Elephant Capital
INVESTING IN INDIA

Interim Report 2009

Elephant Capital plc (formerly Promethean India plc) was launched in April 2007 as a private equity company focused on generating outstanding returns for its shareholders by investing in India's evolution.

Contents

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Chairman's Statement

It became clear in the latter half of 2008 that earlier hope of a "decoupling" of emerging markets from the US, Japan and Europe would prove unfounded, and that high growth economies such as India, would also be affected by the global downturn and contraction of credit markets. Inevitably, our investments have been affected, but the relative performance of our portfolio companies has been not unsatisfactory over the period. Although it is too early to draw any firm conclusions from the recent market rally, I am encouraged to see that most of our stocks have recovered strongly from their lows.

Towards the end of 2008 and early 2009, the US, Japan, the UK and leading economies of Europe officially crossed the threshold into recession. In India too, the economy has slowed markedly: the most recent quarterly reading put GDP growth at just 5.3%, well below the 9% plus rates achieved in recent years. Capital inflows, which many consider the driver behind this acceleration, have started to reverse, as investors reduce their appetite for risk in the face of tighter credit constraints. Most obviously, portfolio investment has turned sharply negative, with quarterly outflows hitting USD 5.8 billion in the last three months of the year, against an inflow of nearly USD 15 billion last year.

Confidence in the economy was further knocked by the terrorist attacks in Mumbai in November and the Satyam fraud at the end of the year. Over the six month period covered by this Report and Accounts, the Sensex declined by 39%, and reached five year lows in terms of trailing twelve month PE multiples. Private equity activity in India has fallen dramatically, down 87% in the first three months of 2009, with just 36 deals transacted, totaling USD 526 million against 133 deals totaling USD 3.9 billion over the same period last year.

Inevitably, this fall in global asset prices has been felt in the Elephant Capital portfolio. Both Nitco Limited, which, as a tile manufacturer, is highly exposed to the Indian real estate sector, and Mahindra Forgings, which is exposed to the auto sector have suffered. However, we remain confident that the investment thesis underlying both these cases remains sound, and are working hard with management to ensure these companies are positioned for growth when confidence returns. It is encouraging to note that at the current date, Nitco Limited and Mahindra Forgings have rallied 91% and 44% respectively against their lows, which compares to 72% for the Sensex as a whole.

EIH, which operates in the hospitality sector, currently one of the most difficult sectors, continues to trade well and our investment remains above cost. Given its exceptional portfolio of properties, and high profile brands, we believe this to be a unique asset in the Indian hospitality industry. Obopay has received additional funding of USD 35 million from Nokia, and is in the process of raising a further USD 35 million, in which Nokia is also likely to participate. We continue to believe in the application of their technology, and expect to see its further roll out in India, supported by strategic relationships already concluded with leading Indian financial institutions.

NIIT Limited, a leading IT training company and our newest investment has disappointed over the period of review, but to date has rallied 134% against its lows in March. We are encouraged by this performance, and remain confident of its long-term prospects. We believe the educational and vocational skills market represents a huge opportunity in India, where 70% of the population is below the age of 36 and that as the dominant player, NIIT offers the best access to this market.

Notwithstanding current trends, I firmly believe that the fundamentals of the Indian economy provide an exceptional platform for growth. The favourable demographic make-up combined with widening opportunities in education and commerce should support a growing and affluent middle class, fuelling domestic consumption in the coming years. In addition, the economy is much less exposed to the decline in international trade than the rest of Asia, where exports average over 50% of GDP, against only 22% for India.

The Government and Reserve Bank of India have also acted promptly to stimulate the economy and encourage lending. With inflation now nearing zero, the Reserve Bank has been able to reduce the Repo rate from its high of 9% in July 2008 to 4.75% in April 2009, whilst the Government has announced fiscal stimulus packages totaling nearly 3% of GDP. Following the re-election of the UPA Government with such a strong mandate, we are hopeful that the political environment will continue to offer stability, and that the Government will be able to progress its programme of reform and deregulation.

It is too early to quantify the benefit of these measures, but the recent rally in the Sensex, and in particular, post election does suggest we are seeing some confidence return to the market. However, we at Elephant remain cautious. We are conscious that the rally in asset prices may be short-lived, as many of the issues which have dogged the global economy over the past year remain unresolved. The credit markets have yet to fully open up, international trade continues to decline, and whilst governments have responded with weighty fiscal packages, there can be no certainty that these will be sufficient or maintained for long enough. Indeed, in India, the Government's room to manoeuvre is constrained by the fiscal deficit, whilst monetary policy will remain highly dependent on global commodity, and in particular, oil prices. Such issues may be reflected in rising risk premiums for India and the emerging markets going forward.

