Immediate Release 28 February 2012

Elephant Capital plc

Preliminary Results for the year ended 31 August 2011

Elephant Capital plc (ECAP), the India focused Private Equity Company announces its preliminary results for the year ended 31 August 2011.

Key Points:

- Net Asset Value per share 51p (28 February 2011:63p; 31 August 2010:79p)
- During the period, an investment of GBP 2.5 million was made in Air Works, a leading independent provider of aviation maintenance, repair and overhaul services in India, and aircraft paint and refinishing in the UK
- Post period end, further investment of GBP 0.5 million was made in Air Works
- ClinTec: GBP 3.9 million write down (on February 2011 valuation) due to continued below budget performance
- Obopay: GBP 1.5 million write down (on February 2011 valuation) to reflect valuation as per recent financing round which was at a significant discount to last round
- Tender Offer (May 2011): 1,599,589 shares tendered at 35p per share
- Additional 661,000 shares purchased for cancellation at 35p per share

Commenting, Chairman Vikram Lall, said:

“Elephant Capital continued to face challenges with some of its investments during the period. However, the Board and Investment Manager are working closely with the managements of investee companies to deliver returns for Elephant Capital and its shareholders. The focus going forward shall be on returning capital to investors.”

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Chairman's Statement

This is my first report to shareholders since being appointed Chairman on 7 November 2011.I am very disappointed to report a further significant fall in Net Asset Value ("NAV").

Results

As at 31 August 2011, NAV was GBP 25.5 million or 51p per share; compared to GBP 31.7 million or 63p per share and GBP 39.6 million or 79p per share as at 28 February 2011 and 31 August 2010 respectively.

Unlisted Investment Portfolio

The principal contributor to the fall in NAV was the write down of Elephant Capital's investment in ClinTec from GBP 8 million at 31 August 2010 to GBP 5.5 million at 28 February 2011and to GBP 1.65 million at 31 August 2011, a total reduction of GBP 6.35 million. This write-down is based on a significant shortfall in ClinTec's performance against its original and revised budgets. The Investment Manager continues to work with the management to improve the operating performance of the business as well as considering other remedies that are available to Elephant Capital including a potential warranty claim under the original share purchase agreement.

The investment in Obopay has also been further written down to reflect Obopay's valuation in its latest financing round (series "G"). The investment in Obopay is valued at GBP 0.2 million at 31 August 2011.

The Investment Manager is continuing its efforts to realise Elephant Capital's investment in Global Cricket Ventures, Mauritius ("GCV") and progress has been made in reaching settlement with certain sub-licensees prior to a possible winding up of GCV. The investment in GCV has been valued at GBP 1.7million based on the estimated net asset value of GCV attributable to Elephant Capital's shareholding.

ACK continued to perform satisfactorily. Elephant Capital invested a further GBP 0.9 million in ACK in April 2011 following a new round of fund raising in tandem with Future Ventures India Limited ("FVIL"), part of the Future Group, a leading multi-format retailer in India. Elephant Capital's stake in ACK was valued at GBP 4.1 million on 31 August 2011.

The only new investment during the period was a GBP 2.5 million investment in Air Works, a leading player in the aviation MRO (maintenance, repair and overhaul) sector in India. The MRO market in India has experienced rapid growth in recent years, with increasing demand for new aircraft driven by demand from both the commercial aviation sector and the business aviation sector. Air Works has a first mover advantage in the domestic market, and has built up strong relationships with aircraft OEM's (original equipment manufacturers), including Gulfstream, Bombardier, Honeywell and Augusta-Westland. After 31 August 2011, Elephant Capital invested a further GBP 0.5 million in Air Works as part of its original investment commitment. Air Works is performing satisfactorily.

Full details of the Company's above unlisted investments are included in the Investment Manager's report.

