EIH plc (formerly Evolvence India Holdings plc)

Annual Report

For the year ended 31 December 2009

EIH plc

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EIH plc

Management and Administration

Directors	Mr Rhys Cathan Davies (Non-executive Chairman) Mr Brett Lance Miller (Non-executive Director) Mr Ramanan Raghavendran (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	Cains Fiduciaries Limited 15-19 Athol Street Douglas Isle of Man IM1 1LB
Nominated Adviser and Broker	Singer Capital Markets Limited One Hanover Street London W1S 1YZ
English Legal Advisers to the Company	Travers Smith LLP 10 Snow Hill London EC1A 2AL
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

At year end, the Company's net asset value was US$0.961 per share as compared with US$0.713 per share a year earlier, representing an increase of 34.8%.

During the year in review, the Company received cash distributions of US$1.4m from the Evolvence India Fund ("EIF"), and invested a further US$0.5m in the Evolvence India Life Sciences Fund ("EILSF"). Moreover, total operating costs during the year were US$0.9m, of which US$0.3m represents non-recurring items, principally legal and other professional costs. In addition, the Company paid certain annual management fees and expenses to EIF and EILSF in respect of its commitments to those funds. These costs are embedded in the capital accounts for those two funds and do not appear in the Company's statement of comprehensive income.

The Company's portfolio now comprises the following (based on year end book value):

Investments (unlisted)	Capital Commitment	Capital invested	Capital Distribution	Fair value adjustment	Fair Value
	US$	US$	US$	US$	US$
Fund Investments (equity)					
Evolvence India Fund PCC	45,120,000	36,096,000	(5,674,674)	4,205,717	34,627,043
Evolvence India Life Sciences Fund	6,000,000	2,421,000	-	(222,453)	2,198,547
Direct Investments (equity)					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	-	263,475	7,233,075
EIF Co Invest X (Gland Pharma Limited)	4,510,000	4,510,000	-	1,017,777	5,527,777
	62,599,600	**49,996,600**	**(5,674,674)**	**5,264,516**	**49,586,442**

Since their appointment on 17 May 2010, your new Board of Directors has met with Evolvence Capital Limited, the investment manager of EIF and sponsor of EILSF. We are pleased to be EIF's largest single investor and are encouraged at the quality of EIF's underlying portfolio. As EIF's underlying portfolio matures and further realisations are achieved, we anticipate the receipt of further cash distributions. Apart from its interests in various private equity funds, EIF also holds a number of direct investments including RSB Group, an automotive component manufacturer, and Gland Pharma, a specialised generic pharmaceuticals company. The Company also holds direct investments in RSB Group and Gland Pharma through its interests in EIF Co Invest VII and EIF Co Invest X, respectively.

Furthermore, since their appointment, your new Board of Directors has settled litigation with Katra Holdings Limited and Mr Ramesh Vangal in Mauritius, Singapore and New York. The Company has received a cash amount of US$2.5m before direct costs, in respect of this settlement. The amount received represents a successful outcome for the Company in that it has recovered the principal amount under the loan initially granted to Katra Holdings Limited in June 2007 which had previously been fully impaired in the Company's accounts. Notwithstanding that the settlement was only agreed on 2 June 2010 and the cash was only received by the Company on 4 June 2010, an amount of US$2.5m has been written back in the Company's accounts for the year ending 31st December 2009 as an adjusting post balance event in accordance with International Accounting Standard 10 ("IAS 10"). The settlement increases the Company's net asset value by US$0.038 per share, or 4.1%, before legal expenses and direct costs associated with the settlement.

Your new Board of Directors is proposing the following new Investment Policy at the forthcoming Annual General Meeting (AGM):

"The Company shall not make any new investments, save for commitments already entered into. The Company will actively manage its investments and seek to realise such investments in a managed way at an appropriate time, returning proceeds to Shareholders as soon as practicable.

Shareholder returns are expected to be delivered by way of return of capital on their shares, whether by dividend, repurchase, tender or otherwise."

As a Board we will further reduce operating costs through service provider contract re-negotiations and other overhead reductions. Our objective is to realise assets at the appropriate time and value, and to return the proceeds less expenses to our shareholders. I am hopeful that there will be further progress to report when we release our interims results for the six months ending 30 June 2010.