In conclusion, I believe that the fundamentals of the economy are sound, but we are not without challenges, and whilst the current period may be difficult, the volatility in asset prices inevitably will create opportunities. Although we have not made any fresh investments in the six month period, we have reviewed multiple deals across sectors. We feel strongly that the current environment calls for discipline, and is not one for undue risk-taking, and therefore felt obliged to decline those opportunities where we could not get comfortable on the basis of valuation, due diligence or corporate governance. However, the volatility of the last six to eight months is starting to force entrepreneurs to be more realistic in their valuation expectations and to comply with transparency and governance standards usually required by international investors. We are therefore optimistic that reasonably-priced opportunities in quality businesses will emerge, and market conditions will be conducive to making such investments. Having successfully conserved cash, we are well positioned to act. I remain excited about the opportunities available to Elephant Capital and look forward to updating you in six months' time.

Sir Peter Burt
27 May 2009

Investment Manager's Review

Introduction:
During the period Elephant Capital plc ("Elephant Capital" or the "Company") made no new investments.

Elephant Capital makes investments via our Mauritian based fund vehicles Tusk Investments Fund I and Tusk Investments Fund II (individually as the "Fund", collectively as the "Funds") into businesses that are established or operating in India.

The Funds are now managed by Elephant Capital LLP (the "Manager" or "Elephant") a limited liability partnership which in turn is advised by Elephant India Advisors Pvt. Ltd (the "Advisor"), of which the senior executives in India are all members.

The Manager and the Advisor's investment team, led by Gaurav Burman and Mohit Burman, include all the members of the Advisor all of whom have extensive experience within the private equity and financial services industry.

The Company made a single follow-on investment of GBP 0.6 million in NIIT Limited (previously referred to as Project Einstein), and a partial exit from its investment in EIH Limited, realising a gain of GBP 0.3 million. No new investments were made during the six month period.

Investment Strategy:
The Company was established in order to execute a value based strategy in both public and private businesses, building a concentrated portfolio of investments in which the Manager and Advisor can act as catalysts for change and value creation. The Manager and Advisor target companies, which they believe have the potential to add value and growth to the portfolio by way of domestic growth, international expansion or restructuring. The Manager and Advisor utilise their knowledge of the region and networks both inside and outside of India to assist investee companies in developing a plan to ensure value creation.

All investments, whether in public or private companies, are preceded by extensive due diligence to assess the risks and opportunities with respect to an investment. This includes an overview of the target's market, management, business model, financial track record, prospects and the likely realisation strategy. The investment team remains sector agnostic and is careful in managing its exposure to any one sector.

The Manager and Advisor are currently focused on making investments that will lead to the Fund becoming a majority or controlling shareholder. Where this is the case, the Manager and Advisor will work with the investee company's management team to develop a plan outlining specifically how value is to be created and detailed actions taken to realise the opportunity. The Manager intends to maintain a high ratio of investment executives to investee companies in order to enable it to play a hands-on role with the investee company in implementing and continually developing this investment strategy.

Where the Fund is a minority shareholder in a publicly listed company or a private company, the Manager and Advisor will engage actively with the board of the investee company to find ways to realise additional value.

The Company has no fixed life and it is expected that it will continue to re-invest the proceeds of any realisations net of gains with an appropriate provision for actual or expected future losses.

Investment Origination and Activity:
In the period to 28 February 2009 the Manager and Advisor were focused on adding value to the existing portfolio companies and on evaluating high quality investment opportunities.

The Manager and Advisor were challenged by one of the most difficult global economic environments in history. During this period of upheaval the credit markets were essentially frozen. Any business with leverage was marked down aggressively, until it could prove it had visibility on earnings and cash flow, which would enable it to service its debt. The global markets were indiscriminate in their markdown of asset values and the value of Indian equities fell rapidly, with the index falling 66% from its January 2008 highs. While the rapid ascent of Indian equity values had been based on both earnings growth and a re-rating of the multiples the market gave to Indian risk, the same formula caused the rapid fall, as both earnings and multiples collapsed. The same Indian businesses which were earlier heralded as global players when they made highly visible acquisitions outside of India have more recently been criticised for their lack of judgement and excessive leverage.

Against this challenging background, the Manager and Advisor are pleased with the relative performance of their portfolio companies. The mark to market valuation on Nitco and Mahindra Forgings is disappointing but the Manager and Advisor are represented on the board of both these companies and are working diligently with management to make sure the right decisions are taken in order to survive the continued challenging environment. The Manager and Advisor believe that both the businesses are fundamentally sound and whilst valuations have dropped, the strong competitive positioning of these companies leaves them well placed for recovery. The Manager and Advisor believe this is in part demonstrated by the stocks' recent performance, which are up 91% and 44% respectively against their lows.

