tax in the hands of all shareholders, irrespective of their residential status. However, an Indian Portfolio Company declaring, distributing or paying dividends will be required to pay a Dividend Distribution Tax (“DDT”) of 14.025%. Accordingly, the dividends earned by the K2 Group should be exempt from tax in India.

Interest

Any interest that accrues to K1 Investments from the Indian Portfolio Companies shall be subject to an interest withholding tax in India at the rate of 10% as per the IC Treaty.

If the benefits of the IC Treaty are denied or if K1 Investments is held to have a “permanent establishment” in India, then as per the ITA, the interest income of K1 Investments may be subject to an interest withholding tax at the rate of 10% (excluding currently applicable surcharge and education cess) in case of interest on the Foreign Currency Convertible Bonds issued by the Portfolio Companies under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993, at the rate of 20% (excluding currently applicable surcharge and education cess) on loans made to Portfolio Companies in non-Indian currency but not under the FCCB route (e.g. under the ECB route) and at the rate of 40% (excluding currently applicable surcharge and education cess) in case of loans made to the Portfolio Companies in Indian currency.

Any interest income of K2 Property would be taxable as per the provisions of the ITA as stated above.

10.4.2 Mauritius

K2 Property holds a Category 1 Global Business License issued by the Mauritius Financial Services Commission and will be liable to tax in Mauritius at the rate of 15% on its net income. However, K2 Property will be entitled to a foreign tax credit equivalent to the higher of the actual foreign tax suffered or a deemed tax credit of 80% of the Mauritius tax on its foreign source income.

Capital gains will be exempt from income tax in Mauritius on disposals by K2 Property of its investments. There is no withholding tax payable in Mauritius in respect of payments of dividends to Investors. Investors will not be liable for tax in Mauritius on dividend and capital distributions made by K2 Property. However, the recipient may be subject to taxation in the jurisdiction in which he is resident or domiciled for tax purposes.

K2 Property has been issued a Tax Residence Certificate from the Mauritian Commissioner of Income Tax and accordingly, qualifies as a resident of Mauritius for the purposes of the IM Treaty. On this basis, K2 Property should be entitled to certain relief from Indian tax, subject to the continuance of the current terms of the IM Treaty.

The Investment Advisor will be required to charge value added tax on at 15% on its fees. Upon registration for value added tax, K2 Property will be able to recover any value added tax paid to the Investment Advisor, or to any other party.

10.4.3 Cyprus

Capital gains from the sale of securities are not taxable in Cyprus. Dividends received from a holding of more than 1% are not taxable in Cyprus if the company paying the dividends (e.g. a Portfolio Company) is subject to normal taxes of at least 5%. If this is not the case, then tax on dividends will be applied at 15% as “Special Defence Tax”. If the normal activities of K1 Investments are to borrow and lend money, then any profits arising from interest income will be taxable at 10%.

10.5 Portfolio Company Tax Implications

A company incorporated in India is regarded as a tax resident of India and is subject to taxation in India on its worldwide income. Currently, domestic companies are taxed at the rate of 30% (excluding any applicable surcharge and education cess) on their net profits. Every Indian company distributing dividends to its shareholders is required to pay a Dividend Distribution Tax (“DDT”) of 14.025%. The dividends so paid by the Indian company are tax-exempt in the hands of the shareholders, irrespective of their residential status.

Consequently, it may be observed that it is likely to be preferable for the Fund to sell its interest in a VCU (since it is intended that no capital gains tax will be payable in India, Mauritius or Cyprus – see Section 10.4) rather than to receive dividends and other distributions from the VCU concerned.

10.5.1 *Taxation of Income from House Property*

Income from rentals from commercial properties is taxed under the head “Income from House Property” under sections 22-27 of the ITA. As per section 24 of the ITA, an Indian company would be allowed a standard deduction at the rate of 30% against the rental income. Accordingly, tax would be payable only on 70% of the rental income earned by the Indian company. This amount could be reduced further by way deductions for interest payments if the Indian company has borrowed funds for purposes of acquisition, construction, repair, renewal or reconstruction of the property. There is no limit on the amount of interest deductible and thus if the interest payable exceeds the rental income, the unabsorbed interest can be carried forward against income from property.

10.5.2 *Other Tax Holidays / Exemptions*

Depending on the nature of the projects involved, a VCU could qualify for the tax holidays / exemptions listed out in section 80IA/IB of the ITA whereby its business profits would be exempt from tax subject to fulfilment of the applicable conditions.

10.5.3 *Minimum Alternate Tax*

Where the tax payable by the VCU is less than 10% of its book profits, the tax will be deemed to be 10% (excluding surcharge and education cess) of such book profits as Minimum Alternate Tax.

10.5.4 *Wealth Tax*

Buildings, residential and commercial premises held by VCUs will be regarded as assets as defined under Section 2(ea) of the Wealth Tax Act, 1957 and thus be eligible to wealth tax in the hands of the VCUs at the rate of 1% on its net wealth in excess of the base exemption of INR 15,00,000. It should be noted that shares of a VCU and units of the Trust held by the Group, would not be treated as assets under the Wealth Tax Act and therefore would not be subject to wealth tax.

10.5.5 *Service Tax*

The service tax regime was introduced vide Chapter V to the Finance Act, 1994. Subsequent Finance Acts, (1996 to 2003) have widened the service tax net by way of amendments to Finance Act, 1994. Service tax is levied on specified “taxable services” at the rate of 10% (excluding currently applicable education cess) on the “gross amount” charged by the service provider for the taxable services rendered by him. As per the Finance Act 2006, the rate of service tax has been increased to 12% (excluding currently applicable education cess). The Finance Act, 2004 has introduced “construction services” as a taxable service and thus such services provided by a VCU would be subject to service tax in India.

10.5.6 *Stamp Duty and Local Taxes*

The real estate activities of a VCU would be subject to stamp duties and other local / municipal taxes, which would differ from State to State, city to city and between municipal jurisdictions.

10.6 Jersey Taxation

10.6.1 *The Company*

The Company has been granted exempt company status in Jersey and is therefore regarded as non-resident for Jersey tax purposes and as such will be exempt from Jersey income tax on income arising outside of Jersey and, by concession, bank interest arising in Jersey, but would otherwise be liable to Jersey income tax on income arising in Jersey. As an exempt company, the Company is liable to the exempt company fee currently at the rate of £600 per annum.

On 3 June 2003, the EU Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the European Union, however the Policy & Resources Committee of the States of Jersey announced that, in keeping with Jersey's policy of constructive international engagement, it intends to introduce legislation to replace the Jersey exempt company regime with effect from 1 January 2009 with a general zero rate of corporate tax.

10.6.2 *Investors*

Jersey does not levy taxes upon capital, inheritances, capital gains, gifts, sales or turnover, nor are there estate duties. No stamp duty is levied on the transfer *inter vivos* or redemption of Ordinary Shares in the Company but there is a stamp duty payable when Jersey grants of probate and letters of administration are required. Stamp duty is levied according to the size of the estate and in the case of an estate not exceeding £10,000 in value the sum payable would be £50 otherwise duty is payable at a rate not exceeding 0.75%. Under Jersey law, a Jersey grant of probate or letters of administration are required to transfer or redeem Ordinary Shares on the death of a shareholder except (in the case of a shareholder not domiciled in Jersey) where the value of the deceased's holdings is less than £10,000 when the directors of the Company may at their discretion dispense with this requirement on certain conditions being satisfied but, in all cases, an indemnity is required. Under Jersey law, deductions by way of withholding tax are not made on payments to shareholders on the redemption of Ordinary Shares.

10.6.3 *Dividends*

Holders of Ordinary Shares, other than persons resident for tax purposes in Jersey, are not subject to Jersey tax in respect of dividends declared by the Company. Jersey income tax will however, be deducted at source and paid to the Comptroller of Income Tax in respect of Ordinary Shares held by or on behalf of residents of Jersey. On request by the Jersey Comptroller of Income Tax, the Company must deliver to the Comptroller a list showing the names, addresses and shareholdings of Jersey residents as at the date of the request by the Comptroller.

10.6.4 *European Union Directive on the Taxation of Savings Income*

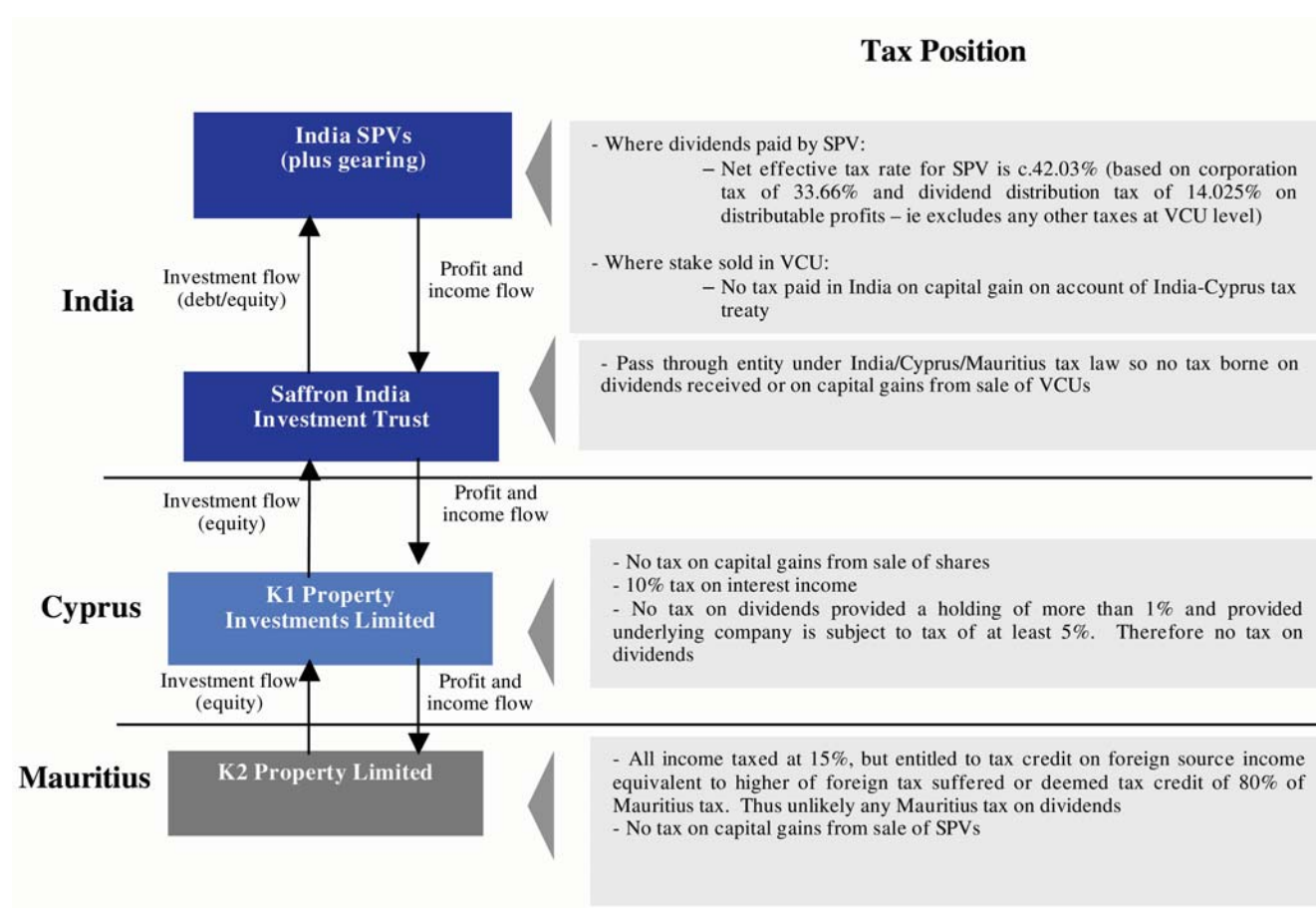
As part of an agreement reached in connection with the European Union ("EU") directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and what is understood to be the current

practice of the Jersey tax authorities, distributions to holders of Ordinary Shares by the Company and income realised by holders of Ordinary Shares upon the sale, refund or redemption of Ordinary Shares do not constitute interest payments for the purposes of the retention tax system and therefore neither the Company nor the Jersey Administrator nor any paying agent appointed by them in Jersey is obliged to levy retention tax in Jersey under these provisions in respect thereof. However, the retention tax system could apply in the event that an individual resident in an EU Member State, otherwise receives an interest payment in respect of a debt claim (if any) owed by the Company to the individual. Accordingly the directors of the Company intend to manage the Company in such a way as not to incur debt claims from such individuals that would require the making of interest payments to them.

10.7 Summary of Tax Structure for the Fund

The tax levels likely to be applicable to the Company and the Fund may be summarised in the diagram below. It should be noted that this is merely a diagrammatic summary set out on the basis of certain assumptions which may not be ultimately applicable. Potential investors should refer to the detailed narrative in Sections 10.3 to 10.6 above for a full picture.



10.8 UK Taxation

This section assumes that Ordinary Shares will be subscribed for and held as an investment and the Shareholder concerned is not deemed to have been given the opportunity to subscribe for Ordinary Shares by virtue of his or any other person's directorship or employment.

A Shareholder will not be subject to any tax in India in respect of its investment in Ordinary Shares unless such Shareholder is a resident of India, or, if a non-resident, has Indian source income or has received income (whether accrued or otherwise) in India.

Shareholders who are resident in the UK or carrying on a trade in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on dividends paid by the Company.

Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 (the “Taxes Act”) provides that if an Investor who is resident or ordinarily resident in the United Kingdom for taxation purposes holds a “material interest” in an overseas company that constitutes an “offshore fund” and that company does not qualify as a “distributing fund” throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest will be taxed at the time of such sale, redemption or disposal as income and not as a capital gain. On the basis that at the time of subscription for Ordinary Shares, the Ordinary Shares would not be expected to be realisable within seven years for an amount equal to their proportionate share of the market value of the assets of the relevant Portfolio, from time to time, the Ordinary Shares should not constitute “material interests” in an “offshore fund” for the purposes of these provisions. Accordingly, it is anticipated that apart from any sums representing accrued income for the period of disposal, gains realised on the disposal of Ordinary Shares to a third party and otherwise than on any redemption or buy-back of the Ordinary Shares (excluding in the course of a winding-up) by United Kingdom resident or ordinarily resident Shareholders will be subject to taxation as capital and not as income unless the Shareholder is a dealer in securities. Any such gains may accordingly be reduced by any general or specific United Kingdom exemption in respect of capital gains tax, including taper relief for individuals and other non-corporate Shareholders and indexation allowance for corporate Shareholders.

The attention of UK resident and domiciled Shareholders is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than a ten per cent. interest in the Company.

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25% of the share capital of the Company should note the provisions of the controlled foreign companies legislation contained in Sections 747-756 of the Taxes Act.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Sections 739-745 of the Taxes Act which can in certain circumstances render such individuals liable to tax in respect of undistributed profits of the Company.

The attention of UK resident and domiciled investors is drawn to Section 703 of the Taxes Act under which the UK Inland Revenue may seek to cancel tax advantages from certain transactions in securities.

It is the intention of the Directors to conduct the affairs of the Company so that it does not become resident for taxation purposes in the UK or any other jurisdiction outside Jersey and so that it does not carry out any trade in the UK or any other jurisdiction outside Jersey (whether or not through a permanent establishment situated therein). On this basis, the Company should not be liable for taxation on its income or gains, other than in Jersey.

10.9 Netherlands Taxation

The summary below is intended as general information only and it does not purport to present any comprehensive or complete picture of all aspects of Netherlands tax law which could be of relevance to the acquisition, the holding or the disposing of the Ordinary Shares in the Company. It is limited to Netherlands tax law as applied by the Netherlands courts and published and in effect on the date of this Prospectus and it is subject to any change in law, possibly with retroactive effect. This summary does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as, among others, pension funds, insurance companies and dealers in securities) may be subject to special rules.

Taxes on Income and Capital Gains

Residents of The Netherlands

The description of certain Netherlands taxes set out below is only intended for the following Shareholders or investors:

- individuals who are resident or deemed to be resident in The Netherlands or individuals who have opted to be taxed as a resident in The Netherlands for the purpose of the relevant Netherlands tax law provisions; and
- corporate entities, which term includes associations which are taxable as corporate entities under Netherlands tax law, that are resident or deemed to be resident in The Netherlands for the purpose of the relevant Netherlands tax law provisions, excluding corporate entities that are: (i) not subject to Netherlands Corporate Income Tax (*vennootschapsbelasting*), (ii) exempt from Netherlands Corporate Income Tax, including but not limited to pension funds (*pensioenfondsen*) as defined under Netherlands law, (iii) investment institutions (*beleggingsinstellingen*) as defined under Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*); or (iv) companies subject to a special regime such as, among others, banks, insurance companies and brokers.

Individuals

Generally, an individual, to whom none of the following exemptions of the following paragraph applies, will be subject to Netherlands income tax on a deemed yield from the Ordinary Shares, regardless of the actual income and / or capital gains derived from the Ordinary Shares. The deemed yield amounts to 4% of the average value of the Shareholders' net assets in the relevant fiscal year (including the Ordinary Shares), as calculated pursuant to the Netherlands Income Tax Act 2001. The deemed yield, as reduced by certain base allowances, is taxed at a flat rate of 30%.

If the Ordinary Shares are part of a substantial interest or a deemed substantial interest in the Company, any benefits arising from that substantial interest or that deemed interest are subject to Netherlands income tax at a rate of 25%. Generally, a person (including a company) will have a substantial interest (*aanmerkelijk belang*) (as defined in Netherlands tax law) if he, or his partner (*partner*) (as defined in Netherlands law) holds, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company, or rights to acquire, whether directly or indirectly shares, whether or not already issued, that represent at any time (and from time to time) five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company or the ownership of certain profit participating certificates that relate to five per cent or more of the annual profit of a company and/or to five per cent or more of the liquidation proceeds of a company. A substantial interest is also present if a holder of shares does not, but his or his partner's children (including foster children), certain of his or his partner's other relatives or certain persons sharing his household do have a substantial interest in the company. A deemed substantial interest is also present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis as a result whereof the above-mentioned interest in the company has been reduced to less than 5%.

Any benefits derived or deemed to be derived from the Ordinary Shares (including any capital gains realised on the disposal thereof) that are: (i) attributable to an enterprise from which the resident derives income or capital gains, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or as shareholder, (ii) taxable as benefits from "miscellaneous activities" (*resultaat uit overige werkzaamheden*) (as defined in Netherlands tax law), which include but are not limited to activities which are beyond the scope of regular active asset management (*normaal actief vermogensbeheer*) (as defined in Netherlands tax law), and (iii) connected with employment income, are generally subject to Netherlands income tax at progressive rates with a maximum of 52%.

Corporate entities

A resident of The Netherlands that is a corporate entity will generally be subject to Netherlands Corporate Income Tax with respect to income and capital gains derived from the Ordinary Shares. For the year 2006, the Netherlands Corporate Income Tax rate is 25.5% over the first EUR 22,689 of taxable income and 29.6% over the taxable income exceeding EUR 22,689. There is a proposal to reduce the Corporate Income Tax rates as per 1 January 2007. At present such proposal has not yet been adopted on by Netherlands Parliament.

Non-residents of The Netherlands

A Shareholder who derives income or who realises income or capital gain in respect of any distribution on the Ordinary Shares or in respect of any gain realised on the disposal, deemed disposal or redemption of an Ordinary Share will not be subject to Netherlands taxation on such income or gain, provided that:

- the Shareholder is neither resident nor deemed to be resident in The Netherlands for Netherlands tax purposes and, if the Shareholder is an individual, has not elected to be treated as a resident of The Netherlands for the purpose of the relevant Netherlands tax law provisions;
- the Shareholder does not have an enterprise or deemed enterprise (as defined in Netherlands tax law) or an interest in an enterprise or deemed enterprise (as defined in Netherlands tax law) that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and to which enterprise or part of that enterprise, as the case may be, the Ordinary Shares are attributable;
- the Shareholder is not entitled to a share in the profits of an enterprise that is effectively managed in The Netherlands, other than by way of securities or through an employment contract, and to which enterprise the Ordinary Shares are attributable;
- the Shareholder does not have a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Issuer as defined in the Netherlands Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*);
- the Shareholder does not carry out and has not carried out employment activities in The Netherlands nor carries or carried out employment activities outside The Netherlands for which the remuneration is subject to Netherlands wage withholding tax and with which employment activities the holding of the Ordinary Shares is connected; and
- the Shareholder does not derive benefits from the Ordinary Shares that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*) as defined in the Netherlands Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*), which include, but are not limited to, activities in respect of the Ordinary Shares which are beyond the scope of “regular active asset management” (*normaal actief vermogensbeheer*).

Under the Laws of The Netherlands a Shareholder will not be deemed resident, domiciled or carrying on a business in The Netherlands by reason only of its holding of the Ordinary Shares or the performance by the Issuer of its obligations under the Ordinary Shares.

Gift and Inheritance Taxes

Dutch residents

Gift, estate or inheritance taxes will arise in The Netherlands with respect to the acquisition of an Ordinary Share by way of gift by, or on the death of, a Shareholder who is resident or deemed to be resident in The Netherlands at the time of the gift or his death.

For the purpose of Netherlands gift, estate and inheritance tax, an individual who has Netherlands nationality will be deemed to be a resident of The Netherlands at the date of the gift or the date of his death if he has been a resident of The Netherlands at any time during the ten years preceding the date of his gift or the date of his death.

For the purposes of Netherlands gift tax, an individual who does not have Netherlands nationality will be deemed to be a resident of The Netherlands at the date of the gift if he has been a resident of The Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Non-Dutch residents

No gift, estate or inheritance taxes will arise in The Netherlands with respect to the acquisition of an Ordinary Share by way of gift by, or on the death of, a Shareholder who is neither resident nor deemed to be resident in The Netherlands, unless:

- the Shareholder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Ordinary Shares are attributable;
- the Ordinary Shares are or were attributable to an enterprise that is effectively managed in The Netherlands and at the time of the gift the donor is, or at the time of his death the deceased was, entitled to an Ordinary Share in the profits of that enterprise or part thereof other than by way of securities or through an employment contract; or
- in the case of a gift of Ordinary Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

Value Added Tax

No Value Added Tax (*Omzetbelasting*) will arise in The Netherlands in respect of any payment with respect to the issue of an Ordinary Share.

Stamp duty

No stamp duty, registration tax or any other similar documentary tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of an Ordinary Share.

10.10 Money Laundering

India

Prevention of Money-Laundering Act, 2005

The Prevention of Money Laundering Act, 2005 (the “PMLA”), which came into force on 1 July 2005, embodies India’s legislative commitment to the elimination and prevention of money laundering. The main objects of PMLA are (i) the prevention and control of activities concerning money laundering and (ii) the confiscation of property derived or involved in money laundering.

Under the PMLA, a person is guilty of an offence of “money laundering” if that person “*directly or indirectly attempts or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property*”. The term “proceeds of crime” has been defined under the PMLA to mean property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to an offence listed in the schedule to the PMLA.

The PMLA mandates certain entities such as banks, financial institutions and intermediaries (dealing in securities) to maintain records of all transactions above a certain value or of a suspicious nature, as prescribed in the rules framed under the PMLA. The transactions so prescribed may be a single transaction or a series of inter-connected transactions which take place within one month (“Transactions”). The institution must provide information relating to such Transactions to the director appointed under the PMLA within the prescribed time limit. These institutions also must verify and maintain the records of identity of their clients in the manner prescribed in the rules under the PMLA. The PMLA also confers discretionary power on the principal officer of a bank, financial institution or intermediary to report Transactions that have been valued below the prescribed limits to escape scrutiny.

Both an FVCI and a VCF fall within the definition of an “intermediary” under the PMLA since they are each required to register with SEBI under section 12 of the Securities and Exchange Board of India Act, 1992. Thus, the record-keeping and disclosure obligations prescribed under the PMLA and the rules thereunder will be required to be followed by the Trust, if registered as a VCF, and by KI Investments, if registered as FVCI.

Mauritius

Anti-Money Laundering Regulations

In accordance with the Financial Intelligence and Anti-Money Laundering Act 2002 of Mauritius and the Code on the Prevention of Money Laundering and Terrorist Financing, K2 Property will appoint a resident director as its money laundering reporting officer (“MLRO”). The duties of that director as MLRO will include receiving and evaluating internal suspicious transactions reports and, where appropriate, filing these with the Mauritius Financial Intelligence Unit.

11. GENERAL INFORMATION

11.1 Incorporation and Administration

Yatra Capital Limited was incorporated in Jersey with limited liability under the Companies Law on 26 May 2006 with registered number 93576. The Company is domiciled in Jersey and the registered office of the Company is care of the Jersey Administrator at 43 La Motte Street, St Helier, Jersey JE4 8SD. The telephone number at that address is +44 (0) 1534 702 800. The Company is regulated in Jersey by the Jersey Financial Services Commission.

Save for entry into the material contracts listed in Section 11.18 of the document, and certain non-material contracts, since its incorporation, the Company has not carried on business nor incurred borrowings. Changes in the authorised and issued share capital of the Company since incorporation appear in section 11.2 below.

The Directors confirm that the Company has not traded and no financial statements or accounts of the Company have been made up since its incorporation. Pricewaterhouse Coopers CI LLP has been the only auditor of the Company since its incorporation. The Company's accounting period will terminate on 31 March of each year, with the first year ending on 31 March 2007.

The Company has no administrative management or supervisory bodies other than the Board.

The Company has no subsidiary undertakings as at the date of this document. Following the Final Closing Date, it is intended that the Company will subscribe for A Shares in K2 Property representing the entire issued amount of A Shares as at the date of issue. Following the issue of A Shares to the Company, K2 Property will effectively be a subsidiary of the Company.

11.2 Share Capital

The Company was incorporated on 26 May 2006 as a private par value company. By Special Resolution dated 12 September 2006, the Company was altered to a public no par value company, authorised to issue up to ten Founder Shares of no par value, of which only two are in issue registered in the name of the Jersey Administrator, and an unlimited number of Ordinary Shares of no par value. The Jersey Administrator, whose address is detailed above could therefore be regarded as the "founder" of the Company. The Founder Shares are not redeemable and in accordance with the Articles are to be registered in the name of the Jersey Administrator or as otherwise determined by the Board. The Founder Shares do not carry any rights to dividends or profits and on liquidation they will rank behind Ordinary Shares for the return of the amount paid up on each of them. Founder Shares carry the right to receive notice of and attend general meetings, but carry no right to vote thereat unless there are no Ordinary Shares in issue.

On the assumption that the Placing is fully subscribed as described at Section 8.1 above, the share capital of the Company will be €100,000,000 immediately following completion of the Placing.

In accordance with the power granted to the Directors by the Articles, the Placing Shares will be allotted pursuant to a resolution of the Board passed on 24 November 2006.

Subject to the exceptions set out in the section "Transfer and Holding Restrictions" in section 9 above, Ordinary Shares are freely transferable and Shareholders are entitled to participate (in accordance with their rights specified in the Articles) in the assets of the Company attributable to their Ordinary Shares in a winding up of the Company or a winding up of the business of the Company.

Save as disclosed in this section 11.2, since the date of its incorporation, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, either for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and there is no person who directly or indirectly holds an interest in the Company's capital or voting rights which is notifiable under the Companies Law. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

The Board may, subject to the approval of Shareholders in general meeting and the rules and regulations of Eurolist by Euronext and the Companies Law, approve the issue of options to purchase Ordinary Shares to Directors and other parties in recognition of exceptional service and performance. There are no current plans to propose any such issue of options.

In accordance with the Articles, further issues of Ordinary Shares will be at the discretion of the Board. It is expected that all Shareholders will be offered the opportunity to participate in any further issue of Ordinary Shares in proportion to their holding of Ordinary Shares. It is currently anticipated that no further issue will take place within the 12 months following the Final Closing Date.

Application has been made to list the Ordinary Shares on Eurolist by Euronext.

11.3 K2 Group

K2 Property was incorporated in Mauritius in accordance with Mauritius law under the name K2 Property Limited, as a public company limited by shares with limited life, with registered number 62912 on 19 May 2006.

K2 Property is domiciled in Mauritius. Its principal place of business is located at 2nd Floor, Prisma House, 4 Buswell Avenue, Quatre-Bornes, Mauritius, and the registered office is care of the K2 Administrator, at the same address. The telephone number at that address is +23 02109885. K2 Property is regulated in Mauritius by the Mauritius FSC.

K2 Property has a limited life of 15 years from the date of incorporation. This period may be extended by up to two years (see Section 11.9.11 below). A portfolio attributable to a certain class or classes of K2 Shares may have a shorter effective life than the Company in the event that the Directors liquidate the assets attributable to that portfolio and distribute all profits as dividends and/or redeem all outstanding shares of the relevant class. It is intended that the portfolio attributable to the A Shares will have a life of seven years (see Section 11.11 for further information).

The Subsidiary was incorporated in Cyprus under the laws of Cyprus under the name K1 Property Investments Limited on 23 January 2006 with registered number HE 171100. Its registered office is at Theklas Lysioti, 29 Cassandra Centre, 2nd Floor, (201/202) PC 3030, Limassol, Cyprus, and the telephone number at that address is +35 725820650.

Further information on the K2 Group is contained in the K2 Investment Memorandum, a copy of which is attached as Annex One.

11.4 Share Capital of K2 Property

The share capital of K2 Property consists of Class A Shares, Class B Shares, Class C Shares and Class D Shares. The authorised share capital of K2 Property has, in accordance with Mauritian legislation, not been limited. Under the K2 Constitution, the Directors are entitled to issue A Shares, B Shares, C Shares or D Shares in any number. These four classes of shares all have a par value of US \$0.01 each. Further classes of shares may be created and issued by the K2 Directors with the approval of the holders of 90% of the C Shares.

As at the date of this document 75,000 C Shares and 25,000 D Shares have been issued or agreed to be issued to members or shareholders of members of the Advisory Group or as directed by them at par fully paid and no A or B Shares have been issued.

All classes of K2 Shares have identical rights except with respect to dividends and other distributions and certain voting rights (as detailed in Section 11.9 below). The C Shareholders and the D Shareholders shall not be entitled to any dividends or other distributions unless Investor Shareholders shall have received by way of return of capital, or other distribution a sum equivalent to their Capital Contributions plus a sum equivalent to an annual compound return of 11% on their Net Capital Contributions. Once K2 Investors have received this Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to be paid out of any further Returns

available for distribution, pro-rata to their respective holding of K2 Shares, a sum equivalent to 20% of all K2 Profits, including the Hurdle Return (provided always that this shall not operate so as to reduce the Hurdle Return paid to Investor Shareholders).

The K2 Constitution also authorises the K2 Board to issue loan stock. As at the date of this document, no loan stock has been issued or is intended to be issued.

The issue of shares and loan stock is generally at the discretion of the K2 Board who are authorised under Mauritian law and the K2 Constitution but subject to their statutory and fiduciary duties to issue an unlimited number of shares, and unlimited loan stock. The consent of the holders of 90% of the C Shares is required prior to the issue of any share or loan capital.

The K2 Board, with the consent of the holders of all the C Shares, has approved the issue of up to 3,000,000 A Shares in connection with the proposed subscription by the Company.

Save for the K2 Shares referred to above, since the date of incorporation no share or loan capital of K2 Property has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by K2 Property in connection with the issue of any such capital. No share or loan capital of K2 Property is under option or has been agreed, conditionally or unconditionally, to be put under option.

The voting rights attached to the A Shares held by the Company will be exercised by the Board in its sole discretion.

11.5 Share Capital of K1 Investments

The share capital of K1 Investments is five thousand Cyprus pounds divided into five thousand shares of one Cyprus pound each. As at the date of this document, one share has been issued to Standguard Limited, the original subscriber to the memorandum of association of K1 Investments. On 20 June 2006, this single issued subscriber share was transferred to K2 Property. As far as the Directors are aware, as at the date of this document, other than the subscriber share, no share or loan capital of K1 Investments has been issued or agreed to be issued or is now proposed to be issued.

11.6 The Investment Advisor and Indian Advisor

The Investment Advisor was incorporated in Mauritius under the name Saffron Capital Advisors Limited as a private company limited by shares with registered number 61616 on 20 March 2006. The Investment Advisor is domiciled in Mauritius. Its principal place of business is located at 2nd Floor, Prisma House, 4 Buswell Avenue, Quatre-Bornes, Mauritius, and the registered office is at the same address. The telephone number at that address is +230 210 9885.

The Investment Advisor is licensed by the Mauritius FSC as a Global Business Company authorised to give advice on investments.

The name and address of the Indian Advisor is Saffron Asset Advisors Private Limited, 3rd Floor, Khana Construction House, 44RG Thadani Marg, Worli, Mumbai, 400018, India.

11.7 Directors' and other Interests

- 11.7.1 No loan has been granted to, nor any guarantee provided for the benefit of any Director by the Company.
- 11.7.2 Except as disclosed in section 11.7.6, no Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation whether or not outstanding or unperformed.
- 11.7.3 The Company will purchase directors and officers liability insurance for the benefit of the Directors.

- 11.7.4 Within the last five years, no Director has been convicted of any indictable or fraudulent offence, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.

Within the last five years, no Director has been associated with any bankruptcy, receivership or liquidation of any enterprise of which they were either (a) a member of the administrative, management or supervisory body (b) in the case of a limited partnership with a share capital, a partner with unlimited liability or (c) a founder.

None of the Directors has received any official public incrimination from any statutory or regulatory authority or within at least the previous five years been disqualified by a court from acting as the management or conduct of the affairs of an enterprise.

- 11.7.5 In accordance with the terms of the K2 Subscription Agreement, the Company is entitled to nominate up to two members of the Investment Committee. As at the date of this document, the proposed nominations to the Investment Committee will be Malcolm King and David Hunter, who are each also directors of the Company.

- 11.7.6 Rohin Shah is a Director of the Company, and is also a director of K2 Property, K1 Investments and the Investment Advisor, and since it may be in his interests as a director of the Investment Advisor for the Company to enter into the Investment Advisory Agreement, and since it may be in his interests as a director of K2 Property for the Company to enter into the K2 Subscription Agreement, he should therefore be regarded as having a potential conflict of interest in the Investment Advisory Agreement and the K2 Subscription Agreement, which are respectively described at Sections 11.18.1 and 11.18.3 below.

Ajoy Kapoor is a director of the Company and has an ownership interest in the Investment Advisor, since it may be in his interests as a director of the Investment Advisor and as a person with an ownership interest in the Investment Advisor for the Company to enter into the Investment Advisory Agreement, he should therefore be regarded as having a potential conflict of interest in the Investment Advisory Agreement.

William Kay is a Director of the Company and is also a director of and has an ownership interest in the Jersey Administrator, and since it may be in his interests as a director and a person with an ownership interest in the Jersey Administrator for the Company to enter into the Administration Agreement, he should therefore be regarded as having a potential conflict of interest and an interest in the Administration Agreement described at Section 11.18.2 below.

William Kay was in part selected as part of the arrangements between the Company and the Jersey Administrator.

- 11.7.7 Other than as detailed in Section 11.7.6, the Directors are not aware of any potential conflict of interest between the duties of any Director to the Company and their private interests or other duties, and no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained, by each Director) an interest in the share capital of the Company or with any options in respect of such capital.

- 11.7.8 The dates of appointment as a Director and details of current and former directorships over the previous five years and memberships of partnerships of each of the directors is detailed below. These details are all-inclusive except where indicated.

<i>Name and Date of Appointment</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Sir Nigel Broomfield 31 October 2006	Smiths Group plc Cable & Wireless (Jersey) Limited	Ditchley Foundation TI Group plc
David Hunter 5 June 2006	British Property Federation Gruinard Residential Limited Hunter Advisers Limited Traveria Properties S.a.r.l.	API Business Development Company API Research & Strategic Services Limited Arlington Property Investment Managers Limited Arlington Property Investors Europe Limited Arlington Property Investors Limited Arlington Property Investors UK Limited Arlington Property Unit Trust Managers Limited Arlington PSCP Limited Arlington UK Balanced Property Fund PLC Property Management Employment Services Limited Property Partners (Two Rivers) Limited Property Partners (Whitgift) Limited Regent Property Partners (Residential) Limited Regent Property Partners (Retail Parks) Limited Regent Retail Parks (St Johns' Wolverhampton) Limited Arlington Property Services Limited API UK Balances Fund Asset Company Limited Arlington Property Investors Limited Arlington Property Investors US Limited Arndale Centre Nominee (No.1) Ltd Arndale Centre Nominee (No.2) Ltd Gold Square Nominee (No. 1 Ltd) Gold Square Nominee (No. 2 Ltd) PSCP (General Partner) Limited

<i>Name and Date of Appointment</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
		The Grange Birkenhead Nominee (No. 1) Ltd The Grange Birkenhead Nominee (No. 2) Ltd Warrington (General Partner) Limited Chelsfield White City SAGP Ltd Cathearal Investment Properties Limited Chelsfield White SALP Ltd Euro Salas Properties Ltd Roproperty Holdings UK Limited Saim B Ltd Scottish Amicable Farms Ltd Scottish Amicable Investment Property Ltd Transeuropean Properties (General Partner) II Ltd Transeuropean Properties (General Partner) Ltd White City (Shepherds Bush) General Partner Ltd
William Kay 26 May 2006	Minerva Holdings Limited* Professional Holdings Limited	Barclays Private Bank and Trust Limited **
	The Westbury Property Fund Limited Minerva Financial Services Limited Professional Trust Company Limited	
Ajoy Kapoor 5 June 2006	Saffron Asset Advisors Private limited (India) Saffron Capital Securities Limited (Mauritius)	
Malcolm King 5 June 2006	Anavon Limited Essendon Properties Limited Essendon Properties (No 2) Limited Eversliegh Investment and Property Limited Frimley Properties Limited Hertingfordbury Investments Limited	J P Sturge Limited King & Co Limited King & Co Holdings Limited King & Co Management Services Limited King Sturge & Co Facilities Management Limited King Sturge Financial Services Limited King Sturge & Co Financial Services Limited

	Hoe Leasing Limited King Properties Company Limited Kingair Limited Marlborough Business Park Limited Redrow PLC St Joseph's in the Park Limited The Machrie Links Hotel Co Limited	King Sturge International Holdings Limited King Sturge & Co Consulting Limited King Sturge Holdings Limited King Sturge LLP King Sturge Residential Limited King Sturge Payroll Limited Kintra Limited KSFM Limited King Sturge Services Limited LairdsAin Limited King Sturge Belgium King Sturge Czech Republic King Sturge France King Sturge Germany King Sturge Poland King Sturge Spain C Le Masurier Limited
Christopher Lovell*** 5 June 2006	Capita Trustees Limited Channel House Trustees (London) Limited Dawnay Day Treveria plc Public Service Properties Investments Limited Northern European Properties Limited Basil Street Investments Limited	Capita Trust Company (Jersey) Limited BFS Equity Income and Bond Trust Limited BFS Managed Properties Limited
Rohin Shah 5 June 2006	Saffron Capital Limited Portmove Limited Meghraj Properties (UK) Limited Matside Properties Limited Jasmin Investments Limited Meghraj Properties Limited India Property Research Limited Saffron Capital Securities Limited Saffron Capital Advisors Limited K2 Property Limited K1 Property Investments Limited Trammell Crow Meghraj Property Consultants Private Limited Trammell Crow Meghraj Building Operations Private Limited Saffron Asset Advisors Limited	Astra Harlow Limited Hype Limited Tatlow Court Property Management Co Limited Meghraj Pension Trustee Limited

- * Mr Kay is currently a director of Minerva Holdings Limited and its wholly owned subsidiary Minerva Financial Services Limited, a trust company licensed by the Jersey Financial Services Commission, and is also a director of a number of companies within the Minerva Financial Services Limited group. Minerva Financial Services Limited provides trust and company administration services to entities on behalf of its clients and, as a result, Mr Kay is a director of a number of client companies as part of its usual practice of administration.
- ** In connection with his role as director of Barclays Private Bank & Trust Limited, Mr Kay was a director of a number of other wholly owned subsidiaries of Barclays Bank plc.
- *** Mr Lovell is a director of Capita Fiduciary Group, and is a director of a number of companies within the Capita Fiduciary Group. These companies provide trust and company administration services to entities on behalf of their clients and, as a result, Mr Lovell is a director of a number of client companies as part of their usual practice of administration.