Listed Investment Portfolio

The Indian stock markets witnessed significant volatility during the year and the markets were down c.8% by the end of the year. Nitco was our only listed stock which performed marginally better than the market with a c.7% decline in stock price. The other two listed investments – EIH and Mahindra Forgings significantly underperformed against the market and lost c.40% of their value during the period. During the period Elephant Capital invested a further GBP 1.7 million in EIH as its pro rata share of the rights issue.

Full details of the Company’s listed investments are included in the Investment Manager’s report.

The Board has decided to commence a programme for disposal of the Company‘s listed portfolio and brokers have been instructed to make orderly disposals as market circumstances permit.

Tender Offer/Purchase of own shares

In May 2011, Elephant Capital announced that it will not be making new investments and would instead focus on returning capital to shareholders. At the same time, shareholders were invited to tender any or all of their shares for purchase by the Company at a tender price subject to a minimum of 2p per share and a maximum of 35p per share. The maximum capital allocated for the tender offer was GBP 5 million. A total of 1,599,589 ordinary shares were successfully tendered at a strike price of 35p per share. After the tender offer the Company purchased for cancellation an additional 661,000 ordinary shares at a price of 35p per share in September 2011. Hence, the Company has now purchased and cancelled a total of 2,260,589 shares, leaving 47,739,411 shares outstanding as on 14 September 2011.

Further Return of Capital

It is the board’s intention to return further capital to shareholders by means of another tender offer, when the disposal of listed investments has progressed sufficiently. The investment in EIH was valued at c.GBP 6.3 million at 23 February 2012. In addition, it is the board’s intention to return other surplus cash as part of the proposed tender offer, though sufficient cash will need to be retained for operating expenses and contingencies during the period it will take to realize the Company’s principally unlisted portfolio.

Board Changes

Pramath Raj Sinha stepped down as Chairman on 7 November 2011 and has expressed a wish to retire from the board at the forthcoming AGM. The board wishes to express its thanks to Pramath for his wise counsel during a very difficult time in the Company’s history. The board is continuing to examine ways of reducing board and other costs.

Vikram Lall
27 February 2012

Investment Manager’s Review

Introduction

During the period Elephant Capital plc (“Elephant Capital” or the “Company”) made one new investment in Air Works India (Engineering) Private Limited (“Air Works”) and follow on investments in Amar Chitra Katha Private Limited (“ACK”) and EIH Ltd (“EIH”). Elephant Capital announced a GBP 2.5 million investment in Air Works, a follow on investment of GBP 0.9 million in ACK, and participated in the EIH rights issue, receiving its full entitlement of shares for a consideration of GBP 1.7 million. Post period end, Elephant Capital invested an additional GBP 0.5 million in Air Works as the second tranche to the initial investment in the company.

Elephant Capital made investments via its Mauritian based fund vehicles Tusk Investments Fund 1 and Tusk Investments Fund 2 (individually the “Fund”, collectively the “Funds”) into businesses that are established or operating primarily in India.

The Funds are managed by Elephant Capital LLP (the “Investment Manager” or “Elephant”), a limited liability partnership which in turn is advised by Elephant India Advisors Private Limited (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 senior executives of the Advisor, all of whom have extensive experience within the private equity and the financial services industry.

Investment strategy

The Company was established to execute a value based strategy in both public and private businesses, building a concentrated portfolio of investments in which the Investment Manager can act as a catalyst for change and value creation.

As per the Company’s previous announcements, Elephant Capital will no longer be making any new investments and has adopted a policy of managing and realising its current portfolio, and actively looking to return cash to its shareholders.

The Company successfully executed a tender offer last year and will again look for the best manner in which to distribute capital to its shareholders.