EIH remains above the cost at which the investment was made, and the Manager and Advisor believe it was undervalued by the market. The most recent investment, is in NIIT Limited one of the leading education businesses in India. The business is listed and our position was built up through share purchases in the secondary market. The mark to market value of this investment has suffered, but the Manager and Advisor are confident that their investment rationale remains sound. While they are encouraged by the stock's recent performance, which has rallied 93% since the period end, and 134% from its earlier lows, the Manager and Advisor do regret they did not take the opportunity to increase their position at weaker levels, but were reluctant to do so until their strategy with respect to this investment had been settled.

With the global markets in turmoil, and given the dearth of funds for investment, particularly in India, where many private equity players have already committed their funds, we at Elephant see more opportunities with the potential for control, which the Manager and Advisor are focused upon. This had become difficult in the previous environment because the valuations of small and mid cap businesses had accelerated, putting them out of reach for a small fund like Elephant, whilst entrepreneurs, confident of the continuing strength of the bull market, were unwilling to cede control. The Manager and Advisor hope that the "new world" we are living in will offer more control opportunities and believe that is what they are beginning to witness. In addition, the Manager and Advisor are conscious that the portfolio is skewed towards listed investments, and are therefore keen to pursue investments in the unlisted space, but will be driven foremost by value considerations.

The Manager and Advisor are disappointed that no new investments were made in this period, but this does not reflect inactivity. Despite the decline in private equity activity, which is down 87% by value in the first three months of the year, we have appraised approximately 70 investment opportunities over the period, of which around 10% were reviewed extensively. However, we strongly believe that the current point in the cycle calls for discipline, not undue risk taking, and therefore felt obliged to turn down opportunities where we were not satisfied on the basis of due diligence, corporate governance or valuation. Nevertheless, we are encouraged by the quality of the investment opportunities that are being originated and are confident that the current origination activities will support the continued growth of the business.

As a result of its disciplined approach to making investments, the Company has conserved cash in what has been a volatile market, and is now well positioned to act if market conditions allow. With the credit markets remaining under pressure, cash and liquidity are highly valued, putting pressure on entrepreneurs to compete for investment on the basis of valuation, corporate governance and transparency standards. We believe that these trends should create opportunities for us to invest our capital to further grow and develop the Company's portfolio.

Investment Activity:
During the period Elephant Capital plc made one follow-on investment in the following company:

NIIT Limited (previously known as Project Einstein)
In March 2008, Elephant Capital plc invested in NIIT Limited, a leading education business in India. Through market purchases, the Company invested approximately GBP 1.3 million for 1 million shares in the business. In October and November 2008, the Company invested a further GBP 0.6 million by purchasing 1.6 million shares in the secondary market, bringing its aggregate position to 2.6 million shares.

Portfolio Activity:
During the period our portfolio companies achieved the following:

Mahindra Forgings Limited
In May 2007, Elephant Capital secured exclusivity to purchase a 10% stake in Mahindra Forgings Mauritius Limited (MFML). MFML in turn owned 100% of Schoneweiss & Co. GmbH, one of the top five axle beam manufacturers in the world, specialising in suspension, power train and engine parts.

MFML was part of the wider Mahindra Group, one of the best known industrial groups in India and a leader in the automotive space with approximately USD 6 billion per annum in revenues. In 2005, the Mahindra Group decided that the automotive component sector had significant growth potential and adopted a buy and build strategy in this sector, targeting bolt-on acquisitions overseas. In November 2007, these foreign subsidiaries, Schoneweiss & Co. GmbH, Stokes Group Limited, Jeco Holdings AG and MFML were amalgamated with the Indian-based Mahindra Forgings Limited, to create a single listed entity under Mahindra Forgings Limited. As a result of this merger, the Fund's shareholding in MFML was transferred to the listed Indian business.

Mahindra Forging's key customers are the leading automotive players in the US and Europe. The auto sector is currently facing an unprecedented downturn; one of the big three auto players in the US has already filed for bankruptcy and the other two remain in severe financial distress. These events have inevitably impacted Mahindra Forgings' business, but the group has responded promptly to the challenge, rationalising capacity where appropriate. Elephant Capital is represented on the Board and is working closely with management to ensure that the company emerges from the downturn as a more streamlined and efficient business.

Obopay Inc.
In June 2007, the Advisor began discussions with the management of Obopay, a privately held California based company that specialises in mobile phone payment technologies. Obopay's service allows an individual to instantly obtain, spend, and send money anywhere, anytime with anyone using their mobile phone. Obopay has developed strategic relationships with key players in the financial, telecommunications and technology industries (such as MasterCard, Citibank, AT&T, Verizon, Fidelity, Essar Group and Tata Teleservices), which provide it with access to a large and diversified customer base, strong co-branding and marketing opportunities and the potential to scale its business quickly.