11.8 Memorandum and Articles of Association of the Company

In accordance with the Companies Law, the Memorandum of Association of the Company does not have an objects clause.

Clause 2 of the Memorandum of Association states the Company shall have and be capable of exercising all the functions of a natural person of full capacity as provided by Article 18 of the Companies Law.

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

11.8.1 General Meetings and Voting

Directors may call general meetings of the Company whenever they think fit. If there are not sufficient members to call a general meeting, any Director or any member may call such a meeting. Twenty one clear days' notice shall be given in the case of an annual general meeting or a meeting for the passing of an extraordinary or special resolution, and in the case of any other general meeting, fifteen days' notice will be required. Any general meeting must be held outside the United Kingdom.

The holders of Ordinary Shares have the right to receive notice of, and to vote at, general meetings of the Company. Each holder of Ordinary Shares who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Ordinary Share held. No business shall be transacted at a general meeting unless a quorum of two members present either in person or by proxy and entitled to vote are present.

An instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation under its common seal or under the hand of an officer or attorney duly authorised. In the case of shares registered in the name of an Approved Operator or any institution which affiliated with the Approved Operator for the purpose of trading on a Stock Exchange, any underlying holder of interests in such shares may submit a written declaration from the Approved Operator or affiliated institution which shall constitute an instruction appointing a proxy from the relevant registered shareholder confirming that the number of shares mentioned in each written declaration form part of a "joint deposit", and that the person mentioned in the declaration is a participant for the mentioned number of shares in the "joint deposit", and shall be entitled to exercise voting rights as a proxy in respect of such shares at the relevant general meeting (and that such participant shall be entitled to delegate their proxy to a third party by delivering such form of proxy executed in writing). Where there are joint participants in respect of any share, such persons shall not have the right of voting individually in respect of such share but shall elect one of their number to

represent them and to vote whether in person or by proxy in their name. In default of such election the participant whose interest is first notified to the Company shall alone be entitled to vote.

Where there are joint registered holders of any share, such persons shall not have the right of voting individually in respect of such share, but shall elect one of their number to represent them and to vote whether in person or by proxy in their name.

11.8.2 *Variation of Rights*

Subject to the Companies Law, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the class (but so that if any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the Ordinary Shares or any shares or class of shares issued with preferred, deferred, or other special rights shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.

11.8.3 *Issues of Shares*

Without prejudice to any special rights conferred on the holders of any class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by Ordinary Resolution determine.

Unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine. The Company may also pay such brokerages and/or commissions as may be lawful.

No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

11.8.4 *Notice requiring disclosure of interest in Ordinary Shares*

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the Ordinary Shares held by the member. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is expected to be 28 days after service of the notice or 14 days if the shares concerned represent 0.25% or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25% of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that (subject to the Companies Law, and any rules and regulations of any relevant Stock Exchange or Approved Operator) no transfer of the shares shall be registered until the default is rectified.

11.8.5 *Register and Certificates*

The Articles allow for the holding and transfer of Ordinary Shares in certified and uncertificated form.

Shares in the Company may be represented by one or more global shares issued to an Approved Operator, in which case the Approved Operator shall be entered into the Company's share register as the Shareholder.

11.8.6 *Transfer of Shares*

Any member may transfer Ordinary Shares or interests therein held in uncertificated form through an uncertificated system operated by an Approved Operator subject to any regulations issued under the Companies Law or by the Company, and the rules and regulations of the relevant uncertificated system, Stock Exchange and Approved Operator.

In the event the Directors determine that the Ordinary Shares may be held in certificated form, the following shall apply to the transfer of Ordinary Shares held in such form:

- (i) any member may transfer all or any of his Ordinary Shares by instrument of transfer in any form which the Directors may approve. An instrument of transfer of a Ordinary Share shall be signed by or on behalf of the transferor; and
- (ii) the Directors may refuse to register any transfer of Ordinary Shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer:

- (i) of any share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis;
- (ii) which is not in favour of a Qualifying Investor;
- (iii) in respect of more than one class of shares; or
- (iv) in favour of more than four joint transferees or in favour of more than one single transferee.

Transfers or assignments of Founder Shares may not be made without the approval of the Directors.

The Directors may only decline to register or recognise any transfer of an uncertificated share in accordance with the Companies Law, the listing rules of any relevant Stock Exchange, and the rules and regulations of the relevant Approved Operator.

11.8.7 *Compulsory redemption or transfer of Ordinary Shares*

The Board may require the redemption or the transfer of Ordinary Shares owned or which appear to be owned directly or beneficially by any person who is not a Qualifying Investor.

Holders of Ordinary Shares do not have the right to redeem their Ordinary Shares. The Company may, with the sanction of an Extraordinary Resolution of the holders of Ordinary Shares redeem all (but not some) of the Ordinary Shares at a price per Ordinary Share determined by the Directors.

11.8.8 *Alteration of capital and purchase of Ordinary Shares*

The Company may from time to time, subject to the provisions of the Companies Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Companies Law.

The Companies Law provides that the Company may by Special Resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; convert all or any fully paid up shares into stock and reconvert that stock into paid up shares of any denomination; and convert its fully paid shares into shares denominated in a different currency.

The Company may by Special Resolution reduce its share capital, any redemption reserve fund or any stated capital account in any manner permitted by and with and subject to any consent required by the Companies Law.

11.8.9 *Interests of Directors*

Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).

Subject to the Companies Law, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) a contract, arrangement, transaction or proposal concerning or the issue of shares, debentures or other securities of the Company or its subsidiaries in which issue he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
- (iv) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1% or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
- (v) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
- (vi) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.

Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

11.8.10 *Remuneration of Directors*

The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed €300,000 per annum plus any performance bonus agreed to be paid (or such sum as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

11.8.11 *Appointment and Removal of Directors*

The Directors have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed holds office only until the next following Annual General Meeting and is then be eligible for re-election. The Company may by Extraordinary Resolution appoint any person to office as a Director.

The office of a Director is vacated in any of the following events namely:-

- (a) if he resigns his office by notice in writing signed by him and left at the office;
- (b) if he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) if he becomes of unsound mind;
- (d) if he ceases to be a Director by virtue of any provision of the Companies Law or becomes prohibited by the Companies Law from or disqualified from being a Director;
- (e) if subsequent to his appointment he becomes resident or ordinarily resident in the United Kingdom and as a result thereof but for the provisions of the Articles a majority of the Directors would be resident or ordinarily resident in the United Kingdom;
- (f) if he be requested by all the other Directors (not being less than two in number) to vacate office;
- (g) if he is removed from office by an Extraordinary Resolution of the Company in general meeting.

The Company at any general meeting at which a Director retires or is removed shall fill up the vacated office by electing a Director unless the Company shall determine to reduce the number of Directors.

11.8.12 *Retirement of Directors*

Directors shall not be subject to retirement by rotation.

A Director shall not be required to hold any qualification shares.

No person shall be or become incapable of being appointed a Director by reason of having attained the age of 70 or any other age and no Director shall be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

11.8.13 *Dividends and distribution of assets on a winding up*

Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.

No dividend shall be paid other than from the profits (including for the avoidance of doubt all gross revenues) resulting from the Company's business. The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the profits of the Company.

No dividend or other amount payable to any holder of Ordinary Shares shall bear interest against the Company. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of the Company until claimed. Payment by the Company of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. Any dividend unclaimed on the earlier of (1) seven years from the date when it first became payable or (2) the date on which the Company is wound up, shall be forfeited automatically, without the necessity for any declaration or other action by the Company.

The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to divide.

The Articles permit up to 100% of management and administration fees, finance costs and all other expenses to be charged to capital.

If the Company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of an Extraordinary Resolution and any other sanction required by Companies Law, divide amongst the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

11.8.14 *Voluntary Winding-Up*

The Company may be wound up at any time by Special Resolution and the Directors shall, if necessary be bound to convene an extraordinary general meeting for the purposes of passing a Special Resolution for the winding-up of the Company.

11.8.15 *Borrowing*

The Directors may exercise all and any powers of the Company to borrow money. Any person lending money to the Company shall be entitled to assume that the Company is acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

11.8.16 *Determination of Net Asset Value*

The net asset value of the Company is equal to the aggregate value of all assets of the Company less all the Company's liabilities. The net asset value of the Company is determined semi-annually in accordance with the following valuation principles:

- (a) all assets and liabilities of the Company are valued at their respective fair values as determined in good faith by the directors of the Company and with the approval of the Company's auditors; and
- (b) any value in respect of a non-sterling asset or liability shall be converted at any officially set exchange rate or appropriate spot market rate (whether official or otherwise) on the relevant valuation date or, if no such rate is then available, at the

most recently available such rate as the Directors in their absolute discretion deem appropriate in the circumstances having regard, *inter alia*, to any premium or discount which may be relevant and to costs of exchange.

11.8.17 *Changes to Investment Policy of the Company*

The investment policy and investment restrictions of the Company (as opposed to the Fund) may be varied or rescinded in whole or in part by way of Ordinary Resolution but such sanction will not be required if such variation or rescission is made after the third anniversary of the date that Ordinary Shares are first or listed on Eurolist by Euronext or to correct a manifest error or is necessary to make possible compliance with fiscal or other statutory or official requirements, actual or proposed, or if the directors of the Company certify that such variation or rescission does not materially prejudice the interests of the holders of Ordinary Shares or any of them and does not operate to a material extent to release the directors of the Company from any responsibility to any such holders.

Any breach of the investment restrictions which comes to the notice of the Board shall be reported immediately to the Jersey Administrator, and Shareholders will be informed in writing and/or by announcement without delay of the details of such breach and any rectifying action to be taken by the Investment Advisor.

For the investment policy applicable to the Fund, please see Section 11.10 below.

11.9 Constitution of K2 Property

Notable provisions of the K2 Constitution and/or the laws of Mauritius which relate to K2 Property may be summarised as follows:

11.9.1 *Voting*

K2 Shareholders have the right to receive notice of, and to vote at, general meetings of K2 Property. Each K2 Shareholder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each K2 Share held.

11.9.2 *Issues of Shares*

There is no limitation on authorised share capital or on the number of classes of shares which may be issued (although the Constitution provides expressly for the issue of A, B, C and D Shares). The issue of shares is at the discretion of the Directors who can issue shares of these classes at any time and in any number but subject to obtaining the prior consent of the holders of ninety percent (90%) of the C Shares. The K2 Board will, with respect to the issue of shares, be subject to their statutory duties to *inter alia* act in the interests of K2 Property and to ensure that any consideration received for the issue of shares is fair and reasonable to K2 Property and to all its shareholders.

11.9.3 *Transfer of Shares*

Under the current legislation in Mauritius, shares may only be transferred upon the transferor and the transferee executing a stock transfer form in the format prescribed by the Registration Duty Act of Mauritius, having the form registered with the Registrar General of Mauritius (although no stamp duty or fee is payable with respect thereto) and delivering the registered stock transfer form, together with share certificates, if any, to K2 Property for the amendment of the share register, which amendment will evidence the transfer of the shares. The transfer of shares is also subject to the prior written approval of the K2 Board.

Under the K2 Constitution, no transfer of K2 Shares may be effected without the consent of the K2 Board or the directors' duly appointed agent. The K2 Board may refuse or delay the registration of any transfer where:

- (a) so required by law;

- (b) registration would impose on the transferee a liability to K2 Property and the transferee has not signed the transfer;
- (c) a holder of any such share has failed to pay on the due date any amount payable thereon either in terms of the issue thereof or in accordance with the constitution (including any call made thereon);
- (d) the transferee is a minor or a person of unsound mind;
- (e) the transfer is not accompanied by such proof as the K2 Board reasonably requires of the right of the transferor to make the transfer;
- (f) the transfer to, or the holding of K2 Shares by, the transferee would, in the opinion of the K2 Board, cause or be likely to cause a pecuniary, tax, legal or regulatory disadvantage to K2 Property or any other K2 Shareholder; or
- (g) the K2 Board acting in good faith decides in its sole discretion that registration of the transfer would not be in the best interests of K2 Property and/or any of its shareholders.

Where the K2 Board refuses to register a transfer of K2 Shares, the K2 Board will send to the transferee and the transferor notice of the refusal within 28 days of the date on which the stock transfer form is delivered to it, stating in the notice the reasons for such refusal.

11.9.4 *Compulsory Redemption of Shares*

The K2 Constitution provides that the K2 Board may compulsorily redeem K2 Shares at such price as it considers fair and reasonable in the following circumstances:

- (a) the K2 Board has a general discretion to redeem all A Shares and B Shares if it considers same to be in the interests of the Company and the K2 Board has obtained the consent of a Super Majority of the holders of C Shares;
- (b) the Board may redeem all A Shares and B Shares if a law has been passed which renders it illegal or, in the reasonable opinion of the K2 Board, impracticable or inadvisable to continue K2 Property and the K2 Board has obtained the consent of a Super Majority of the holders of Class C Shares;
- (c) the K2 Board may compulsorily redeem any A Share or B Shares which is held by a person other than an Eligible Investor;
- (d) the K2 Board may at any time redeem any holding which is less than the Minimum Holding, provided that this power may not be exercised if such holding has fallen below the Minimum Holding solely because of the K2 Board having increased the Minimum Holding by virtue of their powers under the K2 Constitution;
- (e) the K2 Board may compulsorily redeem any holding of a K2 Shareholder or of any associate of such shareholder who is in breach of the terms of any agreement to subscribe for shares.

11.9.5 *Eligible Investors*

An Eligible Investor is a person

- (a) able to acquire K2 Shares without violating applicable laws, including those concerning money laundering;
- (b) whose holding of K2 Shares does not, in the opinion of the K2 Board, cause or result in any pecuniary, tax, legal or regulatory disadvantage to K2 Property and/or one or more of the other K2 Shareholders; and
- (c) that, at the time of making the investment,
 - (i) has the knowledge, expertise and experience in financial matters to evaluate the risks of investing in K2 Property;

- (ii) is aware of the risks inherent in investing in the K2 Shares and the method by which the assets of K2 Property are held and/or traded;
- (iii) can bear the risk of loss of their entire investment;
- (iv) holds K2 Shares having a value not less than the Minimum Holding; and
- (v) meets any additional suitability standards as the K2 Board may, in their absolute discretion impose, from time to time in order to comply with applicable laws and regulations.

11.9.6 *Remuneration of K2 Directors*

The K2 Constitution provides that each K2 Director shall be remunerated at such rate as the K2 Board shall determine provided that the aggregate amount of the fees shall not exceed US \$150,000 per annum (or such higher sum as K2 Property in general meeting shall from time to time determine). The K2 Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

A K2 Director may hold any other office or place of profit with respect to K2 Property (other than the office of auditor) in conjunction with his office of director on such terms as to tenure of office and otherwise as the K2 Board may determine.

11.9.7 *Retirement and Appointment of Directors*

K2 Directors shall not be subject to retirement by rotation.

A K2 Director shall, by virtue of the Act, automatically retire at the conclusion of the first annual meeting of K2 Shareholders after his 70th birthday but he shall be eligible to be re-appointed at that annual general meeting to hold office until the next annual general meeting and then at each subsequent annual general meeting.

K2 Directors may be appointed or removed by a Super Majority of the Investor Shareholders or a Super Majority of the C Shareholders. In the case of any conflict between the Investor Shareholders and the C Shareholders in respect of any such appointment or removal, the Super Majority of the Investor Shareholders shall prevail.

K2 Property shall at all times have at least two directors resident in Mauritius.

A K2 Director shall vacate his office if he resigns, becomes bankrupt, is of unsound mind, ceases or becomes prohibited from being a director under the laws of Mauritius.

11.9.8 *Quorum and Voting of Directors*

No meeting of the K2 Board shall be quorate unless at least four of the K2 Directors or their alternates are present in person or by telephone and no resolution of the K2 Board shall be valid unless at least 75% of the K2 Directors present or represented have voted in favour thereof.

A resolution of the K2 Board may also be passed in writing if signed or assented to by 75% or more of the K2 Directors.

11.9.9 *Portfolios*

Separate portfolios shall be established with respect to the assets attributable to the K2 Shares of each class.

11.9.10 *Distributions*

The K2 Directors are authorised by the K2 Constitution to cause K2 Property to make distributions without the prior consent of the K2 Shareholders.

No dividends shall be paid other than from the retained earnings of K2 Property after it makes good any accumulated losses from the beginning of the relevant fiscal year. A Shares and B Shares are also redeemable at the option of K2 Property, which redemptions will constitute distributions for the purposes of the Act.

All distributions will be subject to K2 Property satisfying the solvency test, namely that the value of the assets of K2 Property exceeds the value of the liabilities of K2 Property.

The K2 Directors may if they think fit from time to time pay the members such interim distributions as appear to be justified. Distributions may be made in respect of one class of K2 Shares and not another, from the portfolio attributed to that class.

The C Shareholders and the D Shareholders shall not be entitled to any dividends or other distributions unless Investor Shareholders shall have received Returns equivalent to an annual compound return of 11% on their Net Capital Contributions. Once Investor Shareholders have received their Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to be paid out of any further Returns available for distribution, pro-rata to their respective holding of K2 Shares, a sum equivalent to 20% of all K2 Profits, including the Hurdle Return (provided that any such payment shall not operate so as to reduce the Hurdle Return paid to Investor Shareholders).

The K2 Directors are also empowered to create reserves before recommending or declaring any distribution.

The K2 Directors may also carry forward any profits which they think prudent not to distribute.

11.9.11 *Continuation Vote*

Prior to the Dissolution Date, the K2 Directors may at their discretion convene an Extraordinary General Meeting of K2 Property to consider a resolution to extend the life of K2 Property, which resolution shall be proposed as a Special Resolution and shall be set out in full in the notice convening the Extraordinary General Meeting.

The above-mentioned extensions can be made twice for a period of one year each.

If the Special Resolution referred to above is not passed the K2 Directors shall (subject always to Mauritius Law and the K2 Constitution) take all steps necessary or desirable to effect the winding-up of K2 Property on or around the Dissolution Date.

If the Special Resolution referred to above is passed then the K2 Directors shall (subject always to Mauritius Law and the K2 Constitution) take all steps necessary or desirable to effect the winding-up of K2 Property on or around the date on which the K2 Shareholders resolve K2 Property should be wound up.

11.10 *Investment Policy*

The Investment Policy of the Fund is set out at Section 4 of this Prospectus and is also set out in the K2 Information Memorandum and the Investment Policy Memorandum. The Investment Policy may only be varied or rescinded in whole or in part by way of an Ordinary Resolution of the Investor Shareholders (including the Company) and the C Shareholders but such sanction shall not be required if the variation or rescission is to correct a manifest error or is necessary to make possible compliance with fiscal or other statutory or official requirements, actual or proposed, or if the K2 Administrator shall certify that such variation or rescission does not materially prejudice the interests of the holders of K2 Shares or any of them and does not operate to a material extent to release the K2 Directors from any responsibility to any such holders.

11.11 *Dividend and Distribution Policy and Exit*

It is intended that all capital or income returned to the K2 Group from Fund Investments (including investments in the Trust and/or any VCU) net of any sums required to be set aside for fees and expenses should be distributed to K2 Investors (including the Company) by means of a Return at the earliest available opportunity. However, the K2 Board may decide to reinvest capital with a view to making significant additional returns over a relatively short time frame,

and provided that in the view of the Investment Committee the reinvestment would provide additional returns to K2 Investors (including the Company) within the existing term of the Fund.

It is intended that the Fund, (being the portfolio attributable to the A Shares), shall be wound up within the twelve months following the period of seven years from the K2 Closing Date. This period may be extended by Special Resolution of the A Shareholders by one or two further periods of one year each. To the extent that any capital has not been returned to K2 Investors (including the Company) within this period, it is likely that all remaining A Shares shall be redeemed by K2 Property. Any such redemption may be preceded by a distribution of profits in the form of dividends.

K2 Property itself has a limited life of fifteen years (subject to extension by the K2 Shareholders – see Section 11.9.11 for further information).

The Company does not have a limited life. Once funds have been returned to the Company, they may be returned to Shareholders by way of dividend or other capital distribution or may be reinvested at the discretion of the Board. Shareholders may also achieve an “exit” through disposal of their Shares via Euronext.

The Directors intend that the Company should commence payment of dividends at the earliest available opportunity subject to distributions being made to the Company by K2 Property and to the availability of distributable reserves, and that once payable, dividends should be paid in half-yearly equal amounts. Where exceptional circumstances, one-off distributions of dividends may also be made. The Ordinary Shares will rank *pari passu* for all dividends or other distributions declared, paid or made in respect of the share capital of the Company.

11.12 Fees and Expenses

11.12.1 Placement Fees

Placement fees of up to 3% of Subscription Funds will be payable by the Company. These fees will be payable to the extent that fees and/or expenses of the Placing Agent and/or other intermediaries need to be met in respect of subscriptions to the Company.

11.12.2 Establishment Costs

The Company and/or K2 Property will reimburse the Investment Advisor and/or any relevant third parties as the case may be for the costs of establishing the Company, and the K2 Group up to an amount equivalent to 1% of Total Subscription Funds.

11.12.3 Advisory Fees

The Investment Advisor will receive from K2 Property an on-going annual advisory fee equivalent to 2% of Total Capital Commitments.

In the event that the K2 Group invests in one or more schemes of the Trust, advisory fees of 1% of capital committed by the K2 Group to any scheme or schemes of the Trust will be charged on an annual basis by the Indian Advisor and will be paid out of the capital committed to such scheme or schemes, in which case the fees payable to the Investment Advisor will be correspondingly reduced.

In the event any sales tax, service tax or value added tax is chargeable on any advisory fees, such taxes will be added to the amounts payable by the Trust or K2 Property respectively, and to the extent possible may be reclaimed by the Trust or K2 Property as the case may be.

11.12.4 Carried Interest

Once K2 Investors have received their Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to receive a “Carried Interest” in the profits of K2 Property by way of payment of dividends or capital distribution equivalent to 20% of all K2 Profits (including the Hurdle Return) provided that no such “Carried Interest” will be payable to the extent that K2 Profits paid to K2 Investors would thereby be reduced below the Hurdle Return.

11.12.5 *Other Fees and Expenses*

The Company will pay the Jersey Administrator a minimum annual fee of £6,000 plus such additional fees as may be incurred based on the amount of work carried out for the Company. The Jersey Administrator will also be paid an annual fee of £24,000 by the Company with respect to the provision of services of William Kay as a Director.

The Company will pay an annual amount of £25,000 (or the equivalent in euros) with respect to the services of each of the Directors (other than William Kay). Any Director acting as a member of the Investment Committee (other than Ajoy Kapoor) shall also be paid a performance-related bonus, (payable once K2 Investors (including the Company) have received their Hurdle Return), of the greater of £100,000, and the equivalent of 0.33% of the Carried Interest (payable through the issue of D Shares) provided that no such payment will be payable to the extent that K2 Profits received by the Company would thereby be reduced below the Hurdle Return.

K2 Property will pay the K2 Administrator an annual fee of US \$25,000.

The K2 Constitution authorises K2 Property by resolution of the its directors, to pay the K2 Board an annual aggregate remuneration of up to US \$150,000.

The Company will bear its own on-going operational expenses and ultimately the relevant proportion of those of the K2 Group and the Fund. These expenses include, but are not limited to:

- (a) direct costs of investing and realising the assets of the Fund, including dealing costs, any stamp duty land tax and registration fees;
- (b) professionals' costs associated with investing, maintaining and realising the assets of the Fund, including the fees and expenses of property valuers, surveyors, valuers, sales agents, facilities managers, consultants, tax advisers, brokers, lawyers and accountants (including introductory fees payable to any sales agents and corporate finance fees);
- (c) legal and professional expenses which the Company, the K2 Group or the K2 Directors incur whether in litigation on behalf of the Company, the K2 Group or in connection with the ongoing administration of the Company, the K2 Group or the Fund or otherwise;
- (d) the cost of any borrowing incurred for the K2 Group or the Fund (including up front arrangement fees payable to lenders in return for providing loan facilities and interest payable in respect of the borrowings);
- (e) audit costs;
- (f) banking and custodian costs;
- (g) taxes and duties imposed by any fiscal authority and any other governmental fees;
- (h) expenses of publishing reports, notices and proxy materials to shareholders;
- (i) expenses of convening and holding meetings of shareholders;
- (j) expenses of preparing, printing and/or filing all reports and other documents relating to the Company and/or the K2 Group, including placement memoranda, explanatory memoranda, marketing documents, annual and special reports required to be lodged with all authorities having jurisdiction over the Company and/or the K2 Group;
- (k) expenses of making any capital distributions;
- (l) insurance premiums (including insurance for Directors) and the K2 Directors;
- (m) additional fees and expenses payable to members of the Investment Committee;

(n) directors and other expenses.

Expenses may be payable by the Company or the K2 Group, or may be charged to the Fund by the Trust, depending upon how and where they were incurred.

To the extent that the Advisory Group provides facilities management services to any Portfolio Company, the relevant company within the Advisory Group will charge the relevant Portfolio Company accordingly.

11.12.6 The costs and expenses (including value added tax where applicable) of, and incidental to the Placing and the Admission are estimated to be €550,000 together with any commission payable to the Placing Agent. On the basis that 10,000,000 Ordinary Shares are issued under the Placing, the estimated net proceeds are expected to be approximately €96,450,000 and will be applied as described in Section 8.2.

11.13 Register of Shareholders and Statutory Records

The register of Shareholders of the Company is kept at the registered office of the Company detailed on page 7. The register of Shareholders, and statutory records are maintained by the Jersey Administrator, which is also the Company Secretary of the Company.

The register of K2 Shareholders required to be kept pursuant to Section 91 of the Act and other statutory records of K2 Property will be kept at the registered office of K2 Property.

11.14 Conflicts of Interest and Related Party Transactions

Members of the Advisory Group may provide investment management, advisory and other services to clients other than K2 Property (including investment companies) and, in providing such services, may use information obtained by them. In the event of a conflict of interest arising, in the course of providing services to K2 Property, the Investment Advisor will ensure that any such conflict is resolved fairly in the best interests of K2 Property and that investment opportunities shall be fairly allocated to its respective clients. The Investment Advisor will procure that no member of the Advisory Group will directly or indirectly deal as principal on the sale or purchase of property or other investments to or from the Fund or otherwise deal with respect to the Fund as principal.

As part of its arrangements with Eredene Capital PLC (described in Section 7.4), the Investment Advisor has agreed to give Eredene Capital PLC a 10 day option period within which to commit to investment opportunities sourced by the Advisory Group. This obligation will apply to all such investments until such time as 60% or more of the funds subject to those arrangements have been committed into such investment opportunities, following which the obligation will apply on a *pro rata* basis relative to the respective capital remaining available to Eredene Capital PLC and the capital available to other funds, such as the Fund. The Directors do not consider that the existence of this option will be materially detrimental to the interests of the Company and the Fund since (a) the 10 day option period within which Eredene Capital PLC is obliged to commit to an investment is comparatively short; (b) the quantity and quantum of potential investments sourced by the Advisory Group is envisaged to be significant (and is in excess of US\$475m); and (c) in the case of large investments, co-investment between the Fund and Eredene Capital PLC may be likely.

The appointment of the Jersey Administrator could be regarded as a related party transaction, since (i) the Jersey Administrator currently holds the entire issued share capital of the Company; (ii) William Kay is a Director of the Company and a director of the Jersey Administrator, and a shareholder of its ultimate holding company; (iii) Vipin Shah is a director and shareholder of the ultimate holding company of the Jersey Administrator and is the uncle of Rohin Shah, a director of the Company. The Directors consider that this transaction has been entered into upon “arms length” terms.

Following the Placing and Admission, it is intended that the Company will subscribe for shares in K2 Property. This could be regarded as a “related party” transaction since (i) Rohin Shah is a director of Saffron Capital Securities Limited, which owns the majority of the issued share capital

of K2 Property prior to such subscription by the Company; (ii) the Investment Advisor and K2 Property have entered into the Investment Advisory Agreement, which entitles the Investment Advisor to certain fees, and the Investment Advisor is a subsidiary of Saffron Capital Securities Limited and one of its directors is Rohin Shah; (iii) Vipin Shah is a director of K2 Property and the Investment Advisor and has an ownership interest in the Administrator, the Company (through his interest in the Jersey Administrator), the Investment Advisor and K2 Property (in each case, through Saffron Capital Securities Limited). The Directors consider that this transaction will be entered into upon “arms length” terms.

11.15 Reports and Financial Statements

The financial year of the Company and the K2 Group ends on 31 March in each year.

An annual report and audited financial statements for the Company and the K2 Group in respect of each financial year prepared on a consolidated basis in accordance with International Financial Reporting Standards will be sent to Shareholders as soon as practicable and in any event within six months of the end of the Company’s financial year. The first audited financial statements will cover the period from the date of the Company’s incorporation until 31 March 2007.

Neither the Company, K2 Property nor its subsidiary K1 Investments have traded prior to the date of this Prospectus and no audited financial statements have been prepared in respect of the Company, or the K2 Group to date.

Unaudited interim financial statements will be made up to 30 September in each year, and will be prepared and presented on a basis consistent with the annual financial statements.

The Company will prepare and circulate to Shareholders within three months of the end of the relevant period a half-yearly report which will include unaudited accounts for the Company and the K2 Group or the interim financial statements as the case may be.

Audited annual financial statements and unaudited interim financial statements will be posted to each Shareholder at his registered address free of charge and will be made available for inspection at the registered office of the Jersey Administrator, the Company and the Paying Agent.

11.16 Net Asset Value Publication and Calculation

The Company intends to publish the unaudited net asset value per Ordinary Share as prepared by the Company as at 31 March and 30 September in each year. The Company intends to publish such net asset value information within 60 days after the relevant date and to notify Shareholders as soon as practicable after calculation. The net asset value of the Ordinary Shares will be determined by the Company by deducting the value of the liabilities of the Company from the value of the assets of the Company or as required in accordance with IFRS accounting policies. The Company’s assets and liabilities will be valued in accordance with IFRS accounting policies. Independent valuers will be used at least once a year for each of the Fund’s property assets as part of this process.

The Directors may, at their discretion, permit any other method of valuation to be used if they consider that method of valuation better reflects value and is in accordance with good accounting practice. There are no circumstances envisaged under which valuations may be suspended. If for any reason valuations are suspended, this will be communicated immediately to Shareholders by notice in writing and/or announcement.

11.17 Service Providers

The principal service providers currently providing services to the Company are as the Jersey Administrator, the Auditor, the Placing Agent and the Listing Agent and Paying Agent. The fees payable by the Company to these service providers are set out in the summary of the relevant contract included in Section 11.18 below. The Company is not aware of any material potential conflicts of interest which any of the service providers detailed above may have as between their

duty to the Company and duties owed by them to third parties and their other interests. The names and addresses of the various legal advisors, accountants and auditors, and bankers to the Company and to the K2 Group are as follows:

Legal Advisers

United Kingdom:	Netherlands:	Jersey:	Mauritius:	India:	United States:
Mishcon de Reya, Summit House 12 Red Lion Square, London WC1R 4QD	Simmons & Simmons, Weena 666 3012 CN Rotterdam, The Netherlands	Carey Olsen, 47 Esplanade, St Helier, Jersey JE1 0BD	T Mukund Gujadthur, River Court, St Denis Street, Port Louis, Mauritius	Nishith Desai Associates, 93-B Mittal Court, Nariman Point, Mumbai 400 021, India	Seward & Kissel LLP One Battery Park Plaza, New York, NY 10004 United States

Auditors and Accountants

Jersey:	Mauritius:	India:
Pricewaterhouse Coopers CI LLP, 22 Colomberie, St Helier, Jersey JE1 4XA	Pricewaterhouse Coopers, Training Centre, Champ de Mars, Port Louis, Mauritius	NA Shah Associates. 65-C Mittal Tower, Nariman Point, Mumbai 400 021 India

PricewaterhouseCoopers CI LLP is a member of the Institute of Chartered Accountants of England and Wales.

Bankers

Jersey:	Mauritius:
HSBC Bank International Limited HSBC House, Esplanade, St Helier, Jersey JE1 1HS	HSBC Bank (Mauritius) Limited, 5th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius

11.18 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been or are likely to be entered into by the Company or K2 Property Limited or K1 Investments and are, or may be, material:

11.18.1 Investment Advisory Agreement

Under this agreement, K2 Property has appointed the Investment Advisor to advise on the investment, re-investment and realisation of the investments of the K2 Group. K2 Property has agreed to pay the Investment Advisor annual fees equivalent to 1% of Capital Commitments and to reimburse the Investment Advisor for its out-of-pocket expenses. To the extent that the K2 Group makes direct investments in VCUs (other than by way of investments in units of one or more schemes of the Trust), the fees payable to the Investment Advisor shall be increased on a *pro rata* basis by 1% per annum. The Investment Advisory Agreement contains certain provisions whereby K2 Property will indemnify the Investment Advisor from liability except in case of the Investment Advisor's gross negligence, fraud, bad faith or wilful default. The Agreement may be terminated on summary notice if the Investment Advisor goes into liquidation, commits a material and unremedied breach or in the event of the fraud, corruption, gross negligence or gross wilful misconduct of the Investment Advisor. Otherwise, K2 Property may terminate the Agreement upon twelve months notice to expire at any time after three years from the K2 Closing Date. The Agreement may only be terminated by the Investment Advisor in the event of the liquidation or material breach of K2 Property.

11.18.2 Administration Agreement

Under this agreement, the Company has appointed the Jersey Administrator to act as administrator, and company secretary of the Company and delegated to the Jersey Administrator the relevant powers to enable the Jersey Administrator to perform its duties

on behalf of and towards the Company. The Company has agreed to pay to the Jersey Administrator such reasonable monthly fees as are agreed from time to time and the Company will reimburse the Jersey Administrator for certain out-of-pocket expenses which are reasonable in amount and which are evidenced in such manner as the Company may reasonably require. The Administration Agreement contains certain provisions whereby the Company indemnifies the Jersey Administrator from liability except in case of negligence, fraud, bad faith or wilful default.

11.18.3 K2 Subscription Agreement

The K2 Subscription Agreement is to be entered into between the Company and K2 Property shortly after the Final Closing Date. The agreement provides for the Company to subscribe for a number of A Shares pursuant to the offer of A Shares contained in the K2 Information Memorandum, and in accordance with the K2 Constitution. 25% of the subscription funds applicable to the A Shares being subscribed by the Company will be payable on the date of subscription. The remaining subscription funds will be payable on or before a drawdown date following issue by K2 Property of a drawdown notice to the Company giving 21 days notice of intention to draw down. Failure to pay the remaining subscription funds by the relevant drawdown date will entitle K2 Property to (*inter alia*) compulsorily redeem or transfer any of the A Shares held by the Company at a price the K2 Directors consider to be fair and reasonable. The agreement contains warranties by the Company that it is authorised and entitled to enter into the agreement and that performance of its obligations under the agreement will not conflict with any other agreement, applicable law or regulation.

11.18.4 Placing Agreement

The Placing Agreement is conditional upon (*inter alia*) Admission taking place on or before 8am on 6 December 2006 (or such later date being not later than 22 December 2006 as the Company and the Placing Agent shall agree). Under the Placing Agreement, the Placing Agent has agreed, conditionally, *inter alia*, on Admission to use its reasonable endeavours to procure Placees for the Ordinary Shares at a price of €10 per Ordinary Share. The Placing Agent is entitled to be paid a commission of 3% of all Subscription Funds excluding Subscription Funds from Placees introduced by certain third parties as specified in the Placing Agreement. The Placing Agreement contains, subject to certain limitations (including as to the amount of claims that may be made against the Company and the Investment Advisor), indemnities from the Company and the Investment Advisor and warranties and undertakings from the Company and the Investment Advisor in favour of the Placing Agent together with provisions that enable the Placing Agent to terminate the Placing Agreement in certain circumstances prior to Admission. In addition, the Company is entitled to terminate the Placing Agreement upon notice to the Placing Agent no later than 8am on 6 December 2006 (or such later date being no later than 22 December 2006 as the Company, the Placing Agent and the Investment Advisor shall agree) if subscribers for 7,500,000 Ordinary Shares have not been procured by the Placing Agent by that time.

11.18.5 Listing and Paying Agent Agreement

Under the Listing and Paying Agent Agreement, ABN AMRO agrees to act as listing agent and paying agent in connection with the Placing and Admission, and, going forward, as paying agent and agent in respect of certain matters pertaining to the Company's listing on Eurolist by Euronext and matters relating to Euroclear. The Company will pay fees to ABN AMRO consisting of €75,000 with respect to its services connected with the Placing and Admission, and an annual fee of €20,000 plus scheduled administrative costs with respect to ongoing activities plus in each case all reasonable out of pocket expenses. The Company indemnifies ABN AMRO and any of its directors, officers, employees, shareholders, controlling persons and agents against any claims, liabilities, losses, costs and expenses arising out of its services provided under the agreement unless arising from the wilful default, gross negligence or fraud of the person or agency concerned. The Company undertakes with ABN AMRO that no claim shall be made by the Company or any of its associates against ABN AMRO or any of its directors, officers, employees, shareholders, controlling persons and agents with respect to the services carried out by ABN AMRO under

the agreement except where such claims arise from loss or damage caused by the gross negligence, wilful default or fraud of the entity or person concerned. The Listing and Paying Agent Agreement may be terminated by either party giving ten weeks' prior written notice.

11.18.6 *Engagement of Auditor*

Under this engagement, the Auditor has accepted appointment as auditor of the Company. The Auditor's fees will be computed on the basis of the time spent on providing the services and on the levels of skill and responsibility involved. The Company agrees not to bring any claim against any member, partner or employee of the Auditor or against any firm within the PricewaterhouseCoopers global network of member firms (except where such liability cannot be excluded under the laws of Jersey).

11.19 Miscellaneous

Neither the Company nor any member of the K2 Group has been nor is currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such governmental legal or arbitration proceedings pending or threatened by or against the Company nor any member of the K2 Group which may have or have had a significant effect on the Company's or the K2 Group's financial position.

Save as herein stated there has been no significant change in the financial or trading position of the Company and the K2 Group since the date of incorporation of the Company. The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.

Save as herein stated at the date of this Prospectus, neither the Company nor any member of the K2 Group has any borrowings or other indebtedness including debt securities issued or outstanding and has not granted any mortgages, charges, guarantees or other security over assets of the Group. As far as the Directors are aware, the Company has no contingent liabilities.

All the Directors and other parties listed on pages 7 and 49 to 54 of this Prospectus have given and have not withdrawn their written consent to the issue of this Prospectus and the references to themselves in the form and context in which such references appear.

Where information has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

11.20 Documents on Display

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Mishcon de Reya at Summit House, 12 Red Lion Square, London WC1R 4QD and at the offices of the Paying Agent of Gustav Mahlerlaan 10, 1000 EA Amsterdam during business hours on any weekday from the date of this Prospectus (Saturdays, Sundays and public holidays excepted) until the first anniversary of the Final Closing Date:

- The Memorandum and Articles of Association of the Company;
- The written consents of the Directors and other parties referred to above;
- This Prospectus and any supplemental documents and circulars;
- The Constitution of K2 Property;
- The Investment Advisory Agreement;
- The Administration Agreement and the K2 Administration Agreement;
- The draft K2 Subscription Agreement;
- The K2 Information Memorandum;
- The Investment Policy Memorandum; and
- Copies of such audited annual financial statements and unaudited interim financial statements of the Company as are made available in the relevant period.

12. PLACING ARRANGEMENTS AND EURONEXT INFORMATION

Placing

Each Placee will be required to execute a Placing Letter with the Placing Agent which will contain (*inter alia*) representations and warranties that the Placee is a Qualifying Investor and is able to acquire and hold Ordinary Shares without violating applicable laws.

The Ordinary Shares are being made available on the basis that such transactions do not require registration under the U.S Securities Act or applicable U.S. state securities laws, including sales being made in reliance on the exemption provided by Section 4(2) of the U.S Securities Act and/or Rule 506 of Regulation D under the U.S Securities Act and Regulation S under the U.S Securities Act, and either (1) inside the United States only to QIBs that are also QPs and (2) outside the United States to certain non-U.S. persons in reliance on Regulation S under the U.S Securities Act. (See “Transfer and Holding Restrictions” in Section 9 hereof).

