Evolvence India Holdings plc

Annual Report

Period from 10 November 2006 (date of incorporation) to 31 December 2007

evolvence

contents

Management and Administration

Directors
Mr Khaled Salem Musabeh H Almehairi
(Non-executive Chairman) (“Khaled Al-Muhairy”)
Mr Mohamed Abdel-Hadi (Non-executive Director)*
Mr Christopher William Knight (Non-executive Director)*
(“William Knight”)
Mr Mehdi Dazi (Non-executive Director)*
all of the registered office below
*Independent

Company Secretary and Registered Office
Andrew Baker
15-19 Athol Street
Douglas
Isle of Man, IM1 1LB

Administrator
Equity Limited
15-19 Athol Street
Douglas
Isle of Man IM1 1LB

Investment Manager
Evolvence India Advisors Incorporated
Sea Meadow House
Blackburne Highway
P.O.Box 116
Road Town, Tortola
British Virgin Islands

Nominated Adviser
Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Placing Agent and Broker
Fairfax I.S. PLC
46 Berkeley Square
London W1J 5AT

English Legal Advisers to the Company
Kirkland and Ellis International LLP
30 St. Mary Axe
London EC3A 8AF

Isle of Man Legal Advisers to the Company
Cains Advocates Limited
15-19 Athol Street
Douglas
Isle of Man IM1 1LB

Auditors
KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

Chairman's Statement

This year was a positive year for Evolvence India Holdings plc ("EIH" or the "Company"). After a successful initial public offering of common stock on AIM, a sub-market of the London Stock Exchange plc in March 2007, we are pleased to be able to look back on a successful first year as a public company.

Results

The Company's net assets, as at 31 December, 2007, are valued at US$ 75.2 million and net asset value ("NAV") per share is US$ 1.158, based on 65,000,002 ordinary shares in issue. The NAV per share of US$ 1.158 as at 31 December, 2007 represents a growth of 4.4% over the NAV per share of US$ 1.109 as at 30 September, 2007.

The Board is happy to recommend a dividend payment of US$ 0.03 per share, subject to shareholders' consent. Enclosed with this report is a Notice of Annual General Meeting, detailing the business to be dealt with at the meeting.

The past year has been an active year from an investment point of view. We have committed to investments in two funds, Evolvence India Fund ("EIF") and Evolvence India Life Sciences Fund ("EILSF"). In addition, we have made four direct/structured investments.

Outlook

Private equity investments into India grew significantly in 2007 as companies invested US$ 14.2 billion, twice the outlay of 2006, in more than 387 deals. Out of this pool, EIF, and its underlying funds, participated in around 40 deals. The growth in the Indian private equity industry has continued, with the industry closing the record amount of investments on the back of good investment returns. We expect the Indian private equity industry to continue to grow, albeit at a slower growth than achieved over the past few years.

Strategy

Evolvence India Holdings is an attractive way of leveraging on India's growth story, providing institutional and retail investors access to a well diversified Indian private equity portfolio. Investment in EIH mitigates issues usually associated with private equity investments, such as lack of liquidity and relatively large minimum investment size.

EIH has continued its positive development during the fourth quarter of 2007. The results for the period are a clear endorsement of the multi-manager approach, achieving a broad diversification of the Company's portfolio. We are confident that the Company's funds are invested with experienced and successful managers and remain committed to pursuing a policy of superior returns with low downside volatility.

Currently, market valuations are under pressure but we remain optimistic on the long term outlook. EIH is well positioned to further grow its asset base. We continue to see good investment opportunities in our chosen areas and remain confident of reporting further progress in the delivery of our strategy over the year ahead.

Khaled Al-Muhairy
Chairman
22 April 2008

Directors' Report

The Directors hereby submit their annual report together with the audited financial statements of Evolvence India Holdings plc for the financial period from 10 November 2006 (date of incorporation) to 31 December 2007.

The Company

The Company is incorporated in the Isle of Man and has been established to provide investors access to a diversified Indian private equity portfolio.

Results and Dividends

The results of the Company for the period and the financial position of the Company at the end of the period are set in the attached financial statements.