Already in the pilot stages in the US, Obopay is targeting expansion in the emerging markets. With a mobile subscriber base of approximately 300 million, and growing at the fastest rate globally, India is a key focus market for the company. Obopay has established partnerships with leading Indian financial institutions, including Yes Bank, which has already made Obopay services available to its customers.

Obopay has successfully raised USD 67 million in four separate funding rounds. Elephant Capital invested GBP 0.7 million in the Series "C" funding and GBP 0.5 million in the Series "D" funding, in July 2007 and April 2008 respectively. In February 2009, the company raised a further USD 35 million financing from Nokia, and is finalising an additional round of USD 35 million, in which Nokia is also expected to participate. Given the valuation of the recent rounds of funding and the fact that Elephant Capital was awarded warrants due to the introductions we have made, the Manager and Advisor decided not to invest in the last round of funding.

The partnership with Nokia is strategically, as well as financially motivated. It has been designed to support the roll out of mobile payments technology to emerging markets, starting with India. Key initiatives identified include preloading the application onto Nokia handsets, enabling the purchasers of Nokia handsets to use Obopay out of the box. The Manager and Advisor remain excited about the traction the company is achieving and we hope that company will become revenue producing by the end of the year.

Nitco Limited
The Advisor first became interested in Nitco Limited in June 2007. The Advisor wanted to participate in the significant real estate growth in India but was finding it difficult to justify the high valuations that the private or listed property companies in India were demanding. As a result the Advisor started to look at businesses that it felt would benefit from the significant amount of commercial, residential and retail construction in India. Nitco was interesting for a number of reasons, the first and foremost being that since being founded in 1956 the company had grown to become the second largest branded tile manufacturer in India selling in excess of 125 million square feet of floor tiles per year. Over and above this the Advisor was very impressed with the management team and their ambitions for the future growth of the business.

In addition, Nitco is directly engaged in real estate construction and development through its subsidiary Nitco Realties Private Limited. Eight projects covering 1.6 million square feet are expected to be saleable by 2011, of which three are already under way. Nitco continues to evaluate, and explore ways to unlock the value of its real estate assets.

The Fund built its position in the business during July to October 2007. Since we invested the company raised USD 42 million at a 17% premium to our investment price through a Qualified Institutional Placement (QIP) round in November 2007.

Given the present environment, Nitco is experiencing severe headwinds in its core tile business. The company is heavily reliant on its direct to trade division where it supplies the large and at one time, rapidly growing developer community – even within the poorly performing real estate sector, these players have been the hardest hit. The company continues to expand its retail presence but it will take time for the incremental sales from retail customers to compensate for the loss in demand from the developer community.

Over and above this, the company's real estate portfolio has corrected sharply in value in line with real estate values globally. While we take comfort from the fact that the bulk of the portfolio was legacy manufacturing sites, and therefore not purchased at the height of the bubble, the investment that has gone into the conversion of these assets to commercial and residential use will not show returns until the market picks up, which given the quantity of supply may be 18–24 months away.

Owing to its robust operating business, the mark to market on Nitco, although painful, still compares favourably against pure play real estate comparables. The Manager and Advisor believe Nitco will weather the storm and are working with management to manage the leverage on the balance sheet and to continue to grow the tile business whilst looking to exit some of the real estate holdings as soon as the market permits. We are particularly encouraged to see that Nitco has rallied 91% from its lows, vs. 72% for the Sensex as a whole.

EIH Limited
The Advisor became interested in EIH because it believed that the hospitality sector in India represented a huge opportunity, and that EIH offered the best access to it. Given the growth in tourism both domestic and international and the growth rate in the aviation sector which had resulted in both Indian and foreign visitors having access to air travel, India witnessed a period of major growth in the hospitality and catering industries. However, the hospitality sector in India historically has suffered from significant under investment and as a result there are less luxury hotel rooms in India than there are in Manhattan. The Advisor therefore believed that they had found an asset in EIH, which despite being one of the best portfolio of properties in India, was not correctly valued by the public markets.

The Fund built its stake in the business during the month of August 2007.

The Oberoi group owns or manages 27 hotels, with over 3,000 rooms and three cruise ships in five countries, under the luxury "Oberoi" and five star "Trident" brands. The Manager and Advisor have been impressed by the group's roll out in recent years, with new openings in Indonesia, Mauritius and Egypt. Amongst its current plans, a new 436 room Trident at Bandra Kurla, Mumbai is expected to open in FY10 and a 340 room Trident in Hyderabad is targeted for FY10/11. An 8-coach, 24-cabin luxury train is also planned for Rajasthan, whilst further opportunities in India (including Bangalore, Chandigarh and Dehradun) and the Middle East (Abu Dhabi and Oman) have been identified over the medium term. The new properties will be a mix of owned and managed properties.