The Placing is conditional upon (*inter alia*) Admission taking place on or before 8am on 6 December 2006 (or such later date being not later than 8am on 22 December 2006 as the Company and the Placing Agent shall agree). The Placing Agent has agreed, conditionally, *inter alia*, on Admission to use its reasonable endeavours to procure Placees for the Ordinary Shares at a price of €10 per Ordinary Share. As at the date of Admission, the Placing Shares will comprise all of the Ordinary Shares.

The minimum consideration payable under the Placing by any underlying beneficial investor for the Ordinary Shares is €300,000. Following Admission, pending approval by the AFM of Jersey as a jurisdiction with sufficient home state control for the purposes of article 17c of the WTB, Euronext N.V. will impose a minimum trading batch size of 10,000 Ordinary Shares (or more if the trading price of Ordinary Shares falls below €5 per Ordinary Share) with respect to trading of Ordinary Shares on Eurolist by Euronext. Once this approval has been confirmed, this restriction will be removed.

Euronext, Euroclear and Market Regulation

The Company has applied to list all of the Ordinary Shares on Eurolist by Euronext. It is expected that Admission will take place on 6 December 2006, and, as a result, the Company will be subject to Dutch securities regulations and supervision by the relevant Dutch regulatory authorities.

The market regulator in the Netherlands is the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) insofar as the supervision of market conduct is concerned. The AFM has supervisory powers with respect to the publication of information by listed companies and to the application of takeover regulation and with respect to publication of inside information by listed companies. It also supervises financial intermediaries, such as credit institutions, investment firms, securities intermediaries and brokers and investment advisors. The AFM is also the competent authority for approving all prospectuses published for admission of securities to trading on Eurolist by Euronext, except for prospectuses approved in other Member States of the European Economic Area that are used in the Netherlands in accordance with applicable passporting rules. The surveillance units of Euronext and the AFM monitor and supervise all trading operations.

Application has been made for the Ordinary Shares to be accepted for settlement, upon Admission, through the book-entry facilities of Euroclear, Euroclear Bank S.A./N.V. and Clearstream Banking S.A.

Euroclear (Nederland) is the Central Securities Depository (CSD) of the Netherlands and provides real-time settlement, custody and securities administration services for securities. Euroclear (Nederland) settles transactions traded on the Euronext Amsterdam stock exchange as well as over-the-counter transactions. Euroclear (Nederland) is the primary settlement system for Euronext Amsterdam. The Articles permit the holding of Ordinary Shares under the Euroclear system.

The Ordinary Shares will be represented by book-entry shares which will be registered in the name of Euroclear, as Central Securities Depository. Payment for and delivery of the Ordinary Shares is expected to take place on or about 6 December 2006 through the book entry facilities of Euroclear in accordance with its normal settlement procedures and against payment for the Ordinary Shares in immediately available funds.

Listing and Paying Agent

ABN AMRO is acting as listing agent with respect to Admission and is the local paying agent for Ordinary Shares in the Netherlands. Their address is at Gustav Mahlerlaan 10, 1000EA, Amsterdam.

Placing Statistics, Market Information and Expected Timetable

Placing Statistics

Placing Price per Ordinary Share	€10
Minimum subscription per Placee	€300,000
Number of Ordinary Shares being placed	10,000,000
Number of Ordinary Shares in issue immediately following the Placing	10,000,000
Market capitalisation immediately following the Placing (assuming in each case the Placing is subscribed in full)	€100,000,000

Market Information

ISIN Code	JE00B1FBT077
Euronext Symbol	YATRA
Security Code	29095

Expected Timetable

Date of allotment of Placing Shares	28 November 2006
Date of Admission to Eurolist by Euronext	6 December 2006
First trading date for Ordinary Shares	6 December 2006
First settlement date for trading in Ordinary Shares	6 December 2006

13. DEFINITIONS

In this Prospectus, unless the context otherwise requires, the expressions set out below bear the following meanings:

“A Shares” means the Class A shares of US \$0.01 each in the share capital of K2 Property;

“ABN AMRO” means ABN AMRO Bank N.V.; whose address is given at page 7;

“Act” means the Companies Act 2001 of Mauritius, as amended from time to time;

“Administration Agreement” means the agreement made between the Jersey Administrator and the Company relating to the administration of the Company and dated 12 September 2006;

“Admission” means the admission of the Ordinary Shares to trading on Eurolist by Euronext;

“Advisory Group” means the Indian Advisor, the Investment Advisor and their respective parent company;

“AFM” means the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*);

“Approved Operator” means the official operator of a transfer, settlement and clearing system for shares approved by the Directors;

“Articles” means the articles of association of the Company;

“Auditor” means Pricewaterhouse Coopers CI LLP, whose address is given at page 7;

“B Shares” means the Class B shares of US \$0.01 each in the share capital of K2 Property;

“Board” means the board of directors of the Company;

“Business Day” means a day upon which clearing banks are generally open for business in Mauritius;

“C Shareholders” means the holders of the C Shares from time to time;

“C Shares” means the Class C shares of US \$0.01 each in the share capital of K2 Property;

“Capital Commitments” is the aggregate amount of capital agreed by a K2 Investor to be contributed to K2 Property by way of subscription for A Shares;

“Capital Contribution” is that portion of a Capital Commitment actually paid by a K2 Investor pursuant to a Drawdown Notice;

“Carried Interest” means the share of K2 Profits payable to the C and D Shareholders pursuant to the K2 Constitution;

“Commitment Period” is the period of 36 months from the K2 Closing Date;

“Companies Law” means the Companies (Jersey) Law 1991 as amended;

“Company” means Yatra Capital Limited, a limited liability company incorporated in Jersey;

“Constitution” means the memorandum of association of the Company and the Articles from time to time;

“D Shares” means the Class D shares of US \$0.01 each in the share capital of K2 Property;

“D Shareholders” means the holders of the D Shares from time to time;

“Depository” means Euroclear;

“Directors” means the directors of the Company;

“Dissolution Date” is the first Business Day following the fifteenth anniversary of the K2 Closing Date;

“Distributable Proceeds” is the aggregate of all dividends and other payments received from a particular Fund Investment upon sale/divestment/liquidation of such investment less the expenses incurred and/or attributable (on a *pro rata* basis) in connection with the said investment;

“Domestic Custodian” means Hong Kong and Shanghai Banking Corporation Limited, Mumbai, or such other custodian bank in India which may be appointed by K1 Investments from time to time;

“Drawdown” is the respective Capital Contribution to be made by a K2 Investor pursuant to the issuance of a Drawdown Notice;

“Drawdown Date” is the due date of the Drawdown, as mentioned in the Drawdown Notice, which shall be a date not less than 21 days after the date of the Drawdown Notice;

“Drawdown Notice” is any written notice issued by K2 Property, calling upon a K2 Investor to make a Capital Contribution from the amount of Capital Commitment not previously drawn down, within such period as may be specified in the notice;

“Eligible Investor” shall have the meaning specified in Section 11.9.5;

“ERISA” means the U.S. Employment Retirement Income Security Act of 1974, as amended;

“Euroclear ” means Euroclear Netherlands, the trade name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.;

“Eurolist by Euronext” means the regulated market of Euronext, being the cross-border exchange for trading securities operated by Euronext N.V. and its affiliates;

“Euronext N.V.” means Euronext Amsterdam N.V.;

“Extraordinary Resolution” means a resolution of the Company in general meeting or of the holders of any class of shares in the Company adopted by a majority of at least three-quarters of the votes cast at that meeting;

“FDI” or “Foreign Direct Investment” means Foreign Direct Investment under the FDI Regulations;

“FDI Regulations” means the Foreign Exchange Management (Transfer or issue of security by a person outside India) Regulations 2000 of India;

“FEMA” is the Foreign Exchange Management Act 1999 of India;

“Final Closing Date” is the date of Admission;

“Financial Year” means a period of 12 months commencing on April 1st of a year and ending on March 31st of the next calendar year on which the accounts of the Company and/or the K2 Group (as the case may be) are audited;

“Founder Shares” means the founder shares of no par value in the share capital of the Company;

“Fund” means the assets of the K2 Group attributable to the Capital Contributions made by the Company (including any Trust Units);

“Fund Investments” means investments by the Fund in VCUs, Trust Units, or Short-Term Investments;

“Funds Law” means the Collective Investment Funds (Jersey) Law 1988, as amended;

“FVCI” is a Foreign Venture Capital Investor under the FVCI Regulations;

“FVCI Regulations” means the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations 2000;

“GBL1” means the category 1 global business licence issued to K2 Property by the Mauritius FSC;

“Hurdle Rate” is the threshold rate of compound return to be achieved by K2 Investors on Net Capital Contributions which is equivalent to 11% per annum;

“Hurdle Return” means a Return to K2 Investors of K2 Profits over any given period up to but not exceeding the Hurdle Rate;

“IFRS” means International Financial Reporting Standards;

“India Advisor” means Saffron Asset Advisors Private Limited;

“Investment Advisor” means Saffron Capital Advisors Limited, whose details are set out at page 7;

“Investment Advisory Agreement” means the agreement made between K2 Property and the Investment Advisor dated 22 June 2006;

“Investment Committee” means the advisory committee outlined at Section 7.9 of this document;

“Investment Policy” means the objectives, strategies and criteria for investment and divestment by the Fund as set out in the Investment Policy Memorandum and as detailed at Section 4 of this document;

“Investment Policy Memorandum” means the memorandum approved by the K2 Board detailing the Investment Policy;

“Investor Shareholders” means the A Shareholders and the B Shareholders;

“IRR” is the annualized discount internal rate of return at which the net present value of the entity’s cash flows sum to zero, calculated in accordance with accepted industry practice;

“Jersey Administrator” means Minerva Fund Administration Limited, whose details are given on page 7;

“Jersey FSC” means the Jersey Financial Services Commission;

“K1 Investments” means K1 Property Investments Limited, a wholly-owned subsidiary of K2 Property incorporated in Cyprus;

“K2 Administration Agreement” means the agreement made between K2 Property and the K2 Administrator regarding the administration of K2 Property dated 22 June 2006;

“K2 Administrator” means Jupiter Management (Mauritius) Ltd., whose details are given on page 7;

“K2 Board” means the board of directors of K2 Property;

“K2 Closing Date” means the date of execution of the K2 Subscription Agreement;

“K2 Constitution” means the Constitution of K2 Property, as amended from time to time;

“K2 Director” means a director of K2 Property;

“K2 Group” means K2 Property and K1 Investments;

“K2 Information Memorandum” means the information memorandum dated 23 November 2006 relating to the offer by K2 Property of K2 Shares;

“K2 Investor” means a subscriber for A Shares or B Shares in K2 Property;

“K2 Profits” means any Returns in excess of Capital Contributions;

“K2 Property” means K2 Property Limited, a company incorporated in Mauritius;

“K2 Shareholder” means a holder of the K2 Shares;

“K2 Shares” means the A Shares and/or the B Shares and/or the C Shares and/or the D Shares as the case may be;

“K2 Subscription Agreement” means the Subscription Agreement to be entered into between the Company and K2 Property relating to the subscription by the Company for A Shares;

“Listing and Paying Agent Agreement” means the agreement made between the Company and ABN AMRO as summarised in section 11.18.5 of this document;

“Mauritius FSC” means the Financial Services Commission of Mauritius;

“Mauritius Law” means the Act, and any other applicable law in Mauritius;

“Minimum Holding” means, with respect to K2 Property, 5,000 A Shares;

“Net Capital Contributions” means from time to time Capital Contributions of K2 Investors less any Capital Contributions returned by way of a Return;

“Ordinary Resolution” is a resolution of Shareholders (or K2 Shareholders, as the case may be) or any class of Shareholders (or K2 Shareholders as the case may be) proposed and passed as such by a simple majority of the total number of votes cast for and against such resolution;

“Ordinary Shares” are the ordinary shares of no par value in the share capital of the Company;

“Placee” means a subscriber for Ordinary Shares pursuant to the Placing;

“Placing” means the placing by the Placing Agent of the Placing Shares at the Placing Price pursuant to the Placing Agreement and as described in this document;

“Placing Agent” means Fairfax I.S. PLC whose details are set out on page 7 of this document;

“Placing Agreement” means the agreement made between the Placing Agent and the Company relating to the Placing;

“Placing Letter” means the letter to be signed by the Placing Agent each Placee relating to the terms of the Placing;

“Placing Price” means €10 per Ordinary Share;

“Placing Shares” means the Ordinary Shares being issued under the Placing;

“Plan” and “Plan Assets” shall have the meaning given in Section 2.6.2 of this document;

“Prospectus” means this Prospectus dated 28 November 2006;

“Qualifying Investor” shall have the meaning specified in Section 9.2;

“Return” means any return of capital or income paid or available to be paid to K2 Investors by way of payment of interest on loan stock, repayment of loan stock, dividend or distribution or capital redemption or other capital or income payment relating to the K2 Shares or loan stock;

“SEBI” means the Securities and Exchange Board of India;

“Shareholder” or “Shareholders” means the holder or holders of the Ordinary Shares from time to time;

“Short Term Investments” means bank deposits, government securities, treasury bills, short-term money market mutual funds, and corporate bonds and deposits rated no lower than “A-1” by Standard & Poor’s Rating Services or “P-1” by Moody’s Investors Service Inc;

“Special Resolution” in the case of the Company, shall have the meaning given in the Companies Law and in the case of K2 Property, shall mean a resolution or written consent of the K2 Shareholders holding in person or by proxy at least 75% of the votes of K2 Shareholders entitled to vote and voting on the resolution in question;

“Stock Exchange” means any stock exchange or market which is an official or recognised stock exchange or market in the jurisdiction in which it is situated and any responsible firm, corporation or association in any part of the world dealing in a particular investment so as to provide in the opinion of the Directors a satisfactory market for the investment;

“Subscription Funds” means the proceeds of the Placing;

“Super Majority” means the resolution or written consent of a majority of K2 Shareholders of the relevant class or classes holding in person or by proxy 90% of the relevant K2 Shares of the relevant class or classes;

“Total Capital Commitments” means the aggregate Capital Commitments of all K2 Investors less any Capital Contributions that have been returned to K2 Investors as a Return;

“Trust” means the trust which may be established by the Advisory Group and registered with SEBI as a VCF which may be used by the K2 Group as a means of investing in Portfolio Companies;

“Trust Contribution Agreement” means the agreement which may be made between K1 Investments, the Trustees and the Indian Advisor whereby K1 Investments would commit to making certain capital contributions to a scheme of the Trust upon agreed terms;

“Trust Units” means units in one or more schemes of the Trust;

“Trustees” means the trustees of the Trust;

“U.S. Investment Company Act” means the U.S. Investment Company Act of 1940, as amended;

“U.S. Securities Act” means the U.S. Securities Act of 1933, as amended;

“VCF” means a venture Capital Fund registered in accordance with the VCF Regulations;

“VCF Regulations” means The Securities and Exchange Board of India (Venture Capital Fund) Regulations 1995;

“VCU” or “Portfolio Company” means a venture capital undertaking in India being a company which is a recipient or possible recipient of investment from the Fund;

“WTB” means the Dutch Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen*).

References herein to “\$”, “USD” and “Dollars” shall be to the lawful currency of the United States. References herein to “Rupees” and “Rs” shall be to the lawful currency of India. References to £, “sterling” and “Pounds” shall be to the lawful currency of the United Kingdom. References to €, “EUR” and “euros” shall be to the lawful currency of the European Community.

14. RESTRICTIONS ON DISTRIBUTION AND OTHER IMPORTANT INFORMATION

Germany: The Ordinary Shares are not available for purchase in Germany.

India: This document has not been registered with the Securities and Exchange Board of India (“SEBI”) and may not be distributed directly or indirectly in India or to Indian residents and the Ordinary Shares are not being offered and may not be sold directly or indirectly in India or to or for the account of any resident of India. The Ordinary Shares will neither be registered nor approved by SEBI nor by any other legal or regulatory authority in India.

Netherlands: This document is not addressed to or intended for any individual or legal entity in the Netherlands except (a) individuals or legal entities who or which trade or invest in investment objects in the course of a profession or trade within the meaning of the Dutch Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen*) (which includes banks, brokers, insurance companies, pension funds, other institutional investors and treasuries and financing companies of groups which are active in a professional manner in the financial markets for their own account) or (b) other persons to whom, or in circumstances where, an exemption applies pursuant to the Dutch Act on the Supervision of Collective Investment Schemes, as amended (which includes the offering of the Ordinary Shares against a subscription per investor in excess of EUR 50,000).

Republic of Italy: The offering of the Ordinary Shares has not been registered pursuant to the Italian securities legislation and accordingly the Ordinary Shares may not be offered, sold or delivered and neither the Prospectus, nor any other document or offering material relating to the Ordinary Shares, may be distributed or made available in Italy or to investors, including professional investors.

Republic of France: This Prospectus has not been submitted for approval by the Autorité des Marchés Financiers. Accordingly, neither this Prospectus nor any other material relating to the Ordinary Shares may be distributed or caused to be distributed to the public in the Republic of France. Each of the Issuer and the Placing Agent has represented and agreed that (i) it has not offered or sold and will not offer or sell directly or indirectly any Share to the public in France and (ii) offers and sales of Shares will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account or for the account of other qualified investors, all as defined in, and in accordance with, articles L411-1, L411-2, D 411-1 of the French *Code monétaire et financier* and (iii) it has not distributed and will not distribute or cause to be distributed to the public in France the Prospectus or any other offering material other than to investors to whom offers and sales of Shares in France may be made as described above.

Switzerland: The Company has not been authorised by the Swiss Federal Banking Commission as a foreign investment fund under article 45 of the Swiss Federal Act on Investment Funds of 18 March 1994, as amended. Accordingly, the Ordinary Shares may not be offered or distributed in or from Switzerland with public solicitation, i.e. to more than twenty investors in any given year, and neither this Prospectus nor any other offering material relating to the Ordinary Shares may be distributed in connection with any such offering or distribution. The Ordinary Shares may only be offered and the Prospectus may only be distributed in Switzerland (i) to institutional investors such as banks, professional security dealers, investment funds insurance companies and independent asset managers, whose assets are professionally managed, or (ii) on the basis of a written asset management agreement providing compensation in accordance with the standards of the Swiss Banking Association dealing with investment management contracts, or (iii) by a bank or a security dealer to high net worth individuals owning directly or indirectly financial assets amounting to CHF 5 million at least, on the basis of a written, general and unlimited advisory agreement.

United Arab Emirates: The Ordinary Shares are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Ordinary Shares. The promotional documentation does not constitute an offer to the public and is for the use only of the named addressee for evaluation purposes and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee’s

consideration thereof). Potential investors should not interpret the financial information contained in this Prospectus as a promise of performance. No transaction will be concluded in the UAE and any inquiries regarding the Ordinary Shares should be made to the Jersey Administrator, Minerva Fund Administration Services Limited, whose details are set out on page 7 of this document.

United Kingdom: The contents of this document have not been approved by a person authorised by the Financial Services Authority (“FSA”) for the purposes of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”), and is made available in the United Kingdom only on the basis of certain exemptions pursuant to the FSMA. If these exemptions are not applicable then this document would require approval for the purposes of Section 21 FSMA.

Investing in the Ordinary Shares may expose you to a significant risk of losing all the property invested and if you are in doubt about the investment to which this invitation or inducement relates you should consult an authorised person specialising in advising on investments of the kind in question.

This document is (a) communicated to persons who receive the document outside the United Kingdom in accordance with Article 12(1)(a) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “FP Order”) and (b) communicated to or directed at persons in the United Kingdom who fall within an exemption contained in the FP Order or are otherwise persons to whom this document may be communicated under the rules of the Financial Services Authority. This document is not directed at, and must not be acted on or relied on by, any other persons. Accordingly, this document is communicated in the United Kingdom on the basis of the following exemptions (“Exemptions”):

Investment Professionals

This communication is being made to you in reliance on your status as an investment professional on which basis you are informed that:

- (a) this communication is directed at persons having professional experience in matters relating to investments and the investments to which this communication relates are available only to such persons (or to other persons to whom this communication may lawfully be communicated); and
- (b) unless another exemption applies, persons who do not have professional experience in participating in matters relating to investments (or such other persons) should not rely on this communication.

High Net Worth Companies, Unincorporated Associations etc.

This document is being sent to you in reliance on your status as a high net worth company, unincorporated association etc. on which basis you are informed that:

- (a) this communication is directed at persons who are high net worth bodies corporate, associations, partnership, trustees of high value trusts and other persons of the kind described in Article 49(2) of the FP Order and the Ordinary Shares are only being made available to such persons (or to other persons to whom this communication may lawfully be communicated); and
- (b) unless another exemption applies, persons other than those of a kind described in Article 49(2) of the FP Order should not rely on this communication.

Certified Sophisticated Investors

This document is being communicated to you in reliance on your status as a certified sophisticated investor, on which basis you are informed that:

- (a) this communication is directed at persons who are Certified or Self-Certified Sophisticated Investors as described in Articles 50(1) and 50(A)(i) of the FP Order and on those grounds it is exempt from the general restriction on financial promotions in section 21 of the FSMA on the grounds that it is made to a Certified or Self-Certified Sophisticated Investor and the investment to which this communication relates is available only to such persons (or to persons to whom this communication may lawfully be communicated);

- (b) in order to qualify as a Certified Sophisticated Investor you must have a current certificate signed by a person authorised by the Financial Services Authority to the effect that you are significantly knowledgeable to understand the risks associated with these types of investment and you must have signed within the last twelve months a statement in the terms set out in Article 50(1)(b) of the FP Order;
- (c) in order to qualify as a Self-Certified Sophisticated Investor you must have a current statement to the effect that you are a Self-Certified Sophisticated Investor for the purposes of the FP Order, that you understand that you can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority, that the contents of such financial promotions may not conform to rules issues by the Financial Services Authority, that by signing such a statement you may lose significant rights, that you may have no right to complain to either the Financial Services Authority or the Financial Ombudsman Scheme respectively, and may have no right to seek compensation from the Financial Services Compensation Scheme, and that you are either (i) a member of a network or syndicate of business angels and have been so for the last six months, or (ii) that you have made more than one investment in an unlisted company in the two previous years or (iii) you are working or have worked in the previous two years in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises, or (iv) you are currently or have been in the two previous years a director of a company with an annual turnover of at least £1 million and that you accept you can lose your property and other assets from making investment decisions based on financial promotions;
- (d) unless a known exemption applies, persons other than those of a kind described in Articles 50(i) or 50(A)(i) of the FP Order should not rely on this communication.

Certified High Net Worth Individuals

This document is being communicated to you in reliance on your status as a Certified High Net Worth Individual, on which basis you are informed that:

- (a) this communication is directed at persons who are Certified High Net Worth Individuals as described in Article 48(2) of the FP Order, and on those grounds it is exempt from a general restriction in Section 21 of the FSMA on financial promotions;
- (b) in order to qualify as a Certified High Net Worth Individual you must have a current statement declaring that you are a Certified High Net Worth Individual for the purposes of the FP Order, that you understand that this means that you can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority, that the contents of such financial promotions may not conform to rules issued by the Financial Services Authority, that by signing this statement you may lose significant rights, that you may have no right to complain to either the Financial Services Authority or the Financial Services Ombudsman Scheme, or any rights to seek compensation from the Financial Services Compensation Scheme. Further, that you are a Certified High Net Worth Individual because either (i) you had during the immediately preceding financial year an annual income to the value of £100,000 or more, or (ii) you held throughout the immediately preceding financial year net assets to the value of £250,000 or more, and that you accept you can lose your property and other assets from making investment decisions based on financial promotions;
- (c) unless another exemption applies, persons other than those of a kind described in Article 48(2) of the FP Order should not rely on this communication.

Investors are advised that the protections afforded by the United Kingdom regulatory system may not apply to an investment in the Ordinary Shares and that compensation will not be available under the United Kingdom Investors' Compensation Scheme.

United States: the Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("the U.S. Securities Act") or the securities laws of any of the states of the United States. No public market exists in the United States for the Ordinary Shares and it is not expected that such a public market will develop. The Ordinary Shares may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any U.S. Persons (as

defined in Regulation S under the Securities Act (“Regulation S”)) except pursuant to certain exemptions to persons who are “qualified institutional buyers” (as defined in Rule 144A under the US Securities Act) that are also “qualified purchasers” (as defined in the U.S. Investment Company Act and related rules). For additional transfer, resale and holding restrictions, see Section 9 entitled “Transfer and Holding Restrictions”. In addition, the Company has not been and will not be registered under the U.S. Investment Company Act, and investors will not be entitled to the benefits of that Act. The Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Enforceability of Judgments and the Effect of Foreign Law

The Company is a Jersey limited company. Its offices are located outside of the United States, and its directors, officers and the experts named in this Prospectus reside outside the United States. In addition, substantially all of the assets of the Company and the assets of the Company’s directors, officers and experts are located outside of the United States. As a result, an investor may have difficulty serving legal process within the United States upon us or any of these persons. It may be difficult for such an investor to enforce judgments obtained in United States courts against the Company’s assets located outside the United States, and to enforce judgments obtained in United States courts against the Company’s directors, officers and non-United States experts.

Notice to New Hampshire Residents

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire revised statutes, annotated, 1955, as amended, with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

Special Notice to Florida Investors

The following notice is provided to satisfy the notification requirement set forth in subsection 11(A)(5) of Section 517.061 of the Florida Statutes, 1987, as amended:

Upon the acceptance of five (5) or more Florida investors, and if the Florida investor is not a bank, a trust company, a savings institution, an insurance company, a dealer, an investment company as defined in the Investment Company Act of 1940, as amended, a pension or profit-sharing trust, or a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended), the Florida investor acknowledges that any sale of an Ordinary Share to the Florida investor is voidable by the Florida investor either within three days after the first tender of consideration is made by the Florida investor to the issue, or an agent of the issuer, or within three days after the availability of that privilege is communicated to the Florida investor, whichever occurs later.

Special Notice to Georgia Investors

The ordinary shares will be sold in reliance on the exemption from securities registration contained in paragraph 13 of code section 10-5-9 of the Georgia Securities Act of 1973, and may not be sold or transferred except in a transaction which is exempt from such act or pursuant to an effective registration under such act.

Generally: the distribution of this Prospectus and the offering of Ordinary Shares may be restricted in certain jurisdictions. The above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to purchase Ordinary Shares to

inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

Neither the Company nor any of its agents has any responsibility for any purchase, offer or sale of Ordinary Shares by any person other than the Placing Agent and the Company.

ANNEX ONE

Information Memorandum for K2 Property Limited

K2 PROPERTY

– India Property Fund

Information Memorandum

This Document Is Important

This Information Memorandum is issued by K2 Property Limited whose details appear on page 11 of this document (the “Company”). To the best of the knowledge of the directors of the Company (“Directors”), having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is in accordance with the facts as at the date of this Information Memorandum and does not omit anything likely to affect the import of such information. The Directors accept responsibility for the information contained in this Information Memorandum accordingly.

All information contained in the Information Memorandum has been verified so as to ensure that, to the best of the knowledge and belief of the Directors, it is clear, fair and not misleading.

This Information Memorandum relates to an offer to subscribe for shares in the Company. Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of any such subscription including the risk involved. Prospective investors should not treat the contents of this Information Memorandum as advice relating to legal, taxation or other matters and are advised to consult their own professional advisers. Potential investors in any doubt about the proposal discussed in this Information Memorandum, its suitability, or what action should be taken, should consult a financial adviser, stockbroker, bank manager, accountant or other independent adviser.

Your attention is drawn to the section headed “Risk Factors” on page 54.

The shares being issued by the Company which are the subject of the Offer contained in this Information Memorandum (“Securities”) are offered solely on the basis of the information and representations contained in this Information Memorandum and any further information given or representations made by any person may not be relied upon as having been authorised by the Company or the Directors. Neither the delivery of this Information Memorandum nor the allotment or issue of Securities shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof.

The Company is an investment company incorporated in the Republic of Mauritius and holds a category 1 Global Business Licence issued by the Financial Services Commission of Mauritius (“FSC”). However, in granting this licence, the FSC does not vouch for the financial soundness of the Company or the correctness of any statement made or opinion expressed with regard to the Company in this Information Memorandum. The FSC has not approved the contents of this Information Memorandum or the merits of an investment in the Securities. Moreover the investment activities of the Company will not be overseen by the Financial Services Commission of Mauritius.

Investment in the Securities is only suitable for investors who are aware of and understand the risks involved and are able to withstand the loss of their invested capital. The Company’s investments will be subject to normal market fluctuations and the risks inherent in all investments and there are no assurances that appreciation will occur. Prospective investors should be aware that investment in India may carry a relatively high degree of risk compared to more developed markets. The value in terms of US Dollars of the underlying investments of the Company, which will generally be designated in Rupees, may rise and fall due to exchange rate fluctuations between US Dollars and Rupees. Investors may not realise the value of their initial investment and investment in the Company should be regarded as a long-term investment.

Certain information contained in this Memorandum constitutes “forward-looking statements”, which can be identified by the use of forward-looking terminology, such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend” or “believe” or the negatives thereof or other variations thereon or comparable technology. Due to the various risks and uncertainties (including those described in Section 9 – Risk Factors) actual events or results or the actual performance of the Company may differ materially from those reflected or contemplated in such forward-looking statements.

Statements made in this Information Memorandum are based, as they relate thereto, upon the law and practice currently in force in the relevant jurisdictions, and are subject to changes therein.

Restrictions on Distribution:

Germany: The Securities are not available for purchase in Germany.

India: This document has not been registered with the Securities and Exchange Board of India (“SEBI”) and may not be distributed directly or indirectly in India or to Indian residents and the Securities are not being offered and may not be sold directly or indirectly in India or to or for the account of any resident of India. The Securities will neither be registered nor approved by SEBI nor by any other legal or regulatory authority in India.

Netherlands: This document is not addressed to or intended for any individual or legal entity in the Netherlands except (a) individuals or legal entities who or which trade or invest in securities in the course of a profession or trade within the meaning of the Dutch securities legislation (which includes banks, brokers, insurance companies, pension funds, other institutional investors and treasuries and financing companies of groups which are active in a professional manner in the financial markets for their own account) or (b) other persons to whom, or in circumstances where, an exemption applies pursuant to the Act on the Supervision of Collective Investment Schemes, as amended (which includes the offering of the Securities against a subscription per investor in excess of EUR 50,000).

Republic of Italy: The offering of the Securities of the Fund has not been registered pursuant to the Italian securities legislation and accordingly the Securities may not be offered sold or delivered and neither the Information Memorandum, nor any other document or offering material relating to the Securities, may be distributed or made available in Italy or to investors, including professional investors.

Republic of France: This Information Memorandum has not been submitted for approval by the Autorité des marchés financiers. Accordingly, the Securities will not be offered or sold directly or indirectly in the Republic of France and neither this Information Memorandum nor any other material relating to the Securities may be distributed or caused to be distributed to the public in the Republic of France.

Switzerland: The Company has not been authorized by the Swiss Federal Banking Commission as a foreign investment fund under article 45 of the Swiss Federal Act on Investment Funds of 18 March 1994, as amended. Accordingly, the Securities may not be offered or distributed in or from Switzerland with public solicitation, i.e. to more than twenty investors in any given year, and neither this Information Memorandum nor any other offering material relating to the Securities may be distributed in connection with any such offering or distribution. The Securities may only be offered and the Information Memorandum may only be distributed in Switzerland (i) to institutional investors such as banks, professional security dealers, investment funds insurance companies and independent assets managers, whose assets are professionally managed, or (ii) on the basis of a written asset management agreement providing compensation in accordance with the standards of the Swiss Banking Association dealing with investment management contracts, or (iii) by a bank or a security dealer to high net worth individuals owning directly or indirectly financial assets amounting to CHF 5 millions at least, on the basis of a written, general and unlimited advisory agreement.

United Arab Emirates: The Securities are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Securities. The promotional documentation does not constitute an offer to the public and is for the use only of the named addressee for evaluation purposes and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee’s consideration thereof). Potential investors should not interpret the financial information contained in this Information Memorandum as a promise of performance. No transaction will be concluded in the UAE and any inquiries regarding the Securities should be made to the Administrator, Jupiter Management (Mauritius) Limited, whose details are set out on page 11 of this document.

United Kingdom: The contents of this document have not been approved by a person authorised by the Financial Services Authority (“FSA”) for the purposes of section 21 of the Financial Services and Markets Act 2000 (“FSMA”), and is made available in the United Kingdom only on the basis of certain exemptions pursuant to the FSMA. If these exemptions are not applicable then this document would require approval for the purposes of Section 21 FSMA.

Subscribing for the Securities may expose you to a significant risk of losing all the property invested and if you are in doubt about the investment to which this invitation or inducement relates you should consult an authorized person specializing in advising on investments of the kind in question.

This document is (a) communicated to persons who receive the document outside the United Kingdom in accordance with Article 12(1)(a) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “FP Order”) and (b) communicated to or directed at persons in the United Kingdom who fall within an exemption contained in the FP Order or are otherwise persons to whom this document may be communicated under the rules of the Financial Services Authority. This document is not directed at, and must not be acted on or relied on by, any other persons. Accordingly, this document is communicated in the United Kingdom on the basis of the following exemptions (“Exemptions”):

Investment Professionals

This communication is being made to you in reliance on your status as an investment professional on which basis you are informed that:

- (a) this communication is directed at persons having professional experience in matters relating to investments and the investments to which this communication relates are available only to such persons (or to other persons to whom this communication may lawfully be communicated); and
- (b) unless another exemption applies, persons who do not have professional experience in participating in matters relating to investments (or such other persons) should not rely on this communication.

High Net Worth Companies, Unincorporated Associations etc.

This document is being sent to you in reliance on your status as a high net worth company, unincorporated association etc. on which basis you are informed that:

- (a) this communication is directed at persons who are high net worth bodies corporate, associations, partnership, trustees of high value trusts and other persons of the kind described in Article 49(2) of the FP Order and the Securities are only being made available to such persons (or to other persons to whom this communication may lawfully be communicated); and
- (b) unless another exemption applies, persons other than those of a kind described in Article 49(2) of the FP Order should not rely on this communication.

Certified Sophisticated Investors

This document is being communicated to you in reliance on your status as a certified sophisticated investor, on which basis you are informed that:

- (a) this communication is directed at persons who are Certified or Self-Certified Sophisticated Investors as described in Articles 50(1) and 50(A)(i) of the FP Order and on those grounds it is exempt from the general restriction on financial promotions in section 21 of the FSMA on the grounds that it is made to a Certified or Self-Certified Sophisticated Investor and the investment to which this communication relates is available only to such persons (or to persons to whom this communication may lawfully be communicated);
- (b) in order to qualify as a Certified Sophisticated Investor you must have a current certificate signed by a person authorised by the Financial Services Authority to the effect that you are significantly knowledgeable to understand the risks associated with these types of investment and you must have signed within the last twelve months a statement in the terms set out in Article 50(1)(b) of the FP Order;
- (c) in order to qualify as a Self-Certified Sophisticated Investor you must have a current statement to the effect that you are a Self-Certified Sophisticated Investor for the purposes of the FP Order, that you understand that you can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority, that the contents of such financial promotions may not conform to rules issued by the Financial Services Authority, that by signing such a statement you may lose significant rights, that you may have no right to

complain to either the Financial Services Authority or the Financial Ombudsman Scheme respectively, and may have no right to seek compensation from the Financial Services Compensation Scheme, and that you are either (i) a member of a network or syndicate of business angels and have been so for the last six months, or (ii) that you have made more than one investment in an unlisted company in the two previous years or (iii) you are working or have worked in the previous two years in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises, or (iv) you are currently or have been in the two previous years a director of a company with an annual turnover of at least £1 million and that you accept you can lose your property and other assets from making investment decisions based on financial promotions;

- (d) unless a known exemption applies, persons other than those of a kind described in Articles 50(i) or 50(A)(i) of the FP Order should not rely on this communication.

Certified High Net Worth Individuals

This document is being communicated to you in reliance on your status as a Certified High Net Worth Individual, on which basis you were informed that:

- (a) this communication is directed at persons who are Certified High Net Worth Individuals as described in Article 48(2) of the FP Order, and on those grounds it is exempt from a general restriction in Section 21 of the FSMA on financial promotions;
- (b) in order to qualify as a Certified High Net Worth Individual you must have a current statement declaring that you are a Certified High Net Worth Individual for the purposes of the FP Order, that you understand that this means that you can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority, that the contents of such financial promotions may not conform to rules issued by the Financial Services Authority, that by signing this statement you may lose significant rights, that you may have no right to complain to either the Financial Services Authority or the Financial Services Ombudsman Scheme, or any rights to seek compensation from the Financial Services Compensation Scheme. Further, that you are a Certified High Net Worth Individual because either (i) you had during the immediately preceding financial year an annual income to the value of £100,000 or more, or (ii) you held throughout the immediately preceding financial year net assets to the value of £250,000 or more, and that you accept you can lose your property and other assets from making investment decisions based on financial promotions.
- (c) unless another exemption applies, persons other than those of a kind described in Article 48(2) of the FP Order should not rely on this communication.

Investors are advised that the protections afforded by the United Kingdom regulatory system may not apply to an investment in the Securities and that compensation will not be available under the United Kingdom Investors' Compensation Scheme.

This document is not a "prospectus" for the purposes of the FSMA as it is exempt for the purposes of Section 86 of the FSMA on the grounds that the minimum consideration to be paid for Securities is in excess of 50,000 euros or the equivalent amount.

United States: the Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("the 1933 Act") or the securities laws of any of the states of the United States. Subject to certain exceptions, the Securities may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any U.S. Persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Company has not been and will not be registered under the U.S. Investment Company Act of 1940, and investors will not be entitled to the benefits of that Act. The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of this Information Memorandum. Any representation to the contrary is a criminal offence in the United States.

Generally: the distribution of this Information Memorandum and the offering of Securities may be restricted in certain jurisdictions. The above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Information Memorandum and wishing to make application for Securities to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Securities should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

This Information Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

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1. PRINCIPAL FEATURES

1.1 Overview

The Indian economy has grown on average at over 6% per annum in the last few years¹. The impact of this economic growth on Indian real estate has been dramatic, with the sector expected to grow from US \$12b today to over US \$40b in the next 5 years².

The share capital of the Company will be used to establish a seven year real estate opportunity fund to invest in and profit from the rapidly growing real estate sector in the buoyant Indian economy, and to take advantage of recent changes resulting from India's liberalization programme which for the first time allows for direct foreign investment ("FDI") in the Indian property sector.

It is intended that the Fund will be invested in various asset classes across the real estate sector – including residential, commercial, IT, retail, hospitality and healthcare, but with a focus on residential and integrated development projects falling within the current FDI guidelines in urban centres throughout India.

The aim will be for the Fund to benefit its investors by making investments that present scope for value accretion, and by returning an IRR of at least 25%.

The Advisory Group and Investment Committee have significant experience in real estate development and investment, both internationally and within India. This experience when applied to the opportunities in the market should enable investors in the Fund to achieve an exceptional investor return.

The total size of the Fund is anticipated to be between US \$100m and US \$300m. External borrowing at investment level is likely to increase the total funds to be applied by the Fund to between US \$200m and US \$900m.

1.2 Structure

K2 Property Limited is a limited liability company incorporated in Mauritius with a wholly owned subsidiary, K1 Property Investments Limited, incorporated in Cyprus ("K1 Investments").

It is proposed that the Company will, through its subsidiary K1 Investments, subject to applicable legal regulatory and tax considerations, make permissible portfolio investments in equity-linked instruments of companies established to carry out real estate development, ownership and exploitation across India ("Portfolio Companies").

K1 Investments will apply to be registered as a Foreign Venture Capital Investor under the Securities and Exchange Board of India ("SEBI") (FVCI) Regulations, 2000. Subject to and depending on the relevant regulatory approvals being obtained, the Company and its subsidiary, K1 Investments ("Group"), may also invest in one or more segregated portfolios (known as "Schemes"), of a trust in India which will be registered as a Venture Capital Fund ("VCF") under the SEBI (VCF) Regulations, 1995 ("Trust"). This Trust will in turn make investments in Portfolio Companies.