Amount raised in IPO	US$ 65.0 million
Net proceeds	US$ 59.9 million
Committed to Evolvence India Fund	US$ 45.1 million
Committed to Evolvence India Life Sciences Fund	US$ 6.0 million
Capital committed to direct investments	US$ 21.8 million

Audited Valuation as at 31 December 2007	
* NAV US$	75.2 million
* NAV per unit	US$ 1.158

The Company announces its audited net asset value of US$ 1.158 per share as at 31 December 2007. The NAV per share of US$ 1.158 as at 31 December 2007 represents a growth of 4.4% over the NAV per share of US$ 1.109 as at 30 September 2007.

EIH has committed US$ 45.1 million of the net proceeds to Evolvence India Fund ("EIF"), an established private equity fund of funds, with a co-investment pool, that focuses on growth capital in India. The Company has also committed US$ 6.0 million to Evolvence India Life Sciences Fund (EILSF), a private equity fund investing in life sciences businesses in India. The Company has also committed US$ 21.8 million in direct/structured investments; this includes two co-investments with EIF in RSB Group (a leading auto ancillary player in India) and Gland Pharma Limited (a leading Indian generic injectibles company).

EIF, a US$ 250 million hybrid fund of funds focused on India, has invested in nine underlying Indian private equity funds and seven co-investments as at 31 December, 2007. Established in 2005, EIF was amongst the first fund of funds focused on India and has built a highly diversified portfolio covering all key sectors in India. The total number of portfolio companies (direct, co-investments and underlying fund investments) is above 90 in well diversified growth sectors of the Indian economy. The portfolio has had eight successful full exits and five partial exits. The portfolio of seven co-investments includes Consolidated Construction Consortium Limited and Zylog Systems Limited, which were listed during 2007. The BSE Sensex has shown a fall of approximately 23% in value between 31 December, 2007 and 31 March, 2008. Approximately 43% of EIF's portfolio is in listed investments. EILSF is a Mauritius based private equity fund with the investment strategy of investing in the life sciences space in India. The fund size of EILSF as at 31 December 2007 is US$ 62.5 million. EILSF has made two investments.

For the past 11 quarters India's real GDP had been on high growth trajectory expanding at above 8.0% and Oct – Dec 2007 quarter was no different. The GDP grew at 8.4% as compared with 8.9% growth in Jul – Sep 2007 quarter. The primary reason for the slight decline in GDP growth was the decline in industrial growth (particularly in the manufacturing and construction sectors) from 9.1% in second quarter to 8.4% in third quarter. As per the Centre for Monitoring the Indian Economy, the growth receded mostly on account of the slower growth in interest rate sensitive sectors and supply constraints faced by a few commodities sectors. During 2007, private equity firms invested a record US$ 14.2 billion in over 387 deals in India. The amount invested during 2007 was almost twice that invested during the previous year.

The sub-prime crisis and a global economic slowdown have made it prudent for investors to seek experienced fund managers who can apply their investments in a risk adjusted fashion to benefit from the growth in the Indian economy. Due to its first mover advantage, EIF is well positioned in the fund of funds space in India. EIF has created an attractive track record that has demonstrated its ability to select the top tier fund managers as well as provide excess returns to investors through co-investments. EILSF is being created to make private equity investments in life sciences businesses that are based in India, as India's share in the global pharmaceutical industry is growing at 10 per cent per annum, which is faster than the underlying industry growth of 7 per cent. EIH has been able to provide the investment opportunity to its investors, through its exposure to the Evolvence platform.

The Directors recommend payment of a dividend of US$0.03 per share.

Directors' Report continued

Directors

The Directors during the period and up to the date of this Report were as follows.

	APPOINTED	RESIGNED
Mr Derek E Myers (Non-executive Director)	10 November 2006	24 November 2006
Mr Andrew J Baker (Non-executive Director)	10 November 2006	24 November 2006
Mr Neal S Aitken (Non-executive Director)	10 November 2006	24 November 2006
Mr Khaled S M H Almehairi (Non-executive Chairman)	24 November 2006	-
Mr Jegannathan Venkatarajan (Chief Executive Officer)	24 November 2006	24 January 2008
Mr Christopher W Knight (Non-executive Director)	24 November 2006	-
Mr Mohamed Abdel-Hadi (Non-executive Director)	24 November 2006	-
Mr Mehdi Dazi (Non-executive Director)	22 April 2008	-

Directors' and Other Interests

Mr Khaled Al-Muhairy is the Director of the Evolvence India Fund PCC ("EIF"), a public protected cell company formed under the laws of Mauritius. The Company has invested in EIF. Mr. Jegannathan Venkatarajan was a Director of Evolvence India Advisors Inc. (The Investment Managers of the Company) and EIF Managers Limited (The Investment Managers of EIF).