The Oberoi Group's two hotels in Mumbai, the Trident, Nariman Point and The Oberoi Mumbai were among the 10 locations in the City targeted during the shocking terrorist attacks in late November 2008. The Trident reopened in December, but the Oberoi remains closed for renovation, with reopening expected towards the end of the year.

NIIT Limited

The Advisor became interested in NIIT because it recognised the huge potential in the education and training sectors in India, which are unorganised and under-penetrated. Historically a leading player in IT training, the Manager and Advisor have been impressed by the manner in which NIIT has morphed itself into a full-service education company, by establishing a presence in corporate training, vocational training outside IT, and developing innovative products for schools. In July 2006, NIIT acquired ElementK, the second largest e-learning business in the US, which has given it access to the US market and to its significant library of content.

With its diversified product range and a customer mix, which caters to all ages, and education and training needs, the Manager and Advisor believe that NIIT is well placed to leverage these opportunities.

In March 2008, Elephant Capital started building a position in the company through share purchases in the secondary market; further purchases were made in October and November 2008. During this time, the investment was reported as "Project Einstein".

The Manager and Advisor believe that this business is under-managed and have been trying to approach and work with the management. We will see if our approaches can yield a constructive dialogue.

As at 28 February 2009, the portfolio was as follows:

Company	Sector	Listed/ Unlisted	Cost £'000	Valuation* £'000	Gain/(Loss) £'000
EIH Limited	Hospitality	Listed	5,402	5,586	184
Mahindra Forgings Limited**	Automotive	Listed	3,543	827	(2,716)
NIIT Limited (formerly referred to as Project Einstein)	Education	Listed	1,857	636	(1,221)
Nitco Limited	Building Materials	Listed	5,501	699	(4,802)
Obopay Inc.	Mobile Banking Services	Unlisted	1,239	1,948	709
Total			**17,542**	**9,696**	**(7,846)**

* The valuations are in accordance with International Financial Reporting Standard/International Private Equity and Venture Capital Association guidelines. Valuation of listed investments is based on the closing bid price as at 27 February 2009. Unlisted investments are held at fair value through profit or loss. All investments are recognised at the transaction date.

** Part of the investment in Mahindra Forgings Limited is held via an intermediary holding company, Promethean 1 Limited (Mauritius).

Realisations:

During the year the Company made a partial exit of its investment in the following company:

EIH Limited

On 5 December 2008, the Company sold 1.3 million shares of EIH Limited for an aggregate consideration of GBP 2.1 million, realising a gain of GBP 0.3 million. The Company's remaining position in EIH Limited is 4.1 million shares.

Principles of Valuations of Investments:

Principles of valuation of unlisted investments

Investments are stated at amounts considered by the directors to be a reasonable assessment of their fair value, where fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

All investments are valued according to one of the following bases:
- Cost (less any provision required)
- Price of recent transaction
- Earnings multiple
- Net assets
- Sale price

Investment Manager's Review continued

Investments are valued at cost for a limited period after the date of acquisition. Thereafter, investments are valued on one of the other bases described above, and the earnings multiple basis of valuation will be used unless this is inappropriate, as in the case of certain asset based businesses.

When valuing on earnings multiple basis, profits before interest and tax of the current year will normally be used, depending on whether or not more than six months of the accounting period remain and the predictability of future profits. Such profits will be adjusted to a maintainable basis, taxed at the full corporation tax rate and multiplied by an appropriate and reasonable price/earnings multiple. This is normally related to comparable quoted companies, with adjustments made for points of difference between the comparator and the company being valued, in particular for risks, earnings growth prospects and surplus assets or excess liabilities.

Where a company has incurred losses, or if comparable quoted companies are not primarily valued on an earnings basis, then the valuation may be calculated with regard to the underlying net assets and any other relevant information, such as the pricing for subsequent recent investments by a third party in a new financing round that is actively being sought, then any offers from potential purchasers would be relevant in assessing the valuation of an investment and are taken into account in arriving at the valuation.

Where appropriate, a marketability discount (as reflected in the earnings' multiple) may be applied to the investment valuation, based on the likely timing of an exit, the influence over that exit, the risk of achieving conditions precedent to that exit and general market conditions.

When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the Company's relevant accounts (interim or final), the valuation is based on the sale price.

In arriving at the value of an investment, the percentage ownership is calculated after taking into account any dilution through outstanding warrants, options and performance related mechanisms.

Principles of valuation of listed investments
Investments are valued at bid-market price or the conventions of the market on which they are quoted.

Valuation review procedures
Valuations are initially prepared by the Advisor. These valuations are then subject to review by external auditors, prior to final approval by the directors.

Events after the Balance Sheet Date:
Subsequent to the period end, there has been a gain in the value of the Company's investments, due to the rise in the Indian stock market. This has decreased the unrealised losses reported by GBP 2.3 million. Full details are disclosed in note 11 to the financial statements.