Investment origination and activity

In the 12 month period to 31 August 2011, the Investment Manager made one new investment. The focus was on managing its existing portfolio, and follow on investments were made in portfolio companies. These investments were declared as post balance sheet events in the last interim report. Elephant Capital continues to face challenges with further write-downs of three of its unlisted investments. The Investment Manager is disappointed by the performance of the portfolio and is working hard to deal with the underperformance of these businesses, and the very difficult economic conditions being experienced both in India and globally. Some difficult decisions have been taken, including considering various remedies that are available to Elephant Capital in respect of the investment in ClinTec including a potential warranty claim under the original share purchase agreement, and deciding to pass on the opportunity to invest in the latest round of financing declared by Obopay. The Investment Manager’s goal is to create value for its shareholders from the portfolio that has been created while exiting investments and returning cash to its shareholders in a timely manner.

In its most recent interim report, Elephant Capital had written down the value of its investment in ClinTec. However, due to continuing below budget performance, the Company has decided to further write down its investment in ClinTec by GBP 3.9 million. Another portfolio company, Obopay, raised a new round of funding at a significant discount to its last round of funding.

Elephant Capital did not invest in the new round and has decided to write down its investment in Obopay based on the pricing of the most recent round of funding. The total write-down on Obopay will be GBP 1.5 million.

The Indian markets continue to be volatile in line with global trends and on the back of high inflation. The Sensex lost c.8% during the review period from start to finish. Our stocks were affected by this volatility, with both EIH and Mahindra Forgings losing c.40%. Nitco lost c.7% during the period. Whilst this has been disappointing for us, the operational performance of these companies is sound or improving and we are confident of an upturn as the markets improve.

During the review period, Elephant Capital announced a follow on investment of GBP 0.9 million in ACK, at a premium to its initial investment. The investment valuation was increased in the interim financials based on the higher price paid for the shares. The same INR price per share has been used for valuing the investment in ACK in the current financials.

In May 2011, Elephant Capital announced that it had invested GBP 2.5 million, for a 4.8% stake in Air Works, a leading independent provider of aviation MRO (maintenance, repair and overhaul) services in India. Post period end, Elephant Capital invested another tranche to the initial funding in Air Works amounting to GBP 0.5 million.

In April 2011, Elephant Capital also participated in the EIH rights issue, for a total consideration of GBP 1.7 million.

As was disclosed in the interim report, the Board of Elephant Capital has decided that the Company will make no new investments and focus its attention on managing the current portfolio and looking for ways to return cash back to its shareholders. The Investment Manager is cognizant of this objective and is working hard to deliver the best possible result for its shareholders.

Portfolio Activity

During the period, the Company's portfolio companies achieved the following:

Air Works

Air Works is a leading independent provider of aviation MRO (maintenance, repair and overhaul) services in India.The MRO market in India has experienced rapid growth in recent years, with increasing demand for new aircraft driven by demand from both the commercial aviation sector and the business aviation sector.

Founded in 1951, Air Works has successfully transformed itself from a family run business focused on providing maintenance services to business aircraft, into a professionally managed organisation providing a full suite of services to business as well as commercial aircraft in India, the UK, the Middle East and South East Asia. The company has a first mover advantage in the domestic market, and has built up strong relationships with aircraft OEM's (original equipment manufacturers), including Gulfstream, Bombardier, Honeywell and Augusta-Westland.

In May 2011, Elephant Capital was pleased to announce that it had invested GBP 2.5 million, for a 4.8% stake in Air Works. The company acquired the MRO business of an established competitor, InterGlobe General Aviation ("IGGA") around the same time as the investment by Elephant Capital.

Post period end, Elephant Capital invested another tranche to the initial funding in Air Works amounting to GBP 0.5 million.

Amar Chitra Katha Private Limited

ACK is one of the leading children's media companies in India, with a catalogue of over 750 print and digital products, and 25 major (and 50+ minor) proprietary characters with India-wide recognition. ACK's origins are in children's books and comics, with "Amar Chitra Katha", the number 1 children's comic book series dating back to 1967. Other key brands include Tinkle, the number 1 English magazine for children, and Karadi Tales, the number 1 audio books company. Elephant Capital became interested in ACK, because it recognised that in India, where under-18s represent 40% of the billion-plus population, and against a background of rising middle class disposable income, the children's education and entertainment sector offered a huge growth opportunity. ACK, with its strong portfolio of intellectual property rights, is well-positioned in this market.