The Company will be advised by Saffron Capital Advisors Limited, the Investment Advisor in Mauritius, and an Investment Committee.

¹ Statistical Outline- of India - Page 1, Statistical Outline of India, 2004-05, Tata Services Limited

² Merrill Lynch India Economics Report titled 'Retailing & Real Estate – Future Growth Lies Here'

1.3 Investment Objective Policies

The primary objective of the Fund will be to achieve capital growth for Investors in excess of 25% per annum through the development, ownership and exploitation of high quality residential, commercial and retail properties in India. Investments will be diversified across different asset classes and locations within India, between shorter-term development and longer-term development and yield-based opportunities, with a blend of projects offering different risk-reward relationships, and projects involving more active and more passive involvement. The detailed investment strategy and policies for the Fund are set out in Section 4 at pages 21 to 28. The base currency for the Fund will be US Dollars.

1.4 Offer of Subscription and Use of Funds

The Company is offering subscription for up to 3 million Class A Shares of US\$0.01 in the Company at a price of US\$100 per Share, is seeking aggregate capital commitments of at least US \$90 million from qualified investors, and expects to close the Offer by 30 November 2006. Subscription funds will be drawn down on an as needed basis to finance Fund Investments, pay fees and expenses, and establish reserves for expenses and liabilities. After the third anniversary of the Initial Closing Date, Capital Commitments will not be drawn down to finance Fund Investments unless as a result of a binding commitment to invest made prior to that date.

1.5 Advisory Group

The Advisory Group consists of Saffron Capital Advisors Limited (the Investment Advisor to the Company), Saffron Asset Advisors Private Limited (incorporated in India) and their respective parent company, Saffron Capital Securities Limited. The Advisory Group and its management team combine real estate experience in India both within India and internationally, and a proven history of value creation. Excellent relationships have already been put in place by the Advisory Group with key stakeholders within the Indian real estate sector.

The Advisory Group has access to a strong flow of Indian real estate investment opportunities with the potential to create significant returns for Investors through its network of relationships in the sector, and has already identified a number of potential investment targets requiring funds in the region of US \$500m.

1.6 Fees and Expenses

The Advisory Group will be paid ongoing annual advisory fees equivalent to 2% of Total Capital Commitments. The Advisory Group will also be entitled to be reimbursed up to 1% of Total Capital Commitments for the establishment costs of the Group, and will also be entitled to a 20% share of all profits of the Fund once investors have achieved their 11% IRR Hurdle Rate. The Company will be responsible for the payment of the ongoing operational expenses of the Group including any placement fees, director fees, trustee fees and fees payable to the Administrator and members of the Investment Committee. For more information on fees and expenses, please see Section 10.10 at page 74.

1.7 Distribution Policy and Exit

It is intended that all capital or income returned to the Group from its investments in the Trust and/or any Portfolio Company net of any sums required to be set aside for fees and expenses should be distributed to Investors at the earliest available opportunity. However, the Board may decide to reinvest the capital of the Group with a view to making significant additional returns over a relatively short time frame, and provided that in the view of the Investment Committee the reinvestment would provide additional returns to Investors within the existing term of the Fund. It is intended that the Fund will be wound up within a twelve month period following the expiry of seven years. For further information on the distribution policy, please see Section 10.9 at page 73.

1.8 **Taxation**

Investors should be aware that India is a relatively highly-taxed and highly-regulated environment and that Portfolio Companies in India will be subject to customary levels of taxation in India. Notwithstanding this, the Fund has been designed so as to be relatively tax efficient for investors (although no assurance can be given that any of the tax benefits contemplated in this document can be achieved). Please see pages 47 to 52 for further information.

Please note that definitions of terms used in this document are set out at page 80.

2. PARTIES AND ADVISORS

The Company

K2 Property Limited
2nd Floor, Prisma House
4 Buswell Avenue
Quatre-Bornes
Mauritius

Administrator of the Company

Jupiter Management (Mauritius) Limited
2nd Floor, Prisma House
4 Buswell Avenue
Quatre-Bornes
Mauritius

The Subsidiary

K1 Property Investments Limited
Cassandra Centre 201/202
29 Theklas Lyssioti Street
3030 Limassol
Cyprus

Advisory Group

Investment Advisor to the Company:

Saffron Capital Advisors Limited
2nd Floor, Prisma House
4 Buswell Avenue
Quatre-Bornes
Mauritius

Advisor in India:

Saffron Asset Advisors Private Limited
3rd Floor, Khanna Construction House
44 RG Thadani Marg
Worli Mumbai 400 018
India

Legal Advisers

India:

Nishith Desai Associates
93-B Mittal Court
Nariman Point
Mumbai 400 021
India

United Kingdom:

Mishcon de Reya
Summit House
12 Red Lion Square
London WC1R 4QD

Mauritius:

T Mukund Gujadhur
River Court
St Denis Street
Port Louis
Mauritius

Auditors and Accountants

Mauritius:

Pricewaterhouse Coopers
Training Centre
Champ le Mars
Port Louis
Mauritius

India:

N A Shah Associates
65-C Mittal Tower
Nariman Point
Mumbai 400 021
India

BankersC

HSBC Bank (Mauritius) Limited
5th Floor
Les Cascades
Edith Cavell Street
Port Louis
Mauritius

Further details of parties are set out on pages 35 to 39.

3. INVESTING IN INDIAN REAL ESTATE

3.1 India as an Investment Destination

3.1.1 *Growth Economy*

The current business environment in India features strong economic growth, characterized by increasing prominence of service and knowledge-based industries, and increasing flows of foreign investment.

With GDP growth of around 8.4% for 2006³, India may now be characterised as one of the high growth economies, with faster growth than both many Asian counterparts such as Malaysia, Thailand, and Philippines, and developed economies such as the United States and United Kingdom⁴. According to the World Bank, India is now the fourth largest national economy on the basis of its “purchasing power parity”⁵.

A recent report has identified India together with Brazil, China and Russia, as the key potential global growth economies, and predicts that within half a century this group could outstrip the currently dominant members of the global economy (US, Britain, France, Japan, Germany and Italy), in terms of economic size. According to this report, India has the potential to grow at average rates higher than 5% per annum over the next 30 years. At this rate, the Indian economy is expected to overtake Italy by around 2016, Germany by around 2023 and Japan by 2032⁶.

Notwithstanding this high growth, inflation is relatively stable at around 5%⁷ and current interest (“repo”) rates are relatively low at around 6%⁸. This has resulted in a stronger and more stable currency with limited currency fluctuation.

Significant changes have taken place in the Indian economy since the early nineties. These include liberalized foreign investment and exchange regimes, significant reductions in tariffs and other trade barriers, reform and modernization of the financial sector, and significant adjustments in government monetary and fiscal policies. These liberalisations and reforms have continued (and gathered increasing momentum) through the recent change in government, and India is now increasingly seen as consistently moving towards further liberalisation and economic growth.

³ Reserve Bank of India – Press Release: “RBI releases Annual Report for 2005-06. Assessment of 2005-06.”

⁴ CIA Factbook – “Rank Order – GDP – real growth rate” <https://www.cia.gov/cia/publications/factbook/rankorder/2003rank.html>

⁵ CIA Factbook – “Rank Order – GDP – purchasing power parity” <http://www.cia.gov/cia/publications/factbook/rankorder/2001rank.html>

⁶ Goldman Sachs – “Dreaming with BRICs: The Path to 2050” page 19 www.gs.com/insight/research/reports/1010.pdf

⁷ Indian Business - India’s Business Climate “Economy” pages 1 and 2. <http://www.indiainbusiness.nic.in/business-climate/eo-trends.htm> and <http://indiabudget.nic.in/es2004-05/chapt2005/chap11.htm>, Points 1.9 & 1.10

⁸ Indian Business - India’s Business Climate “Economy” pages 1 and 2. <http://www.indiainbusiness.nic.in/business-climate/eo-trends.htm> and dollarDEX article entitled “Interest rates up in India” at <http://www.dollardex.com/sg/index.cfm?current+../contents/indiafeb06&contentID=2599>

3.1.2 *Global Services Hub*

The services sector is expected to be a major driver of economic growth in India. The contribution this sector makes to GDP in India has consistently grown from 43% in the mid-nineties to around 51% in 2003-04⁹. India's competitive edge in services is its large pool of English speaking well-educated workforce, with over 300 universities, and around 3 mn graduates produced every year¹⁰. This significant manpower advantage has resulted in India emerging as a major destination for outsourcing of R&D, IT and BPO services, and has made India a world leader in IT and BPO offshore outsourcing, capturing 46% of the total BPO business worldwide¹¹. Going forward, India is expected to maintain its lead, with IT and BPO services revenues expected to reach a level of USD 77 bn (Rs. 3,388 bn) by 2008¹².

3.1.3 *Investing in India*

The thriving and relatively stable Indian economy, combined with recent economic reforms, have led to significant increases in foreign investment. Foreign Direct Investment, or "FDI" is recognized as one of the important drivers of economic growth of the country, and the Indian Government has taken a number of steps to attract and facilitate further FDI inflows. FDI is now allowed in all key sectors of the economy and for many subsectors with no prior regulation approval required. However, FDI remains restricted in certain key sectors such as retail trade, agriculture plantation, real estate, insurance, banking and aviation. FDI inflows have increased significantly over the last 10 years, amounting to around US\$5.3 bn in 2004, and around US\$6 bn in 2005¹³.

3.2 **Growth Drivers for Real Estate**

The real estate sector is a key beneficiary of India's economic liberalization process. The growing economy, rationalization of lending rates, increased income and growing consumption have directly impacted the \$12 bn real estate sector, which is poised to grow to over US\$40 bn within the next five years¹⁴.

Strong economic performance across a large number of sectors is increasing corporate and personal incomes, leading to sustained buoyancy in demand for office space, housing, and properties for retail and other sectors such as health care and hospitality.

Until recently, the real estate sector in India was considered a "non-industrial sector", known for high transaction costs, lack of transparency and poor performance from developers. However, several developments and trends have acted as catalysts in transforming the sector.

Aside from the buoyant Indian economy, the key drivers for the growth and development of the real estate industry in India include the following:

⁹ Statistical Outline of India - Page 1, Statistical Outline of India, 2004-05, Tata Services Limited

¹⁰ India Brand Equity Foundation - page 1 at <http://www.ibef.org/resource/quickfacts.aspx>, and India Study Center at page 1 at <http://www.indiastudycenter.com/univ/list.htm> and page 30 of "Current State of the Indian Economy" published by the Federation of Indian Chambers.

¹¹ NASSCOM - http://www.nasscom.org/artdisplay.asp?cat_id=7101 and http://www.nasscom.org/artdisplay.asp?cat_id=811#1, and <http://www.redherring.com/Article.aspx?a=14850&hed=India+Outsourcing+to+Grow+10X> and http://www.nasscom.org/artdisplay.asp?cat_id=762

¹² Technology News: India's Outsourcing Boom at <http://www.dotnetspider.com/news/ShowNews.aspx?NewsId=5>

¹³ Standard and Poor's - <http://www2.standardandpoors.com>

¹⁴ Merrill Lynch India Economics Report titled 'Retailing & Real Estate – Future Growth Lies Here' page 12

3.2.1 *Changing Demographics*

The 300 million strong middle class population in India has been continuing to grow in recent years, resulting in higher disposable incomes, and greater demand for homes, goods and services¹⁵. Per capita income in India grew 10.3% in 2003/4, with this level of growth generally regarded as being sustainable over at least the medium term¹⁶.

India also has one of the youngest populations in the world, with 54% of the population under 25, and 70% at less than 35, implying that a comparatively large number of people will be added to the workforce by the year 2009¹⁷.

The Directors believe that improvements in education and opportunity, and increasing prosperity should continue to drive the economy generally. Social changes leading to a movement away from single-household extended families should in particular drive demand for housing and household goods.

3.2.2 *Increased Participation by Financial Institutions*

With the recent significant decreases in interest rates, and improvements to the stamp duty regime, banks and housing finance companies have become more active in servicing the housing and commercial property requirements of their clients. The process of applying for loans has been simplified, and the attitude to lending generally has become more positive, leading to 100% growth in the retail loan market, from US\$10 billion in 2001/2 to US\$22.8 bn in 2003/4¹⁸. This rapid growth has contributed in particular to demand in the residential real estate sector.

Notwithstanding this growth, penetration of mortgage lending and credit card financing is relatively low, at less than 2%, which suggests the potential for much further sustainable growth in the future¹⁹.

3.2.3 *Changing Profile of Developers/Builders*

The corporatisation of many real estate developers and builders has resulted in greater organisation and transparency. Leading corporates such as GESCO, Mahindra and ITC have now made their entry into the sector and are developing projects all over India using international quality construction and maintenance practices. Banks have also played an important role in this process, by increasing the availability of funds to this new breed of developers.

3.2.4 *Government Initiatives*

Until recently, the growth in the real estate sector in India was hampered by legal and institutional rigidities, fiscal constraints, spatial development limitations and organizational bottlenecks. These included the Urban Land Ceiling and Regulation Act (ULCRA), Rent Control laws, a complicated stamp duty regime, antiquated land records, outdated building plan approval processes, and lack of co-ordination among relevant agencies.

¹⁵ The Christian Science Monitor - <http://www.csmonitor.com/2005/010210/p01s04-wosc.html>, and <http://www.ibef.org/economy/consumermarket.aspx>

¹⁶ India Business Equity Foundation - Page 15, Statistical Outline of India, 2004-05, Tata Services Limited

¹⁷ See Frontline article "Does demography advantage India" at <http://www.flonnet.com/fl2301/stories/20060127004010500.htm> and see <http://www.rediff.com/news/2004/feb/04inter.htm> and see publication by Primary Real Estate Advisors Private Limited entitled "Changes in Indian Economy Impacting Real Estate Sector" page 9

¹⁸ India Business Equity Foundation - <http://www.ibef.org/economy/consumermarket.aspx> page 2 paragraph 7

¹⁹ ICICI Bank – see page 10 <http://www.icicibank.com/pfsuser/aboutus/investorelations/investorpresentation/ppt/annual030502.ppt#10>

National and local government are now playing a significant role in the development of the real estate industry. Recent key measures include the provision of tax incentives, the rationalisation of stamp duty and the computerization of land records. There are also initiatives to modify rental and urban land ceilings, and to rationalise property taxes generally.

The positive government attitude and recent liberalisation initiatives have dramatically eased Foreign Direct Investment into the sector, prompting a rush amongst foreign developers, and other foreign investment funds.

These growth drivers have led India to become an exciting destination for real estate investment.

3.3 Real Estate Opportunities in India

The Indian real estate sector is expected to grow at an annual rate of 30%²⁰, with steady growth in commercial space, residential properties, and property for retail and other purposes such as hospitality and healthcare. Yields in India for “A” grade commercial and retail real estate range between 8% and 13%²¹ per annum (alongside attractive capital appreciation), thereby making sector returns relatively lucrative when compared with some of the developed western economies.

The various investment opportunities across the real estate sub-sectors include the following:-

3.3.1 Residential Real Estate

The residential sub-sector constitutes 80% of Indian real estate with estimated growth at 35% per annum²². The growth in the BPO/IT sector, increasing disposable incomes, a pro-housing tax regime, low interest rates and increased availability of mortgage finance have served to generate further demand for mid and high-value apartments.

India has a fairly low mortgage penetration (around 2% mortgage-to-GDP ratio in India compared to more than 50% in the USA)²³, which indicates further potential for growth. According to CRISIL research, India’s home financing market is expected to grow by almost 30% in 2005/6²⁴. A strong mortgage market, with interest rates stabilized at approximately 9.25% for a 10 year mortgage²⁵, growing savings rates and changing demographics also mean that more people are entering the “home buyer” category at a relatively younger age.

There is currently a shortage of 19.4 million housing units with an estimated US\$25 bn of additional investment required²⁶. Due to high demand for land across the country, residential prices are increasing, with values of peripheral metropolitan locations rising because of scarcity of land in central locations. Development of planned satellite towns and suburbs is also increasing. It is estimated that the urban housing sector in India will require investment amounting to US\$ 25 bn (Rs. 1,100 bn) over the next five years²⁷.

²⁰ See pages 13-14 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

²¹ Outlook Publications - <http://www.outlookmoney.com/scripts/IIH021C1.asp?sectionid=10&categoryid=1&articleid=411010>

²² See pages 13 and 14 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

²³ HDFC - <http://www.hdfc.com/pdf/HDFC-IUHF04.pdf> page 3 para 3

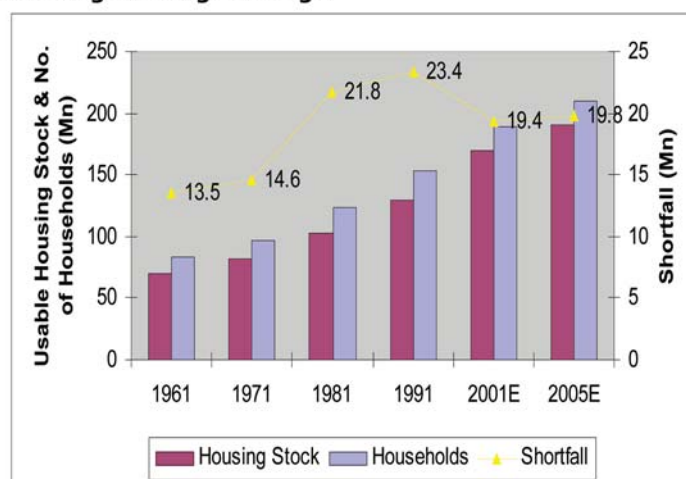
²⁴ <http://www.indiaonline.com/bisc/hous.html> para 3

²⁵ Times of India - <http://timesofindia.indiatimes.com/articleshow/1422358.cms>

²⁶ See Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’ and ICICI Bank http://www.icicibank.com/pfsuser/icicibank/ibanknri/nrnewversion/commercial_realestate.htm

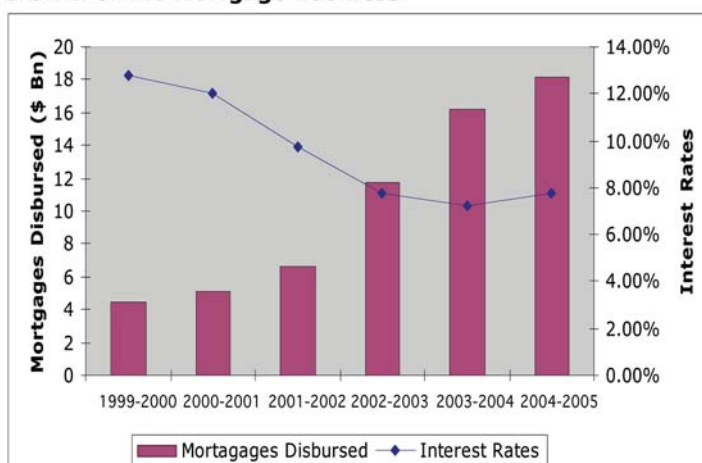
²⁷ Supreme Developers - <http://www.supremedevelopers.com/realestateinindia.htm>

Growing Housing Shortage



Source: "Growing Housing Shortage" page 16. Merrill Lynch India Economics Report titled 'Retailing and Real Estate – Future Growth Lies Here.'

Growth of the Mortgage Business



Source: National Housing Bank - <http://www.deccanherald.com/deccanherald/mar172006/realty1725552006315.asp>

3.3.2 Commercial Real Estate

The growth in the Indian economy generally is increasing corporate profitability and allowing businesses to invest in future growth by acquiring new and additional commercial space. At present, the key driver for this sector is India's pre-eminent position for off-shoring of IT and BPO services. The expected growth of around 40% in the IT and BPO industry²⁸ will create a substantial demand for world-class infrastructure. In 2003, the IT and BPO sectors accounted for 8.5 mn sq. ft., or more than 80% of office space absorption²⁹.

²⁸ CIOL – IT Unlimited - <http://www.ciol.com/content/special/2005/default.asp?page=best9>

²⁹ FICCI - <http://www.ficci.com/ficci/media-room/speeches-presentations/2005/nov/real-estate/session2/sanjay.pdf> page 8

An independent study by Cushman and Wakefield in 2002, estimated that by 2007 approximately 40 mn sq. ft. of space would be required in registered IT Parks alone³⁰.

3.3.3 *Retail Real Estate*

The growth in organised retail is one of the big stories of Indian real estate. Based on the analysis of the available data, estimates suggest that the organised retail industry could be valued at around Rs 350 bn or US \$ 7 bn (in 2005), with current growth at 40% per annum, and total occupancy expected to grow from 10m sq ft to over 80m sq ft by 2010³¹.

The rapidly expanding middle classes population, together with their increasing disposable incomes are predicted to result in organised retailing capturing around 3% of the total retail market by 2015³². Social factors such as the dual household income culture have enhanced spending power, and purchasing patterns have moved towards “lifestyle” products, esteem-enhancing services and better quality shopping, entertainment and dining options.

The most prominent development in the sector has been the emergence of shopping malls, which not only fulfill the retail requirements of customers, but also provide them with an enhanced environment for their shopping “experience”. Indicative estimates suggest that at present there are over 200 malls under construction across the country, each ranging from 100,000 sq. ft. to 10,00,000 sq. ft.³³

3.3.4 *Integrated Townships*

Integrated projects typically consist of large, integrated, mixed use & master planned developments, 80-90% of which would be largely comprised by residential components, along with retail, commercial and common facilities like education, leisure & healthcare. Projects such as these can offer attractive features to end-users, including well planned development, multiple residential options (apartments, row houses, plots etc), a “walk-to-work” culture, convenient shopping, entertainment and dining options, and captive education, leisure & healthcare facilities within a secure environment.

There has been an increasing trend of large scale townships being developed nationally to satisfy the demand for residential housing and retail/entertainment facilities.

3.3.5 *Niche Sectors*

Other opportunities in real estate can be found in “niche” sectors, such as hospitality, healthcare, logistics, and government/state projects.

The hospitality sector in India is forecast to grow at 8.8% per annum over the next 10 years³⁴. An additional 100,000 rooms will be required in the classified category by 2010³⁵. With rapidly increasing business and leisure travel and growing disposable incomes, there could be significant opportunities to invest and profit from the hospitality and leisure sectors.

³⁰ FICCI - <http://www.ficci.com/ficci/media-room/speeches-presentations/2005/nov/real-estate/session2/sanjay.pdf>

³¹ Rediff.com - <http://inhome.rediff.com/money/2006/jan/21spec2.htm>

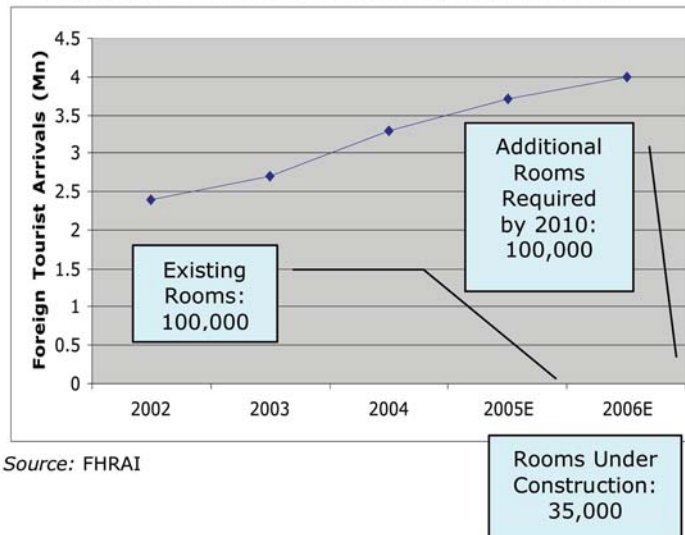
³² See pages 4 and 10 Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

³³ See page 2. Merrill Lynch India Economics Report titled ‘Retailing & Real Estate – Future Growth Lies Here’

³⁴ Hospitality Net – “Global Travel & Tourism Poised for Robust Growth in 2004” pages 2 and 3

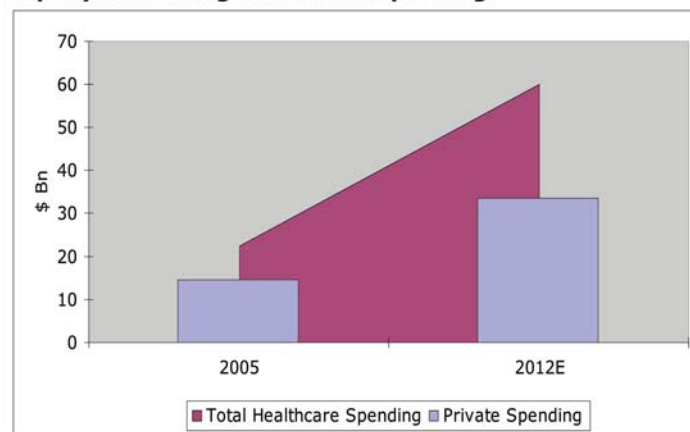
³⁵ India Times – paragraph 7 <http://timesfoundation.indiatimes.com/articleshow/msid-81103010,prtpage-1.cms>

Growing Tourist Arrivals, Increasing Need for Hotels



The healthcare sector in India is growing at 13% pa and is expected to grow to a US\$60b sector by 2012³⁶. Adding to the domestic demand is the growing concept of ‘medical tourism’, which is expected to touch revenues of over US\$1.5b by 2012³⁷.

Rapidly Increasing Healthcare Spending

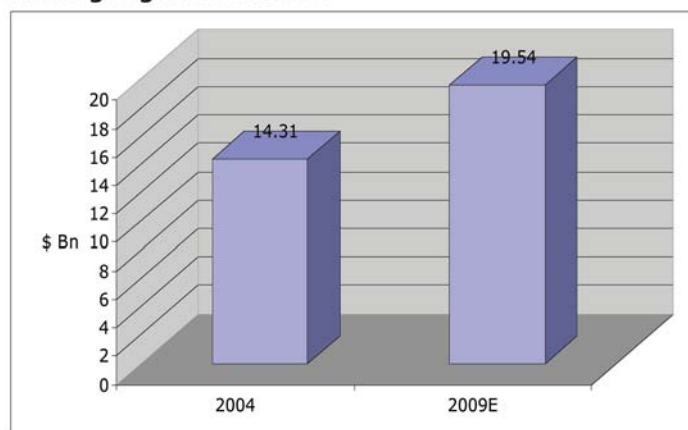


As India grows, and the demand for goods & services also increases, the need for high quality logistics & warehousing facilities is likely to grow exponentially. The Directors believe that there will be significant opportunities to invest in real estate associated with national logistics networks.

³⁶ India Business Equity Foundation - <http://www.ibef.org/industry/healthcare.aspx>

³⁷ India Business Equity Foundation - http://www.ibef.org/artdisplay.aspx?cat_id=163&art_id=10713

Growing Logistics Business



Source: Frost & Sullivan in "Asian Emergence: The Brave new World of Logistics" at <http://www.lq.ca/issues/12-1/article4.html>

Other opportunities could include government / quasi-government projects such as IT Parks, and region and city level infrastructure.

3.4 Location, Location, Location

The geographic markets/cities within India may be categorised as follows:

- Tier I: The “big six” metropolitan areas such as Mumbai, New Delhi, Bangalore, Hyderabad, Chennai and Kolkata;
- Tier II: cities with population between 1m and 4m, including Pune, Indore, Nagpur, Ludhiana etc. (includes suburbs of Tier I cities, such as Noida, Navi Mumbai etc.);
- Tier III: cities with population between 0.5m and 1m, including Dehradun, Mangalore, Cuttack, Mysore, Srinagar etc.

The smaller Tier II and Tier III cities have experienced higher growth, and are contributing almost as much to the national GDP as the larger Tier I cities. According to estimates from the National Council of Applied Economic Research, around 75% of India’s “sheer rich”, 64% of “clear rich” and 58% of “near rich” live in 67 Tier II and Tier III cities.

These cities share with Tier I cities the same growing aspirational middle class population with demand for high quality residential, retail and commercial developments, but these demands are not being serviced to the same extent as in the Tier I cities. At the same time, the Tier III cities in particular benefit from lower land prices and labour costs, a significant pool of skilled labour, and a lower penetration to date of high quality developers with proper access to capital. Some cities also benefit from tax incentives.

Smaller Cities Contributing As Much As the Large One



Source: NCAER at <http://www1.economictimes.indiatimes.com/article/show/1228613.cms>

3.5 Foreign Direct Investment (“FDI”) in Real Estate

The present policy of the Government of India is to allow limited access to FDI in the housing and real estate segment in two categories, permitted investments for Non Resident Indians (“NRIs”) and Persons of Indian Origins (“PIO”) and permitted investments for all other foreign investors.

Until recently, FDI was not permitted in real estate. However, in March 2005, the Indian Government introduced new guidelines permitting FDI investment in certain categories of real estate development. These guidelines may be summarised as follows:

- 100% FDI permitted in townships, housing, built-up infrastructure and construction development, including commercial premises, hotels, resorts, hospitals, educational institutions and recreational facilities;
- Minimum area to be developed:
 - Serviced housing plots – 25 acres/10 hectares;
 - Construction development – 50,000 sq. m;
- Minimum investment:
 - \$10m for fully owned subsidiaries;
 - \$5m for joint venture with Indian partners;
- Original investment cannot be repatriated before 3 years from completion of minimum capitalization; and
- At least 50% of the project must be developed within 5 years from the date of obtaining the necessary clearances.

At present, the FDI guidelines do not permit investment in developed real estate for acquisition and resale, or for rental yield purposes. As the liberalisation process in India continues, the FDI guidelines may become further relaxed allowing for investment in all sectors.

The Fund will only be invested in real estate projects which would be compliant under the FDI Regulations (subject only to any subsequent legislative or regulatory changes which specifically allow investment in other projects).

Further detailed information on FDI restrictions for real estate can be found in Section 8 at pages 41 to 44.

4. INVESTMENT STRATEGY

4.1 Investment Objective and Parameters

The primary objective for the Fund is to achieve capital growth for investors through the development, ownership and exploitation of high quality residential premises, office buildings, and retail spaces in India. The Directors believe that the Indian real estate sector provides favourable macro-economic fundamentals, and offers investors the opportunity to participate in India's emerging growth story.

Investments will be sought for the Fund in projects within stable but growing sub-markets in India, generally with no more than 25% of the total capital of the Fund invested in a single metropolitan market area and no more than 25% of the total capital of the Fund invested in a single project. The minimum investment in a project will be likely to be US \$5 million (or the equivalent in Rupees), as required by the current FDI Regulations.

The Company will be participating in the Fund through an investment in the shares of K2 Property. It is anticipated that the entire capital of the Company, net of expenses, and after providing for ongoing and future expenses, will be invested in K2 Property with a view to achieving an internal rate of return on this investment in excess of 25%.

4.2 Investment Strategy

The Fund will be targeted at high quality properties in India with strong real estate fundamentals, attractive risk/return profiles, and potential for value creation. A disciplined investment approach will be used by the Investment Advisor to help establish a portfolio positioned to capitalise on growing real estate markets, while providing resilience to future market downturns.

It is intended that investments will be diversified across different asset classes and locations within India, between shorter-term development and longer-term development and yield-based opportunities, with a blend of projects offering differing risk-reward relationships, and projects involving more active and more passive involvement.

The following strategies will be employed so as to best achieve the Fund's objectives:-

4.2.1 *Leverage*

Leverage should be applied to each Portfolio Company at an average level of 60-65% per investment. The increased capital provided by leverage will allow for increased portfolio diversification. Where the return on the investment exceeds the cost of the borrowing, leverage will have a positive effect on the Fund's performance.

4.2.2 *Proactive Involvement*

It is intended that, for the most part, investments in Portfolio Companies will be carried out in partnership with established developers and land owners who have identified a potential project and are looking for an investment partner. However, the Advisory Group are also expected to look to proactively identify potential projects for investment whereby the Fund can act as the principal and prime mover for the particular project, and bring together the relevant participants and service providers.

The level of the Fund's involvement in any particular project will be determined by the level of equity stake in the relevant Portfolio Company. Generally, a minimum 26% stake in each Portfolio Company should be achieved, with a representative seat on the board of directors, but ideally a stake of in excess of 50% should be sought, in order to exercise operating and financial controls. However, in the case of an investment in a pre-existing operating company with trading history, the Fund may take a position with a smaller equity stake.

4.2.3 *Pre-Approved Projects with clear exit strategy*

Investment will generally be committed to projects with relevant planning, regulatory and other governmental/state approvals and licences in place. In exceptional cases, the Fund may also take a position to invest in potentially lucrative projects without planning approvals after evaluating the risk/return profile of the proposed investment.

Investment should be committed to a project only after thorough due diligence and evaluation of all exit options, and with a clear exit strategy in mind focused on conservative long-term supply and demand fundamentals, rather than short-term market conditions.

4.2.4 *Projects and Partners of the Highest Calibre*

The aim for each of the Fund's investments will be to set the benchmark for the type of market they propose to serve. Consequently, it is intended that the location, design, amenities, construction quality, project financial and legal structures, marketing techniques and on-going property management of each project will set and maintain the highest possible standards.

It is intended that the Fund should partner with local developers and other service providers with credible reputations and track records.

4.2.5 *Sector Focus*

Investments should be diversified across a variety of sub-sectors within the real estate spectrum. These include:

(a) *Residential/Integrated*

Investments into the residential sector would include condominium developments, plotted developments, or a mix of both.

Given India's constantly growing population, and the preference within India for owning one's own home, the Directors believe it is likely that demand will continue in this sector notwithstanding economic downturns.

An attractive feature of the Indian residential market is pre-selling, whereby some housing units can be sold almost immediately after project announcement, thereby bringing cash inflows in the system. This ensures that a large project can be funded by committing a relatively smaller equity component, thereby dramatically increasing the return on investment equity.

It is proposed that approximately 35% of the Fund should be invested into the residential and integrated township sectors.

(b) *Commercial/IT*

It is proposed that up to 20% of the Fund should be invested in the commercial / IT sector.

Investments in this sector should meet the following criteria:

- Built-to-suit: with a focus on large corporate requirements, and investment committed only after identifying a tenant class and segment;
- Blue chip tenants: investment projects undertaken only with/for reputable Indian and international corporates to ensure long-term asset attractiveness;
- Covenants: strong covenants in commercial agreements with tenants to ensure easier fund-raising and exits.

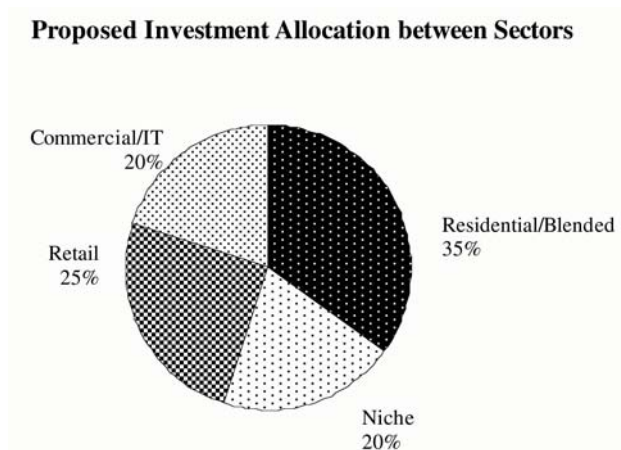
(c) *Retail*

Because of the rapid growth in this sector over recent years, there is currently a high level of retail real estate development in certain locations (mainly Tier I Cities, or satellite towns servicing Tier I Cities) which may lead to a mismatched demand-supply situation in the next 12-24 months in these specific markets. However, the

Directors believe that opportunities remain in this sector in other locations and markets. Consequently, it is proposed that 25% of the Fund should be invested in the retail sector.

(d) *Niche*

It is proposed that 20% of the Fund should be invested into other “niche” sectors, such as hospitality, healthcare, logistics and government /state projects.



4.2.6 *Location Focus*

The ideal location strategy for the Fund will be to enter markets/projects where entry (land) prices are low, but where there is significant scope for value addition.

Based on analysis of opportunities, it is proposed that the Fund is focused on projects in Tier I cities, as well as specific opportunities in Tier II and Tier III cities.

4.2.7 *Investment Principles*

The clear objective for the Fund should be to add significant value to all the numerous communities involved with the Fund – including investors, end-users of projects, business partners, associates, team members, and finally society in general.

The Directors intend that the Fund should adhere to the following investment principles:

- All projects should be for the overall long-term benefit of the communities they seek to serve;
- Projects should not cause any damage to the ecological balance and green cover of their surrounding environment;
- The business of the Fund should be conducted in an ethical and transparent manner with a strong focus on stringent governance; and
- The Fund should be modelled as a responsible corporate citizen, while delivering on its targets.

4.2.8 *Investment Business Plan*

It is proposed that between 5 to 20 investments will be made across the various sectors and locations. It is envisaged that most commitments will be made within the first 18 months of commencing operations. However, actual outflow of funds into the various Portfolio Companies would be linked to construction phasing and other project-specific parameters.

The minimum equity per project is likely to be US \$5 million (as per the FDI Regulations) and the maximum generally US \$25 million, with an equity stake of between 26% and 100% in each Portfolio Company.

In each case, the term of investment is dependent upon the specifics of the project, but the typical investment term would be at least three years. In retail and commercial developments, where it is customary to follow the construct-lease-hold-sell business model, the typical investment term may be as long as six to seven years.

A brief summary of the headline business plan for the Fund is provided below:

Minimum equity investment per project	US \$5m
Likely maximum equity investment per project	US \$25m
Likely number of investment projects	5-20
Likely average gearing at investment project level	50-66%
Typical ownership stake in each investment	26%-100%
Typical lifecycle (Capital Projects)	36-84 months

4.2.9 *Deal Flow Strategy*

The Fund will be focused on investment opportunities arising from the following sources:

(a) *Land acquisitions through strategic divestitures*

Certain companies may be looking to divest significant portions of their non-strategic real estate holdings. Often, these sellers may be motivated by strategic or accounting considerations rather than real estate fundamentals.

Similarly, due to the dynamic nature of the financial services industry, there may be opportunities to acquire real estate assets from domestic banks/financial institutions.

Many state governments are looking to encourage the development of business centres by improving infrastructure, and allocating large land parcels for commercial/residential developments at concessional rates.

The Advisory Group, in conjunction with strategic alliance partner Trammell Crow Meghraj, will be positioned to introduce opportunities for the Fund to acquire high quality land assets through privately negotiated transactions.

(b) *Off-Market Opportunities*

The Advisory Group is well-positioned to source investment opportunities yielding superior risk-adjusted returns due to its ability to access proprietary and privately negotiated “off-market” transactions by capitalising on its network of quality developers, domestic institutions, corporates, professional advisers and state governments. These relationships will be used to identify and pursue opportunities before they are widely marketed.

(c) *Network of Operating Partners*

The Advisory Group has developed an extensive network of local developers with access to deal flow, and knowledge and experience of a certain type of development and/or geographic area. Ideally, local partners should have extensive knowledge of local property market conditions and possess superior asset management and execution capabilities.

The Advisory Group has already identified a number of investment targets, with the potential to create significant returns for investors, through its network of relationships within the real estate sector.

4.2.10 *Investment Evaluation*

The Advisory Group have proposed using a comprehensive evaluation matrix in order to evaluate every potential opportunity on uniform parameters.

The following key parameters should be evaluated:

Market Factors

- Local political/economic stability: the political stability in the respective state; economic policy framework; transparency in governance; government’s attitude towards private enterprise etc.;

- Demographic analysis: the trends in population, income, consumption pattern; social trends; cultural trends etc.;
- Demand and supply analysis: new supply being added; absorption rate; vacancy rates; new projects in the pipeline; growth industries adding to demand; commercial growth pattern of the city etc.;
- Local tax regime: stamp duties; property taxes; and other property-related taxation, if any;
- Local legal system: independence and strength of the judiciary vis-à-vis the executive and the legislature; cases pending; average time taken to decide on civil and criminal matters etc.;
- Competitor analysis: other developers operating in the market; their quality ratings; market perception; whether the Fund with / without its proposed partner can have a significant competitive advantage over them etc.;
- Property price trends: trend analysis over the last 10 years; current position/timing in the price cycle; projected trends for the next five years etc.;

Project Specific Factors

- Developer rating: proposed partner's rating / reputation within the city; past project history; satisfaction index of existing buyers etc.;
- Quality of land: title; access; frontage; utilities; connectivity; distance from city centre; surrounding developments; size; adjoining land availability; environmental issues; planning permissions; development mix permitted etc.;
- Quality of the proposed building: structural evaluation; title issues; quality of amenities; overall look and appeal; refurbishment costs;
- Quality of proposed tenant; whether respected corporate; business growth and stability; overall size of operations; specific terms of lease e.g. lock-in, escalation, break clause etc.;
- Regulatory approvals: whether already in place or not; if not, likelihood of approvals coming through; likely timeframe; likely costs etc.;
- Projected IRR: detailed financial analysis of the project; likely IRR basis with pessimistic, realistic and optimistic scenarios; sensitivity analysis; overall financial attractiveness of the proposition; likely taxation etc.;
- Exit strategy: clear well defined multiple exits in place; likely timing and exit values pre-defined etc.