Gaurav Burman
on behalf of
Elephant Capital LLP
27 May 2009

Independent Review Report to Board of Directors of Elephant Capital plc

Introduction
We have been engaged by Elephant Capital plc (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2009 which comprises the unaudited Condensed Consolidated Income Statement, the unaudited Condensed Consolidated and Company Balance Sheet, the unaudited Condensed Consolidated Statement of Changes in Equity, the unaudited Condensed Consolidated Cash Flow Statement, and notes 1 to 11 to the Condensed Consolidated Interim Financial Statements. We have read the other information contained in the half yearly financial report which comprises of only the Chairman's Statement and Investment Manager's Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

This report is made solely to the Board of Directors of the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Director's responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in Note 3, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Grant Thornton

Grant Thornton
Chartered Accountants
Isle of Man
27 May 2009

Condensed Consolidated Income Statement

	Notes	**Unaudited six months ended 28 February 2009 £'000**	Unaudited six months ended 29 February 2008 £'000	Audited twelve months ended 31 August 2008 £'000
Revenue				
Investment and other income		**402**	1,029	1,945
Foreign exchange gain/(loss)	5	**776**	(5)	–
Net gains/(losses) on investments at fair value through profit or loss	6	**(6,637)**	4,929	(1,238)
		(5,459)	5,953	707
Expenses				
Management fees		**(492)**	(500)	(1,000)
Other expenses		**(264)**	(130)	(473)
Profit/(loss) before finance costs and taxation		**(6,215)**	5,323	(766)
Finance costs		**(2)**	(5)	(1)
Profit/(loss) before tax		**(6,217)**	5,318	(767)
Income tax expense		**–**	–	–
Profit/(loss) after tax		**(6,217)**	5,318	(767)
Attributable to:				
Minority interest in Elephant Capital LLP		**9**	–	–
Equity holders of the Company		**(6,226)**	5,318	(767)
		(6,217)	5,318	(767)
Earnings/(loss) per share (Basic and Diluted)		**(12p)**	11p	(2p)

(The accompanying notes are an integral part of the Unaudited Condensed Consolidated Interim Financial Statements.)

Condensed Consolidated Balance Sheet

	Notes	Unaudited as at 28 February 2009 £'000	Audited as at 31 August 2008 £'000
ASSETS			
Non-current			
Investments held at fair value through profit or loss	7	**9,696**	17,790
Property, plant and equipment		**18**	–
Other assets		**23**	–
		9,737	17,790
Current			
Loans recoverable (current portion)	8	**3,708**	3,708
Receivables		**235**	355
Other current assets		**43**	14
Cash and cash equivalents		**28,266**	26,264
		32,252	30,341
Total assets		**41,989**	48,131
Current liabilities			
Payables		**160**	143
Other current liabilities		**112**	54
		272	197
Net Assets		**41,717**	47,934
EQUITY			
Share capital		**500**	500
Share premium		**47,752**	47,752
Unrealised investment revaluation reserve		**(7,846)**	(886)
Retained earnings		**1,302**	568
Equity attributable to equity holders of the Company		**41,708**	47,934
Minority interest in Elephant Capital LLP		**9**	–
Total Equity		**41,717**	47,934
Net asset per share		**£ 0.83**	£ 0.96

(The accompanying notes are an integral part of the Unaudited Condensed Consolidated Interim Financial Statements.)

Condensed Consolidated Statement of Changes in Equity

	Interests of shareholders of Elephant Capital plc				Minority Interest	Total Equity
	Share Capital £'000	Share Premium £'000	Unrealised Investment Revaluation Reserve £'000	Retained Earnings £'000	£'000	£'000
Unaudited						
Balance as at 1 September 2008	500	47,752	(886)	568	–	47,934
(Loss)/profit for the period	–	–	–	(6,226)	9	(6,217)
Net unrealised loss reserve transfer	–	–	(6,302)	6,302	–	–
Transfer of accumulated unrealised gain on investments sold	–	–	(658)	658	–	–
Balance as at 28 February 2009	**500**	**47,752**	**(7,846)**	**1,302**	**9**	**41,717**
Unaudited						
Balance as at 1 September 2007	500	47,752	352	97	–	48,701
Profit for the period	–	–	–	5,318	–	5,318
Net unrealised gain reserve transfer	–	–	4,929	(4,929)	–	–
Balance as at 29 February 2008	500	47,752	5,281	486	–	54,019
Audited						
Balance as at 1 September 2007	500	47,752	352	97	–	48,701
(Loss)/profit for the period	–	–	–	(767)	–	(767)
Net unrealised loss reserve transfer	–	–	(1,238)	1,238	–	–
Balance as at 31 August 2008	500	47,752	(886)	568	–	47,934

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.)