Respectfully yours,

Rhys Cathan Davies
Chairman
4 June 2010

Directors' Report

The Directors hereby submit their annual report together with the audited financial statements of EIH plc (formerly Evolvence India Holdings plc) for the financial year ended 31 December 2009.

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

Name Change
The Company changed its name from Evolvence India Holdings plc to EIH plc on 20 July 2009.

Results and Dividend
The results of the Company for the year and the financial position of the Company at the end of the year 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 ("EIF")	US$ 45.1 million
Committed to Evolvence India Life Sciences Fund ("EILSF")	US$ 6.0 million
Capital committed to current co/direct/structured investments	US$ 14.0 million

Audited Valuation as at 31 December 2009

* NAV	US$ 62.5 million (2008: US$ 46.3 million)
* NAV per unit	US$ 0.961 (2008: US$ 0.713)

The Company announces its audited net asset value of US$ 0.961 per share as at 31 December 2009. The NAV per share of US$ 0.961 as at 31 December 2009 represents an increase of 25% over the NAV per share of US$ 0.768 as at 30 June 2009.

The Directors recommend that no dividend be declared in respect of the year ended 31 December 2009 (2008: US$ Nil).

Investment Policy
As referred to in the Chairman's statement, the new Board of Directors is proposing an amendment to the Company's investment policy at the forthcoming Annual General Meeting. Further details are set out in the accompanying Notice of Annual General Meeting.

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

	Appointed	Resigned
Mr Rhys Cathan Davies (Non-executive Chairman)	17 May 2010	-
Mr Brett Lance Miller (Non-executive Director)	17 May 2010	-
Mr Ramanan Rahhavendran (Non-executive Director)	17 May 2010	-
Mr Mehdi Dazi (Non-executive Director)	22 April 2008	12 June 2009
Mr Michael Maloney Gerald (Non-executive Director)	3 February 2010	17 May 2010
Mr Christopher W Knight (Non-executive Chairman)	28 October 2008	17 May 2010
Mr Sanjeev Mohta (Non-executive Director)	28 October 2008	3 February 2010
Mr Alexander Anderson Whamond	11 June 2009	17 May 2010

Directors' and Other Interests
Mr Rhys Davies and Mr Brett Miller are Directors of Damille Investments Limited which holds 11,450,000 ordinary shares, representing 17.62% of the issued share capital, of the Company.

Directors' Report (Continued)

Investment Manager
Evolvence India Advisors Inc ("EIA") gave notice of its intention to resign as the Investment Manager of the Company on 27 October 2008 and the termination of the Investment Management Agreement took effect on 30 September 2009. EIA were retained as consultants on 23 March 2010 to provide information to assist in the valuation of the Company's investments for 31 December 2009, 30 June 2010 and 31 December 2010.

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

On behalf of the Board

Rhys Cathan Davies
Chairman
4 June 2010

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual 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 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 they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

On behalf of the Board

Rhys Cathan Davies
Chairman
4 June 2010

Report of the Independent Auditors, KPMG Audit LLC, to the Shareholders of EIH plc

We have audited the financial statements of EIH plc for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable 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 the Companies Acts 1931 to 2004. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards**,** of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended; and

- have been properly prepared in accordance with the Companies Acts 1931 to 2004.

KPMG Audit LLC **4 June 2010**
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

Statement of Comprehensive Income
for the year ended 31 December 2009

	Notes	31 December 2009 US$	(Note 2.6) 31 December 2008 US$
Income			
Interest income on cash balances		15,932	205,676
Interest income on short-term loans		820,120	1,244,157
Unrealised gain/(loss) on investments at fair value through profit or loss		14,289,258	(23,673,473)
Provision for carried interest		262,278	(262,278)
Other income		17,992	-
Net investment income/(expense)		**15,405,580**	**(22,485,918)**
Expenses			
Performance fees	10.2	-	(100,382)
Management fees	10.2	(54,055)	(149,482)
Administrative expenses	10.3	(239,414)	(270,583)
Legal and other professional fees		(528,035)	(291,962)
Audit fees		(81,218)	(53,283)
Impairment provision	8	1,679,880	(3,614,519)
Bad debt provision		(16,102)	-
Other expenses		(8,919)	(5,737)
Total operating expenses		**752,137**	**(4,485,948)**
Profit/(loss) before tax		**16,157,717**	**(26,971,866)**
Income tax expense	17	-	-
Profit/(loss) for the year		**16,157,717**	**(26,971,866)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**16,157,717**	**(26,971,866)**
Basic and fully diluted earnings/(loss) per share (cents)	15	**24.86**	**(41.50)**

The Directors consider that all results derive from continuing activities.