None of the Directors nor any person connected with a Director has any interest in the share capital of the Company. EIF Managers Limited held 9.75 million shares of the Company during the year. The shares were sold during the period in three tranches as follows:

NO OF SHARES	BARGAIN DATE	SETTLEMENT DATE
7,750,000	15 August 2007	28 August 2007
250,000	7 September 2007	21 September 2007
1,750,000	11 October 2007	16 October 2007

Independent Auditors

KPMG Audit LLC were appointed as auditors during the period. They have expressed their willingness to continue in office in accordance with Section 12 (2) of the Companies Act 1982.

On behalf of the Board

Khaled Al-Muhairy
Chairman
22 April 2008

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

On behalf of the Board

Khaled Al-Muhairy
Director
22 April 2008

Report of the Independent Auditors, KPMG Audit LLC, to the shareholders of Evolvence India Holdings plc

We have audited the financial statements of Evolvence India Holdings plc for the period from 10 November 2006 (date of incorporation) to 31 December 2007 which comprises the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other then the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 5.

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

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

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

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

Basis of opinion

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

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

Report of the Independent Auditors, KPMG Audit LLC, to the shareholders of Evolvence India Holdings plc continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with applicable Isle of Man company law and International Financial Reporting Standards, of the state of the Company's affairs as at 31 December 2007 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Act 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit LLC
Chartered Accountants
Douglas
Isle of Man
22 April 2008

INCOME STATEMENT

	Notes	For the period from 10 November 2006 (date of incorporation) to 31 December 2007 USD
Income		
Interest income on cash balances		1,235,058
Interest income on short-term loans		539,572
Realised gains on available-for-sale financial assets		1,500,452
Other income		4,949
Total income		**3,280,031**
Expenses		
Management fees	7.2	(77,572)
Administrative expenses		(202,542)
Transaction costs		(445,667)
Legal and other professional fees		(179,418)
Audit fees		(60,806)
Other expenses		(68,240)
Total operating expenses		**(1,034,245)**
Profit before tax		**2,245,786**
Income tax expense	14	-
Retained profit for the period		**2,245,786**
Basic and fully diluted earnings per share (cents)	**12**	**3.46**

The Directors consider that all results derive from continuing activities.

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2007

	Notes	2007 USD
Non-current assets		
Available-for- sale financial assets	4	53,837,671
Total non-current assets		**53,837,671**
Current assets		
Trade and other receivables	9	735,533
Short-term loans	5	10,320,000
Cash and cash equivalents	8	10,821,106
Total current assets		**21,876,639**
Total assets		**75,714,310**
Issued share capital	11	1,274,510
Share premium		58,580,120
Revaluation reserve		13,148,279
Retained earnings		2,245,786
Total equity		**75,248,695**
Trade and other payables	10	465,615
Total current liabilities		**465,615**
Total liabilities		**465,615**
Total equity & liabilities		**75,714,310**

The financial statements were approved by the Board of Directors on 22 April 2008 and signed on their behalf by:

Khaled Al-Muhairy
Director

Mohamed Abdel-Hadi
Director

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period from 10 November 2006 (date of incorporation) to 31 December 2007

	SHARE CAPITAL USD	SHARE PREMIUM USD	REVALUATION RESERVE USD	RETAINED EARNINGS USD	TOTAL USD
Balance at 10 November 2006	-	-	-	-	-
Proceeds from shares issued	1,274,510	63,725,490	-	-	65,000,000
Share issue expenses	-	(5,145,370)	-	-	(5,145,370)
Net change in fair value of available-for sale financial assets	-	-	13,148,279	-	13,148,279
Retained profit for the period	-	-	-	2,245,786	2,245,786
Balance at 31 December 2007	**1,274,510**	**58,580,120**	**13,148,279**	**2,245,786**	**75,248,695**