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 28 February 2009 £'000	Unaudited six months ended 29 February 2008 £'000	Audited twelve months ended 31 August 2008 £'000
(A) Cash flow from operating activities			
Profit/(loss) before tax	**(6,217)**	5,318	(767)
Adjustments for:			
– Depreciation	**1**	–	–
– Interest Income	**(354)**	(1,024)	(1,754)
– Dividend Income	**(47)**	–	(191)
– Unrealised (gains)/losses on investments	**6,637**	(4,929)	1,238
– Exchange loss	**–**	5	–
Net changes in operating assets and liabilities			
– Decrease/(increase) in receivables, other assets, and other current assets	**154**	110	863
– Increase/(decrease) in payables and other current liabilities	**75**	(2,442)	(3,453)
Cash provided by/(used in) operations	**249**	(2,962)	(4,064)
Income taxes paid	**–**	–	–
Net cash generated by/(used in) operating activities	**249**	(2,962)	(4,064)
(B) Cash flow for investing activities			
Purchase of property, plant & equipment	**(19)**	–	–
Purchase of investments	**(595)**	(2,537)	(4,310)
Proceeds from sale of investments	**2,052**	–	–
Interest received	**268**	1,024	1,664
Dividend received	**47**	–	54
Net cash generated by/(used in) investing activities	**1,753**	(1,513)	(2,592)
(C) Cash flow from financing activities			
Proceeds from short-term borrowings	**–**	58	–
Net cash generated by/(used in) financing activities	**–**	58	–
Net increase/(decrease) in cash and cash equivalents	**2,002**	(4,417)	(6,656)
Cash and cash equivalents at the beginning of the period/year	**26,264**	32,920	32,920
Cash and cash equivalents at the end of the period/year	**28,266**	28,503	26,264

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.)

Condensed Company Balance Sheet

	Notes	**Unaudited as at 28 February 2009 £'000**	Audited as at 31 August 2008 £'000
ASSETS			
Non-current			
Investments in subsidiaries		**28,235**	28,235
		28,235	28,235
Current assets			
Loan recoverable (current portion)	9	**20,000**	–
Receivables		**1,438**	1,587
Cash and cash equivalents		**92**	20,126
		21,530	21,713
Total assets		**49,765**	49,948
Current liabilities			
Payables		**111**	135
		111	135
Net Assets		**49,654**	49,813
EQUITY			
Share capital		**500**	500
Share premium		**47,752**	47,752
Retained earnings		**1,402**	1,561
Total Equity attributable to equity holders of the Company		**49,654**	49,813

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

1. Introduction
Elephant Capital plc (the "Company") is a public limited company incorporated in the Isle of Man on 16 May 2006 and listed on Alternative Investment Market ("AIM") of the London Stock Exchange on 25 April 2007. Its registered office is at 3rd Floor, Exchange House, 54–62 Athol Street, Douglas, Isle of Man, IM1 1JD.

The "Group" represents the Company and its subsidiaries. The unaudited condensed consolidated interim financial statements comprise the financial information of the "Group" and the "Company". The Company's business consists of investing through the Group in businesses that have operations in India and generating returns for its shareholders.

2. General information
The financial information for the six month period ended 28 February 2009 and comparative period for the six months ended 29 February 2008 do not constitute statutory accounts as referred to in section 9 of the Companies Act 1982.

The unaudited condensed consolidated interim financial statements are presented in pounds sterling (GBP), which is also the functional currency of the Company.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 28 February 2009 (including comparatives) were approved and authorised for issue by the Board of Directors on 27 May 2009.

3. Basis of preparation
The unaudited condensed consolidated interim financial statements for the six months ended 28 February 2009 have been prepared using accounting policies and presentation consistent with those applied in the preparation and presentation of the financial statements for the year ended 31 August 2008 and should be read in conjunction with those financial statements. These unaudited interim condensed consolidated financial statements are prepared in accordance with *IAS 34 – Interim Financial Reporting* as adopted by the European Union. The comparative figures for the year ended 31 August 2008 are taken from the full statutory accounts, which contain an unqualified audit report. The comparative figures for the six months ended 29 February 2008 are taken from the half yearly reviewed financial statements for that period.

4. Standards issued but not effective
Subsequent to the approval of the annual financial statements of the Group, the following additional standards, interpretations or amendments have been issued (but are pending endorsement by the European Union) until the date of approval of these unaudited condensed consolidated interim financial statements, which are relevant to the Group but are not yet effective and not adopted early by the Group:

Standard or Interpretation	Effective dates
Improvements to IFRS (Issued 16 April 2009)	Various, earliest starting effective is for annual periods beginning on or after 1 July 2009
Amendment to IFRS 7 Improving Disclosures about Financial Instruments (Issued March 2009)	Annual periods beginning on or after 1 January 2009
Amendments to IFRIC 9 and IAS 39 Embedded Derivatives (Issued March 2009)	Annual periods beginning on or after 30 June 2009

The management anticipates that the adoption of the new pronouncements is not expected to result in any significant change in measurement and recognition principles though certain additional disclosures will be required.