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

EIH plc

Statement of Financial Position
as at 31 December 2009

	Notes	31 December 2009 US$	31 December 2008 US$
Non-current assets			
Financial assets at fair value through profit or loss	7	49,586,442	36,149,784
Total non-current assets		**49,586,442**	**36,149,784**
Current assets			
Trade and other receivables	12	120,094	97,943
Short-term loans	8	2,500,000	-
Cash and cash equivalents	11	10,491,472	11,057,875
Total current assets		**13,111,566**	**11,155,818**
Total assets		**62,698,008**	**47,305,602**
Issued share capital	14	1,274,510	1,274,510
Share premium		58,580,120	58,580,120
Retained earnings/(loss)		2,629,916	(13,527,801)
Total equity		**62,484,546**	**46,326,829**
Trade and other payables	13	213,462	978,773
Total current liabilities		**213,462**	**978,773**
Total liabilities		**213,462**	**978,773**
Total equity & liabilities		**62,698,008**	**47,305,602**

The financial statements were approved by the Board of Directors on 4 June 2010 and signed on their behalf by:

Rhys Davies
Director

Brett Miller
Director

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

Statement of Changes in Equity
For the year ended 31 December 2009

	Share Capital US$	Share Premium US$	Revaluation Reserve US$	Retained Earnings US$	Total US$
Balance at 1 January 2008	1,274,510	58,580,120	13,148,279	2,245,786	75,248,695
Total comprehensive income					
Loss for the year	-	-	-	(26,971,866)	(26,971,866)
Reclassification					
Reclassification to financial assets at fair value through profit or loss	-	-	(13,148,279)	13,148,279	-
Total comprehensive income	**-**	**-**	**(13,148,279)**	**(13,823,587)**	**(26,971,866)**
Contributions by and distributions to owners					
Dividends paid	-	-	-	(1,950,000)	(1,950,000)
Total contributions by and distributions to owners	**-**	**-**	**-**	**(1,950,000)**	**(1,950,000)**
Balance at 31 December 2008	**1,274,510**	**58,580,120**	**-**	**(13,527,801)**	**46,326,829**
Balance at 1 January 2009	1,274,510	58,580,120	-	(13,527,801)	46,326,829
Total comprehensive income					
Profit for the year	-	-	-	16,157,717	16,157,717
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	16,157,717	16,157,717
Balance at 31 December 2009	**1,274,510**	**58,580,120**	**-**	**2,629,916**	**62,484,546**

The accompanying notes form an integral part of these financial statements

EIH plc

Statement of cash flows
for the year ended 31 December 2009

	Note	31 December 2009	(Note 2.6) 31 December 2008
		US$	US$
Cash flow from operating activities			
Profit/(loss) before tax		16,157,717	(26,971,866)
Adjustments:			
Interest income on cash balances		(15,932)	(205,676)
Interest income on short term loans		(820,120)	(1,244,157)
Unrealised (gains) / loss on investments at fair value through profit or loss		(14,289,258)	23,673,473
Excess provision for carried interest		(262,278)	262,278
Other income		(17,992)	-
Impairment provision		(1,679,880)	3,614,519
Bad debt provision		16,102	-
Operating loss before working capital changes		**(911,641)**	**(871,429)**
Increase / (decrease) in trade and other receivables		(23,703)	(15,205)
(Decrease) / increase in trade and other payables		(503,033)	250,880
Cash used in operations		**(1,438,377)**	**(635,754)**
Interest received		1,382	988,109
Other income received		17,992	-
Net cash (used by) / generated from operating activities		**(1,419,003)**	**352,355**
Cash flows from investing activities			
Purchase of investments	7	(501,000)	(6,768,000)
Repayment of short term loan	8	-	7,820,000
Capital distribution received	7	1,353,600	782,414
Net cash generated from financing activities		**852,600**	**1,834,414**
Cash flows from investing activities			
Dividend paid		-	(1,950,000)
Net cash flow from financing activities		**-**	**(1,950,000)**
Net (decrease) / increase in cash and cash equivalents		(566,403)	236,769
Cash and cash equivalents at beginning of the year		11,057,875	10,821,106
Cash and cash equivalents at end of year	**11**	**10,491,472**	**11,057,875**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements
for the year ended 31 December 2009

1 The Company

EIH plc (formerly 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 registration 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 AIM, a market of that name operated by the London Stock Exchange plc following the closing of the placing on 23 March 2007.