4.2.11 Value Enhancement

Following investment by the Fund in a project, the Advisory Group will continue to focus on value enhancement throughout the life of the investment so as to ensure continued increase in value and attractiveness for other prospective investors, thereby ensuring an easier and more profitable exit. Examples of such value-enhancement include maintaining the most suitable tenant mix, ensuring high-quality maintenance and upkeep of buildings, and using well-considered project financial structuring and documentation. This approach is consistent with the proactive investment strategy to be applied to the Fund.

4.3 Divestment Strategy

It is intended that each Portfolio Company will be periodically analysed with respect to potential asset disposition. As part of this analysis, developments in property valuation levels, cash flow expectations for specific investments and investment sales trends will be reviewed. The business plan and exit strategy for each Portfolio Company will be periodically updated during the ownership period to reflect and take advantage of market conditions.

Exit for all projects will be linked to successful project completion. For pure development projects, exit would require a sale of the final development, while yield-based projects would be sold to new investors at the optimum time in the property rate cycle with rental income being derived from tenants in the interim period. Multiple bidders should be sought for each project, to maintain the highest possible valuation.

Exit opportunities will include potential sales to the following:

- End users/occupants: for residential developments;
- Real estate developers/investors: for retail, commercial and “opportunistic” developments;
- Financial institutions/banks or other real estate funds/investment trusts;
- Securitisation of lease rental income: for retail and commercial developments; and
- Initial Public Offering: in select cases where the project has become a brand in its own right and can be expanded nationally.

It may be decided to re-invest divestment proceeds into fresh or on-going projects over the seven year term of the Fund wherever there is a possibility of making significant returns in a relatively short period of time. The objective of such re-investment would be to maximise returns to investors. Any such re-investment would be carried out strictly as per the established investment strategy and investment evaluation parameters, and only if in the view of the Investment Committee the reinvestment would provide additional Returns to investors within the existing term of the Fund.

4.4 **Investment Pipeline**

The following are examples of some of the types of projects which have been identified by the Advisory Group as being suitable for investment by the Fund:-

4.4.1 ***Shopping Mall: Maharashtra***

Synopsis

Over 1 million sq ft destination shopping mall located in a rapidly growing suburb of Mumbai. There is an opportunity for the Fund to invest US \$25m to acquire 50% equity stake in the project.

Development Partner

The development partner is one of the largest developers in the Mumbai region with an excellent brand equity and credibility.

Investment Thesis

Over the past few years, this suburb has emerged as one of the most rapidly growing residential locations in Mumbai. Currently housing a population of over 1.5m, it is poised to grow rapidly in the years to come. The large scale residential development here is having a spillover effect on the opportunities for retail real estate development.

The proposed shopping mall is at an attractive location with excellent frontage & visibility. Most of the large scale residential developments are within a 2 km radius of the site, thereby making it attractive to retailers & consumers alike.

The total land area under development is approximately 0.43m sq ft while the built-up area would be 1.0m sq ft.

Project Financials

The total project cost is estimated to be US \$101m with the equity investment sought being US \$25m. With project duration of three years, the target IRR for the investment is 29%.

4.4.2 ***IT Park: Uttar Pradesh (National Capital Region)***

Synopsis

Over 1.2m sq ft IT Park located at an attractive location in the National Capital Region. There is an opportunity for the Fund to invest US\$19m to acquire 74% equity stake in the project.

Development Partner

The development partner is one of the largest real estate development companies of North India with several large mixed use projects to its credit.

Investment Thesis

The National Capital Region has been successful in developing several large IT corridors and this IT Park is being planned in a location where several large IT companies are already present.

There are several large scale residential developments in the neighborhood of the project, which is connected to the main expressway being developed in the region. A new airport is also being planned in the vicinity.

The location has several competitive advantages including relatively economic real estate, better public infrastructure and local transport compared to other IT corridors in the National Capital Region.

The total land area under development is approximately 0.65m sq ft while the built-up area would be 1.2m sq ft.

Project Financials

The total project cost is estimated to be US\$70m with the equity investment sought being US\$19m. With project duration of four years, the target IRR for the investment is 34%.

4.4.3 Residential: Karnataka

Synopsis

Sixty-eight acres residential township located in Bangalore. The Fund has an opportunity to invest approximately US\$8m to acquire a 50% equity stake in the project.

Development Partner

The development partner is based out of western India and has several decades of proven track record in residential and commercial real estate in the west and south of India.

Investment Thesis

Bangalore is amongst the largest cities in India with a population of over 6m and a decadal growth rate of over 60%. It has the highest absorption rate of commercial & IT workspace in the country, absorbing over 6.8m sq ft in 2005.

The proposed residential township project is located in the vicinity of the Electronic City. The total area under consideration is approximately 68 acres. The site is in close vicinity of prime commercial areas like Banerghatta Road, Hosur Road and ORR, thus generating high housing demand primarily from the professionals working in these areas. Due to the high demand for plotted bungalow schemes in Bangalore, the project has been designed to create a residential township with bungalow units.

The total land area under development is 2.9m sq ft while the built-up area would be 1.6m sq ft.

Project Financials

The total project cost is estimated to be US\$91m with the expected equity investment sought being US\$8m. With project duration of 3 years, the expected IRR for the investment is 38%.

4.4.4 Hotel: Maharashtra

Synopsis

A luxury hotel of more than over 0.55 million sq ft located in a rapidly growing suburb of Mumbai. There is an opportunity for the Fund to invest US\$27.5 m to acquire a 50% equity stake in the project.

Development Partner

The development partner is one of the largest developers in the Mumbai region with an excellent brand equity and credibility.

Investment Thesis

Over the past few years, this suburb has emerged as one of the most rapidly growing residential locations in Mumbai. Currently housing a population of over 1.5m, it is poised to grow rapidly in the years to come. The suburb is also very close to the airport and has quickly grown as the epicentre for new age IT/ITES companies.

The site has an excellent location and connecting infrastructure. With the remarkable change in the culture and increase in the disposable income of the neighbourhood, the project is expected to be hugely successful.

The total land area under development would be 0.10 million sq ft, while the built-up area would be 0.55 million sq ft.

Project Financials

The total project cost is estimated to be \$58m with the equity investment sought being US\$27.5m. With project duration of 4 years, the expected IRR for the investment is 29%.

The projects detailed above are part of an overall “pipeline” of investments which have been identified by the Advisory Group as being suitable for the Fund, as summarised below:-

<i>Name</i>	<i>Location</i>	<i>Duration (yrs)</i>	<i>Indicative Project IRR</i>	<i>Indicative Equity Required US\$m</i>
Project 01	Thane – 1.1 m sq ft Retail Mall	3	29.52%	25.00
Project 02	Banglore – 100 Acre Integrated Township	5	31.29%	14.39
Project 03	Mumbai 1.8 m sq ft mixed use commercial	4	34.94%	52.17
Project 04	Chennai – 1.2 m sq ft. IT Park	4	28.76%	8.15
Project 05	Pune – 106 acre Township	5	49.46%	5.33
Project 06	Thane 0.9 m sq. ft. IT Park	3	24.44%	9.89
Project 07	Mumbai – luxury hotel	4	28.78%	27.59
Project 08	Pune 70 acre township	5	34.30%	5.65
Project 09	Faridabad 123 acre Township	6	34.43%	13.37
Project 10	Thane 50 acre Township	5	31.60%	7.88
Project 11	Noida – 1.2 m sq. ft. IT Park	4	34.60%	18.55
Project 12	Bangalore – 68 acre Residential Township	3	38.42%	7.87
Project 13	Nagpur – Retail mall of 1.7 m sq ft	4	37.03%	16.11
Project 14	Mumbai – 7.5 acre Sports complex	5	45.84%	32.41
Project 15	Chennai – 1.6 m sq. ft. Residential	3	35.59%	5.30
Project 16	Jalandar –100 acre Residential township	5	38.30%	32.17
Project 17	Agra – 150 acre mixed use township	4	35.92%	42.39
Project 18	Hyderabad – 30 acre IT Park	7	32.93%	27.39
Project 19	Bhopal – 150 acre Residential Township	4	33.91%	36.68
Project 20	Cochin – 35 acre mixed use Residential	5	33.15%	52.17
Project 21	Baroda – 75 acre mixed use Township	7	37.50%	39.23
Total				479.69
Overall Target IRR to K2 Investors			27.21%	

The target internal rates of return detailed in this table and elsewhere in this Prospectus are internal performance goals generated by the Advisory Group based upon currently available information, and estimates and assumptions which are beyond the control of the Advisory Group and the Company. Such target returns are not projections and are subject to change over time. Actual returns may vary significantly, and there can be no assurance that actual returns will meet the target returns suggested.

It should be noted that the description of the projects included in this section 4.4 is based wholly upon information provided by the Advisory Group and has not been independently verified.

5. STRUCTURE AND PROCESS

The detailed legal and operational structure of the Fund and the process for investment and divestment of assets is described below:

5.1 The Company and its Group

The Company is a limited liability company incorporated in Mauritius under the name of K2 Property Limited. The Company has established a wholly-owned subsidiary in Cyprus under the name of K1 Property Investments Limited which is proposed to be registered as a Foreign Venture Capital Investor (“FVCI”) under the Securities and Exchange Board of India (“SEBI”) (FVCI) Regulations, 2000 (“FVCI Regulations”).

Using a subsidiary in Cyprus gives certain tax advantages with respect to interest income where the Fund’s investments are partly structured by way of debt securities (see Section 8.4, page 48 for further information).

The Company will be managed by its board of Directors. Please see Section 6.1 at page 35 for information on the Directors.

There are significant benefits for a foreign investor in India being categorised as a FVCI. The registration of K1 Investments as an FVCI will allow the Group to make investments in Indian Portfolio Companies (also known as Venture Capital Undertakings or “VCUs”), or Indian Venture Capital Funds registered under the Securities and Exchange Board of India (Venture Capital Fund) Regulations 1995 (“VCFs”), without requiring any prior approval from the reserve Bank of India or the Foreign Investment Promotion Board.

In most cases, foreign investors in India are restricted with respect to the pricing of purchasing, subscribing or selling shares. FVCIs benefit from free entry and exit pricing, which means there are no restrictions on the pricing of purchases or issues of shares, or on the sale of shares. FVCIs are also exempted from a number of provisions relating to listed investments, which allow them to exit from an investment on a listing, rather than being “locked in” for a year, as would normally be the case.

Notwithstanding the benefits of FVCI registration, if for whatever reason it is not possible to secure an FVCI registration, it is intended that the Group will nevertheless make direct investments in Portfolio Companies under the FDI regime (see sections 3.5 and 8.1 for more details). If FVCI registration is obtained, then, depending on what is in the best interests of Shareholders, the Group may also make its investments through one or more schemes of the Trust.

Whether or not FVCI registration is obtained, the Fund will only be invested in real estate projects which would be compliant under the FDI Regulations (subject only to any legislative or regulatory changes which would specifically allow investment in other projects).

5.2 The Trust

While the Company and its subsidiary, K1 Investments, will have the ability to invest directly into VCUs, if FVCI registration is obtained for K1 Investments, then most or all of the Fund’s investments may be made by way of investment into one or more schemes of an investment trust based in India. It is intended that this trust will be registered with SEBI as a VCF, and may also receive investment from local investors in India, Non-Resident Indians (“NRIs”), Persons of Indian Origin (“PIOs”) and other “foreign” investors. The Trust would be constituted as an “umbrella” investment trust incorporating a number of “schemes”, which will allow for investment in Indian portfolio companies engaged in real estate activities in accordance with the provisions of the VCF Regulations, and with each scheme’s constitution. If a scheme of the Trust has investors which are purely domestic investors and/or NRIs/PIOs the scheme concerned would be able to make some investments in real estate which would not be permitted under the FDI Regulations, as well as those which are permitted.

Each scheme of the Trust would, subject to applicable legal, regulatory and tax considerations, make permissible portfolio investments in equity and equity linked instruments of companies established to carry out real estate, ownership and exploitation in India.

5.3 The Advisory Group and Investment Committee

Saffron Capital Advisors Limited (the “**Investment Advisor**”), a limited liability company based in Mauritius, will advise the Company’s Board of Directors with respect to any investment decisions.

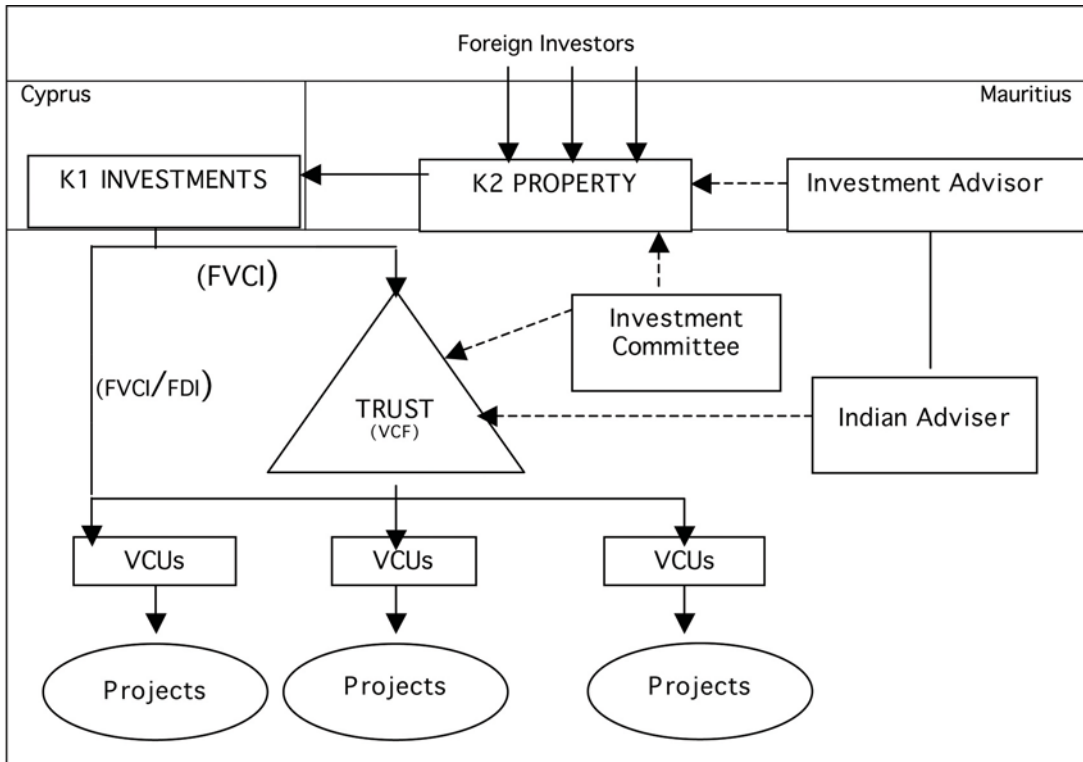
The Investment Advisor will be advised by Saffron Asset Advisors Private Limited, a limited liability company based in India (the “**Indian Advisor**”). The Indian Advisor is a wholly-owned subsidiary of Saffron Capital Securities Limited, a limited liability company based in Mauritius, which is also the parent company of the Investment Advisor, and these three companies together are known as the “Advisory Group”. Please see Section 6.3 at page 41 for further information on the Advisory Group.

An Investment Committee will be appointed by the Company as an advisory committee to advise on any investment decisions to be made by Directors following recommendations from the Investment Advisor. Although the Directors will not be legally bound to seek the advice of the Investment Committee, the Directors are expected in practice to seek the approval of the Investment Committee prior to making any investment decision. The Investment Committee comprises respected industry professionals from the financial services and real estate sectors.

A separate investment committee comprised of the same individuals would also provide a similar advisory function to the Trust.

Please see Section 6.4 at page 37 for further details on the members of the Investment Committee.

This structure may be illustrated as below:



5.4 **Investment Process**

In the event that the capital of the Group is invested in one or more schemes of the Trust, the investment process is anticipated to be very straightforward, since it is likely that this will be limited to an assessment of the terms and documentation of the relevant scheme of the Trust and confirming that these match the objectives and policies of the Fund. The Directors will be advised in this respect by the Investment Advisor and the Investment Committee. If the Directors, as advised by the Investment Advisor and Investment Committee, decide to make an investment into a scheme of the Trust, the terms of that investment will be governed by the terms of a Trust Contribution Agreement which will provide for the Company via its subsidiary, K1 Investments, to make drawdown of funds to the relevant scheme of the Trust upon issue of a relevant drawdown notice.

In the event that it is decided to undertake investments directly in Portfolio Companies under the FDI Regulations or the FVCI Regulations without participating in any scheme of the Trust, the process described in the following paragraphs will be applied by the Company on a deal-by-deal basis as advised by the Investment Advisor and Investment Committee.

5.4.1 **Market Evaluation**

The Advisory Group will continually assess the ideal investment focus for the Fund, suggesting refinements as the real estate market evolves. Regular weekly meetings will be held for its functional groups, at which current transactions, market trends and financial considerations will be evaluated and discussed.

5.4.2 **Deal Sourcing**

The Advisory Group's broad network of local operating partner relationships and industry contacts will enable the Fund to source private-market transactions and to promote a strong pipeline of deal flow.

5.4.3 **Deal Evaluation**

A rigorous and disciplined decision-making process will be applied with respect to any potential investment or divestment. Critical evaluation of the potential investment will be carried out in each case, using an in-depth understanding of the macroeconomic factors and real estate market, and the strengths and weaknesses of the various participants in the relevant sector.

As part of the standard operating procedures for the Fund, the investment evaluation matrix detailed in section 4.2.10 will be used in each case, to ensure consistent and standardized evaluation methodology, and to retain objectivity.

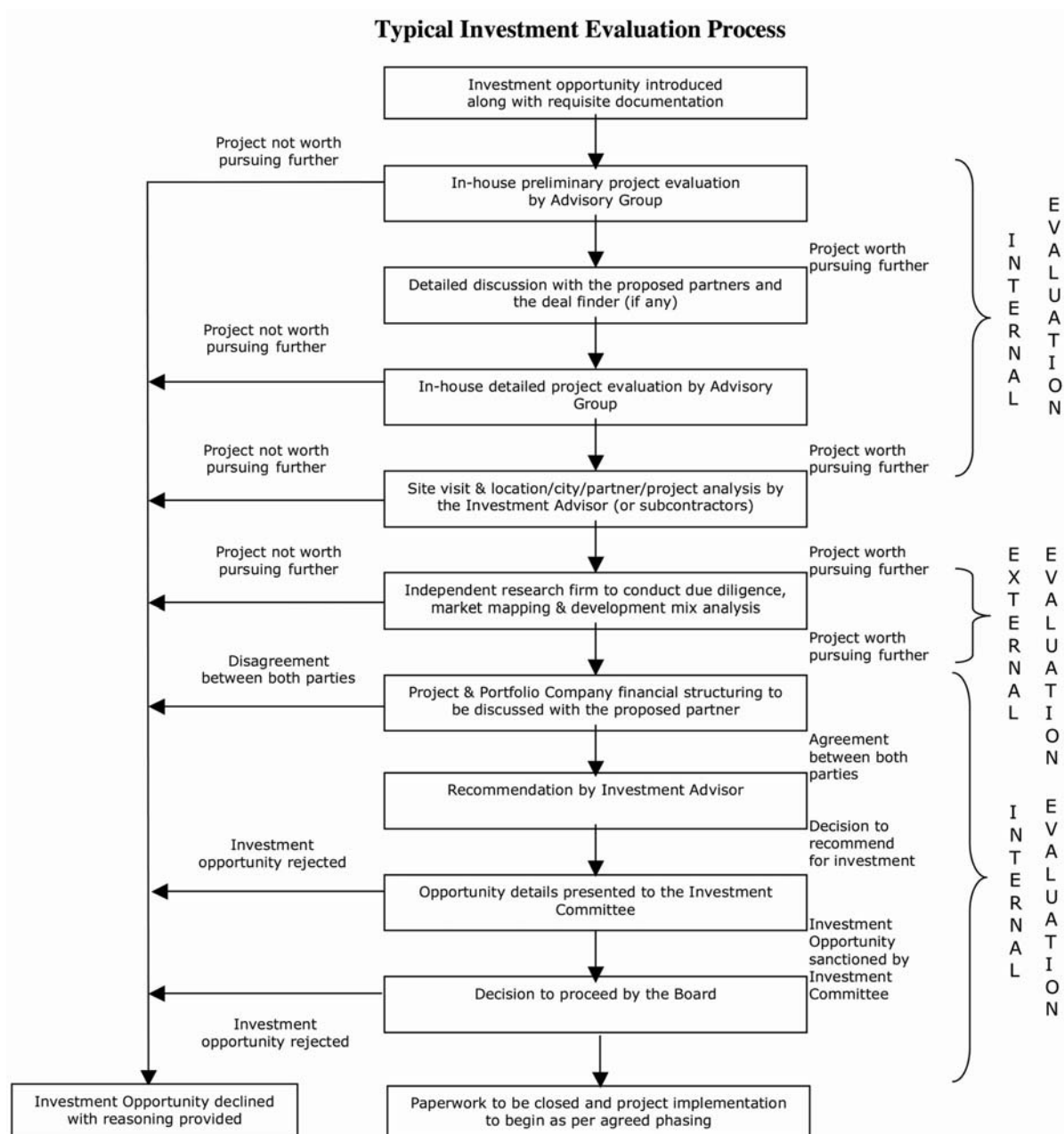
The Advisory Group intends to engage reputable international consultants such as Jones Lang LaSalle, Trammell Crow Meghraj, CB Richard Ellis and others for detailed evaluation and structuring of every serious project and will also make use of reputable market research agencies, legal firms, accounting and tax firms and any other specialists required to comprehensively evaluate investment opportunities. The opinion of banks and other financial institutions will also be sought. This should provide an independent perspective on each investment opportunity and provide balance to the internal analysis process.

A particular focus of the deal evaluation process will be the investigation of title with respect to the land and/or existing property. Third party consultants will be used to carry out detailed due diligence on title and where possible a Certificate of Title will be provided. No investment will be made without thorough investigation of title being carried out.

Once the Investment Advisor decides to recommend an investment or divestment, each recommendation will be passed to the Board, who will then seek the sanction of the Investment Committee. No investment will proceed without the sanction of its Investment Committee.

The final decision with respect to any investment or divestment will be taken by the Board.

The following flowchart details the typical evaluation process that would be undertaken with respect to each potential investment:



This process has been devised to ensure that there is a fair degree of preliminary evaluation conducted in-house by the Advisory Group before any serious resources are committed to the opportunity.

A similar process should be undertaken by the Trust (as advised by the Indian Advisor and the Investment Committee) with respect to any investments to be made by the Trust. Final decisions would be taken by the Trustees, which would include at least one professional trust company in India.

5.4.4 *Investment Structuring*

Each real estate development project will generally be carried out through a “special purpose vehicle” company which will become a “Portfolio Company” of the Fund. The capital structure of each Portfolio Company will be optimised so as to ensure the most favourable pricing and terms for the Fund using investment instruments such as common stock, preference shares, convertible shares, warrants, and debt instruments.

It is intended that the Fund should generally hold a significant ownership stake of at least 26% (and preferably in excess of 50%) in each Portfolio Company so as to exercise operating and financial controls.

The Advisory Group will seek to negotiate extensive contractual rights to protect the interests of the Fund, including the following:

- Seats on the board of directors and on committees of the board of each Portfolio Company;
- Negative covenants regarding major corporate decisions such as a prospective merger or acquisition, material contracts, etc.;
- Voting arrangement protections;
- Robust exit mechanisms; and
- Structuring of transactions so as to provide “back-end” incentives to operating partners in order to align their interests with those of the Fund.

5.4.5 *Investment Management*

The Advisory Group will continue to evaluate and monitor performance of each investment against established targets and seek to maximize exit values over each asset’s investment horizon. The Advisory Group will work with local partners to oversee the implementation of each Portfolio Company’s business plan, including ongoing capital expenditures, tenant improvements and financial performance.

5.4.6 *Governance and Transparency*

The Board of the Company is obliged under Mauritius law to devise and establish appropriate corporate governance measures for the sustainability of the Fund, and review and re-assess these measures from time to time.

It is intended that maximum transparency is maintained in the investment evaluation, management and disposition process for the Fund, and a multi-tiered structure has been put in place to ensure this.

The Company currently complies with applicable corporate governance requirements in Mauritius, and K1 Investments currently complies with applicable corporate governance requirements in Cyprus.

The Directors do not consider it necessary to establish an audit committee for either the Company or the Subsidiary given the nature of the Group’s corporate structure and operations. The Board will undertake all functions that would normally be delegated to the audit committee of either company, including reviewing annual interim results, receiving reports from its auditors, agreeing the auditor’s remuneration and assessing the effectiveness of the audit and internal control environment. Where necessary, the Board will obtain specialist external advice from either the Company’s auditors or other advisors.

The Directors do not intend to establish remuneration and nomination committees for either the Company or the Subsidiary, as such committees would not be appropriate given the nature of the Group’s corporate structure and operations. The Board will review annually the remuneration of the Directors and the directors of the Subsidiary and agree a reasonable and market standard level of non-executive fees, based on market information sourced from appropriate external consultants. Consideration will be given by the Board as to whether the Board has the skills required to manage the Company effectively particularly in the light of its relationship with the Administrator.

The following features will help to ensure that the investor’s interests are fully protected:

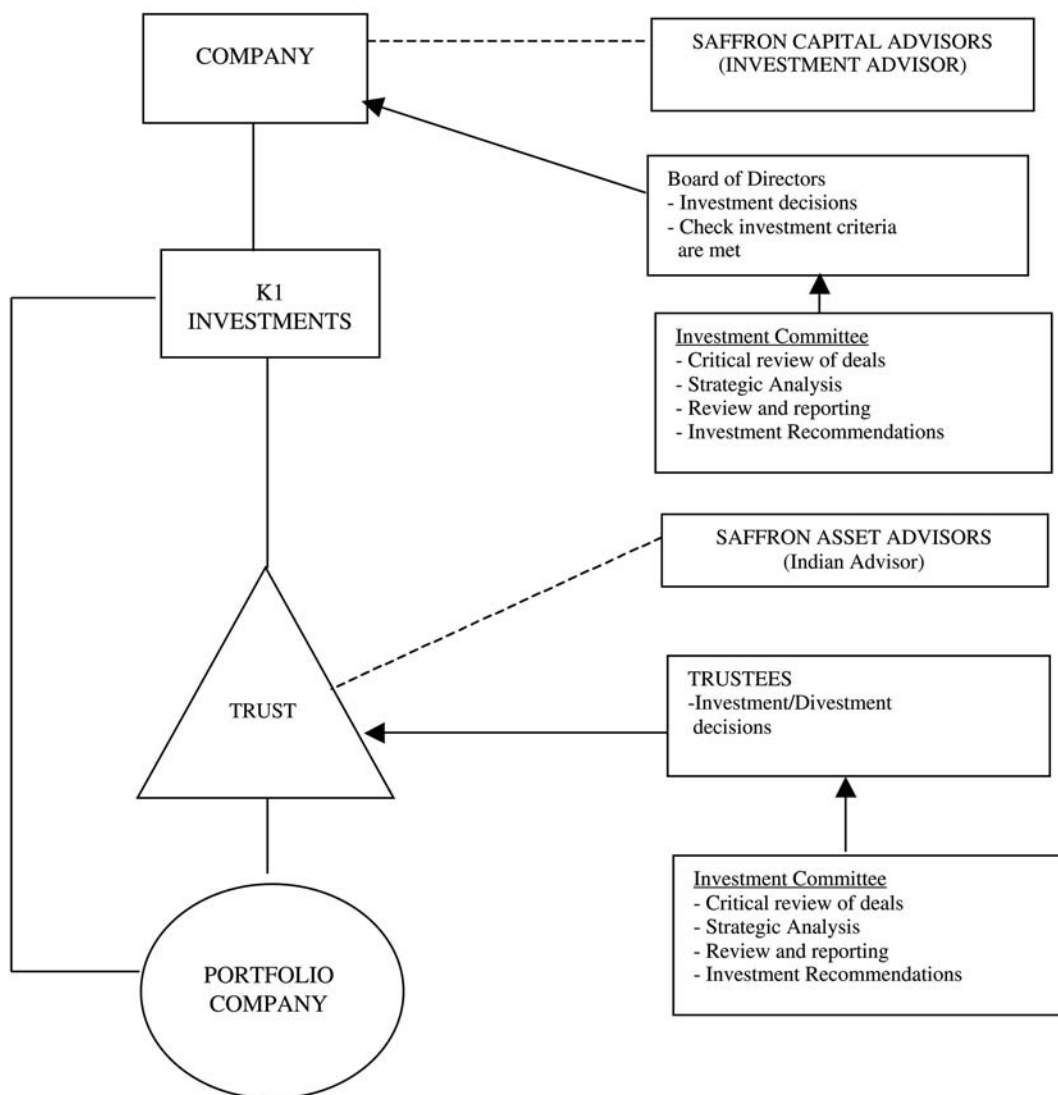
- Fully independent Investment Committee to ensure independent decision-making;
- Compliance with the legal and regulatory requirements of Mauritius and the Constitution monitored by the Administrator;

- Adherence to the National Code of Corporate Governance of Mauritius monitored by the Administrator; and
- Corporate governance measures disclosed in the Company's Annual Report.

The work of the Advisory Group will be carried out by a team of finance, property and investment professionals, who will help to ensure that all potential investments are evaluated only in the prescribed manner, and that financial and other reporting is undertaken efficiently, accurately and in accordance with investor expectation.

The detailed governance structure of the Fund is presented below:

Governance Structure



6. DIRECTORS, ADVISORS AND OTHER PARTIES

6.1 Directors of the Company

The Directors of the Company, all of which are non-executive, are as follows:

Teewareesing Gopal

Teewareesing Gopal, a resident of Mauritius, has worked in the offshore sector for over 5 years. He has wide experience in the administration of offshore companies, trusts and funds. He has also worked in a firm of Chartered Accountants based in London as audit supervisor and at Kemp Chaterris, Deloitte & Touche, Mauritius.

Christopher Jones

Christopher Jones is a corporate finance lawyer and head of the Investment Funds Group at Mishcon de Reya in London. Prior to joining Mishcon de Reya, he was joint head of the media and entertainment group at law firm Nabarro Nathanson, and Director of Business Affairs at Ideas Hub, a venture finance and consulting business focused on the media and entertainment sectors. He qualified at city firm, Nicholson Graham Jones and also worked at Johnson Stokes & Master in Hong Kong. He has a Diploma in Corporate Finance from London Business School.

Ben Locknat Daby Seesaram

Ben Locknat Daby Seesaram, a resident of Mauritius, is a Barrister-at-Law with wide experience in public administration and the judiciary, as Chairman of various listed companies, government and parastatal bodies. He has extensive experience of over 10 years in the offshore financial services, specialising in international taxation, trusts and investment funds.

Rohin Shah

Rohin Shah is a chartered surveyor and managing director of Meghraj Properties Limited in London. He is currently responsible for a UK portfolio of commercial property with a value in the region of £750 million with mandates to invest another £750 million into the UK markets. His key client base is 60 private family offices. He has been involved with the Indian property markets since 1992 and established Trammell Crow Meghraj (latterly Chesterton Meghraj) in April 1995 as one of the first foreign property consultants in India. He started his career with Jones Lang LaSalle in 1986 and for 6 years was based in their London offices. He has a Masters in property investment from City University and has spent 10 years sitting on various committees at the Royal Institution of Chartered Surveyors from 1989 to 1999.

Vipin Shah

Vipin Shah was born in Kenya and educated in Nairobi, Mumbai and London where he was called to the English Bar as a member of the Honourable Society of the Middle Temple. Vipin Shah is also a Fellow of the Royal Postgraduate Medical School and Imperial College School of Medicine in recognition of charitable work undertaken by the family. He moved to Jersey, Channel Islands, in 1969 and, with his brother, Anant, established the banking and financial services business of the Meghraj Group in 1972. Vipin Shah is the Chairman of Minerva Financial Services Limited, Jersey, which is regulated by the Jersey Financial Services Commission to conduct Trust Company business.

6.2 Directors of the Subsidiary

The Directors of K1 Property Investments Limited consist of Michael Davies, Christopher Jones and Rohin Shah (see Section 6.1):-

Michael Davies

Michael Davies, aged 41, a UK national, now resident in Cyprus, is a UK lawyer. He is currently Senior Corporate Counsel within a leading global corporate, trust and fund service provision group. He is a member of the International Bar Association, the International Tax Planning Association and the Society of Trust & Estate Practitioners.

Rohin Shah and Christopher Jones are also directors of the Company.

6.3 The Advisory Group

The Advisory Group consists of Saffron Capital Advisors Limited (the Investment Advisor), its parent company Saffron Capital Securities Limited (both incorporated in Mauritius) and its fellow subsidiary, Saffron Asset Advisors Private Limited (the Indian Advisor), incorporated in India.

The Advisory Group and its management team combine real estate experience, both within India and internationally, and a proven history of value creation.

Due to extensive international exposure and a keen understanding of the Indian real estate market, the Advisory Group and its management team have the ability to profit from any “arbitrage” between the knowledge gaps that exist between the Indian & international markets.

The Advisory Group has full awareness of the international norms for governance and transparency and is committed to following them.

The Advisory Group has excellent relationships already in place with key stakeholders within the Indian real estate sector, including developers, investors, occupiers & government functionaries, and has access to a significant national network of offices with a team of people actively involved in the real estate services business.

The Advisory Group has access to a strong flow of Indian real estate investment opportunities with the potential to create significant returns for Investors through its network of relationships in the sector, and has already identified a number of potential investment targets requiring funds in the region of US \$500m.

The Investment Advisor is contracted to provide investment advice on a non-exclusive basis to Eredene Capital PLC, a company listed on the AIM Market of the London Stock Exchange, with respect to the proposed investment of funds of approximately US \$100 million (or the sterling equivalent).

6.3.1 The directors of the Investment Advisor are Rohin Shah (see section 6.1), Vipin Shah (see section 6.1), Teewareesing Gopal (see section 6.1) and Vimla Ramasamy:

Vimla Ramasamy

Vimla Ramasamy, aged 42, a resident of Mauritius, has over six years experience in the offshore and onshore sectors. She has relevant expertise in the provision of secretarial services, fund administration and trust administration. She is also the Secretary of the Association of Company Secretaries of Mauritius.

Teewareesing Gopal, Rohin Shah and Vipin Shah are also directors of the Company, and Rohin Shah is also a director of K1 Investments, and the Indian Advisor.

6.3.2 The directors of the Indian Advisor are Ajoy Kapoor (Managing Director) and Rohin Shah (see section 6.1):

Ajoy Veer Kapoor

Ajoy Kapoor, aged 45, is an entrepreneur and banker in a career spanning over 25 years, with global exposure to real estate investment, development & management. Ajoy’s last assignment was Global Head, Strategy and Implementation, Corporate Real Estate at HSBC, UK where he was responsible for strategic management and project implementation of 75m sq ft across 79 countries. Prior to that, he was Board member and Regional Head in India, Corporate Real Estate & Strategic Sourcing at Standard Chartered Bank, managing a mixed portfolio of over 11m sq ft. Ajoy has also been involved in development management of several million sq ft of real estate during his various assignments. During 1980 – 1995, he built and sold Lamco, a chain of convenience stores in the UK. Ajoy is one of the leading real estate professionals in India and is an active member of this community. Within India Ajoy is well known for creating value and delivering in a complex environment.

6.3.3 The management team of the Indian Advisor includes the following:-

Ayan Desai

Ayan Desai, aged 29, has been working in investment management and financial services since 2000. In 2003, he established an investment consultancy and distribution agency, which was sold off in 2005. Prior to this, he was part of the agency team at Tata-AIG and from 2001 was involved in setting up agencies in Western Zone. He holds a masters degree in marketing from Mumbai University and an MBA (Finance) from Leeds Business School.

Darshan Mistry

Darshan Mistry aged 39, has worked for eighteen years in the fields of construction, project management, corporate real estate management and retail. He has successfully delivered and managed corporate real estate portfolios in various customer-facing and demanding industries, such as banking and retail, and for various types of clients, including corporates and multi-nationals. His most recent position was at Lee Cooper Group, London, where his responsibility included the design, development, planning, budgeting, sourcing, execution and project implementation of retail property projects across Asia, the Middle East, and Europe.

Ritesh Vohra

Ritesh Vohra, aged 29, has been an entrepreneur and professional in the real estate and retail advisory sectors with an experience spanning almost 8 years. His last assignment was CEO, First Franchising Private Limited (2000-2005), a boutique advisory firm focused on retail, franchise and real estate sectors. During this period, he was also an investor and director at Mediasset Holdings, a publishing business with magazine titles and a TV show in sectors like real estate, retailing and business opportunities. Prior to this, he set up the Retail & Leisure Advisory business in North India for Jones Lang LaSalle (1999-2000) and was also instrumental in setting up the Real Estate Advisory business for Chesterton Meghraj India (now Trammell Crow Meghraj) during 1998-1999.

6.3.4 *Strategic Alliance Partner*

Trammell Crow Meghraj is a strategic alliance partner of the Advisory Group. Trammell Crow Meghraj is one of India's leading real estate consultants with nationwide operations covering land, retail, residential, commercial, industrial and hospitality sectors and providing a wide range of services to clients, including agency, project management, investment advisory, consulting and facilities management. They have extensive development management experience, having managed over 16m sq ft nationally for organizations like Tesco, Danfoss and Xansa. They have a professional staff of over 600 across 10 offices in 8 key cities, and strong relationships with real estate developers, investors and end users nationally. Their recent investment from US property company Trammell Crow has opened more avenues to US and other corporate clients, including Dell, IBM, EDS and Unitech.

6.4 **Investment Committee**

The current voting members of the Investment Committee are:-

David Hunter

David was one of the UK's leading Property Fund Managers over a 20 year period up to 2005, with an exceptional track record of building and running Fund Management businesses. In recent years, he was responsible for £6.5bn in the UK and Europe with Arlington Property Investors.

David is now Managing Director of Hunter Advisers, a Property Fund Consultancy which offers advice on the launch and operation of Property Funds in the UK and overseas. Although a relatively new business, Hunter Advisers has already assembled a prestigious client base.

David was President of the British Property Federation 2003/04 and led the property industry delegation which successfully negotiated with the Government for the introduction of UK REITs.

Malcolm King

After qualifying at a general practice firm in 1968 Malcolm was one of the first in his profession to gain an MBA by taking a full time two-year course at the Ivey Business School of the University of Western Ontario, Canada.

Joining King & Co in 1970 he headed the investment part of the business for 23 years. That part of the business was involved in £10 billion of transactions during the last financial year.

In 1993 Malcolm restructured the asset management side of the business, which grew the properties under management from £850m to the current level of more than £10 billion today.

He was Senior Partner from 1987 to 2005 and International Chairman for 2005/6. In 1992 he both conceived and engineered the merger of King & Co with J P Sturge to form King Sturge. During his time as Senior Partner the company's turnover increased from just over £11m to approximately £100m and a staff of nearly 1600.

He is a non-executive of Redrow plc and a Jersey based private property company as well as the managing director of a UK based private property company.

Anuj Puri

Aged 39 years, Managing Director of Trammell Crow Meghraj since 1999, Anuj Puri is currently also the Chairman of Real Estate and Construction Committee of Western Zone for CII. Recently appointed as a Non-Executive Director of Dainik Jagran, India's largest selling Newspaper. He has over 15 years of experience in multi-disciplinary consulting ranging from real estate to social development projects. Key expertise lies in planning and undertaking demand assessment studies, valuation and transactional services including marketing strategies based on technical analysis of real estate markets.