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT

	Notes	For the period from 10 November 2006 (date of incorporation) to 31 December 2007 USD
Cash flows from operating activities		
Profit before tax		2,245,786
Adjustments for:		
Interest income on cash balances		(1,235,058)
Interest income on short-term loans		(539,572)
Realised gains on available for sale financial assets		(1,500,452)
Transaction costs		445,667
Operating loss before changes in working capital		**(583,629)**
Increase in trade and other receivables		(82,738)
Increase in trade and other payables		162,832
Cash used in operations		**(503,535)**
Interest received		1,121,835
Transaction costs paid		(142,884)
Net cash generated from operating activities		**475,416**
Investing activities		
Purchase of financial assets		(42,727,600)
Issue of short-term loans		(10,320,000)
Realised gains distribution received		1,500,452
Capital distribution received		2,038,208
Net cash used in investing activities		**(49,508,940)**
Financing activities		
Proceeds from the issue of shares		65,000,000
Share issue costs		(5,145,370)
Net cash generated from financing activities		**59,854,630**
Net increase in cash and cash equivalents		10,821,106
Cash and cash equivalents at 10 November 2006		-
Cash and cash equivalents at 31 December 2007	**8**	**10,821,106**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1 The Company

Evolvence India Holdings plc was incorporated and registered in the Isle of Man under the Isle of Man Companies Act 1931- 2004 on 10 November 2006 as a public company with registered number 118297C.

Pursuant to a prospectus dated 19 March 2007 there was a placing of up to 65,000,000 Ordinary Shares of £0.01 each. The number of Ordinary Shares in issue immediately following the placing was 65,000,002. The Shares of the Company were admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") following the close of the placing on 23 March 2007.

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

Duration

The Company currently does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, at the annual general meeting of the Company in 2012 a resolution will be proposed that the Company ceases to continue as presently constituted. Shareholders holding at least fifty one per cent of the shares must vote in favour of this resolution for it to be passed. If the resolution is not passed, a similar resolution will be proposed at every third annual general meeting of the Company thereafter. If the resolution is passed, the Directors will be required, within 3 months of the resolution, to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

2 Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

2.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of IFRS that have a significant impact on the financial statements and estimates with a significant risk of material adjustment in the next financial year relate to valuation of available-for-sale financial assets.

2.2 Available-for-sale financial assets

The Company has designated its investments as available-for-sale financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The fair value of available-for-sale unlisted equity investments is estimated by the Directors, with the advice of the Investment Manager. In estimating the fair value of the Company's investments in private equity funds consideration is taken of the valuations of underlying investments performed by the directors and managers of those funds. The valuation of the unlisted holdings in the co-investments and underlying funds investments are performed by the using the most appropriate valuation technique, including the use of recent arm's length market transactions, use of comparable's companies valuation method, use of discounted cash flow technique or any other valuation technique that provides a reliable estimate. Under the discounted cash flow method, free cash flows to the firm have been discounted using an appropriate weighted cost of capital.

Notes to the Financial Statements continued

2 Significant Accounting Policies - continued

2.2 Available-for-sale financial assets - continued

Under the comparable companies method, appropriate multiple (e.g. EV/PBDIT or EV/Revenue or Price to Earnings multiple) has been used. From the equity valuation arrived using the above approaches, proper adjustments have been made for company specific discounts/premiums, scale discount, illiquidity discount and forward looking financials discount/premium.

Listed holdings in the co-investments and underlying funds investments are valued based upon prevailing market prices as of the date of valuation. The exited investments of the underlying funds have been valued using the respective exited multiples.

2.3 Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

2.4 Foreign currency translation

US Dollar is the functional currency and the presentation currency. Monetary assets and liabilities denominated in foreign currencies as at the date of these financial statements are translated to US Dollars at exchange rates prevailing on that date. Expenses are translated into US Dollars based on exchange rates on the date of the transaction. All resulting exchange differences are recognised in the profit and loss.