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

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 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 Basis of preparation

2.1 Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 4 June 2010.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss that are measured at fair value in the statement of financial position.

2.3 Functional and presentation currency

These financial statements are presented in US dollars, which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest dollar.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the Directors 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 which are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by the Directors in the application of IFRSs 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 financial assets at fair value through profit or loss – see note 4.

2.5 Change in accounting policy

Presentation of financial statements

The Company applied revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2 Basis of preparation (continued)

2.6 Reclassification of comparatives

Certain comparative figures in the statement of comprehensive income and statement of cash flows have been reclassified in this years financial statements; namely realised gains on investments and excess provisions for carried interest written back to unrealised gains on investments following a reassessment of distributions received. There is no impact on the result for the year.

2.7 Other accounting developments

Disclosures pertaining to fair values and liquidity of financial instruments

The Company has applied *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Disclosures in respect of fair values of financial instruments are included in notes 4 and 7.

Furthermore the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Disclosures in respect of liquidity risk are included in note 18.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5 which addresses changes in accounting policies.

3.1 Investments at fair value through profit or loss

Investments are designated as financial assets at fair value through profit or loss. They are measured at fair value with gains and losses recognised through the profit or loss

The fair value of investments at fair value through profit or loss in unlisted equity investments is estimated by the Directors, with advice from Evolvence India Advisors Inc. 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 using the most appropriate valuation techniques, including the use of recent arms' length market transactions, use of market comparables, use of discounted cash flows or any other valuation technique that provides a reliable estimate. Under the discounted cash flow method, free cash flows have been discounted using an appropriate weighted cost of capital.

Under the market comparables method, an appropriate multiple (e.g. EV/PBDIT or EV/Revenue or Price to Earnings multiple) has been used. From the equity valuation arrived at using the above approaches, adjustments have been made for company specific discounts/premiums, scale discounts, illiquidity discounts and forward looking financial discounts/premiums.

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

3.2 Loans and receivables

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

3 Significant accounting policies - continued

3.3 Impairment of financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter into bankruptcy, the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3.4 Foreign currency translation

The US dollar is the functional currency and the presentation currency. Transactions in foreign currencies are translated to the function currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the date of these financial statements are translated to US dollars at exchange rates prevailing on that date. All resulting exchange differences are recognised in the profit or loss.

3.5 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.

3.6 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.

3.7 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.8 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.

3 Significant accounting policies - continued

3.9 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:

New/Revised International Financial Reporting Standards (IAS/IFRS)	**Effective date** (accounting periods commencing after)
IAS 1 Presentation of Financial Statements (Revised April 2009)*	1 January 2010
IAS 7 Statement of Cash Flows (Revised April 2009)*	1 January 2010
IAS 17 Leases (Revised April 2009)*	1 January 2010
IAS 24 Related Party Disclosures - Revised definition of related parties	1 January 2011
IAS 28 Investments in Associates - Consequential amendments resulting from amendments to IFRS 3 (2008)	1 July 2009
IAS 31 Interests in Joint Ventures - Consequential amendments resulting from amendments to IFRS 3 (2008)	1 July 2009
IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues	1 February 2010
IAS 36 Impairment of Assets (Revised April 2009)*	1 January 2010
IAS 38 Intangible Assets (Revised April 2009)*	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments	30 June 2009
IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement (Revised April 2009)*	1 January 2010
IFRS 2 Share-based Payment - Amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Revised April 2009)*	1 January 2010
IFRS 8 Operating Segments (Revised April 2009)*	1 January 2010
IFRS 9 Financial Instruments - Classification and Measurement	1 January 2013
IFRIC Interpretation	
IFRIC 17 Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of Assets from Customers	1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

*Amendments resulting from April 2009 Annual Improvements to IFRSs

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Company's financial statements in the period of initial application.