David Hunter

David is one of the UK's leading Property Fund Managers over a 20 year period, with an exceptional track record of building and running fund management businesses, and a reputation for innovation and entrepreneurial thinking. Most notably, he managed £6.5bn in UK and Europe with Arlington Property Investors. He was President of British Property Federation 2003/04, and he has significant experience in creating and managing specialist property funds.

Harkirat Singh

Mr Singh, a career banker, began his career at the Citibank training centre in Lebanon and then at Grindlays Bank, where he acted as country head for foreign exchange and securities, and as head of the investment bank for North India. Following this, he spent 18 years at Deutsche Bank, starting the bank's operation in India in 1981, and becoming the first Indian Chief Executive Officer- India from 1993 until his departure in 1998. Mr Singh led Deutsche Bank's first foray into Venture Capital with an investment in India's first venture capital company in India "Indus Venture Capital India Pvt. Ltd." After leaving Deutsche Bank, he was appointed Special Advisor to the Managing Board of Rabobank International on International strategy and capital management, and was subsequently made Rabobank's General Manager London and Country Head U.K. and Global Head Capital Markets. In 2002, Rabobank and Mr Singh were granted an approval for establishing a private bank in India, and Mr Singh acted as Chief Executive Officer and Managing Director for this new entity until April 2003. Mr Singh has acted as a member of the Board of Governors of the National Institute of Bank Management in India, a member of the advisory board of GEMS, a private equity fund based in Hong Kong, the chairman of the finance committee of the Indian Merchants Chamber, and a member of the Chief Executive Forum of the Economic Intelligence Unit of the Economist.

The Chairman of the Investment Committee will be Ajoy Kapoor, who will have a casting vote only.

6.5 Administrator

Jupiter Management (Mauritius) Limited acts as the administrator of the Company. The Administrator is a private company incorporated in the Republic of Mauritius on 11 September 2006. It is an Offshore Management Company, licensed and regulated by the Mauritius FSC

under the Financial Services Development Act 2001 of Mauritius. Its main activities include establishing and providing administrative and secretarial services to offshore companies and trusts, and structuring and administering offshore funds.

6.6 Bankers and Custodians

The Hong Kong and Shanghai Banking Corporation Limited will act as banker to the Group. It is proposed that the Hong Kong and Shanghai Banking Corporation in India will also act as offshore custodian for the Group.

The Administrator will undertake custodial type services for the Company in Mauritius to the extent required by the Board, although it is not currently envisaged that the Administrator will be formally appointed as “custodian”.

7. THE OFFER AND USE OF FUNDS

7.1 The Offer

3 million “A” Shares are being offered for subscription by the Company at a price of US\$100 per share.

The minimum subscription per Investor for “A” Shares will be US \$500,000 and the Minimum Holding per Investor shall be 5,000 “A” Shares. Identical rights attach to all Shares, except that the “C” Shares and “D” Shares do not carry any right to distribution of dividends or capital until the Investors have received their Hurdle Return. No “B” Shares, “C” Shares or “D” Shares are being offered as part of the Offer. For further details on the respective rights of Shareholders as regards distribution of dividends or capital, please see sections 10.2 and 10.5.

The minimum amount to be raised under the Offer is US \$90 million and the maximum is US \$300 million. The Initial Closing Date shall be the date upon which Subscriptions totalling US \$90 million have been received by the Company. The Final Closing Date shall be the earlier of the date upon which Subscriptions totalling US \$300 million have been received and 30 November 2006. These dates and amounts may be varied at the discretion of the Directors with the approval of a Super Majority of the “C” Shareholders. Any such variance will be notified to Investors at the earliest practical opportunity.

7.2 Use of Funds

Following the Initial Closing Date, 25% of the Subscription Funds applicable to the Securities will be payable upon the later of the date of Subscription and the Initial Closing Date. The remaining Subscription Funds will be payable on or before the applicable Drawdown Date following issue by the Company of Drawdown Notices to Investors. Drawdown Notices will give at least 21 days notice to Investors prior to the Drawdown Date. Failure to make the Capital Contribution specified on or before the relevant Drawdown Date will entitle the Company to (*inter alia*) compulsorily redeem or transfer any of the Shares held by the Shareholder concerned and his associates at a price the Directors consider to be fair and reasonable.

Capital Commitments will be drawn down on an as needed basis to finance Fund Investments, pay fees and expenses, and establish reserves for fees and expenses. After the third anniversary of the Initial Closing Date, Capital Commitments may not be drawn down to finance Fund Investments unless as a result of a binding commitment to invest made prior to that date, but may be drawn down on an as needed basis to pay fees and expenses and establish reserves for expenses and liabilities.

Once drawn down, Capital Contributions may be invested in Short Term Investments, (comprising bank deposits, government securities, treasury bills, short-term money market mutual funds, or corporate bonds or deposits rated no lower than A-1/P-1) pending investment in Trust Units or Portfolio Companies. Distributable Proceeds arising from Fund Investments may also be held in Short Term Investments pending distribution to Investors.

Instruments evidencing title to any Short Term Investments will be held by the Administrator on behalf of the Company. Instruments evidencing title to investments in Portfolio Companies or Trust Units will be held by a custodian in India on behalf of the Company or K1 Investments, as the case may be. No such custodian has yet been appointed, but it is intended that the Hong Kong and Shanghai Banking Corporation will be appointed for that purpose. Any cash assets will be held in the name of the Company or the Subsidiary at HSBC Mauritius.

Although no limits have been placed on the ability of the Company or K1 Investments to borrow, it is not currently anticipated that the Company or K1 Investments will participate in any significant borrowing. Borrowing and normal commercial leverage may take place at Portfolio Company level in accordance with the Investment Policy.

8. REGULATORY AND TAXATION ISSUES

THIS SECTION IS ONLY A SUMMARY OF THE REGULATORY AND TAXATION ISSUES RELATING TO THE GROUP AND THE FUND AND IS NOT A COMPREHENSIVE DISCLOSURE REGARDING ALL APPLICABLE LAWS AND REGULATIONS. THE REGULATORY AND TAX ISSUES REFERRED TO UNDER THIS SECTION ARE SUBJECT TO CHANGES FROM TIME TO TIME.

IT IS THE RESPONSIBILITY OF ALL PERSONS INTERESTED IN SUBSCRIBING FOR SHARES OF THE COMPANY TO INFORM THEMSELVES AS TO ANY INCOME OR OTHER TAX CONSEQUENCES ARISING IN THE JURISDICTIONS IN WHICH THEY ARE RESIDENT OR DOMICILED OR HAVE ANY OTHER PRESENCE FOR TAX PURPOSES, AS WELL AS ANY FOREIGN EXCHANGE OR OTHER FISCAL OR LEGAL RESTRICTIONS WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF THE SHARES. THE COMPANY HAS NO PRESENT PLANS TO APPLY FOR ANY CERTIFICATIONS OR REGISTRATIONS, OR TO TAKE ANY OTHER ACTIONS, UNDER THE LAWS OF ANY JURISDICTION WHICH WOULD AFFORD RELIEF TO LOCAL INVESTORS THEREIN FROM THE NORMAL TAX/REGULATORY REGIME OTHERWISE APPLICABLE TO AN INVESTMENT IN THE UNITS OF THE TRUST OR SHARES OF THE COMPANY.

PLEASE NOTE THAT THE SUMMARY OF THE REGULATORY AND TAX CONSIDERATIONS IN THIS SECTION IS BASED ON THE CURRENT PROVISIONS OF THE LAWS OF INDIA, MAURITIUS, CYPRUS AND THE UNITED KINGDOM, AND THE REGULATIONS THEREUNDER, AND THE JUDICIAL AND ADMINISTRATIVE INTERPRETATIONS THEREOF, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT REGULATORY AND TAX IMPLICATIONS.

8.1 Exchange Control Regulations

India

There are two alternative methods for the Company to make investments into Indian Portfolio Companies – (1) Directly, or through its subsidiary K1 Investments, under the Foreign Direct Investment (“**FDI**”) regime; (2) Once K1 Investments obtains its registration as a FVCI, either through K1 Investments under the FVCI regime or through K1 Investments and through the Trust under the FVCI regime and the VCF regime (see section 8.2 for details of the VCF regime).

Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act 1999 (the “**FEMA**”). FEMA provides the statutory framework that governs India’s system of controls on foreign exchange dealings. Through it the government of India exercises its policy with respect to foreign private investment in India and all dealings by residents of India with non residents and with foreign currency. As per Section 6(3)(b) of FEMA, the Reserve Bank of India (the “**RBI**”) has been given the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. Without permission (general or special) from the RBI, residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security. Accordingly, the RBI prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations in 2000, (“**FDI Regulations**”), pursuant to which no person resident outside India and no company that is not incorporated in India can purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the general or special permission of the RBI.

The FDI Regulations provide that an Indian entity may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only as specified under FEMA and the rules and regulations made thereunder or as permitted by the RBI.

The Government of India established the Foreign Investment Promotion Board (“**FIPB**”) to regulate all FDI into India.

FDI in most sectors is now permitted under what is known as the ‘automatic route’, which essentially means that a foreign investor can bring in investment (by way of issue of shares) in these sectors without the prior approval of any regulatory body under the Indian exchange control regulations. However, there are certain sectors which continue to be regulated, wherein FDI is either totally prohibited (such as defense) or wherein maximum limits on foreign investment have been specified (such as foreign investment in the telecom sector).

The FDI Regulations prescribe certain conditions to be met in order for a foreign investment to be eligible for the automatic route. Some of the significant conditions to be complied with are as follows:

- The investment should be within the sectoral caps, if any;
- A foreign investor who has an existing venture in India, or a technology transfer/trade mark agreement in the same field as that of the Indian company in which the FDI is proposed would not be eligible for this automatic route. Such investments will require prior approval of the FIPB;
- The price at which the investment is made should be in compliance with the formula prescribed under the FDI Regulations. The FDI regulations prescribe a minimum price for foreign investment, which is arrived at on the basis of a prescribed formula. For purchase of shares of an unlisted company, the minimum price to be paid by the non-resident investor is linked to the net asset value (“NAV”) of the shares. For purchases of shares of a listed company the minimum price to be paid by a non-resident investor is the market price of the shares on the stock exchange. Similarly, for exits involving transfer from a non-resident to a resident, the exit price is capped at the price of the shares on the stock exchange (if the shares are listed) or the NAV if the shares are unlisted. A special exemption has been carved out for FVCIs investing under the FVCI Regulations (please see section 8.2 for further details).

The Government of India has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, RBI will continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Investments not qualifying for the automatic route require the prior approval of the FIPB.

The acquisition of existing shares from an Indian resident by a non-resident and vice versa does not require the prior approval of the RBI, provided the transfer fulfils certain conditions, such as, pricing norms, sectoral cap, etc. Further, as a post-transfer compliance, transfers will have to be notified to the RBI in the forms prescribed, along with certain documents, such as consent letters from the transferor and the transferee, and a certificate from a Chartered Accountant.

Transfer of shares of an Indian company between two non-residents does not require any regulatory approvals, unless the transferor has an existing venture in India, or a technology transfer/trade mark agreement in the same field as that of the Indian company whose shares are being transferred.

Foreign Investment in Real Estate Sector

As per FEMA Regulations, foreign investors are permitted to invest in the real estate sector under the automatic route in certain categories and subject to certain limitations and conditions as summarised in the table below:

<i>Project</i>	<i>Key Characteristics</i>
Integrated Townships and other Development Projects	<p>100% FDI is permitted under the “automatic” route for the development of integrated townships, housing, building infrastructure and construction development projects (including but not restricted to housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to certain guidelines including the following:</p> <ul style="list-style-type: none"> • Minimum area to be developed under each project will be:- <ul style="list-style-type: none"> • Serviced housing plots – 25 acres / 10 hectares; • Construction development – 50,000 sq. metres • Minimum Capitalization norm – USD 10 mn for a wholly owned subsidiary and USD 5 mn for a joint venture with an Indian partner. Funds to be brought in within 6 months of commencement; • Minimum lock-in period of 3 years from completion of minimum capitalization to apply before repatriation of original investment without prior approval of FIPB; • Minimum of 50% of the integrated project development to be completed within a period of 5 years from the date of obtaining all statutory clearances.
Roads & Highways, Ports and Harbours	100% FDI permitted under the “automatic route” in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours.
Airports	Up to 100% FDI permitted. However, investment by foreign investors beyond 74% requires prior approval of the FIPB.
Mass Rapid Metro Transit System	FDI up to 100% is permitted on an automatic basis in MRMTS in all metros, including associated real estate development.
Special Economic Zones	100% FDI is permitted under the automatic route subject to the relevant FIPB guidelines.
Industrial Parks, Model Towns and Growth Centres	FDI up to 100% is permitted in Industrial Parks subject to the approval of Empowered Committee that has been established by the Government of India ³⁸ .
Health Care	Health care 100% foreign investment is allowed in this sector and hence, FDI may be allowed in the construction of hospitals.
Hotels & Tourism	<p>100% FDI permitted.</p> <p>Hotels include restaurants, beach resorts, and other tourist complexes providing accommodation and/or catering and food facilities to tourists. Tourism related industry include travel agencies, tour operating agencies and tourist transport operating agencies, units providing facilities for cultural, adventure and wild life experience to tourists, surface, air and water transport facilities to tourists, leisure, entertainment, amusement, sports, and health units for tourists and Convention/Seminar units and organizations.</p>

³⁸ Chapter VI of the Manual on Foreign Direct Investment in India and Notification issued by the Ministry of Commerce and Industry, Department of industrial Policy and Promotion, dated April 1, 2002.

Whether or not the FVCI route is used for making investments, the Fund will only be invested in real estate projects that would be compliant under the FDI Regulations, so investment will be limited to the categories detailed above in any event (subject only to any subsequent legislation or regulatory change which specifically allow investment in other projects).

Non-Resident Indians (NRIs) and Persons of Indian Origin (“PIOs”) are permitted to invest in certain other categories in the real estate sector.

Except as stated above, the policy of the Government of India is to restrict equity investment in the real estate sector but not to restrict foreign construction and related firms from business activities in the Indian housing and real estate sector without making any equity investment. Such business activities can include engineering services, architectural services, designing services, and service and works contracts.

Mauritius and Cyprus

All exchange control regulations have been suspended in Mauritius. In the event that they are reintroduced, they will most probably not in any case apply to the Company as it is licensed as a “Category 1 Global Business Company” in Mauritius for the purposes of the Financial Services Development Act 2001.

Exchange controls do not apply to Cyprus companies. They may hold and manage assets and liabilities in any foreign currency and in any country, including freely convertible and transferable balances with banks in Cyprus.

8.2 Securities Law Regulations

Securities and Exchange Board Of India (SEBI) (Venture Capital Funds) Regulations

If FVCI registration is obtained for K1 Investments, then it is likely that the Group will make investments via the Trust which will be constituted in India and registered with SEBI as a VCF. The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 (the “**VCF Regulations**”) (as amended) require Indian Venture Capital Funds (“**VCFs**”), who wish to make use of the tax benefits available to venture capital funds (see section 8.3 below), to register with SEBI and comply with the provisions of the VCF Regulations.

The VCF Regulations define a ‘venture capital fund’ to mean a fund established in the form of a trust or a company and registered under these regulations which has a dedicated pool of capital raised in a manner specified in the regulations, and which invests in ‘venture capital undertakings’. The term ‘venture capital undertaking’ (“**VCU**”) has been defined to mean a domestic company whose shares are not listed in India and which is engaged in a business, which does not fall within the negative list. The current negative list includes sectors such as gold financing (excluding those companies which are engaged in gold financing for jewellery), non-banking financial services (excluding those non-banking financial companies which are registered with the Reserve Bank of India and have been categorized as ‘equipment leasing’ or ‘hire purchase companies’), activities not permitted under the Industrial Policy of the Government of India and such other activities that may be notified by SEBI in consultation with the Indian government.

The VCF Regulations prescribe that the raising of commitments should be undertaken strictly on a private placement basis and the minimum investment that can be accepted by a VCF from an investor is Rs. 500,000 (approximately USD 11,364). They also prescribe that a subscription/contribution agreement and/or a placement memorandum detailing the strategy for investments, risk factors and taxability of investors should also be issued prior to raising commitments.

The VCF Regulations restrict VCFs from listing their securities on a recognised stock exchange in India for a period of three years from the date of their issue. Accordingly, the Trust will not be in a position to list its securities for a period of three years from the time of issue.

The VCF Regulations lay down several investment restrictions on VCFs, which are required to be achieved by the VCF by the end of its life cycle. These restrictions are as follows:

- A VCF cannot invest more than 25% of its aggregate capital commitments in any one VCU;

- A VCF would have to invest at least 66.67% of its investible funds (i.e. the corpus of the fund net of administration and advisory expenses of the fund) in unlisted equity shares or equity linked instruments (i.e. instruments convertible into equity shares or share warrants, preference shares, debentures compulsorily or optionally convertible into equity) of a VCU;
- A VCF may invest up to 33.33% of its investible funds;
 - by way of subscription to an initial public offering (“IPO”) of a VCU whose shares are proposed to be listed on a recognized stock exchange;
 - in debt/debt instruments of a VCU in which the VCF has already made an investment by way of equity;
 - preferential allotment of equity shares of a listed company subject to lock in period of one year;
 - in the equity shares or equity linked instruments of a financially weak company (i.e. a company which has at the end of the previous financial year accumulated losses, which has resulted in erosion of more than 50% but less than 100% of its networth as at the beginning of the previous financial year) or a sick industrial company whose shares are listed; and
 - in special purpose vehicles which are created by a VCF for the purposes of facilitating or promoting investment in accordance with the VCF Regulations;
- A VCF cannot invest in associate companies. ‘Associate company’ in this context means a company in which a director or trustee or sponsor or settlor of the VCF or the investment advisor holds either individually or collectively, equity shares in excess of 15% of the paid-up equity share capital of the VCU concerned.

A registered VCF will be subject to investigation/inspection of its affairs by an officer appointed by SEBI and in certain circumstances, SEBI has the power to direct the VCF to divest assets of the VCF, to stop launching any new schemes, to restrain from disposing of any assets, to refund monies of investors and to cease operating for a specified period.

If registration as a VCF is not obtained for the Trust, then it is likely that the Company, through its subsidiary K1 Investments, will make direct investments in Portfolio Companies under the FDI Regulations and, subject to obtaining the necessary approvals, as an FVCI.

Securities and Exchange Board of India (Foreign Venture Capital Investor Regulations)

It is proposed that K1 Investments will be registered with SEBI as a “Foreign Venture Capital Investor” (“FVCI”) under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations 2000 (“FVCI Regulations”). Under the FVCI Regulations, a person or entity registered as a FVCI by SEBI is entitled to invest its entire corpus in a VCF or in one or more VCUs in accordance with the investment restrictions stipulated in the FVCI Regulations and as may be further specified by SEBI. The restrictions specified in the FVCI Regulations are similar to those applicable to a VCF, as summarised in section 8.2 above, except that a FVCI may invest its entire capital in one VCF or VCU. These investment restrictions are required to be achieved by the FVCI by the end of its life cycle.

The following benefits will be available under the FVCI Regulations to a FVCI approved by SEBI:

- (i) FVCIs are eligible to freely remit monies into India for making investments in a domestic VCF or VCU without any prior approval of the FIPB or the RBI. Under the normal FDI route, while fresh issue of shares by companies in most sectors has been made automatic, a purchase of shares of an Indian company by a non-resident from a resident still requires to be approved by the FIPB and the RBI.
- (ii) As per a notification issued by the Reserve Bank of India in December 2000, FVCIs benefit from free entry and exit pricing. As summarised above in section 8.1, under the Foreign Exchange Management Act, 1999 and the regulations issued thereunder, the entry and exit

pricing of a non-resident investors under the FDI route is regulated. For purchase of shares of an unlisted company, the minimum price to be paid by the non-resident investor is linked to the net asset value of the shares. Similarly, for exits involving transfer from a non-resident to a resident, the exit price is capped at the price of the shares on the stock exchange (if the shares are listed) or to the net asset value if the shares are unlisted. A special exemption has been carved out for FVCIs whereby they will be exempted from both the entry and exit pricing regulations.

- (iii) SEBI has also exempted transfer of shares from FVCIs to “promoters” (for which see next section regarding DIP Guidelines) from the public offer provisions under the takeover code, if the relevant VCU becomes listed post investment. This ensures that if promoters have to buy back a VCU’s shares from an FVICI, they will not be burdened with the public offer requirement which otherwise could require them to make an offer to the other shareholders of the VCU to buy from them up to 20% of the paid-up capital of the VCU concerned.
- (iv) FVCIs registered with SEBI have been accorded Qualified Institutional Buyer (“QIB”) status and would accordingly be eligible for subscribing to securities at the initial public offering of a VCU through the “book-building” route.
- (v) Under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (the “**DIP Guidelines**”), the entire pre-issue share capital of a company undertaking an IPO is restricted from sale for a period of one-year from the date of allotment in the public issue. However, an exemption has been granted to domestic VCF’s, and FVCIs who have held the relevant shares for at least one year before the date of filing for the IPO. In most cases, this would allow a FVICI to exit from its investments immediately upon listing. (See following section).

If FVICI registration is not obtained for K1 Investments, then it will not be possible for the Group to make an investment in a VCF, such as the Trust, without the prior approval of the FIPB, and it is therefore likely that the Group will make investments directly in Portfolio Companies under the FDI regime.

SEBI Regulations on Initial Public Offerings

In the event that any Portfolio Company pursues an initial public offering (“**IPO**”) and there is thereby a potential exit for the Fund, the DIP Guidelines could have a significant impact. This section summarizes some of the provisions of the DIP Guidelines, which could be relevant for the Fund in the above circumstances.

The DIP Guidelines regulate the public issues by listed and unlisted companies. All offers for sale and rights issues by companies whose equity share capital is listed (except in certain cases of rights issues where the aggregate value of securities offered does not exceed Rupees Five million) are subject to approval by SEBI.

A notable feature of the Indian capital markets is the close identification of promoters with their companies. In order to discipline new issues in the market, SEBI has stipulated that promoters must retain a certain minimum certified holding of the equity capital issued by the company. SEBI DIP Guidelines also require the disclosure of the aggregate shareholding of the promoters group as well as the details of the *inter se* transfer of securities amongst the promoters. For the purposes of these disclosures, the term “promoter” includes the person who is in overall control of the company. *However, financial institutions, Venture Capital Funds, FVCIs, scheduled banks, foreign institutional investors and mutual funds are not deemed to be “promoters” or “promoter groups”.*

A minimum of 20% of the post issue capital must be held by the promoters and cannot be disposed of until the expiry of three years from the date of allotment. However, *inter se* transfer of promoter holdings is possible subject to the lock-in being made applicable to the transferees for the remaining period of the lock-in. Promoters are also obligated to bring in their full subscription to the issue prior to the public offer.

DIP Guidelines impose lock-in restrictions on the pre-issue share capital of an unlisted company and securities issued on firm allotment basis. Under these guidelines, the entire pre-issue share capital, other than the promoter’s contribution (which shall continue to have a

three year lock-in), shall be locked-in for a period of one year from the date of allotment in the public issue. The lock-in period of one year shall not be applicable to the pre-issue share capital:

- a. held for at least one year prior to the time of filing the draft offer document with SEBI by venture capital funds (i.e. VCFs) and FVCIs registered with the SEBI; or
- b. held for a period of at least one year at the time of filing the draft offer document with SEBI and being offered to the public through offer for sale; or
- c. Pre-IPO shares held by employees other than promoters, which were issued under employee stock option or employee stock purchase scheme of the issuer company before the IPO, provided the issuer company has complied with the requirements of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

Investment may be made through the Fund in Portfolio Companies by participating in a private offer of securities by the issuer. The Indian Companies Act, 1956 stipulates that the issuing company should obtain the prior approval of its existing shareholders, through a special resolution, before it places its securities preferentially.

All issues of capital by listed companies by way of shares or convertible securities on a preferential basis are subject to fulfillment of certain requirements stipulated by SEBI. In particular, such preferential offers must be made at a price not less than the higher of:

The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six-month period ending on the date thirty days prior to the date of the general meeting of shareholders where such a proposal is considered,

Or

The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two-week period ending on the date thirty days prior to the date of the general meeting of shareholders where such a proposal is considered.

Further, any shares issued on a preferential basis by a listed company to any person including promoters/promoters group shall be subject to a lock-in for a period of one year from the date of their allotment. Such lock-in may also be applicable with respect to an investment in listed securities by way of preferential issue of shares by the Portfolio Company. The lock-in stipulated herein is in addition to the lock-in imposed on promoters under the SEBI DIP Guidelines.

8.3 Taxation Issues at the Trust level

Taxation of a SEBI registered VCF and its investors will be governed according to provisions of section 10(23FB) read with section 115U of the Income Tax Act of India, 1961 (ITA). Accordingly, once registered as a VCF, the Trust would be regarded as a pass through entity i.e. any income earned by the Trust would be exempt from tax in its hands under section 10(23FB) of the ITA and taxed only in the hands of the investors (including the Group) when distributions are made by the Trust as if the investments were made directly by the investors in the underlying investments, under section 115U of the ITA. Further, income in the hands of investors (including the Group) would bear the same character as in the hands of the Trustees of the Trust. Accordingly, dividends received by the Trust from underlying investments would be tax exempt in the hands of its investors (including the Group).

Under Section 31 of the Taxes Act of 2002 of Cyprus, the income of a trust is taxable at the beneficiary level as if the beneficiary had actually received the income. Thus the Trust will be transparent for Cyprus tax purposes, and the Subsidiary will be taxed in Cyprus on its income received from the Trust, as if it were income from Portfolio Companies (see section 8.4.3 below).

8.4 Taxation Issues at the Group level

8.4.1 *Taxation of the Group in India as per the India–Mauritius Tax Treaty/India-Cyprus Tax Treaty*

The taxation of the Company and the Subsidiary in India shall be governed by the provisions of the ITA, read with the provisions of the India-Mauritius Tax Treaty (“**IM Treaty**”) and India-Cyprus Tax Treaty (“**IC Treaty**”) respectively. As per Section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the IM Treaty and IC Treaty.

In order for the IM Treaty and IC Treaty provisions to apply, the Company and the Subsidiary must be a Mauritius and Cyprus tax resident respectively. The Company and the Subsidiary are expected to receive a Mauritius and Cyprus tax residency certificate from the Mauritius and Cyprus tax authorities respectively.

Taxation of the income of the Group arising from investments in India should be minimised under the provisions of the IM Treaty and/or the IC Treaty. However, no assurance can be given that the terms of the IM Treaty and/or the IC Treaty will not be subject to re-negotiation in the future and any change could have a material adverse effect on the returns generated by the Company. There can be no assurance that the IM Treaty and/or the IC Treaty will continue and will be in full force and effect during the life of the Company.

The Company and/or the Subsidiary are expected to derive profits in the form of capital gains, dividends and interest on account of its investments in the Indian Portfolio Companies.

Capital Gains

According to the provisions of the IM Treaty and IC Treaty, all capital gains realized by the Company and the Subsidiary, whether long-term or short-term, will not be subject to tax in India, provided the Company and the Subsidiary do not have a permanent establishment in India. As the Company and the Subsidiary hold or are expected to hold a tax residency certificate from the Mauritius and Cyprus Income-tax Authorities respectively, all the capital gains realised by the Company and the Subsidiary should be subject to tax only in Mauritius and Cyprus respectively.

If the benefits of the IM Treaty or the IC Treaty are denied to the Company and the Subsidiary respectively or if the Company and the Subsidiary are held to have a permanent establishment in India, gains derived by the Company and the Subsidiary due to the sale of shares or securities of the Portfolio Companies, may be subject to taxation in India as follows.

- Long-term capital gains (being gains on sale of shares held for a period of more than twelve months) arising on transfer of listed equity shares executed on a recognized stock exchange in India will be exempt from tax in India. However, as per the Finance Act 2006, since the Company and the Subsidiary are each organised in the form of a company, a Minimum Alternate Tax at the rate of 10% (excluding currently applicable surcharge and education tax) may be levied on such long term capital gains derived by the Group;
- Short-term capital gains (being gains on sale of shares held for a period of twelve months or less) arising on transfer of listed equity shares executed on a recognized stock exchange in India will be taxed at the rate of 10% in India (excluding currently applicable surcharge and education cess);
- Long-term capital gains arising on transfer of listed equity shares executed off the recognized stock exchange in India will be taxable at 10% in India (excluding currently applicable surcharge and education cess);
- Short-term capital gains arising on transfer of listed equity shares executed off the recognized stock exchange in India will be taxed at the rate of 40% in India (excluding currently applicable surcharge and education cess);

- Long-term capital gains from sale of unlisted Indian securities would be taxed at the rate of 20% in India (excluding currently applicable surcharge and education cess);
- Short-term capital gains from sale of unlisted Indian securities would be taxed at the rate of 40% (excluding currently applicable surcharge and education cess);

The exemption on long term capital gains and reduction of rate for short term capital gains would be applicable only if the sale / transfer of the equity shares takes place on a recognized stock exchange in India. All transactions entered on a recognized stock exchange in India will be subject to a securities transaction tax (“**STT**”) levied on the transaction value at the applicable rates.

Dividends

Dividends are currently exempt from tax in the hands of all shareholders, irrespective of their residential status. However, an Indian Portfolio Company declaring, distributing or paying dividends will be required to pay a Dividend Distribution Tax (“**DDT**”) of 14.025%. Accordingly, the dividends earned by the Group should be exempt from tax in India.

Interest

Any interest that accrues to the Subsidiary from the Indian Portfolio Companies shall be subject to an interest withholding tax in India at the rate of 10% as per the IC Treaty.

If the benefits of the IC Treaty are denied or if the Subsidiary is held to have a “permanent establishment” in India, then as per the ITA, the interest income of the Subsidiary may be subject to an interest withholding tax at the rate of 10% (excluding currently applicable surcharge and education cess) in case of interest on the Foreign Currency Convertible Bonds issued by the Portfolio Companies under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993, at the rate of 20% (excluding currently applicable surcharge and education cess) on loans made to Portfolio Companies in non-Indian currency but not under the FCCB route (e.g. under the ECB route) and at the rate of 40% (excluding currently applicable surcharge and education cess) in case of loans made to the Portfolio Companies in Indian currency.

Any interest income of the Company would be taxable as per the provisions of the ITA as stated above.

8.4.2 Mauritius

The Company holds a Category 1 Global Business License issued by the Mauritius Financial Services Commission and will be liable to tax in Mauritius at the rate of 15% on its net income. However, the Company will be entitled to a foreign tax credit equivalent to the higher of the actual foreign tax suffered or a deemed tax credit of 80% of the Mauritius tax on its foreign source income.

Capital gains will be exempt from income tax in Mauritius on disposals by the Company of its investments. There is no withholding tax payable in Mauritius in respect of payments of dividends to Investors. Investors will not be liable for tax in Mauritius on dividend and capital distributions made by the Company. However, the recipient may be subject to taxation in the jurisdiction in which he is resident or domiciled for tax purposes.

The Company has been issued a Tax Residence Certificate from the Mauritian Commissioner of Income Tax and accordingly, qualifies as a resident of Mauritius for the purposes of the IM Treaty. On this basis, the Company should be entitled to certain relief from Indian tax, subject to the continuance of the current terms of the IM Treaty.

The Investment Advisor will be required to charge value added tax on at 15% on its fees. Upon registration for value added tax, the Company will be able to recover any value added tax paid to the Investment Advisor, or to any other party.

8.4.3 *Cyprus*

Capital gains from the sale of securities are not taxable in Cyprus. Dividends received from a holding of more than 1% are not taxable in Cyprus if the company paying the dividends (e.g. a Portfolio Company) is subject to normal taxes of at least 5%. If this is not the case, then tax on dividends will be applied at 15% as “Special Defence Tax”. If the normal activities of the Subsidiary are to borrow and lend money, then any profits arising from interest income will be taxable at 10%.

8.5 **VCU Level Tax Implications**

A company incorporated in India is regarded as a tax resident of India and is subject to taxation in India on its worldwide income. Currently, domestic companies are taxed at the rate of 30% (excluding any applicable surcharge and education cess) on their net profits. Every Indian company distributing dividends to its shareholders is required to pay a Dividend Distribution Tax (“DDT”) of 14.025%. The dividends so paid by the Indian company are tax-exempt in the hands of the shareholders, irrespective of their residential status. However, the DDT is payable by the Indian company despite the fact that the profits from which the dividends are being distributed may be enjoying tax holiday / exemptions.

8.5.1 *Taxation of Income from House Property*

Income from rentals from commercial properties is taxed under the head “Income from House Property” under sections 22-27 of the ITA. As per section 24 of the ITA, an Indian company would be allowed a standard deduction at the rate of 30% against the rental income. Accordingly, tax would be payable only on 70% of the rental income earned by the Indian company. This amount could get reduced further by way deductions for interest payments if the Indian company has borrowed funds for purposes of acquisition, construction, repair, renewal or reconstruction of the property. There is no limit on the amount of interest deductible and thus if the interest payable exceeds the rental income, the unabsorbed interest can be carried forward for set off against income from property.

8.5.2 *Other Tax Holidays / Exemptions*

Depending on the nature of the projects involved, a VCU could qualify for the tax holidays / exemptions listed out in section 80IA/IB of the ITA whereby its business profits would be exempt from tax subject to fulfilment of the applicable conditions.

8.5.3 *Minimum Alternate Tax*

Where the tax payable by the VCU is less than 10% of its book profits, the tax will be deemed to be 10% (excluding surcharge and education cess) of such book profits as Minimum Alternate Tax.

8.5.4 *Wealth Tax*

Buildings, residential and commercial premises held by VCUs will be regarded as assets as defined under Section 2(ea) of the Wealth Tax Act, 1957 and thus be eligible to wealth tax in the hands of the VCUs at the rate of 1% on its net wealth in excess of the base exemption of INR 15,00,000. It should be noted that shares of a VCU and units of the Trust held by the Group, would not be treated as assets under the Wealth Tax Act and therefore would not be subject to wealth tax.

8.5.5 *Service Tax*

The service tax regime was introduced vide Chapter V to the Finance Act, 1994. Subsequent Finance Acts, (1996 to 2003) have widened the service tax net by way of amendments to Finance Act, 1994. Service tax is levied on specified “taxable services” at the rate of 10% (excluding currently applicable education cess) on the “gross amount” charged by the service provider for the taxable services rendered by him. As per the Finance Act 2006, the rate of service tax has been increased to 12% (excluding currently applicable education cess). The Finance Act, 2004 has introduced “construction services” as a taxable service and thus such services provided by a VCU would be subject to service tax in India.

8.5.6 *Stamp Duty and Local Taxes*

The real estate activities of a VCU would be subject to stamp duties and other local / municipal taxes, which would differ from State to State, city to city and between municipalities jurisdictions.

8.6 **Tax Position of Investors**

This section assumes that the Securities will be subscribed for and held as an investment and the Shareholder concerned is not deemed to have been given the opportunity to subscribe for Securities by virtue of his or any other person's directorship or employment.

An Investor will not be subject to any tax in India in respect of its investment in Securities unless such Investor is a resident of India, or, if a non-resident, has Indian source income or has received income (whether accrued or otherwise) in India.

Investors who are resident in the UK for tax purposes will, depending upon their circumstances, be liable to the UK income tax or corporation tax on dividends paid by the Company.

Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 (the "Taxes Act") provides that if an Investor who is resident or ordinarily resident in the United Kingdom for taxation purposes holds a "material interest" in an overseas company that constitutes an "offshore fund" and that company does not qualify as a "distributing fund" throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest will be taxed at the time of such sale, redemption or disposal as income and not as a capital gain. On the basis that at the time of subscription for Securities, the Securities would not be expected to be realisable within seven years for an amount equal to their proportionate share of the market value of the assets of the relevant Portfolio, from time to time, the Securities should not constitute "material interests" in an "offshore fund" for the purposes of these provisions. Accordingly, it is anticipated that apart from any sums representing accrued income for the period of disposal, gains realised on the disposal of Securities to a third party and otherwise than on any redemption or buy-back of the Securities (excluding in the course of a winding-up) by United Kingdom resident or ordinarily resident Shareholders will be subject to taxation as capital and not as income unless the Shareholder is a dealer in securities. Any such gains may accordingly be reduced by any general or specific United Kingdom exemption in respect of capital gains tax, including taper relief for individuals and other non-corporate Shareholders and indexation allowance for corporate Shareholders.

The attention of UK resident and domiciled Investors is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than a ten per cent. interest in the Company.

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25% of the share capital of the Company should note the provisions of the controlled foreign companies legislation contained in Sections 747-756 of the Taxes Act.

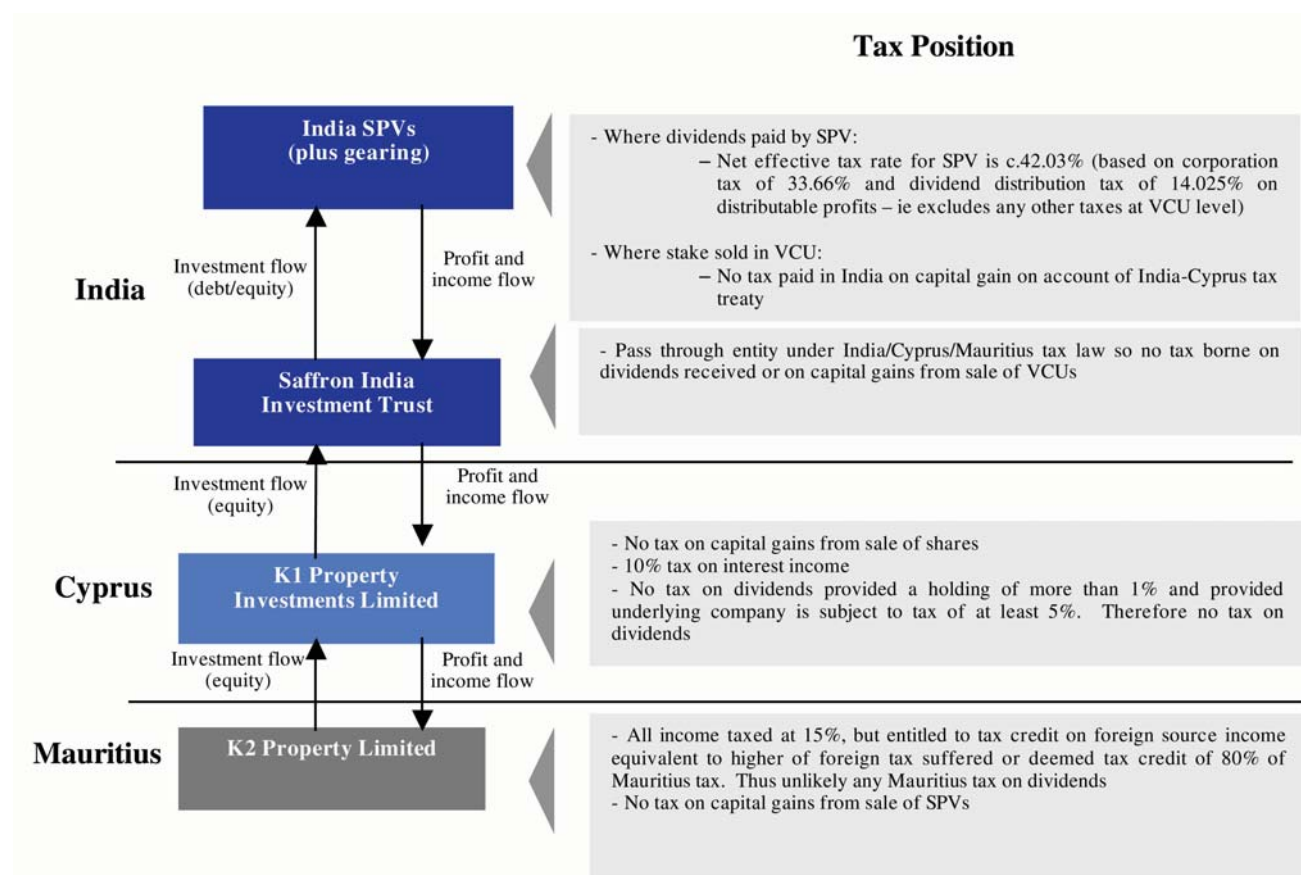
The attention of individuals ordinarily resident in the UK is drawn to the provisions of Sections 739-745 of the Taxes Act which can in certain circumstances render such individuals liable to tax in respect of undistributed profits of the Company.