2.5 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

2.6 Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2.7 Segment reporting

The Company has one segment focusing on maximising total returns through investing in an Indian private equity portfolio of investments. No additional disclosure is included in relation to segment reporting, as the Company's activities are limited to one business and geographic segment.

2.8 Future changes in accounting policies

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS)	EFFECTIVE DATE (ACCOUNTING PERIODS COMMENCING AFTER)
IFRS 8 Operating segments	1 January 2009
IAS 23 Amendment – Borrowing costs	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC11 IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC12 Service Concession Arrangements	1 January 2008
IFRIC13 Customer loyalty programmes	1 July 2008
IFRIC14 IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

Notes to the Financial Statements continued

2 Significant Accounting Policies - continued

2.8 Future changes in accounting policies - continued

IFRS 8 introduces the "management approach" to segment reporting, with information based on internal reports. Management are currently assessing the impact of this on the disclosures to be presented regarding segmental reporting. The Directors do not expect the adoption of the other standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

3 Net Asset Value per Share

The net asset value per share as at 31 December 2007 is US$1.158 per share based on 65,000,002 ordinary shares in issue as at that date.

4 Available-for-sale financial assets

The Company holds four investments that have been classified as available-for-sale. The objective of the Company is to make indirect investments in Indian private equity funds and companies via Mauritian based investment funds and to also co-invest directly in certain portfolio companies of the underlying funds. As at 31 December 2007, the investment portfolio comprised the following assets:

INVESTMENTS (UNLISTED)	CAPITAL COMMITMENT USD	CAPITAL INVESTED USD	CAPITAL DISTRIBUTION USD	FAIR VALUE ADJUSTMENT USD	FAIR VALUE USD
Fund Investments (equity)					
Evolvence India Fund PCC	45,120,000	29,328,000	(2,038,208)	13,358,253	40,648,045
Evolvence India Life Sciences Fund	6,000,000	1,920,000	-	(204,604)	1,715,396
Direct Investments (equity)					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	-	(3,922)	6,965,678
EIF Co Invest X (Gland Pharma Limited)	4,510,000	4,510,000	-	(1,448)	4,508,552
	62,599,600	**42,727,600**	**(2,038,208)**	**13,148,279**	**53,837,671**

The outstanding capital commitment as at 31 December 2007 is US$19,872,000.

Evolvence India Fund PCC (EIF)

Evolvence India Fund PCC, a Protected Cell Company formed under the laws of Mauritius having limited liability, is a private equity fund of funds with a co-investment pool, focusing primarily on investments in India. The fund size of EIF is US$250 million, of which approximately sixty percent will be invested in different private equity funds (including growth capital, mezzanine and real estate funds) with significant focus on India and the balance, not more than forty percent, will be invested in co-investment opportunities, primarily in Indian companies or companies with significant operations in India.

Evolvence India Life Sciences Fund (EILSF)

EILSF is a private equity fund formed under the laws of Mauritius having limited liability with the Investment strategy of investing in the life sciences space in India. The fund size of EILSF as at 31 December 2007 is US$62.5 million and has made two investments. The investment in EILSF has been valued at cost. However, the Company's share of expenses amounting to US$204,604 has been considered in determining the fair value as at 31 December 2007.

Notes to the Financial Statements continued

4 Available-for-sale financial assets - continued

EIF Co Invest VII
EIH has invested US$6,969,600 in RSB Group through as Special Purpose Vehicle (SPV), EIF Co Invest VII. RSB Group is a leading manufacturer of automotive components and construction aggregates. This investment has been valued at cost.

EIF Co Invest X
EIH invested US$4,510,000 in Gland Pharma Limited through an SPV, EIF Co Invest X. Gland Pharma Limited is a Hyderabad based pharmaceutical company. The investment has been valued at cost.
The fair value of the Company's investments has been estimated by the Directors with the advice of the Investment Manager.

5 Short Terms Loans

	31 December 2007 USD
Aqar Holdings	7,820,000
Katra Holdings Limited	2,500,000
Total	**10,320,000**

Aqar Holdings
The Company advanced US$7,820,000 to Aqar Holdings in 2007, a Mauritian incorporated private company and is repayable within 12 months from the commencement of the loan, is unsecured and carries an interest rate of 10% per annum.