4 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 18).

Key sources of estimation uncertainty

Allowance for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.3.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon the Directors' best estimate of the present value of cash flows that are expected to be received. In estimating these cash flows, Directors make judgements about counterparty's financial situation and the net realisable value of the underlying collateral. Each impairment asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Board.

Determining fair values

The determination of fair values for financial assets for which there is no observable market prices requires the use of valuation techniques as described in accounting policy 3.1. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical judgements in applying the Company's accounting policies

Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in accounting policy 3.1. The Company measures fair value using the following hierarchy that reflects the significant of inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for and identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category included instruments valued using: quoted market prices in active markets for similar instruments: quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For all financial instruments, the Company determines fair values using valuation techniques as described in accounting policy note 3.1 and note 7 "Financial assets at fair value through profit or loss".

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurements are categorised:

	Level 1 US$	Level 2 US$	Level 3 US$
Financial assets at fair value through profit or loss (note 7)			
Evolvence India Fund PCC	-	-	34,627,043
Evolvence India Life Sciences Fund	-	-	2,198,547
EIF Co Invest VII (RSB Group)		-	7,233,075
EIF Co Invest X (Gland Pharma Limited)	-	-	5,527,777
	-	**-**	**49,586,442**

Notes to the Financial Statements (continued)
for the year ended 31 December 2009

4 Use of estimates and judgements (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	31 December 2009
	US$
Fair value brought forward	36,149,784
Capital calls	501,000
Capital distributions	(1,353,600)
Movement in fair value	14,289,258
Fair value at year end	**49,586,442**

5 Net asset value per share

The net asset value per share as at 31 December 2009 is US$0.961 per share based on 65,000,002 ordinary shares in issue as at that date (2008: US$0.713 per share based on 65,000,002 ordinary shares).

6 Dividends

The Directors do not propose to declare a dividend for the year ended 31 December 2009 (2008: US$Nil).

7 Financial assets at fair value through profit or loss

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 2009, the investment portfolio comprised the following assets:

Investments (unlisted)	**Capital Commitment**	**Capital invested**	**Capital Distribution**	**Fair value adjustment**	**Fair Value**
	US$	**US$**	**US$**	**US$**	**US$**
Fund Investments (equity)					
Evolvence India Fund PCC	45,120,000	36,096,000	(5,674,674)	4,205,717	34,627,043
Evolvence India Life Sciences Fund	6,000,000	2,421,000	-	(222,453)	2,198,547
Direct Investments (equity)					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	-	263,475	7,233,075
EIF Co Invest X (Gland Pharma Limited)	4,510,000	4,510,000	-	1,017,777	5,527,777
	62,599,600	**49,996,600**	**(5,674,674)**	**5,264,516**	**49,586,442**

The fair value of the Company's investments has been estimated by the Directors with advice from Evolvence India Advisors Inc. The movement in investments in the year was as follows:

	31 December 2009	*31 December 2008*
	US$	US$
Fair value brought forward	36,149,784	53,837,671
Capital calls	501,000	6,768,000
Capital distributions	(1,353,600)	(782,414)
Movement in fair value	14,289,258	(23,673,473)
Fair value at year end	**49,586,442**	**36,149,784**

The outstanding capital commitments as at 31 December 2009 were US$12,603,000 (2008: US$13,104,000).

7 Financial assets at fair value through profit or loss (continued)

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 60% 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 40% percent, will be invested in co-investment opportunities, primarily in Indian companies or companies with significant operations in India. The fund investments of EIF include Baring India Private Equity Fund II, IDFC Private Equity Fund II, India Value Fund II (Formerly GW Capital), Leverage India Fund, New York Life Investment Management India Fund II, Ascent India Fund, JM Financial India Fund I, HI-REF International LLC Fund, NYLIM Jacob Ballas India Fund III and IDFC Private Equity Fund III. EIF was 80% drawn down as at 31 December 2009 and has invested around US$169.3 million in 117 portfolio companies through ten underlying funds and eight co-investments. Of this US$169.3 million, US$58.5 million was invested in co-investments and the balance of US$110.8 million (on investment cost basis) was invested in fund investments. Approximately US$31.7 million of fund investments were liquid and the balance of US$79.1 million were illiquid. As regards the co-investment portfolio of EIF, around US$11.9 million were liquid and the balance US$46.6 million were illiquid.