5. Foreign exchange gain/(loss)
Foreign exchange gain of GBP 775,745 in the period to 28 February 2009 represents gain on account of currency translation from Indian Rupee to GBP.

6. Net gain/loss on investments at fair value through profit or loss

	Six months ended 28 February 2009 £'000	Six months ended 29 February 2008 £'000	Twelve months ended 31 August 2008 £'000
Unrealised gain on investments	**–**	5,066	985
Unrealised loss on investments	**(6,302)**	(137)	(2,223)
Loss on sale of investments*	**(335)**	–	–
Total	**(6,637)**	4,929	(1,238)

* During the period ended 28 February 2009, the Company has partly disposed of its investment in EIH Limited of 1,300,000 shares at a price of INR 124.50 each (GBP 1.58 each), the total sale consideration being GBP 2,051,635 (against the fair value of these investments of GBP 2,387,288 as at 31 August 2008). The total realised gain on the sale of this investment is GBP 322,752 (being excess of sales consideration over the original cost of GBP 1,728,883). Moreover, there is an unrealised loss of GBP 335,653 (being the difference between fair value of GBP 2,387,288 as on 31 August 2008 over the sale proceeds of GBP 2,051,635). It may be noted that the Group has not provided for any carried interest that may accrue to the carried partner on the above disposal.

7. Investments at fair value fair value through profit or loss

The Group has invested in a portfolio of listed and unlisted securities of businesses operating in India. The quoted securities are listed on the Bombay Stock Exchange ("BSE") and the National Stock Exchange ("NSE"), India and the value of such listed investments has been determined using the closing bid market prices on NSE as at the reporting date (the closing bid market price as at 27 February 2009 has been taken rather than at 28 February 2009 as this was a Saturday and the market did not trade on this day). The Group's investment in Obopay Inc (including warrants issued), an unquoted company incorporated in the United States of America, has been determined using the "price of recent investment" methodology in accordance with International Private Equity and Venture Capital Guidelines.

	As at 28 February 2009 £'000	As at 31 August 2008 £'000
Listed Investments:		
Balance at the start of the period/year	**15,565**	11,536
Additions	**595**	3,799
Transfer from unlisted investments	**–**	2,453
Disposals*	**(2,387)**	–
	13,773	17,788
Unrealised (loss)/gain	**(6,025)**	(2,223)
Total listed investments at the end of the period/year (A)	**7,748**	15,565
Unlisted Investments:		
Balance at the start of the period/year	**2,225**	3,182
Additions	**–**	511
Transfer to unlisted investments	**–**	(2,453)
Disposals	**–**	–
	2,225	1,240
Unrealised (loss)/gain	**(277)**	985
Total unlisted investments at the end of the period/year (B)	**1,948**	2,225
Total investments at the end of the period/year (A+B)	**9,696**	17,790

* As explained in note number 6 above.

8. Loan recoverable (current portion) (Consolidated Balance Sheet)

The Company through one of its subsidiaries granted loan to Krammer Holdings Pte. Ltd. The loan was utilised to acquire 60% share capital of Promethean 1 Limited. The loan is secured via a share pledge agreement and deed of guarantee. The loan carries interest charge at the rate of 9% per annum and is receivable on 28 June 2009.

9. Loan recoverable (current portion) (Company Balance Sheet)
During the period ended 28 February 2009, Elephant Capital plc granted a loan of GBP 20 million to Tusk Investments Fund 2, a subsidiary of the Company through which the Company invests in India. These funds are held on deposit. The loan, being an inter Group transaction, does not appear in the Group balance sheet upon consolidation.

10. Changes in group composition
During the period ended 28 February 2009, Elephant 2 Limited, a Company incorporated in the Isle of Man on 7 July 2006, became part of the Group as per a separation agreement dated 21 July 2008 between Elephant Capital plc and Promethean plc, which became effective on 2 September 2008. Elephant 2 Limited is a 100% subsidiary of Elephant Capital plc.

11. Events after the balance sheet date
Subsequent to the period end, there has been a gain in the value of the Group's listed investments due to a rise in the Indian stock markets. This has decreased the unrealised losses reported by GBP 2,326,342 as summarised below:

	As at 28 February 2009 £'000	Unrealised Gain £'000	**As at 20 May 2009 £'000**
EIH Limited	5,586	1,250	**6,836**
Mahindra Forgings Limited	827	122	**949**
NIIT Limited (formerly referred to as Project Einstein)	636	571	**1,207**
Nitco Limited	699	383	**1,082**
Total	7,748	2,326	**10,074**

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