Katra Holdings Limited
The Company advanced US$2,500,000 to Katra Holdings Limited in June 2007, a Mauritian incorporated private company and is repayable within 12 months from the commencement of the loan, is secured and carries an interest rate of 15% extendable to 30% per annum.

6 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions.

Mr Khaled Al-Muhairy is the Director of the Evolvence India Fund PCC ("EIF"), a public protected cell company formed under the laws of Mauritius. The Company has invested in EIF. Mr. Jegannathan Venkatarajan was a Director of Evolvence India Advisors Inc. (The Investment Managers of the Company) and EIF Managers Limited (The Investment Managers of EIF).

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

7 Charges and Fees

7.1 Nominated Adviser
As nominated adviser to the Company for the purposes of the AIM Rules, Seymour Piece Limited is entitled to receive an annual fee of £25,000 in addition to reasonable costs and expenses incurred in carrying outs its obligations under the nominated adviser agreement.

Advisory fees paid to the Nominated Adviser for the period amounted to US$40,687 of which US$9,984 was prepaid as at 31 December 2007.

Notes to the Financial Statements continued

7 Charges and Fees continued

7.2 Manager's fees

Annual fees

The Company entered into an Investment Management Agreement dated 1 March 2007 between the Company and the Investment Manager pursuant to which the Investment Manager agreed to provide investment management services to the Company in relation to the portfolio of assets held by it from time to time. In consideration for its services, whether itself or through sub-contractors, the Investment Manager is entitled to be paid by the Company an annual management fees of 1 percent of the Net Asset Value (NAV) of the direct investments, payable bi-annually in advance. Accordingly, no part of this fixed fee is payable to the Investment Manager in relation to uninvested cash.

Annual management fees for the period ended 31 December 2007 amounted to US$77,572.

Performance fees

The Investment Manager may also receive a performance fees from the Company as follows:

The Investment Manager will earn a performance fee calculated as 15 percent of the excess of the realisation made by the Company upon exiting from any direct investments over the cost basis of its direct investment (after providing for relevant expenses incurred in making and exiting such investments). The payment of the performance fee is conditional on the Investment Manager achieving an 8 percent increase in the NAV of the direct investments, before taking into account any distributions of income or capital. No fee will be paid to the Investment Manager for commitments to Evolvence Capital sponsored funds, which will include EIF and EILSF.

Performance fees accrued but not payable during the period ended 31 December 2007 amounted to US$Nil.

7.3 Administrator and Registrar fees

By a deed dated 28 December 2006 between the Company and Equity Limited ("The Administrator") agreed to provide general secretarial services to the Company for which it receives a fixed annual charge of £15,000; fees incurred on a time spent basis in accordance with the charging rates of Equity Limited in force from time to time; and all disbursements and expenses incurred by Equity Limited in connection with the provision by it of services to the Company. The fees are subject to Value Added Tax (VAT).

The Company and Equity Limited may terminate the deed on the giving of thirty days' prior written notice, or earlier in the event of, inter alia, material breach of the terms of the deed or commencement of winding up. The governing law of the deed is that of the Isle of Man.

The Administrator may utilise the services of a CREST accredited registrar for the purposes of settling share transactions through CREST. The cost of this service will be borne by the Company. The Company pays the CREST Service Provider an annual fee of £1,000 plus a fee for each transfer registered.

Administration fees paid for the period ending 31 December 2007 amounted to US$39,646 and CREST fees were US$21,354.

Notes to the Financial Statements continued

8 Cash and Cash Equivalents

	31 December 2007 USD
Bank balances	821,106
Short-term deposits	10,000,000
Cash and cash equivalents	**10,821,106**

The short-term deposits are subject to an interest rate at 4.92% per annum. The short-term deposits matured on 9 January 2008.

9 Trade and other receivables

	31 December 2007 USD
Interest receivable on short-term loans	539,572
Interest receivable on short-term deposits	113,223
Prepaid expenses	66,636
Other receivables	16,102
Total	**735,533**

10 Trade and other payables

	31 December 2007 USD
Transaction costs payable	302,783
Other creditors	162,832
Total	**465,615**

11 Share Capital

Ordinary Shares of 1p each	Number	USD
In issue at the start of the period	-	-
Issued during the period	65,000,002	1,274,510
In issue at 31 December 2007	**65,000,002**	**1,274,510**

The authorised share capital of the Company is £700,000 divided into 70 million Ordinary Shares of £0.01 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's assets.