EIF has distributed 15.73% of its drawn down capital. It has received distributions amounting to US$37.5 million out of which around US$31.5 million has been distributed to its investors.

Valuation basis

Audited financial statements for EIF for the year ended 31 December 2009 are not yet available. The investment in EIF has been fair valued based on a valuation performed by its investment manager of the portfolio at 31 December 2009, as adjusted for EIF expenses and carried interest cost. The valuation was reviewed by an independent specialist employed by the Company. Underlying listed investments have been valued as per the closing market prices of the respective companies listed on the Bombay Stock Exchange. For unlisted underlying investments, the following valuation methodologies have been used depending on the nature of the investment:

- comparables methodology – valuation of comparable listed companies was used as a benchmark to arrive at the valuation of portfolio companies.
- comparable transactions were utilised to arrive at the valuation where listed comparables were not available.
- discounted cash flows (DCF) methodology - free cash flows of portfolio companies were discounted by the weighted average cost of capital for the portfolio companies. The Capital Asset Pricing Model was used to calculate the cost of equity. The risk free rate was assumed at 8% and the market risk premium at 7%. The industry beta was calculated for a period of three years against the market returns represented by BSE Sensex.
- where DCF could not be performed, the investment was valued at cost.

After the equity valuation of the portfolio companies calculated using the above valuation techniques, a set of discounts/premium factors were applied to arrive at the final valuation. These factors are:

- company premium discount (P/D) - portfolio companies were then benchmarked to various parameters like business model, management quality, track record, profitability margins and future prospects against comparable companies to arrive at the respective premium/discount for the portfolio company.
- scale discount (SD) - scale discounts accounts for the difference in the valuation multiples because of the difference in size of the target and comparable companies. The Investment Manager assumed a scale discount of 10% in cases where the target company was smaller by around 40%-50% or more in terms of revenues as compared to the mean of revenues of comparable companies.
- illiquidity discount (ILD) - illiquidity discount accounts for the inability to liquidate the investments in a public market for a short period. The Investment Manager assumed an illiquidity discount of 20% for companies below revenue size of Rs2,500 million and an illiquidity discount of 10% for revenues exceeding Rs2,500 million for financial year or trading period ended 31 December 2008, as the case may be.
- forward looking financials discount/premium (FD) - forward looking discount/premium was utilised for situations where the revenues of the portfolio companies and comparable companies were available for different periods. For some unlisted investments, where the lead investor provided a detailed valuation report as at the valuation date certified by an independent third party, the investment in that portfolio company was valued on the basis of such detailed valuation report.

7 Financial assets at fair value through profit or loss – continued

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 final closing of the fund occurred in June 2008 and the fund size of EILSF as at 31 December 2009 was US$84.1 million. It has made four investments. EILSF was 40% drawn down as at 31 December 2009. No distributions have been made by EILSF during the year ended 31 December 2009. The investment in EILSF has been fair valued based on the audited financial statements of EILSF as at 31 December 2009. The valuation of EILSF's underlying investments was based on International Private Equity and Venture Capital Valuation Guidelines.

EIF Co Invest VII

EIH has invested US$6,969,600 in RSB Group through a special purpose vehicle (SPV), EIF Co Invest VII. RSB Group is a leading manufacturer of automotive components and construction aggregates. The valuation in RSB Group which is unlisted, is based on a valuation performed by EIF's investment manager and is based on an average valuation multiple of comparable companies giving a fair valuation gain of US$263,775.

EIF Co Invest X

EIH has 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 in Gland Pharma has been fair valued as at 31 December 2009 based on value included in the audited financial statements of EILSF as described above.

8 Short-term loans

	31 December 2009	31 December 2008
	US$	US$
Katra Holdings Limited	2,500,000	2,500,000
Impairment provision	-	(2,500,000)
Total	**2,500,000**	**-**

Katra Holdings Limited

The Company advanced US$2,500,000 to Katra Holdings Limited, a Mauritian incorporated private company in June 2007 which was subject to repayment on 4 September 2007. The loan bore interest at a rate of 15% until its repayment date with penalty interest at an aggregate rate of 22.5%, thereafter rising to 30% per annum on and after 4 December 2007. Katra Holdings Limited pledged its shareholding in its subsidiary, Kerala Ayurveda Ltd, India totalling 6,493,435 shares (61.52%) as security for the loan and the loan was personally guaranteed by Mr Ramesh Vangal. In the previous year the Board decided to impair the full loan amount of US$2,500,000 and related interest accrued as no payments had been received. In June 2010 the litigation against Katra Holdings Limited was settled and a payment of US$2,500,000 has been received; therefore the impairment provision has been released as an adjusting post balance sheet event.