The attention of UK resident and domiciled investors is drawn to Section 703 of the Taxes Act under which the UK Inland Revenue may seek to cancel tax advantages from certain transactions in securities.

It is the intention of the Directors to conduct the affairs of the Company so that it does not become resident for taxation purposes in the UK or any other jurisdiction outside Mauritius and so that it does not carry out any trade in the UK or any other jurisdiction outside Mauritius (whether or not through a permanent establishment situated therein). On this basis, the Company should not be liable for taxation on its income or gains, other than in Mauritius.

8.7 Summary of Tax Treatment

The tax levels likely to be applicable to the Fund may be summarised in the diagram below. It should be noted that this is merely a diagrammatic summary set out on the basis of certain assumptions which may not be ultimately applicable. Potential investors should refer to the detailed narrative in Sections 8.3 to 8.6 above for a full picture.



8.8 Money Laundering

India

Prevention of Money-Laundering Act, 2005

The Prevention of Money Laundering Act, 2005 (the “PMLA”), which came into force on 1 July 2005, embodies India’s legislative commitment to the elimination and prevention of money laundering. The main objects of PMLA are (i) the prevention and control of activities concerning money laundering and (ii) the confiscation of property derived or involved in money laundering.

Under the PMLA, a person is guilty of an offence of “money laundering” if that person “*directly or indirectly attempts or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property*”. The term “proceeds of crime” has been defined under the PMLA to mean property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to an offence listed in the schedule to the PMLA.

The PMLA mandates certain entities such as banks, financial institutions and intermediaries (dealing in securities) to maintain record of all transactions above a certain value or of a suspicious nature, as prescribed in the rules framed under the PMLA. The transactions so prescribed may be a single transaction or a series of inter-connected transactions which take place within one month (“Transactions”). The institution must provide information relating to such Transactions to the director appointed under the PMLA within the prescribed time limit. These institutions also must verify and maintain the records of identity of their clients in the manner

prescribed in the rules under the PMLA. The PMLA also confers discretionary power on the principal officer of a bank, financial institution or intermediary to report Transactions that have been valued below the prescribed limits to escape scrutiny.

Both an FVCI and a VCF fall within the definition of intermediary under the PMLA since they are each required to register with SEBI under section 12 of the Securities and Exchange Board of India Act, 1992. Thus, the record-keeping and disclosure obligations prescribed under the PMLA and the rules thereunder will be required to be followed by the Trust if registered as a VCF and by K1 Investments if registered as a FVCI.

Mauritius

Anti-Money Laundering Regulations

To ensure compliance with any applicable money laundering regulations, the Company or its agents may at their absolute discretion require verification of identity from any person subscribing for Securities, in particular any person who either (i) tenders payment by way of wire transfer from an account in the name of a person or persons other than the applicant or (ii) appears to the Company or its agents to be acting on behalf of some other person. Verification of the identity of the subscriber or the person on whose account such amount is drawn or any person on whose behalf the subscriber appears to be acting, may be required. By subscribing for Securities, a subscriber undertakes to provide satisfactory evidence of identity within such reasonable time as the Company or its agents determine. Pending the provision of evidence satisfactory to the Company or its agents as to identity, the subscription for Securities may be retained at the absolute discretion of the Company or its agents. If within a reasonable period of time following a request for verification of identity, the Company or its agents have not received evidence of identity to their satisfaction, the Company or its agents may, at their absolute discretion, reject the subscription, in which event any money tendered for the subscription will be returned without interest to the subscriber. The Company may, if required by any applicable anti-money laundering requirements, delay or withhold the payment of any distribution proceeds from the Company to a shareholder or remit any such distribution proceeds to a government agency or other third party.

In accordance with the Financial Intelligence and Anti-Money Laundering Act 2002 of Mauritius and the Code on the Prevention of Money Laundering and Terrorist Financing, the Company will appoint a resident director as its money laundering reporting officer (“MLRO”). The duties of that director as MLRO will include receiving and evaluating internal suspicious transactions reports and, where appropriate, filing these with the Mauritius Financial Intelligence Unit (“FIU”). Persons connected with the Company are required to report any suspicions of money laundering to the MLRO. If requested by any relevant authority including, without limitation, the FIU, the MLRO, may pass on information about any applicant for Securities of the Company to any such regulatory authority. It is a term of subscription that any applicant will be deemed to have consented to the passing on of such information to any such authority.

9. RISK FACTORS

An investment in the Company involves significant risks. Accordingly, before deciding to make any investment, prospective investors should carefully study the specific risks described below together with all the information contained in this Memorandum, and seek independent investment and tax advice. Additional risks and uncertainties not presently known to the Directors, or that they currently deem immaterial may also have an adverse impact on the Group's prospects and business. There can be no assurance that the Company's investment objective will be achieved, or that an Investor will not lose all of his investment in the Company.

9.1 Risks relating to Investment in Indian Real Estate

9.1.1 *Use of Agricultural Land*

In India, certain lands are earmarked as agricultural lands, wherein only agricultural activities can be carried out. In order to carry out any nonagricultural activities, a prior permission will be required from the local authority of that particular area. If any Portfolio Company decides to utilize agricultural land, and fails to get the local authority's approval for usage for non-agricultural purposes, this could affect the returns of the Fund and the Company.

9.1.2 *Title*

The method of documentation of land records in India has not been fully computerized and is generally undertaken manually. This can result in registrations taking a significant amount of time, or being inaccurate in certain aspects. As a result, the title to real property may not be clear or may be in doubt.

9.1.3 *Land Acquisition*

The right to own property in India is subject to restrictions that may be imposed by the Government of India. Particularly, the Government of India has the right to acquire any land or a part thereof if such acquisition is for a 'public purpose' after paying the owner some compensation. Any such compensation may not be the rate that such a property might have achieved if it were sold in the market.

9.1.4 *Environmental Laws*

Indian Courts have implemented the "polluter pays" principle in the field of environment law, whereby the person, company or industry responsible for the pollution, through the use or disposal of hazardous or toxic substance, either on, under or in a property, would be liable to restore the property and the surrounding environment to an undergraded condition and compensate any victims thereby. The presence of contamination or hazardous or toxic substances, may adversely affect a Portfolio Company's ability to deal with such a property in any manner. This in turn could have an adverse impact on returns of the Fund and the Company.

9.1.5 *Rent Control*

In India various states have enacted rent control laws, which, *inter alia*, place restrictions on the amount of rent that may be collected from tenants (whether residential or, in some cases, commercial). If a Portfolio Company has invested in property that comes under the purview of rent control laws, this may adversely impact the returns the Portfolio Company may achieve from such property and thus consequentially have an adverse impact on the Fund's performance.

9.1.6 *Litigation*

Property litigation in India is generally very time consuming and complicated and there is generally a preponderance of litigation with respect to property. If any property in which a Portfolio Company has invested is subject to any litigation this could have an adverse impact, financial or otherwise on the Portfolio Company and therefore on the Fund and the Company.

9.1.7 *Tenancy Risk*

The bankruptcy or insolvency of or vacation by a significant tenant or a number of smaller tenants would have an adverse impact on the cash flows of a project.

9.1.8 *Performance Risks*

A portion of the Fund's assets may be invested in companies in highly competitive markets dominated by firms with substantially greater financial and possibly better technical resources than the Portfolio Companies in which the Fund invests. Portfolio Companies in which the Fund invests may operate in segments that face technological changes and/or may be dominated by other firms or organizations. These and other inherent business risks could affect the performance of the Portfolio Companies, and affect the value of the Fund's equity investments, thereby affecting the Fund as a whole.

9.1.9 *Cost Overruns*

Delays or cost overrun on real estate development projects can occur and these may decrease the profitability of a project or result in losses to the Fund and the Company. There can also be opportunity loss due to delays. Volatility or upward movement in commodity prices, especially of cement and steel, could also result in cost overruns. Projects could also face time and cost overruns due to force majeure risks that may not be mitigated.

9.1.10 *Risks of Real Estate Ownership*

Investments in land or property can be difficult, slow or impossible to realize. The Fund will be subject to the general risks incidental to the ownership of property, including changes in the supply of or demand for competing land or property in an area, changes in interest rates and the availability of mortgage funds, changes in the rates of property taxes, landlord / tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any land or property owned by Portfolio Companies will, therefore, depend on many factors beyond the control of the Fund and there is no assurance that there will be either a ready market for any land or property or that such land or property will be sold at a profit or will yield a positive cash flow.

9.1.11 *Gearing*

The Fund will be indirectly geared through exposure by the Portfolio Companies to bank borrowings secured on their underlying assets & equity. Where the cost of the borrowings exceeds the return on the assets, the borrowings will have a negative effect on the Fund's performance. A relatively small movement in the value of the underlying land or property or the returns derived there from may result in a disproportionately large movement, unfavorable as well as favorable, in the value of the return received in respect thereof.

In the event that Portfolio Companies enter into a bank facility agreement or arrangement, such agreement(s) or arrangement(s) may contain financial covenants. In particular, such agreements may require that the Portfolio Companies have assets exceeding a fixed percentage of the value of any loan drawn down. If the value of the assets of any such Portfolio Company falls so that any such financial covenant is breached, or if any other covenant is breached, the Portfolio Company concerned may be required to repay the borrowings in whole or in part, together with any attendant costs. In such circumstances the Portfolio Company may be required to sell, in a limited time, part or all of its assets, potentially in circumstances where there has been a downturn in land or property values generally, such that the realization proceeds do not reflect the valuation of the land or property. Amounts arising under any bank facilities will rank ahead of shareholder's entitlements and hence returns may therefore be adversely affected by an early repayment.

9.1.12 *Liquidity and Valuation Risk*

Certain real estate assets may be slow to realise in difficult market conditions. There is no assurance that the estimates resulting from valuations will reflect the actual sales price even where such sales occur shortly after a valuation date.

9.1.13 *Development Risk*

It is likely that the Fund will undertake some development projects from a “Greenfield” start. Although the Fund intends to partner with developers with good track records in handling such development projects, various development risks will still apply. These include entitlement risk, risks arising from project delays, regulatory risk and statutory approval risk.

Development risk on integrated township projects and Special Economic Zones will remain high on account of political and regulatory risks, which could lead to significant time and cost overruns. Projects where the Fund bids for the land may subsequently get delayed due to delays in obtaining regulatory or statutory approvals.

9.2 **Investment Risks**

9.2.1 *Nature of Investment*

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise there from (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio.

Investors should not consider investing in the Company unless they already have a diversified investment portfolio.

No representation is or can be made as to the future performance of the Company and there is no assurance that the Company will achieve its investment objectives.

Investors should note that an investment in the Securities represent an illiquid investment since there is no established market for trading of investments in the Securities or the underlying investments of the Fund. An investment in the Fund is only appropriate for investors able to commit their investment for the long term.

9.2.2 *Possible Adverse Economic Conditions/Market Cycles*

The financial operations of the Company and the Fund may be adversely affected by general economic conditions, by conditions within the Indian real estate market or by the particular financial condition of vendors and other parties doing business with Portfolio Companies or the Fund.

Timing to market cycle is very important in this sector. An investment which looks favorable in a positive market cycle may become a loss-making proposition in a negative cycle. There will always be risk associated with market cycle.

9.2.3 *Nature of Fund Investments*

The investments made by the Fund will be in unlisted companies whose securities should be considered illiquid, and there can be no assurance that the Fund will be able to realize profits on its investments in a timely manner. These investments may be difficult to value and to sell or otherwise liquidate, and the risk of investing in such companies is much greater than the risk of investing in publicly traded securities. Moreover, these unlisted companies are not regulated by the same disclosure and investment protection norms that apply to listed companies.

Since the Fund may make only a limited number of investments and these may involve a high degree of risk, poor performance by even a few of these investments could lead to adverse effects on the returns received by the Investors.

The Fund will compete with other investors for potential investments in Portfolio Companies. This may result in fewer attractive investment opportunities. The Fund may not be able to identify and successfully close a sufficient number of high-quality investments. In addition, such competition may have an adverse effect on the length of time required to

fully invest the funds of the Fund. To the extent the Fund has already drawn down capital from its contributors, pending investment in Portfolio Companies, these funds may be retained in cash or may be invested in short-term or medium-term money market instruments or in fixed deposits or any such equivalent instruments. Such investments may substantially reduce the Fund's overall returns.

9.2.4 *Restrictions on Transfer*

Investors will not be able to transfer any of their holding of Securities except as is provided in the Constitution.

9.2.5 *Portfolio Risk*

It is intended that the Fund will have fair degree of diversification in its investments both by geographic region or asset type, and invest in projects having varying exit horizons. However, it may be the case that, the Fund invests in a small number of Portfolio Companies, in which event the proposed diversification would not be achieved. In this case, Investors would have a higher exposure to the risk of poor performance in respect of individual investments in Portfolio Companies.

9.2.6 *Leverage Delay*

In some cases, it may not be possible to tie up the leverage for the project before disbursement of funds by the Fund. This may lead to situations where the financing gap may have to be bridged by the Fund or additional comfort may have to be provided to lenders by the Fund, which could result in a higher risk exposure for the Fund than originally intended.

9.2.7 *Currency Exchange Rate Risks*

The Indian rupee is not convertible and most Capital Account Transactions (as defined below) require the prior permission of the Reserve Bank of India (the "RBI"). The Foreign Exchange Management Act ("FEMA") and the rules and regulations made thereunder constitute the body of exchange controls applicable in India. FEMA divides foreign exchange transactions into two broad categories: Capital Account Transactions and Current Account Transactions. A "Capital Account Transaction" is defined as one that alters the assets or liabilities, including contingent liabilities outside India, of persons resident in India or the assets or liabilities in India of persons resident outside India. FEMA further provides for specific classes of transactions that fall within the ambit of Capital Account Transactions and the RBI has issued regulations governing each such class of transactions.

While the regulatory regime for hedging genuine currency risk has been relaxed, it is still not practical, given the costs, to hedge currency risks for more than relatively short periods of time, and even for short term hedging the cost can be high. Accordingly, currency risk in relation to the Indian rupee remains a significant risk factor, and the cost of hedging this currency risk (if available) could reduce the returns of the Company. A decrease in the value of the Indian rupee would adversely affect the Company's returns and such a decrease may be likely given India's current inflation rate and its budget deficits.

The operation of bank accounts in India will be subject to regulation by the RBI under the Indian Foreign Exchange Regulations.

There can be no assurance that the Indian Government would not, in the future, impose additional restrictions on foreign exchange. The repatriation of capital may be hampered by changes in Indian regulations concerning exchange controls or political circumstances. In addition, India may in the future re-introduce foreign exchange control regulations which could limit the ability of the Group to repatriate dividends, interest or other income from investments or the proceeds from sale of securities. Any amendments to the Indian exchange control regulations may have an adverse effect on the Company's performance.

In addition, the Group intends to operate using the US dollar as its base currency. Consequently, any cash or other assets held by the Group may be denominated in US dollars and the Group will therefore be vulnerable to resulting currency risks.

9.2.8 *Indian Legal System*

The laws and regulations in India can be subject to frequent changes as a result of economic, social and political instability. In addition, the level of legal and regulatory protections customary in countries with developed securities markets to protect investors and securities transactions, and to ensure market discipline, may not be available. Where the legal and regulatory framework is in place, enforcement may be inadequate or insufficient. Regulation by exchanges and self-regulatory organizations may not be recognized as law that can be enforced through the judiciary or by means otherwise available to the investors in developed markets.

The Indian civil judicial process to enforce remedies and legal rights is relatively less developed and subject to delays. Enforcement by the Group of civil rights under the laws of a jurisdiction other than India may be adversely affected by the fact that they may have significant assets in India and the enforcement of the rights against such assets in India will be subject to the delays and other limitations of the Indian judicial system.

9.2.9 *Non-Controlling Investments*

It is intended that the Fund should hold controlling interests in most Portfolio Companies. However, the Fund may in certain cases hold non-controlling interests in some Portfolio Companies and, therefore, may have a limited ability to protect its position in such companies.

9.2.10 *Third Party Co-Investment*

The Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve additional risks, including the possibility that such third party or parties may have financial difficulties that negatively impact such investment. Further, a co-venturer may have economic or business interests that are inconsistent with those of the Fund, or may be in a position to take action in a manner contrary to the Fund's investment objectives.

9.2.11 *Contingent Liabilities on Disposition of Investments*

In connection with the disposition of an investment, the Trust or the Company may be required to make representations about the investment typical of those made in connection with the sale of real estate. The Trust or the Company also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the Company or the Trust may need to establish reserves or escrows.

9.3 *Advisory and Operational Risks*

9.3.1 *Reliance on the Advisory Group*

The Company will be advised as to its investments by the Investment Advisor, and Investors will not be able to participate in investment or other decisions relating to the Fund.

The success of the Fund will depend to a large extent upon the ability of the Advisory Group, in sourcing, selecting, completing and realising appropriate investments on behalf of the Fund. The success of the Fund will also depend upon the judgement of the Investment Committee and the Advisory Group in reviewing investment proposals. The Advisory Group may be given considerable latitude in its choice of Portfolio Companies and the structuring of investments. Accordingly, no person should invest in the Company unless such person is willing to rely on the abilities and expertise of the Advisory Group.

9.3.2 *Indemnification of Various Parties*

The Constitution authorises the Company to indemnify and effect insurance for its Directors, officers, employees, former employees, its Administrator, the Custodian, the Investment Advisor and any other person to such extent as is authorised by the Companies Act 2001 of Mauritius.

The Investment Advisory Agreement provides for indemnification of the Investment Advisor for any and all actions, suits, proceedings, claims, damages, settlement payments, losses and liabilities arising in connection with the Investment Advisory Agreement, unless they result from gross negligence or wilful default or fraud.

Each of the Trustees is similarly fully indemnified by the Trust for all its actions or inactions except for wilful default, gross negligence or fraud.

Indemnification of the Investment Advisor, the Trustees and other relevant parties, may impair the financial condition of the Company and/or the Trust and their ability to acquire assets or otherwise achieve investment objectives or meet obligations.

9.3.3 *Failure to Meet Drawdowns by Investors*

Default by any Investor of its obligations relating to a Drawdown may cause the Company to lack the capital necessary to make planned investments. Such default may, consequently, cause the Fund to breach its agreement with a Portfolio Company, causing the Fund to owe damages to such company. Loss of such opportunities, as well as the payment of damages, could result in a material adverse effect on the performance of the Fund.

9.3.4 *Lack of Operating History*

The Company has not commenced operations yet and hence Investors may not be able to evaluate for themselves the merits and risks of the Company's investments until after the investments are made.

9.4 Other India-Related Risks

9.4.1 *Political, Economic and Social Risk*

Political, economic, and social factors, changes in Indian law or regulations and the status of India's relations with other countries may adversely affect the value of the Company's assets. In addition, the Indian economy may differ favorably or unfavorably from other economies in several respects, including the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency, currency exchange rates and balance of payments position. The Company does not intend to obtain political risk or currency insurance. Future actions of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect private sector companies, market conditions and prices and yields of investments. The occurrence of sectarian unrest, or external tensions, could adversely affect India's political and economic stability and, consequently, adversely affect Portfolio Companies.

India's political, social and economic stability is related to its developing status. Certain developments (such as the possibility of nationalization, expropriations or taxation amounting to confiscation, political changes, government regulation, social instability, diplomatic disputes or other similar developments), which are beyond the control of the Company and the Advisory Group, could adversely affect the Company's investments.

The current Government of India, formed in May 2004, has announced policies and taken initiatives that support the continued economic liberalization policies that have been pursued by previous governments. There is, however, no assurance that these liberalization policies will continue in the future. The pace of economic liberalization could change, and specific laws and policies affecting taxation, foreign investment, currency exchange and other matters affecting the Company's investments could change as well. In addition, laws and policies affecting the various investments held by the Fund could change, adversely affecting the values or liquidity of those investments.

India's relations with its neighboring countries have historically been tense. Although there are periodic efforts to normalize relations between the two countries, significant military confrontations between India and Pakistan have occurred in the disputed region of Kashmir in the last few years and both India and Pakistan continue to allocate substantial resources to the defense of their borders as a result. The Indian government is also confronted by

separatist movements in certain states, including Jammu and Kashmir. India's population is comprised of numerous ethnic groups with diverse religions and languages, sometimes resulting in communal conflict among groups. Problems of this nature in the future could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including Fund Investments.

India remains a partly agrarian economy and a significant portion of its gross domestic product is derived from agriculture. As a result, severe monsoons or drought conditions could hurt India's agricultural production and dampen momentum in some sectors of the Indian economy, which could adversely affect the Company's performance.

9.4.2 *Government Approvals*

Certain Indian governmental approvals, including approvals from SEBI or the central government may be required before investments can be made in Portfolio Companies.

It is possible that the Company or the Fund or the Trust may not have obtained all or some of these governmental approvals prior to the Initial Closing Date. While the Directors expects these governmental approvals to be obtained by or shortly after the Initial Closing Date, there can be no certainty that these approvals will be obtained by then, or at all.

Failure to obtain such approvals will have negative tax and/or exchange control implications for the Group, which would adversely affect returns to Investors. Detailed consideration of some of these consequences are set out in Sections 8.1 to 8.5 at pages 41 to 51.

The Fund will operate in India under Indian laws and securities regulations. If policy announcements or regulations are made which require changes in the structure or operations of the Group or the Trust, these may adversely impact the performance of the Fund.

Investment by the Group in the Trust is dependent on registration of K1 Investments (or the Company) as an FVCI with SEBI. SEBI grants FVCI registration after obtaining clearance from the RBI. The RBI may impose restrictions when it grants its consent for FVCI to SEBI. In the event the registration of K1 Investments or the VCF is terminated or is not renewed, the Group could potentially be forced to redeem its interest in the Trust, and such forced redemption could adversely affect the Company's returns.

As at the date of the Memorandum, SEBI is delaying the issue of any FVCI registrations for real estate investors. While K1 Investments will apply for FVCI registration, there can be no assurance that FVCI registration will be granted by SEBI, in which case the Group will not be able to benefit from the advantages of FVCI registration as detailed in Section 8.

9.5 **Tax Risks**

9.5.1 Investors in the Company are subject to a number of risks related to tax matters. In particular, the tax laws relevant to the Group and the Trust including current rates of taxation in Mauritius, Cyprus and India for Stamp Duty, Land Tax provisions, Corporate & Income Taxes, are subject to change. Any such change could affect the value of the investment held in the Fund and tax liabilities could be incurred by the Trust or by Investors as a result of such changes. The tax consequences of an investment in the Company and the ongoing investment in the Fund are complex, and the full tax impact of an investment in the Company will depend on circumstances particular to each investor and the additional peculiarities associated with respect to activities of each Portfolio Company. Accordingly, prospective investors are strongly urged to consult their tax advisors with specific reference to their own situations. The section of this Information Memorandum entitled "**Regulatory and Taxation Issues**" at Section 8 summarises the material tax considerations relevant to the Fund. This section and any other statement in this Information Memorandum concerning taxation is based upon current law and practice which is subject to change.

- 9.5.2 The Company will seek exemptions under the India-Mauritius Tax Treaty and the India-Cyprus Tax Treaty (the “Treaties”), which would exempt gains on the sale of certain securities held by the Fund from Indian capital gains tax. However, there can be no assurance that the Group will be able to avail itself of the benefits of the Treaties, or that future legislation, regulation or court rulings will not limit or eliminate exemptions from capital gains taxes. Accordingly, sales of securities may be subject to capital gains tax in India, and this could significantly reduce returns for Investors in the absence of an offset or credit for such tax under the tax laws or regulations of the Investors’ domicile.

Taxation of the income of the Company arising from its investments in India is expected to be minimized under the provisions of the Treaties. However, in any event, tax will be applicable to Portfolio Companies in India as described in Section 8.5 unless some special exemption applies. In addition, no assurance can be given that the terms of the Treaties will not be subject to re-negotiation in the future. Any change in one or both of the Treaties or the tax regime in India could have a material adverse effect on the returns of the Company. There can be no assurance that either of the Treaties will continue and will be in full force and effect during the life of the Company. Further, it is possible that Indian tax authorities may seek to take the position that the Company is not entitled to the benefit of one or both of the Treaties. There can be no assurance that the Company will be able to obtain or maintain the benefit of either of the Treaties.

10. GENERAL INFORMATION

10.1 The Company and the Subsidiary

The Company was incorporated in Mauritius under the name K2 Property Limited as a public company limited by shares with limited life, with registered number 62912 on 19 May 2006.

The Company is domiciled in Mauritius and its registered office and its principal place of business is located at 2nd Floor, Prisma House, 4 Buswell Avenue, Quartre-Bornes, Mauritius. The telephone number at that address is +230 210 9885.

The Company has a limited life of 15 years from the date of incorporation. This period may be extended by up to two years (see Section 10.6.13 below). A portfolio attributable to a certain class or classes of Shares may have a shorter effective life than the Company in the event that the Directors liquidate the assets attributable to that portfolio and distribute all profits as dividends and/or redeem all outstanding Shares of the relevant class. It is intended that the portfolio attributable to the Class A Shares will have a life of seven years (see Section 10.9 for further information).

The Subsidiary was incorporated in Cyprus as a private company limited by shares under the name K1 Property Investments Limited on 23 January 2006 with registered number HE 171100. The Subsidiary is domiciled in Cyprus, and its registered office and its principal place of business is at Theklas Lysioti, 29 Cassandra Centre, 2nd Floor, (201/202) PC 3030, Limassol, Cyprus. The telephone number at that address is +35 725820650. The Subsidiary has an unlimited life.

The Directors confirm that neither the Company nor the Subsidiary have traded and no financial statements or accounts of the Company or the Subsidiary have been made up since their respective incorporation. Save for entry into the material contracts listed in this Section 10.16 of the document, and certain non-material contracts, since their respective incorporation, neither the Company nor the Subsidiary have carried on business nor incurred borrowings. Changes in the authorised and issued share capital of the Company and the Subsidiary since their respective incorporation appear in sections 10.2 or 10.3 below.

Pricewaterhouse Coopers have been the only auditor of the Group since the incorporation of the Company. The accounting period of the Company and the Group will terminate on 31 March of each year, with the first year ending on 31 March 2007.

The Company has no administrative management or supervisory bodies other than the Board. The Subsidiary has no administrative management or supervisory bodies other than its directors. It is anticipated that the directors of the Subsidiary will act in accordance with the instruction of the Board.

The Company has no subsidiary undertakings as at the date of this document other than the Subsidiary. The Subsidiary has no subsidiary undertakings as at the date of this document.

10.2 Share Capital of the Company

The share capital of the Company consists of Class A Shares, Class B Shares, Class C Shares and Class D Shares. The authorised share capital of the Company has, in accordance with Mauritian legislation, not been limited. Under the Constitution, the Directors are entitled to issue A Shares, B Shares, C Shares or D Shares in any number. These four classes of shares all have a par value of US \$0.01 each. Further classes of shares may be created and issued by the Directors with the approval of the holders of 90% of the C Shares.

As at the date of this document 75,000 C Shares and 25,000 D Shares have been issued fully paid and no A or B Shares have been issued.

All classes of Shares have identical rights except with respect to dividends and other distributions and with respect to certain voting rights (as detailed in Section 10.6 below). The C Shareholders and the D Shareholders shall not be entitled to any dividends or other distributions unless Investor Shareholders shall have received by way of return of capital,

repayment of loan stock, or other distribution a sum equivalent to their Capital Contributions plus a sum equivalent to an annual compound return of 11% on their Net Capital Contributions. Once Investor Shareholders have received their Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to be paid out of any further Returns available for distribution, *pro-rata* to their respective holding of Shares, a sum equivalent to 20% of all Profits, including the Hurdle Return (provided always that this shall not operate so as to reduce the Hurdle Return paid to Investor Shareholders).

The Constitution also authorises the Board to issue loan stock. As at the date of this document, no loan stock has been issued or is intended to be issued.

The issue of shares and loan stock is generally at the discretion of the Directors who are authorised under Mauritian law and the Constitution but subject to their statutory and fiduciary duties to issue an unlimited number of shares, and unlimited loan stock. The consent of the holders of 90% of the C Shares is required prior to the issue of any share or loan capital.

Save for the Shares referred to above, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

10.3 Share Capital of the Subsidiary

The share capital of the Subsidiary is five thousand Cyprus pounds divided into five thousand shares of one Cyprus pound each. As at the date of this document, one share of the Subsidiary has been issued to Standguard Limited, the original subscriber to the memorandum of association of the Subsidiary. On 20 June 2006, this single issued subscriber share was transferred to the Company. As far as the Directors are aware, as at the date of this document, other than the subscriber share, no share or loan capital of the Subsidiary has been issued or agreed to be issued or is now proposed to be issued.

The capital resources of the Subsidiary will initially depend entirely upon capital supplied to it by the Company by way of inter-company loan. Following realisation of investments in the Trust or Portfolio Companies, the Subsidiary will have access to capital inflows although it is anticipated that these will be channelled through the Company by way of repayment of debt, inter-company loan or payment of dividend as the case may be.

10.4 Major Shareholders and Related Party Transactions

As at the date of this document, the only shareholders of the Company are as follows:

Saffron Capital Advisors Limited	25,000 D Shares
Saffron Capital Securities Limited	67,500 C Shares
Yasu Management Limited	7,500 C Shares

The sole shareholder of the Subsidiary is the Company.

The “founder” of the Company is Saffron Capital Securities Limited whose address is at 2nd Floor, Prisma House, 4 Buswell Avenue, Quatre-Bornes, Mauritius. Saffron Capital Securities is the parent company of the Investment Advisor and the Indian Advisor.

Vipin Shah has an ownership interest in the Advisory Group and consequently has an ownership interest in the C Shares and D Shares issued to the members of the Advisory Group.

Since neither the Company nor the Subsidiary have traded, no transactions have been entered into with related parties or otherwise other than the appointment of the Investment Advisor and the Administrator and certain other professional advisors. Since the Investment Advisor is currently

a shareholder of the Company, and since Rohin Shah is a director of both the Company and the Investment Advisor, the engagement of the Investment Advisor should be regarded as a related party transaction.

10.5 Directors' and Other Interests

10.5.1 No loan has been granted to, nor any guarantee provided for the benefit of any Director by the Company or of any director of the Subsidiary by the Subsidiary.

10.5.2 Except as disclosed in Section 10.4 and this Section 10.5, no Director nor any director of the Subsidiary has any interest in any Shares or in any transactions which are or were unusual in their nature or significant to the business of the Company and of the Subsidiary respectively and which have been effected by the Company since incorporation whether or not outstanding or unperformed.

10.5.3 The Company will purchase directors and officers liability insurance for the benefit of the Directors and the directors of the Subsidiary.

10.5.4 No Director nor any director of the Subsidiary has been convicted of indictable or fraudulent offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.

10.5.5 Within the last five years, no Director and no director of the Subsidiary has been associated with any bankruptcy, receivership or liquidation of any enterprise of which they were either (a) a member of the administrative, management or supervisory body (b) in the case of a limited partnership with a share capital, a partner with unlimited liability (c) a founder or (d) a senior manager relevant to establishing the enterprise had appropriate expertise and experience for the management of its business.

10.5.6 None of the Directors and no director of the Subsidiary has received any official public incrimination from any statutory or regulatory authority or within at least the previous five years been disqualified by a court from acting as the management or conduct of the affairs of an enterprise.

10.5.7 Rohin Shah is a Director of the Company, and is also a director of K1 Investments and the Investment Advisor. Since it may be in the interests of the Investment Advisor to enter into the Investment Advisory Agreement, Rohin Shah should therefore be regarded as having a potential conflict of interest with respect to the Investment Advisory Agreement, which is described at Section 10.16.1 below.

10.5.8 Vipin Shah is a Director of the Company, is the uncle of Rohin Shah, and has an ownership interest in the Administrator and the Investment Advisor and the Company (through his ownership interest in the Advisory Group), and should therefore be regarded as having a potential conflict of interest and an interest in the Administration Agreement and the Investment Advisory Agreement which are described respectively at Sections 10.16.2 and 10.16.1 below.

10.5.9 Other than as detailed in Sections 10.5.7 and 10.5.8, the Directors are not aware of any potential conflict of interest between the duties of any Director to the Company or the duties of any director of the Subsidiary and their private interests or other duties. No Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by, each Director) an interest in the share capital of the Company or with any options in respect of such capital. Other than as detailed in this section, no director of the Subsidiary has any interest in the share capital of the Subsidiary nor has any person connected with any director of the Subsidiary (so far as is known, or who could with reasonable diligence be ascertained by, each Director) an interest in the share capital of the Subsidiary or with any options in respect of such capital.

10.5.10 The dates of appointment as a Director and/or as a director of the Subsidiary and details of current and former directorships over the previous five years and memberships of partnerships of each of the Directors and the directors of the Subsidiary are given below.

<i>Name and Date of Appointment</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Teewareesing Gopal*	Jupiter Management (Mauritius) Limited	
<i>Appointed as a director of the Company 19 May 2006</i>		
Christopher Jones	Crossover Productions Limited	Ideas Hub Partners Limited (Dissolved)
<i>Appointed as a director of the Company 19 May 2006</i>	Entera Equity Partners Limited	Mindship Limited (Dissolved)
	Screen Investors Limited	
	Asset Column Limited	
	Ideas Hub Plc	
<i>Appointed as a director of the Subsidiary 12 June 2006</i>	Ideas Hub Investments Limited	
	Ideas Hub Ventures Limited	
	Metropolis Post Production Limited	
	Motion Picture Partners LLP	
	Motion Picture Partners International (A) LLP	
	Motion Picture Partners International (B) LLP	
	Motion Picture Partners International (C) LLP	
	K2 Property Limited	
	K1 Property Investments	
Ben Locknat Daby Seesaram**	Jupiter Management (Mauritius) Limited	
<i>Appointed as a director of the Company 1 June 2006</i>	PCL Legal Services (Mauritius) Limited	
Rohin Shah	Saffron Capital Limited	Hype Limited
	Portmove Limited	Astra Harlow Limited
<i>Appointed as a director of the Company 19 May 2006</i>	Meghraj Properties (UK) Limited	Tatlow Court
<i>Appointed as a director of the Subsidiary 23 January 2006</i>	Matside Properties Limited	Property Management Co Limited
	Jasmin Investments Limited	Meghraj Pension Trustee Limited
	Meghraj Properties Limited	
	India Property Research Limited	
	Saffron Capital Securities Limited	
	Saffron Capital Advisors Limited	
	K2 Property Limited	
	K1 Property Investments Limited	
	Trammell Crow Meghraj	
	Property Consultants Private Limited	
	Trammell Crow Meghraj	
	Building Operations Private Limited	
	Saffron Asset Advisors Limited	
Vipin Shah***	Minerva Holdings Limited	
<i>Appointed as a director of the Company 19 May 2006</i>	Minerva Financial Services Limited	
	Minerva Fund Administration Limited	
	Accor Property Fund Limited	
	Meghraj SP Corporate Finance (Pvt) Limited	
Michael Davies****		
<i>Appointed as a director of the Subsidiary 23 January 2006</i>		

- * Mr. Gopal is currently a director of Jupiter Management (Mauritius) Limited. Jupiter Management (Mauritius) Limited provides trust and company administration services to entities on behalf of its clients and, as a result, Mr. Gopal is a director of numerous client companies as part of its usual practice of administration.
- ** Mr. Seesaram is currently a director of Jupiter Management (Mauritius) Limited and PCL Legal Services (Mauritius) Limited. Both Jupiter Management (Mauritius) Limited and PCL Legal Services (Mauritius) Limited provide trust and company administration services to entities on behalf of clients and, as a result, Mr. Seesaram is a director of numerous client companies as part of its usual practice of administration.
- *** Mr. Shah is currently a director of Minerva Holdings Limited and its wholly owned subsidiary Minerva Financial Services Limited, a trust company licensed by the Jersey Financial Services Commission, and is also a director of a number of companies within the Minerva group, which provide trust and company administration services to entities on behalf of clients and, as a result, Mr. Shah is a director of numerous client companies as part of the usual practice of administration as well as a number of unregulated and unlisted family investment companies. He is also a director of Meghraj SP Corporate Finance (Pvt) Limited, a category 1 Merchant Bank registered with SEBI in India.
- **** Mr. Davies is senior corporate counsel at Trident Trust. Trident Trust is a licensed company in Cyprus providing trust and company administration services to entities on behalf of its clients and, as a result, Mr. Davies is a director of numerous client companies as part of its usual practice of administration.

105.11 Neither any of the Directors nor any of the directors of K1 Investments have been appointed for any specific periods, nor are they subject to retirement on rotation, and no such director has any agreement whether with the Company or K1 Investments which provides for benefits upon termination of employment.

105.12 Mr Gopal and Mr Seesaram were selected as Directors as part of the arrangements made between the Company and the Administrator. Mr Davies was selected as a director of the Subsidiary as part of the arrangements between the Company and Trident Trust.

10.6 Constitution of the Company

Notable provisions of the Constitution and/or the laws of Mauritius which relate to the Company may be summarised as follows:

10.6.1 *General Meetings and Voting*

The Shareholders have the right to receive notice of, and to vote at, general meetings of the Company. Each Shareholder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Share held.

10.6.2 *Issues of Shares*

There is no limitation on authorised share capital or on the number of classes of shares which may be issued (although the Constitution provides expressly for the issue of A, B, C and D Shares). The issue of shares is at the discretion of the Directors who can issue shares of these classes at any time and in any number but subject to obtaining the prior consent of the holders of ninety percent (90%) of the C Shares. The Directors will, with respect to the issue of shares, be subject to their statutory duties to *inter alia* act in the interests of the Company and to ensure that any consideration received for the issue of shares is fair and reasonable to the Company and to all its shareholders.

10.6.3 *Transfer of Shares*

Under the current legislation in Mauritius, shares may only be transferred upon the transferor and the transferee executing a stock transfer form in the format prescribed by the Registration Duty Act of Mauritius, having the form registered with the Registrar General of Mauritius (although no stamp duty or fee is payable with respect thereto) and delivering the registered stock transfer form, together with share certificates, if any, to the Company for the amendment of the share register, which amendment will evidence the transfer of the Shares. The transfer of Shares is also subject to the prior written approval of the Board.

Under the Constitution, no transfer of Shares may be effected without the consent of the Board or the Directors' duly appointed agent. The Board may refuse or delay the registration of any transfer where:

- (a) so required by law;
- (b) registration would impose on the transferee a liability to the Company and the transferee has not signed the transfer;
- (c) a holder of any such share has failed to pay on the due date any amount payable thereon either in terms of the issue thereof or in accordance with the constitution (including any call made thereon);
- (d) the transferee is a minor or a person of unsound mind;
- (e) the transfer is not accompanied by such proof as the Board reasonably requires of the right of the transferor to make the transfer;
- (f) the transfer to, or the holding of the Shares by, the transferee would, in the opinion of the Directors, cause or be likely to cause a pecuniary, tax, legal or regulatory disadvantage to the Company or any other Shareholder; or
- (g) the Board acting in good faith decides in its sole discretion that registration of the transfer would not be in the best interests of the Company and/or any of its Shareholders.

Where the Board refuses to register a transfer of Shares, the Board will send to the transferee and the transferor notice of the refusal within 28 days of the date on which the stock transfer form is delivered to it, stating in the notice the reasons for such refusal.