Capital management

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

The Company's capital comprises share capital, share premium and reserves. The Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements continued

12 Earnings per Share

Basic and Fully Diluted

Basic and fully diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period

	2007
Profit attributable to equity holders of the Group (US$)	2,245,786
Weighted average number of ordinary shares in issue	65,000,002
Basic earnings per share (cents per share)	**3.46**

There is no difference between the basic and fully diluted earnings per share for the period.

13 Directors' Remuneration

The maximum amount of remuneration payable to the Directors permitted under the Articles of Association is £200,000 per annum. The Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. Total fees and expenses paid to the Directors for the period ended 31 December 2007 amounted to fees of US$106,710 and insurance expenses of US$29,098.

14 Taxation

The Company is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man and is technically subject to taxation on its income but the rate of tax is zero. The Company is required to pay an annual corporate charge of £250 per annum.

The Company invests in a number of Mauritian incorporated companies and funds, which in turn invest in India. The Company is therefore exposed to Mauritian tax on the investee companies and to Indian tax on underlying investments of those companies. However, pursuant to the Double Taxation Treaty between India and Mauritius, the Mauritian incorporated companies and funds are entitled to significant tax benefits.

There is no Mauritian tax payable on distributions paid to the Company from Mauritian investee companies.

15 Financial instruments

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

Market price risk

The Company's investments are subject to market price risk. The investments are concentrated in India. The Company's strategy on the management of investment risk is driven by the Company's investment objective. The main objective of the Group is to maximise the total returns to investors by making investments in Indian private equity funds and direct investments in a wide range of industry sectors in India. Investments in India may be difficult, slow or impossible to realise. The Company is subject to general risks incidental to equity investments in the relevant market sectors, including general economic conditions, poor management of the target company, increasingly competitive market conditions, changing sediments and increasing costs, amongst others. The marketability and value of any investment will depend on many factors beyond the control of the Company and therefore no assurance that an exit through various avenues including trade sale, buyback or listing of the Company's interest in any target company will be realised.

A substantial portion of the Company's investments are or will be in unlisted companies, whose securities are considered to be illiquid. Illiquidity may affect the ability of the primary and underlying funds to acquire and dispose of such investments.

Notes to the Financial Statements continued

15 Financial instruments - continued

Foreign exchange risk

A significant portion of the investments of the Company, the primary funds and the underlying funds are made in securities of companies in India and the income and capital realisations received from such investments as well as the income and capital realisations received from any direct investments will be denominated in Indian Rupees, whereas the capital contributions by the Company is in US Dollars. The Company's other operations are also conducted in other jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than the US Dollars. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to these currencies. The currency giving rise to this risk is primarily Indian Rupee.

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

At the reporting date the Company had the following exposure:

CURRENCY	31 December 2007 %
Pound Sterling	(0.07)
Indian Rupee	71.54
US Dollars	28.53

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

	MONETARY ASSETS USD	MONETARY LIABILITIES USD	NET EXPOSURE USD
Pound Sterling	9,984	(64,462)	(54,478)
Indian Rupee	53,837,671	-	53,837,671
US Dollars	21,866,655	(401,153)	
21,465,502			
	75,714,310	**(465,615)**	**75,248,695**

At 31 December 2007, had the Indian Rupee strengthened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to equity holders of the Company and the profit per the income statement would have decreased by the amounts shown below.

CURRENCY	31 December 2007 USD
Pound Sterling	-
Indian Rupee	657,414
US Dollars	-
Effect on net assets	**657,414**

Notes to the Financial Statements continued

15 Financial instruments - continued

Credit risk

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

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short term maturity.
At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31 December 2007 USD
Available-for-sale financial assets	53,837,671
Trade and other receivables	735,533
Short-term loans	10,320,000
Cash and cash equivalents	10,821,106
	75,714,310

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash balances to meet its obligations. The Company's liquidity position is monitored by the Investment Manager and the Board of Directors.