9 Related parties and 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 Rhys Davies and Mr Brett Miller are Directors of Damille Investments Limited which holds 11,450,000 ordinary shares, representing 17.62% of the issued share capital of the Company.

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.

10 Charges and Fees

10.1 Nominated Adviser' fees

As nominated adviser to the Company for the purposes of the AIM Rules, Seymour Pierce Limited is entitled to receive an annual fee of £45,000 in addition to reasonable costs and expenses incurred in carrying out its obligations under the nominated adviser agreement. With effect from 17 May 2010 Singer Capital Markets Limited replaced Seymour Pierce as the nominated adviser.

Advisory fees paid to the Nominated Adviser for the year amounted to US$62,621 (2008: US$78,118) of which US$11,877 (2008: US$7,258) was prepaid as at 31 December 2009.

10.2 Investment 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 was 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 was payable to the Investment Manager in relation to uninvested cash. The Investment Manager resigned from its services in October 2008 and served the Company till September 2009 only.

Annual management fees for the period ended 31 December 2009 amounted to US$54,055 (2008: US$149,482).

Performance fees

The Investment Manager was also entitled to 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 for the period ended 31 December 2009 were US$ Nil (2008: US$100,382). As detailed above, the Investment Manager ceased to act on 30 September 2009.

Investment manager fees in respect of underlying funds

Investment management fees and performance fees are payable in respect of underlying funds.

10.3 Administrator's and Registrar's fees

By a deed dated 28 December 2006 between the Company and Cains Fiduciaries Limited (formerly Equity Limited) 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 Cains Fiduciaries 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.

Cains Fiduciaries Limited may utilise the services of a CREST accredited registrar for the purpose 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 £5,195 plus a fee for each holding and transfer registered.

Administration fees for the year amounted to US$120,455 (2008: US$87,909) of which US$11,411 was outstanding at 31 December 2009 (2007:US$50,855).

CREST fees were US$15,148 (2008: US$ 17,396) of which US$3,353 was outstanding at 31 December 2009 (2008: US$3,252).

Notes to the Financial Statements (continued)
for the year ended 31 December 2009

11 Cash and cash equivalents

	31 December 2009 US$	31 December 2008 US$
Bank balances	490,676	11,057,875
Short-term deposits	10,000,796	-
Cash and cash equivalents	**10,491,472**	**11,057,875**

12 Trade and other receivables

	31 December 2009 US$	31 December 2008 US$
Interest receivable on short-term deposits	14,550	-
Prepaid expenses	88,477	81,653
Other receivables	17,067	16,290
Total	**120,094**	**97,943**

13 Trade and other payables

	31 December 2009 US$	31 December 2008 US$
Transaction costs payable	-	302,783
Other creditors	213,462	413,712
Performance fees payable (carried interest)	-	262,278
Total	**213,462**	**978,773**

14 Issued Share capital

Ordinary Shares of 1p each	Number	US$
In issue at the start of the year	65,000,002	1,274,510
In issue at 31 December 2009	**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)
for the year ended 31 December 2009

15 Earnings/(loss) 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 year:

	2009	2008
Profit/(loss) attributable to equity holders of the Company (US$)	16,157,717	(26,971,866)
Weighted average number of ordinary shares in issue	65,000,002	65,000,002
Basic earnings/(loss) per share (cents per share)	**24.86**	**(41.50)**

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

16 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 year amounted to US$130,439 (year ended 31 December 2008: US$182,213) and insurance expenses of US$39,284 (year ended 31 December 2008: US$33,952).

17 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.

18 Financial risk management

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

Equity market risks

The Company's investments are subject to equity market risks. 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 Company 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 sentiments 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 the Company can give no assurance that an exit from any investment will be achieved.

The investment portfolio is subject to market price sensitivity related to the Indian equity market.