10.6.4 *Compulsory Redemption of Shares*

The Constitution provides that the Board may compulsorily redeem Shares at such price as it considers fair and reasonable in the following circumstances:

- (a) the Board has a general discretion to redeem all A Shares and B Shares if it considers same to be in the interests of the Company and the Board has obtained the consent of a Super Majority of the holders of Class C Shares;
- (b) the Board may redeem all A Shares and B Shares if a law has been passed which renders it illegal or, in the reasonable opinion of the Directors, impracticable or inadvisable to continue the Company and the Board has obtained the consent of a Super Majority of the holders of Class C Shares;
- (c) the Directors may compulsorily redeem any A Share or B Shares which is held by a person other than an Eligible Investor;
- (d) the Directors may at any time redeem any holding which is less than the Minimum Holding, provided that this power may not be exercised if such holding has fallen below the Minimum Holding solely because of the Directors having increased the Minimum Holding by virtue of their powers under the Constitution;
- (e) the Directors may compulsorily redeem any holding of a Shareholder or of any associate of such Shareholder who is in breach of the terms of any agreement to subscribe for Shares.

10.6.5 *Eligible Investors*

An Eligible Investor is a person

- (a) able to acquire Shares without violating applicable laws, including those concerning money laundering;
- (b) whose holding of Shares does not, in the opinion of the Board, cause or result in any pecuniary, tax, legal or regulatory disadvantage to the Company and/or one or more of the other Shareholders; and

- (c) that, at the time of making the investment,
 - (i) has the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the Company;
 - (ii) is aware of the risks inherent in investing in the Shares and the method by which the assets of the Company are held and/or traded;
 - (iii) can bear the risk of loss of their entire investment;
 - (iv) holds Shares having a value not less than the Minimum Holding; and
 - (v) meets any additional suitability standards as the Directors may, in their absolute discretion impose, from time to time in order to comply with applicable laws and regulations.

10.6.6 *Repurchase of Shares*

The Company is expressly authorised under the Constitution to repurchase and hold its own Shares. However, by virtue of the provisions of the Act, the rights and obligations of those Shares will not be exercised by or against the Company as long as the Company holds the Shares.

10.6.7 *Interests of Directors*

A Director, notwithstanding a material interest in the matters being discussed, may be counted in a quorum present at any meeting at which any contract or arrangement in which the Director is interested is considered and, provided that he has disclosed the material interest at a meeting of directors or in the interests register kept for that purpose as required by the Act and he obtains the prior consent of all other Directors, he may vote in respect of any such contract or arrangement.

Under the relevant definition in the Act, a Director is interested in a transaction to which the Company is party where the Director:

- (a) is a party to, or shall or may derive a material financial benefit from, the transaction;
- (b) has a material financial interest in or with another party to the transaction;
- (c) is a director, officer or trustee of another party to, or person who shall or may derive a material financial benefit from, the transaction, not being a party or person that is:
 - (i) the Company's holding company, being a holding company of which the Company is a wholly-owned subsidiary;
 - (ii) a wholly-owned subsidiary of the Company; or
 - (iii) a wholly-owned subsidiary of a holding company of which the Company is a wholly-owned subsidiary;
- (d) is the parent, child, spouse of another party to, or person who shall or may derive a material financial benefit from the transaction; or
- (e) is otherwise directly or indirectly materially interested in the transaction.

A Director may hold any other office or place of profit (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to tenure of office, remuneration and otherwise as the Directors may determine.

Provided that he has disclosed to the Board the nature and extent of any interest in accordance with the Act, a Director, notwithstanding his office:

- (f) may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;

- (g) may be a director or other officer of or employed by a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested;
- (h) shall not by reason of his office be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and
- (i) may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

10.6.8 *Remuneration of Directors*

The Constitution provides that each Director shall be remunerated at such rate as the Directors shall determine provided that the aggregate amount of the fees shall not exceed US \$150,000 per annum (or such higher sum as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

A Director may hold any other office or place of profit with respect to the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

10.6.9 *Retirement and Appointment of Directors*

Directors shall not be subject to retirement by rotation.

A Director shall not be required to hold any shares.

A Director shall, by virtue of the Act, automatically retire at the conclusion of the first annual meeting of Shareholders after his 70th birthday but he shall be eligible to be re-appointed at that annual general meeting to hold office until the next annual general meeting and then at each subsequent annual general meeting,

Directors may be appointed or removed by a Super Majority of the Investor Shareholders or a Super Majority of the C Shareholders. In the case of any conflict between the Investor Shareholders and the C Shareholders in respect of any such appointment or removal, the Super Majority of the Investor Shareholders shall prevail.

The Company shall at all times have at least two Directors resident in Mauritius.

A Director shall vacate his office if he resigns, becomes bankrupt, is of unsound mind, ceases or becomes prohibited from being a Director under the laws of Mauritius.

10.6.10 *Quorum and Voting of Directors*

No meeting of the Board shall be quorate unless at least four of the Directors or their alternates are present in person or by telephone and no resolution of the Board shall be valid unless at least 75% of the Directors present or represented have voted in favour thereof.

A resolution of the Board may also be passed in writing if signed or assented to by 75% or more of the Directors.

10.6.11 ***Portfolios***

Separate portfolios shall be established with respect to the assets attributable to the Shares of each class.

10.6.12 ***Distributions***

The Directors are authorised by the Constitution to cause the Company to make distributions without the prior consent of the Shareholders.

No dividends shall be paid other than from the retained earnings of the Company after it makes good any accumulated losses from the beginning of the relevant fiscal year. A Shares and B Shares are also redeemable at the option of the Company, which redemptions will constitute distributions for the purposes of the Act.

All distributions will be subject to the Company satisfying the solvency test, namely that the value of the assets of the Company exceeds the value of the liabilities of the Company.

The Directors may if they think fit from time to time pay the members such interim distributions as appear to be justified. Distributions may be made in respect of one class of Shares and not another, from the portfolio attributed to that class.

No distribution or other amount payable to any Shareholder shall bear interest against the Company. All unclaimed distributions and other amounts payable as aforesaid may be reinvested or otherwise made use of for the benefit of the Company until claimed.

Any distribution unclaimed on the earlier of (1) seven years from the date when it first became payable or (2) the date on which the Company is wound up, shall be forfeited automatically, without the necessity for any declaration or other action by the Company.

The C Shareholders and the D Shareholders shall not be entitled to any dividends or other distributions unless Investor Shareholders shall have received Returns equivalent to an annual compound return of 11% on their Net Capital Contributions. Once Investor Shareholders have received their Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to be paid out of any further Returns available for distribution, *pro-rata* to their respective holding of Shares, a sum equivalent to 20% of all Profits, including the Hurdle Return (provided that any such payment shall not operate so as to reduce the Hurdle Return paid to Investor Shareholders).

The Directors are also empowered to create reserves before recommending or declaring any distribution.

The Directors may also carry forward any profits which they think prudent not to distribute.

10.6.13 ***Continuation Vote***

Prior to the Dissolution Date, the Directors may at their discretion convene an Extraordinary General Meeting of the Company to consider a resolution to extend the life of the Company, which resolution shall be proposed as a Special Resolution and shall be set out in full in the notice convening the Extraordinary General Meeting.

The above-mentioned extensions can be made twice for a period of one year each.

If the Special Resolution referred to above is not passed the Directors shall (subject always to the Law and the Constitution) take all steps necessary or desirable to effect the winding-up of the Company on or around the Dissolution Date.

If the Special Resolution referred to above is passed then the Directors shall (subject always to the Law and the Constitution) take all steps necessary or desirable to effect the winding-up of the Company on or around the date on which the Shareholders resolve the Company should be wound up.

10.6.14 **Objects**

A description of the objects and purposes of the Company can be found in Article 3 of the Constitution, which states that the Company shall carry out any business or activity permitted under its category 1 global business licence issued by the FSC, shall at all times endeavour to hold such a licence and comply with all conditions attached thereto, and in particular shall operate as an investment company.

10.7 **Constitution of K1 Investments**

The Memorandum and Articles of Association of the Subsidiary contain provisions, *inter alia*, to the following effect:-

10.7.1 **Objects**

The objects clause of the Memorandum of Association of the Subsidiary allow for the company to carry on a wide range of commercial and financial activities.

10.7.2 **Issue of Shares**

Shares in the Subsidiary may be issued with such deferred or other special rights and restrictions as the members may from time to time determine by ordinary resolution. Otherwise, the shares of the Subsidiary will be at the disposal of its directors, who may issue, allot, distribute and generally dispose of them to such persons at such time and under such terms the conditions and restrictions as they may think fit.

The rights attaching to any class of shares may only be varied or abolished with the consent in writing of the holders of three/four of the issued shares of that class, or the sanction and extraordinary resolution passed at a separate general meeting of the whole of the shares of the class.

Shares will be issued and held in certificated form.

10.7.3 **Transfer of Shares**

Any shares of the Subsidiary which are the subject of a proposed transfer must first be offered to all members of the Subsidiary on a *pro rata* basis according to the number of shares in the Subsidiary which they already hold. The members may purchase such shares at either the value specified by the proposed transferor, or at the “fair value” as certified by the auditor. In the event that members of the Subsidiary do not take up the offer to purchase such shares, they may be offered by the proposed transferor to any person at any price.

Notwithstanding the pre-emption provisions described in this sub-section, shares in the Subsidiary may be freely transferred by a member to the spouse/child or in issue parent, brother, sister, son or brother-in-law, daughter or sister-in-law of that member or to a family company of the member, or with the written consent of the other members.

The directors of the Subsidiary may refuse to register the transfer of any shares in their absolute discretion. They also refuse to register any transfer of any share on which the Subsidiary has a lien or if by any such transfer the number of members of the Subsidiary would exceed fifty, or if the instrument of transfer is not accompanied by the certificate of the shares to which it relates, or is in respect of more than one class of shares.

10.7.4 **Alteration of Capital**

The Subsidiary may from time to time by ordinary resolution increase, consolidate, divide or sub-divide its existing share capital.

Subject to any direction to the contrary that may be given by a resolution sanctioning the increase of capital, all unissued shares of the Subsidiary shall, before issue be offered to the members in proportion to the number of existing shares held by them.

10.7.5 **General Meetings**

The Subsidiary shall in each year hold an annual general meeting and not more than fifteen months shall elapse between the date of one annual general meeting and the next.

The directors of the Subsidiary may convene an extraordinary general meeting at any time. If at any time there are not enough directors capable of acting to form a quorum, any director or any two members of the Subsidiary may convene an extraordinary general meeting in the same manner.

An annual general meeting and a meeting called for passing a special resolution should be called by 21 days prior notice, and any other meeting of the Subsidiary shall be called by 14 days notice at least. Shorter notice is permissible if agreed by all the members entitled to attend and vote at the meeting (in the case of an annual general meeting) or a majority together holding not less than 95% of nominal value of the shares giving a right to attend and vote at such meeting in the case of any other meeting.

No business shall be transacted at any general meeting unless a quorum of members is present, being in general terms, two members present in person or by proxy.

Subject to any rights and restrictions for the time being attached to any class or class of shares, every member present in person or by proxy at the meeting shall have one vote and on a poll every member shall have one vote for each share of which he is the holder.

10.7.6 Directors

Unless and until otherwise determined by the Subsidiary at a general meeting, the number of directors shall be between one and seven.

The remuneration, if any, of the directors shall be determined from time to time by the Subsidiary in general meeting. The names of the first directors shall be determined in writing by the subscribers of the memorandum of association or a majority of them.

Directors shall not be required to retire from office by rotation. The members may from time to time by ordinary resolution increase or reduce the number of directors, remove any director or appoint another person in place of a director or any person to be a director.

The directors of the Subsidiary may at any time and from time to time appoint one or more of their body to the office of managing director ("Managing Director"). A Managing Director shall be entitled to receive such remuneration as the directors generally may from time to time determine.

10.7.7 Proceedings of Directors

The directors of the Subsidiary may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting at which a quorum is present shall be decided by at least three directors. The quorum necessary for the transaction of business of the directors may be fixed by the directors on each occasion but otherwise it shall be three if the directors are more than two, two if the directors are more than one, and one if there is only one director.

The directors may delegate any of their powers to committees consisting of such member or members of their body as they may think fit.

A resolution in writing and signed or approved by letter, telegram, telex, telefax or other similar means by all the directors or their alternates should be valid and binding as if it would have been as if it had been passed at a meeting of the directors duly convened and held. The directors may participate in any meeting by means of telephone conference or conference by similar communications equipment.

10.7.8 Borrowing Powers

The directors of the Subsidiary may exercise all the powers of the company to borrow, give guarantees and charge or mortgage the undertaking of the company.

10.7.9 Interests of Directors

A director of the Subsidiary in any way directly or indirectly having an interest in a contract or proposed contract shall declare the nature of his interest at a meeting of the directors.

Any director of the Subsidiary may contract and participate in the profits of any contract or arrangement as if he were not a director and may retain for his own use any profits or benefits made by him under such contract provided that full disclosure of any interest is made. A director shall also be entitled to vote on any matter concerning such contract or arrangement and be counted in the quorum of the board of directors at any meeting at which any such matter is considered.

The directors of the Subsidiary may hold any other office or place of profit in conjunction with acting as a director of the Subsidiary.

10.7.10 *Disqualification of Directors*

The office of director shall be vacated if the director (a) becomes bankrupt and makes any arrangement or composition with his current creditors generally; or (b) becomes prohibited from being a director by reason or any order made under Cyprus law; or (c) becomes of unsound mind; or (d) resigns his office by notice in writing to the Company.

10.7.11 *Dividends and Reserves*

The Subsidiary in general meeting may declare dividends, but no dividends shall exceed the amount recommended by the directors. The directors may also from time to time pay interim dividends. No dividends shall be paid otherwise than out of profits.

The Subsidiary in general meeting may upon the recommendation of the directors' resolve that it is desirable to capitalise any part of the amount for the time being as being credit of any of the Company's reserve accounts or to credit the profit and loss account are otherwise available for distribution.

10.8 Investment Policy

The Investment Policy of the Fund is set out at Sections 4.1 and 4.2 of this Information Memorandum and in the Investment Policy Memorandum and may only be varied or rescinded in whole or in part by way of an Ordinary Resolution of the Investor Shareholders and the C Shareholders but such sanction shall not be required if the variation or rescission is to correct a manifest error or is necessary to make possible compliance with fiscal or other statutory of official requirements, actual or proposed, or if the Administrator shall certify that such variation or rescission does not materially prejudice the interests of the holders of Shares or any of them and does not operate to a material extent to release the Directors from any responsibility to any such holders.

Any breach of the Investment Policy, including any restrictions on investments will to the extent possible be rectified by the Investment Advisor, and Shareholders will be informed by notice in writing of the breach and such rectifying actions as soon as reasonably practicable.

10.9 Distribution Policy

It is intended that all capital or income returned to the Group from Fund Investments (including investments in the Trust and/or any VCU) net of any sums required to be set aside for fees and expenses should be distributed to Investors by means of a Return at the earliest available opportunity. However, the Board may decide to reinvest the capital of the Group with a view to making significant additional returns over a relatively short time frame, and provided that in the view of the Investment Committee the reinvestment would provide additional returns to Investors within the existing term of the Fund.

It is intended that the Fund, (being the portfolio attributable to the Securities), shall be wound up within the twelve months following the period of seven years from the Initial Closing Date. This period may be extended by Special Resolution of the A Shareholders by one or two further periods of one year each. To the extent that any capital has not been returned to Investors within this period, it is likely that all remaining A Shares shall be redeemed by the Company. Any such redemption may be preceded by a distribution of profits in the form of dividends.

The Company itself has a limited life of fifteen years (subject to extension by the K2 Shareholders – see Section 10.6.13 for further information).

10.10 Fees and Expenses

10.10.1 *Placement Fees*

Placement fees of up to 2% of the Subscription Funds will be payable by the Company. These fees will be payable to the extent that fees and/or expenses of intermediaries need to be met in respect of subscriptions to the Company. Otherwise, they may be waived at the discretion of the Directors. Such intermediaries may include members of the Advisory Group, but in these cases the placement fee concerned will be limited to a maximum of 1% of the relevant Capital Commitments.

10.10.2 *Establishment Costs*

The Company will reimburse the Investment Advisor and/or any relevant third parties as the case may be for the costs of establishing the Group up to an amount equivalent to 1% of Subscription Funds.

If the Company, through its subsidiary K1 Investments, becomes a contributor of capital to one or more schemes of the Trust, the relevant proportion of the expenses of establishing the Trust and any relevant schemes of the Trust will be recovered out of such capital contribution.

10.10.3 *Advisory Fees*

The Investment Advisor will receive an on-going annual advisory fee equivalent to 2% of Total Capital Commitments.

In the event that K1 Investments obtains its FVCI registration, and an investment is made by the Group into the Trust, advisory fees of 1% of capital committed to any scheme or schemes of the Trust by the Group will be charged to the Trust on an annual basis by the Indian Advisor and will be paid out of the capital committed to such scheme or schemes. In such event, the fee payable by the Company to the Investment Advisor will be proportionately reduced.

In the event any sales tax, service tax or value added tax is chargeable on any advisory fees, such taxes will be added to the amounts payable by the Trust or the Company respectively, and to the extent possible may be reclaimed by the Trust or the Company as the case may be.

10.10.4 *Carried Interest*

Once Investors have received their Hurdle Return, the C Shareholders and the D Shareholders shall be entitled to receive a “Carried Interest” in the profits of the Company by way of payment of dividends or capital distribution equivalent to 20% of all Profits (including the Hurdle Return) provided that no such Carried Interest will be payable to the extent that Profits paid to Investor Shareholders would thereby be reduced below the Hurdle Return.

10.10.5 *Other Fees and Expenses*

The Company will pay the Administrator an annual fee of US \$25,000.

The Constitution authorises the Company by resolution of the Directors, to pay the Directors an annual aggregate remuneration of up to US \$150,000.

The Company will bear its own on-going operational expenses and ultimately the relevant proportion of those of the Group and the Fund. These expenses include, but are not limited to:

- (a) direct costs of investing and realising the assets of the Fund, including dealing costs, any stamp duty land tax and registration fees;

- (b) professionals' costs associated with investing, maintaining and realising the assets of the Fund, including the fees and expenses of property valuers, surveyors, valuers, sales agents, facilities managers, consultants, tax advisers, brokers, lawyers and accountants (including introductory fees payable to any sales agents and corporate finance fees);
- (c) legal and professional expenses which the Group or the Directors incur whether in litigation on behalf of the Group or in connection with the ongoing administration of the Group or the Fund or otherwise;
- (d) the cost of any borrowing incurred for the Group or the Fund (including up front arrangement fees payable to lenders in return for providing loan facilities and interest payable in respect of the borrowings);
- (e) audit costs;
- (f) banking and custodian costs;
- (g) taxes and duties imposed by any fiscal authority and any other governmental fees;
- (h) expenses of publishing reports, notices and proxy materials to shareholders;
- (i) expenses of convening and holding meetings of shareholders;
- (j) expenses of preparing, printing and/or filing all reports and other documents relating to the Group, including placement memoranda, explanatory memoranda, marketing documents, annual and special reports required to be lodged with all authorities having jurisdiction over the Group;
- (k) expenses of making any capital distributions;
- (l) insurance premiums (including insurance for Directors);
- (m) fees and expenses payable to the directors of the Subsidiary and members of the Investment Committee;
- (n) directors and other expenses.

Expenses may be payable by the Group, or may be charged to the Fund by the Trust, depending upon how and where they were incurred.

To the extent that the Advisory Group provides facilities management services to any Portfolio Company, the relevant company within the Advisory Group will charge the relevant Portfolio Company accordingly.

10.11 Register of Shareholders and Statutory Records

The register of Shareholders required to be kept pursuant to Section 91 of the Act and other statutory records of the Company are kept at the registered office of the Company. The register of Shareholders shall be open to the inspection of Shareholders without charge during business hours.

The register of shareholders of the Subsidiary and other statutory records of the Subsidiary are kept at the registered office of the Subsidiary.

10.12 Conflicts of Interest

Members of the Advisory Group may provide investment management, advisory and other services to clients other than the Company (including investment companies) and, in providing such services, may use information obtained by them. In the event of a conflict of interest arising, in the course of providing services to the Company, the Investment Advisor will ensure that any such conflict is resolved fairly in the best interests of the Shareholders and that investment opportunities shall be fairly allocated to its respective clients. The Investment Advisor will

procure that no member of the Advisory Group will directly or indirectly deal as principal on the sale or purchase of property or other investments to or from the Fund or otherwise deal with respect to the Fund as principal.

As part of its arrangements with Eredene Capital PLC (described in Section 6.3 on page 36), the Investment Advisor has agreed to give Eredene Capital PLC a 10 day option period within which to commit to any investment opportunities sourced by the Advisory Group. This obligation will apply to all such investments until such time as 60% or more of the funds subject to those arrangements have been committed into such investment opportunities following which the obligation will apply on a *pro rata* basis relative to the respective capital remaining available to Eredene Capital PLC and the capital available to other funds, such as the Fund. The Directors do not consider that the existence of this option will be materially detrimental to the interests of the Group since (a) the 10 day option period within which Eredene Capital PLC is obliged to commit to an investment is comparatively short; (b) the quantity and quantum of potential investments sourced by the Advisory Group is envisaged to be significant (and is in the region of US\$500m); and (c) in the case of large investments, co-investment between the Fund and Eredene Capital PLC may be likely.

10.13 Reports and Financial Statements

The financial year of the Group ends on 31 March in each year.

An annual report and audited financial statements for the Group in respect of each financial year prepared on a consolidated basis in accordance with International Financial Reporting Standards will be sent to Investors as soon as practicable and in any event within six months of the end of the Company's financial year. The first audited financial statements will cover the period from the date of incorporation of the Subsidiary until 31 March 2007. Neither the Company nor its subsidiary K1 Investments have traded prior to the date of this Information Memorandum and no audited financial statements have been prepared in respect of the Group to date.

Unaudited interim financial statements for the Group will be made up to 30 September in each year and will be prepared and presented on a basis consistent with the annual financial statements.

The Company will prepare and circulate to Investors within three months of the end of the relevant period a half-yearly report which will include unaudited accounts for the Group or the interim financial statements.

Audited annual financial statements and unaudited interim financial statements will be posted to each Investor at his registered address free of charge and will be made available for inspection at the registered office of the Administrator and the Company.

10.14 Net Asset Value Publication and Calculation

The Company intends to publish the unaudited net asset value per share for each class of shares as prepared by the Company as at 31 March and 30 September in each year. The Company intends to publish such net asset value information within 30 Business Days after the relevant date and to notify Shareholders as soon as practicable after calculation. The net asset value of the Ordinary Shares will be determined by the Company by deducting the value of the liabilities of the Group from the value of the assets of the Group or as required in accordance with IFRS accounting policies. The Company's assets and liabilities will be valued in accordance with IFRS accounting policies.

The Directors may, at their discretion, permit any other method of valuation to be used if they consider that method of valuation better reflects value and is in accordance with good accounting practice.

There are no circumstances envisaged under which valuations may be suspended. If valuations are suspended for any reason, this will be communicated to Shareholders by notice in writing.

10.15 Service Providers

The principal service providers currently providing services to the Group are as follows:-

- The Investment Advisor;
- The Administrator;
- The Auditor;
- The Cyprus Administrator.

The Investment Advisor was incorporated in Mauritius under the name Saffron Capital Advisors Limited as a private company limited by shares with registered number 61616 on 20 March 2006. The Investment Advisor is domiciled in Mauritius. Its principal place of business is located at 2nd Floor, Prisma House, 4 Buswell Avenue, Quatre-Bornes, Mauritius, and the registered office is at the same address. The telephone number at that address is +230 210 9885. The Investment Advisor is licensed by the Mauritius FSC as a Global Business Company authorised to give advice on investments.

The fees payable by the Company or the Subsidiary to the service providers detailed above are set out in the summary of the relevant contract included in Section 10.16 below.

Other than as disclosed in this document, the Company is not aware of any material potential conflicts of interest which any of the service providers detailed above may have as between their duty to the Company and duties owed by them to third parties and their other interests.

10.16 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been or are likely to be entered into by the Company or the Subsidiary since their incorporation and are, or may be, material:

10.16.1 *Investment Advisory Agreement*

Under this agreement, the Company has appointed the Investment Advisor to advise on the investment, re-investment and realisation of the investments of the Group. The Company has agreed to pay the Investment Advisor annual fees equivalent to 1% of Capital Commitments and to reimburse the Investment Advisor for its out-of-pocket expenses. To the extent that the Group makes direct investments in VCUs (other than by way of investments in units of one or more schemes of the Trust), the fees payable to the Investment Advisor shall be increased on a *pro rata* basis by 1% per annum. The Investment Advisory Agreement contains certain provisions whereby the Company will indemnify the Investment Advisor from liability except in case of the Investment Advisor's gross negligence, fraud, bad faith or wilful default.

The Investment Advisory Agreement may be terminated on summary notice if the Investment Advisor goes into liquidation, commits a material and unremedied breach or in the event of the fraud, corruption, gross negligence or gross wilful misconduct of the Investment Advisor. Otherwise, the Company may terminate the Investment Advisory Agreement upon twelve months notice to expire at any time after three years from the Initial Closing Date. The Investment Advisory Agreement may only be terminated by the Investment Advisor in the event of the liquidation or material breach of the Company.

10.16.2 *Administration Agreement*

Under this agreement, the Company has appointed the Administrator to act as administrator, registrar and company secretary of the Company and delegated to the Administrator the relevant powers to enable the Administrator to perform its duties on behalf of and towards the Company. The Company has agreed to pay to the Administrator such reasonable monthly fees as are agreed from time to time and the Company will reimburse the Administrator for certain out-of-pockets expenses which are reasonable in amount and which are evidenced in such manner as the Company may reasonably require.

The Administration Agreement contains certain provisions whereby the Company indemnifies the Administrator from liability except in case of negligence, fraud, bad faith or wilful default.

10.163 *Cyprus Administration Agreement*

Under this agreement, the Company has appointed Trident Trust to provide administrative and secretarial services, and legal and tax advice to K1 Investments. The Company has agreed to pay Trident Trust fees in accordance with a scale of charges which are generally time-based, depending upon the nature of the services being provided and will reimburse Trident Trust any expenses incurred in the provision of such services. The agreement contains certain provisions whereby the Company indemnifies Trident Trust and each of its employees, agents, officers, and associated companies from liability except in case of fraud or dishonesty.

10.164 *Auditor's Engagement*

Under this engagement, the Auditor has accepted appointment as auditor of the Company. Unless otherwise agreed, the Auditor's fees will be calculated on the basis of the time spent on providing the services. The liability of the Auditor will be capped at an amount equal to three times the fee payable for the services provided.

10.17 *Miscellaneous*

Neither the Company nor the Subsidiary has been or is currently engaged in any governmental legal or arbitration proceedings nor, so far as the Company is aware, are there any such governmental legal or arbitration proceedings pending or threatened by or against the Company or the Subsidiary which may have or have had since the Group's incorporation a significant effect on the Group's financial position.

Save as herein stated there has been no significant change in the financial or trading position of the Group since the date of incorporation of the Company. Neither the Company nor the Subsidiary have nor have had since incorporation any employees nor own nor lease any premises.

Save as herein stated at the date of this Information Memorandum, neither the Company nor the Subsidiary has any borrowings or other indebtedness including debt securities issued or outstanding and has not granted any mortgages, charges, guarantees or other security over assets of the Group. As far as the Directors are aware, neither the Company nor the Subsidiary have any contingent liabilities.

All the Directors and other parties listed on pages 11 and 35 to 38 of this Information Memorandum have given and have not withdrawn their written consent to the issue of this Information Memorandum and the references to themselves in the form and context in which such references appear.

Written notices to Shareholders will be posted to the address shown in the Register of Shareholders.

Where information in this document has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware, and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

10.18 *Documents Available for Inspection*

Copies of the following documents will be available for inspection at the registered office of the Company during business hours on any weekday from the date of this Information Memorandum (Saturdays, Sundays and public holidays excepted) until the anniversary of the Final Closing Date:

- The Constitution of the Company;
- The written consents of the Directors and other parties referred to above;

- The Investment Advisory Agreement;
- The Administration Agreement;
- The Investment Policy Memorandum;
- This Information Memorandum and any supplemental documents and circulars;
- The Cyprus Administration Agreement; and
- The Memorandum and Articles of Association of the Subsidiary.

11. DEFINITIONS

In this Information Memorandum, unless the context otherwise requires, the expressions set out below bear the following meanings:

“A Shares” means the Class A shares of \$0.01 each in the share capital of the Company;

“Act” means the Companies Act 2001 of Mauritius, as amended from time to time;

“Administration Agreement” means the agreement made between the Company and the Administrator relating to the administration of the Company and dated 22 June 2006;

“Administrator” means Jupiter Management (Mauritius) Ltd., whose details are given on page 11;

“Advisory Group” means the Investment Advisor, the Indian Advisor and their respective parent company;

“Application Form” means the application form to make a Subscription;

“B Shares” means the Class B shares of US\$0.01 each in the share capital of the Company;

“Board” means the board of directors of the Company;

“Business Day” means a day upon which clearing banks are generally open for business in Mauritius;

“C Shareholders” means the holders of the C Shares from time to time;

“C Shares” means the Class C shares of US\$0.01 each in the share capital of the Company;

“Capital Commitments” is the aggregate amount of capital agreed by a Investor to be contributed to the Company by way of subscription for Securities;

“Capital Contribution” is that portion of a Capital Commitment actually paid by the Investor to the Company pursuant to a Drawdown Notice;

“Carried Interest” means the share of Profits payable to the C and D Shareholders pursuant to the Constitution;

“Commitment Period” is the period of 36 months from the Initial Closing Date;

“Company” means K2 Property Limited, a company incorporated in Mauritius;

“Constitution” means the Constitution of the Company, as amended from time to time;

“Custodian” means Hong Kong and Shanghai Banking Corporation Limited, Mumbai, or such other custodian in India as may be appointed by the Group;

“Cyprus Administration Agreement” means the agreement made between the Company and Trident Trust relating to the administration of K1 Investments;

“D Shares” means the Class D shares of US\$0.01 each in the share capital of the Company;

“D Shareholders” means the holders of the D Shares from time to time;

“Directors” or “Board” means the Directors of the Company;

“Dissolution Date” is the first Business Day following the fifteenth anniversary of the Initial Closing Date.

“Distributable Proceeds” is the aggregate of all dividends and other payments received from a particular Fund Investment upon sale/divestment/liquidation of such investment less the expenses incurred and/or attributable (on a *pro rata* basis) in connection with the said investment;

“Drawdown” is the respective Capital Contribution made by an Investor pursuant to the issuance of a Drawdown Notice;

“Drawdown Date” is the due date of the Drawdown, as mentioned in the Drawdown Notice, which shall be a date not less than 21 days after the date of the Drawdown Notice;

“Drawdown Notice” is any written notice issued by the Company to an Investor, calling upon the Investor to make a Capital Contribution from the amount of Capital Commitment not previously drawn down within such period as may be specified in the notice;

“Eligible Investor” shall have the meaning specified in section 10.6.5 of this document;

“Executive Committee” means any executive committee established by the Trustees to undertake certain activities with respect to any designated scheme of the Trust;

“FDI” or “Foreign Direct Investment” means Foreign Direct Investment under the FDI Regulations;

“FDI Regulations” means the Foreign Exchange Management (Transfer or issue of security by a person outside India) Regulations 2000 of India;

“FEMA” is the Foreign Exchange Management Act 1999 of India;

“Final Closing Date” is the earlier of the date upon which Subscriptions totalling US US\$300m have been received by the Company and 30 November 2006; (subject in each case to variation by the Board);

“Financial Year” means a period of 12 months commencing on April 1st of a year and ending on March 31st of the next calendar year on which the accounts of the Company are audited;

“FSC” means the Financial Services Commission of Mauritius;

“Fund” means the assets of the Group attributable to Capital Contributions of Investors including any Trust Units;

“Fund Investments” means investments by the Group in VCUs, Trust Units, or Short-Term Investments;

“FVCI” is a Foreign Venture Capital Investor under the FVCI Regulations;

“FVCI Regulations” means the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations 2000;

“GBL1” means the category 1 global business licence issued to the Company by the FSC;

“Group” means the Company and K1 Investments;

“Hurdle Rate” is the threshold rate of compound return to be achieved by Investors on Net Capital Contributions which is equivalent to 11% per annum;

“Hurdle Return” means a Return to Investors of Profits over any given period up to but not exceeding the Hurdle Rate;

“IFRS” means International Financial Reporting Standards;

“Indian Advisor” means Saffron Asset Advisors Private Limited, whose details are given on page 11 of this document;

“Information Memorandum” is this Information Memorandum dated 23 November 2006;

“Initial Closing Date” means the date upon which Subscriptions of at least US \$90 million have been received by the Company;

“Investment Advisor” means Saffron Capital Advisors Limited, whose details are set out at page 11;

“Investment Advisory Agreement” means the agreement made between the Investment Advisor and the Company and dated 22 June 2006;

“Investment Committee” means the advisory committee outlined at Section 6.4 of this document;

“Investment Policy” means the objectives, strategies and criteria for investment and divestment by the Fund as detailed at Section 4 of this document;

“Investment Policy Memorandum” means the memorandum approved by the Board detailing the Investment Policy;

“Investor” means a subscriber for Securities;

“Investor Shareholders” means the A Shareholders and the B Shareholders;

“IRR” is the annualized discount internal rate of return at which the net present value of the entity’s cash flows sum to zero, calculated in accordance with accepted industry practice;

“Issue” means the issue of Securities pursuant to the Offer;

“K1 Investments” or “the Subsidiary” means K1 Property Investments Limited, a wholly-owned subsidiary of the Company incorporated in the Cyprus;

“Minimum Holding” means 5,000 A Shares;

“Net Capital Contributions” means from time to time Capital Contributions of Investors less any Capital Contributions returned by the Company by way of a Return;

“Offer” means the offer of the Securities as outlined in this document;

“Ordinary Resolution” is a resolution of Shareholders or any class of Shareholders proposed and passed as such by a simple majority of the total number of votes cast for and against such resolution;

“Profits” means any Returns in excess of Capital Contributions;

“Return” means any return of capital or income paid or available to be paid to Shareholders by way of payment of interest on loan stock, repayment of loan stock, dividend or distribution or capital redemption or other capital or income payment relating to the Securities or loan stock;

“Securities” means the A Shares issued pursuant to the Offer;

“SEBI” means the Securities and Exchange Board of India;

“Shareholders” means the holders of the Shares from time to time;

“Shares” means the A Shares and/or the B Shares and/or the C Shares and/or the D Shares as the case may be;

“Short Term Investments” means bank deposits, government securities, treasury bills, short-term money, market mutual funds, and corporate bonds and deposits rated no lower than “A-1” by Standard’s and Poor’s Rating Services or “P-1” by Moody’s Investors Service Inc;

“Special Resolution” means a resolution or written consent of Shareholders holding in person or by proxy at least 75% of the votes of Shareholders entitled to vote and voting on the resolution in question;

“Subscription” means a subscription for Securities pursuant to the Offer;

“Subscription Funds” means funds subscribed by Investors pursuant to the Offer;

“Subscription Price” means the price payable by an Investor for Securities;

“Super Majority” means the resolution or written consent of a majority of Shareholders of the relevant class or classes holding in person or by proxy 90% of the relevant Shares of the relevant class or classes;

“Total Capital Commitments” means the aggregate Capital Commitments of all Investors less any Capital Contributions that have been returned to Investors as a Return;

“Trident Trust” means Trident Trust Company (Cyprus) Limited;

“Trust” means a trust to be constituted in India and registered as a VCF which may be the subject of investment by the Group;

“Trust Contribution Agreement” means the agreement which may be made between the Subsidiary, the Trustees and the Trust Advisor whereby the Subsidiary will commit to making certain capital contributions to a scheme of the Trust upon agreed terms;

“Trust Units” means units in one or more schemes of the Trust;

“Trustees” means the trustees of the Trust;

“VCF” means a venture Capital Fund registered in accordance with the VCF Regulations;

“VCF Regulations” means The Securities and Exchange Board of India (Venture Capital Fund) Regulations 1995;

“VCU” or “Portfolio Company” means a venture capital undertaking in India being a company which is a recipient or possible recipient of investment from the Fund;

References herein to “\$”, “USD” and “Dollars” shall be to the lawful currency of the United States. References herein to “Rupees” and “Rs” shall be to the lawful currency of India.

12. APPLICATION PROCEDURE

Applicants for Securities should complete an Application Form in the form accompanying this Information Memorandum and send it to the Administrator by mail (with a copy by facsimile) so as to be received by the Administrator no later than 10.00 am (Greenwich Meantime) on the Final Closing Date. For Subscriptions made on or before the Initial Closing Date, cleared funds in respect of at least 25% of the Subscription Funds relating to the proposed subscription must be received by the Company or on its behalf on or before the Initial Closing Date. For Subscriptions made after the Initial Closing Date, 25% of the Subscription Funds relating to the proposed subscription must be received by the Company or on its behalf at the time of Subscription.

Fractions of Shares will not be issued.

The Directors reserve the right to reject any application in whole or part at their absolute discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in US Dollars at the risk and cost of the applicant.

The Administrator will issue a written confirmation to successful applicants confirming acceptance of their application. Once completed applications have been received by the Administrator, they are irrevocable.

Unless otherwise confirmed by the Company in writing, applications for Securities will not be dealt with and Securities will not be issued until receipt of notification that the relevant proportion of the applicant's funds have been cleared in the full amount.

Placement fees of up to 2% of the Subscription Price paid by an Investor will be payable by the Company. These fees will be payable to the extent that the fees and/or expenses of intermediaries need to be met. Otherwise they may be waived as the Directors may determine.

Minimum Investment

The minimum Subscription per Investor is US\$500,000. This requirement will not apply to direct or indirect subscriptions by the members of the Advisory Group or any of their directors, employees or connected persons (who will, however, be required to invest a minimum of US\$10,000).

Minimum and Maximum Total Capital Commitments

The minimum total Capital Commitments to be received by the Company prior to the acceptance of any Subscription and the issue of Securities is US\$90 million and the maximum total Capital Commitments shall be US\$300 million. These amount may be changed at the discretion of the Board provided it gives prior written notice thereof to all Subscribers.

Ineligible Applicants

The Application Form requires each prospective applicant for Securities to represent and warrant to the Company that, among other things, he is able to acquire and hold Securities without violating applicable laws.

Securities may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Directors, might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise incur or suffer, or would result in the Company being required to register under any applicable laws which would in the reasonable opinion of the Directors be contrary to the interests of the Company and/or Investors.

Eligible Investors

Investment in Securities is limited to Eligible Investors.

Investors must warrant on the Application Form that they are an Eligible Investor and that they have the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the Company, are aware of the risks inherent in investing in the assets in which the Company will invest and

the method by which these assets will be held and/or traded, and can bear the loss of their entire investment in the Company. Any transferee of Securities will be required to warrant in like terms before any transfer is registered. These requirements will not apply to direct or indirect subscriptions by members of the Advisory Group or any of their directors, employees or connected persons.

Form of Securities

All the Shares will be registered Shares and will only be issued in bookstock form, meaning that a Shareholder's entitlement will be evidenced by an entry in the Company's register of Shareholders, as maintained by the Administrator, and not by a Share certificate.

Money Laundering

Measures aimed at the prevention of money laundering may require an applicant for Securities to verify his identity to the Administrator. Depending on the circumstances of each application, verification may not be required where the applicant makes the payment from an account held in the applicant's name at a recognised financial institution, or the application is made through a recognised intermediary.

The Administrator will notify applicants if proof of identity is required. By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public, the police or the ambassador in his country of residence, together with evidence of his address such as a utility bill or bank statement. In the case of corporate applicants this may require production of a certified copy of the Certificate of Incorporation (and any change of name) and of the Memorandum and Articles of Association (or equivalent), and of the names and residential and business addresses of all directors and beneficial owners.

The details given above are by way of example only and the Administrator will request such information and documentation as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company may refuse to accept the application and the subscription monies relating thereto or may refuse to process a redemption request until proper information has been provided. Investors should note specifically that where redemption proceeds are requested to be remitted to an account which is not in the name of the investor, the Administrator reserves the right to request such information as may be reasonably necessary in order to verify the identity of the investor and the owner of the account to which the redemption proceeds will be paid. The redemption proceeds will not be paid to a third party account if the investor and/or owner of the account fails to provide such information.

Each applicant for Securities acknowledges that the Company and the Administrator shall each be held harmless against any loss arising as a result of a failure to process his application for Securities or redemption request if such information and documentation as has been requested by the Administrator has not been provided by the applicant.