Residual undiscounted contractual maturities of financial liabilities:

	LESS THAN 1 MONTH USD	1-3 MONTHS USD	3 MONTHS TO 1 YEAR USD	1-5 YEARS USD	OVER 5 YEARS USD	NO STATED MATURITY USD
Financial liabilities						
Trade and other payables	465,615	-	-	-	-	-
	465,615	**-**	**-**	**-**	**-**	**-**

Interest rate risk

Short-term loans bear interest at fixed rates as detailed in note 9. Cash held by the Company is invested at short-term market interest rates as detailed in note 8.

Notes to the Financial Statements continued

15 Financial instruments continued

Interest rate risk continued

The table below summarises the Company's exposure to interest rate risks. It includes the Groups' financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

	LESS THAN 1 MONTH USD	1-3 MONTHS USD	3 MONTHS TO 1 YEAR USD	1-5 YEARS USD	OVER 5 YEARS USD	NO STATED MATURITY USD	TOTAL USD
Financial Assets							
Available-for-sale financial assets	-	-	-	-	-	53,837,671	53,837,671
Trade and other receivables	113,223	-	539,572	-	-	82,738	735,733
Short-term loans	-	-	10,320,000	-	-	-	10,320,000
Cash and cash equivalents	10,821,106	-	-	-	-	-	10,821,106
Total financial assets	**10,934,329**	-	**10,859,572**	**-**	**-**	**53,920,409**	**75,714,310**
Financial Liabilities							
Trade and other payables	**(302,783)**	-	**-**	**-**	**-**	**(162,832)**	**(465,615)**
Total financial liabilities	(302,783)	-	-	-	-	(162,832)	(465,615)
Total interestrate sensitivity gap	**10,631,546**	-	**10,859,572**	**-**	**-**		

At 31 December 2007, should the interest rates have increased/decreased by 5% with all other variables remaining constant, the increase/decrease in net assets attributable to shareholders for the period would amount to approximately US$88,732.

16 Post Balance Sheet Events

Mr. Jegannathan Venkatarajan, has stepped down from his position of CEO of the Company in January 2008.

The Board of Directors proposed a dividend of US$0.03 per share for the financial year ended 31 December 2007.

Evolvence India Holdings plc

(Incorporated in the Isle of Man - No. 118297C) Stock Code: EIH.L

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN

that the first Annual General Meeting of the Company will be held at PARK PLACE – LEVEL 15, SH ZAYED ROAD, DUBAI, UAE on May 28, 2008 at 5 pm (UAE Time) for the following purposes:

As ordinary business:

1 To receive and adopt the report of the Directors and the audited accounts of the Company for the financial period ended 31 December 2007 together with the report of the Auditors on those audited accounts.

2 To declare a dividend of US$0.03 per share for the year ended 31 December 2007.

3 To re-elect Khaled Salem Musabeh H. Almehairi, who was appointed by the Board of the Company and retires pursuant to article 87 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director.

4 To re-elect Christopher William Knight, who was appointed by the Board of the Company and retires pursuant to article 87 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director.

5 To re-elect Mohamed Abdel-Hadi, who was appointed by the Board of the Company and retires pursuant to article 87 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director.

6 To re-elect Mehdi Dazi, who was appointed by the Board of the Company and retires pursuant to article 87 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director.

7 To re-appoint KPMG Audit LLC as auditors to the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the shareholders and to authorise the Directors to fix the remuneration of the auditors.

Dated 22 April 2008
Registered office:
15 -19 Athol Street
Douglas
Isle of Man
1MI 1LB

By Order of the Board
Andrew James Baker
Company Secretary

Notes:

1 A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2 To have the right to attend and vote at the meeting you must hold ordinary shares in the Company and your name must be entered on the share register of the Company in accordance with note 4 below.

3 A form of proxy is enclosed for your use. To be valid, the form of proxy (and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by the Company Secretary at the Company's registered office, 15-19 Athol Street, Douglas, Isle of Man IM1 1LB as soon as possible but, in any event, no later than 48 hours before the appointed time of holding the meeting. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting or at any adjournment thereof in person if he or she wishes to do so.

4 The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 48 hours before the appointed time of holding the meeting. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.