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)
for the year ended 31 December 2009

18 Financial risk management - 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 are 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 the 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:

	31 December 2009 %	31 December 2008 %
Pounds sterling	0.00	(0.16)
Indian Rupee	79.36	78.03
US Dollars	20.64	22.13
Total	**100.00**	**100.00**

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	Monetary Liabilities	Net Exposure
	US$	US$	US$
31 December 2009			
Pound Sterling	176,601	(176,392)	209
Indian Rupee	49,586,442	-	49,586,442
US Dollars	12,934,965	(37,070)	12,897,895
	62,698,008	**(213,462)**	**62,484,546**

	Monetary Assets	Monetary Liabilities	Net Exposure
	US$	US$	US$
31 December 2008			
Pound Sterling	66,807	(139,307)	(72,500)
Indian Rupee	36,149,784	-	36,149,784
US Dollars	11,089,011	(839,466)	10,249,545
	47,305,602	**(978,773)**	**46,326,829**

At 31 December 2009, had the Indian Rupee strengthened or weakened 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 statement of comprehensive income would have increased or decreased by US$2,479,322 (2008: US$1,807,489).

18 Financial risk management (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 2009 US$	31 December 2008 US$
Financial assets at fair value through profit or loss	49,586,442	36,149,784
Trade and other receivables	120,094	97,943
Short-term loans	2,500,000	-
Cash and cash equivalents	10,491,472	11,057,875
Total	**62,698,008**	**47,305,602**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Directors do not expect any counterparty other than Katra Holdings Limited and Mr Vangal to fail to meet its obligations.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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:

31 December 2009	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
	US$	US$	US$	US$	US$	US$
Financial liabilities						
Trade and other payables	213,462	-	-	-	-	-
	213,462	**-**	**-**	**-**	**-**	**-**

31 December 2008	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
	US$	US$	US$	US$	US$	US$
Financial liabilities						
Trade and other payables	-	-	978,773	-	-	-
	-	**-**	**978,773**	**-**	**-**	**-**

Capital commitments outstanding as at 31 December 2009 amounted to US$12,603,000 (2008: US$13,104,000)

Notes to the Financial Statements (continued)
for the year ended 31 December 2009

18 Financial risk management (continued)

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

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:

31 December 2009	Less than 1month US$	1-3 months US$	3 months to 1 year US$	1-5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
Financial Assets							
Financial assets at fair value through profit or loss	-	-	-	-	-	49,586,442	49,586,442
Trade and other receivables	-	-	-	-	-	120,094	120,094
Short-term loans	2,500,000	-	-	-	-	-	2,500,000
Cash and cash equivalents	5,491,472	-	5,000,000	-	-	-	10,491,472
Total financial assets	**7,991,472**	**-**	**5,000,000**	**-**	**-**	**49,706,536**	**62,698,008**
Financial Liabilities							
Trade and other payables	-	-	-	-	-	(213,462)	(213,462)
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**(213,462)**	**(213,462)**
Total interest rate sensitivity gap	**7,991,472**	**-**	**5,000,000**	**-**	**-**		

31 December 2008	Less than 1month US$	1-3 months US$	3 months to 1 year US$	1-5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
Financial Assets							
Financial assets at fair value through profit or loss	-	-	-	-	-	36,149,784	36,149,784
Trade and other receivables	-	-	-	-	-	97,943	97,943
Short-term loans	-	-	-	-	-	-	-
Cash and cash equivalents	11,057,875	-	-	-	-	-	11,057,875
Total financial assets	**11,057,875**	**-**	**-**	**-**	**-**	**36,247,727**	**47,305,602**
Financial Liabilities							
Trade and other payables	-	-	-	-	-	(978,773)	(978,773)
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**(978,773)**	**(978,773)**
Total interest rate sensitivity gap	**11,057,875**	**-**	**-**	**-**	**-**		

No financial assets are subject to fair value interest rate risk. No sensitivity is provided with respect to variable interest rate movements as the effect is considered not significant.

19 Post balance sheet events

As detailed in the Chairman's statement and note 8, an agreement was reached on 2 June 2010 to settle the litigation relating to the loan to Katra Holdings Limited. The loan balance and related accrued interest were previously fully impaired and the US$2.5m settlement has been treated as an adjusting post balance sheet event.

There were no other significant post balance sheet events that required to be disclosed or adjusted in the financial statements.