In recent years, ACK has sought to diversify its product offering to digital media platforms including films, TV, online, mobile, and other new media platforms. The company's focus areas include creating new content and merchandise and expanding e-commerce (direct to consumer and indirect channels). Elephant Capital has always been a proponent of focusing on the core values of the business and crafting a strategy that will allow the company to take its unique and rich library to a larger audience using a digital distribution strategy, and upgrading its products to build a larger print business. With the arrival of Future Ventures India Limited ("FVIL") as the controlling shareholder, they have articulated a shared vision for the business. Elephant Capital is excited by the arrival of a new management team led by Vijay Sampath and by the early decisions he has taken. We continue to believe that ACK has a huge opportunity ahead of itself and we now feel that it also has the team to harness this opportunity and create value for Elephant Capital and its shareholders. However, the task will not be easy and there is a large amount of work to be done to realise the company's true potential.

Elephant Capital invested GBP 3.2 million in ACK in a primary transaction, in June 2010. In April 2011, it announced a further investment of GBP 0.9 million in a second funding round, led by FVIL. Elephant Capital's stake in ACK is 21.94% post this investment. The transaction was completed at a premium to Elephant Capital's initial investment. Further, in July 2011, FVIL acquired an additional 30% stake from the promoters of ACK in a secondary transaction at the same price as the last round of investment. Post this acquisition, FVIL has become the majority shareholder of ACK with a 56% stake in the company. With FVIL becoming majority shareholders, the existing CEO, Samir Patil who was also a promoter, has been replaced by Vijay Sampath.

FVIL is part of the wider Future Group, a leading multi-format retailer in India, whose assets include Pantaloons Retail (India) Limited, a publicly-quoted company with a market capitalisation of around USD 1 billion.

ClinTec

Established in 1997, ClinTec is a full service global clinical research organisation ("CRO"), providing clinical research outsourcing services to pharmaceutical, biotechnology, and medical device companies internationally. With regional presence in over 35 countries, ClinTec's strategic offering comprises clinical research and resourcing services in both developed and emerging markets, which use local experience but work to global standards. This allows it to capitalise on the most attractive geographies for conducting clinical trials in an environment where clients demand rapid clinical development at a competitive cost base. The majority of ClinTec's revenues are contributed by its global clinical resourcing division under which it places clinical management staff with the in-house research and development teams of pharmaceutical companies.

Elephant Capital invested GBP 8.0 million, in ClinTec, in a secondary transaction, in August 2010 for a 28.57% stake. ClinTec's performance rapidly fell short of budget in the months following Elephant Capital's investment due to which the value of the investment was written down by GBP 2.5 million in the interim financials. The company continues to significantly underperform compared to original expectations and to the budget provided at the beginning of 2011. The Board along with the Investment Manager has decided to further write down the value of Elephant Capital's investment in ClinTec by an additional GBP 3.9 million. The continued underperformance is clearly a cause of concern. The Investment Manager continues to work with the management to improve the operating performance of the business as well as considering other remedies that are available to Elephant Capital including a potential warranty claim under the original share purchase agreement.

Global Cricket Ventures Limited, Mauritius

In November 2009, Elephant Capital announced an investment of GBP 5.95 million in a primary transaction, in GCV, a cricket-focused, digital media and broadcasting company. At the time of its investment, GCV was the exclusive licensee of key internet and mobile rights to the Indian Premier League ("IPL") and key internet rights to the Champion's League Twenty20 ("CLT20") cricket tournaments.

In mid-2010, the Board of Control for Cricket in India (the "BCCI") announced that it would be rescinding its global media contracts with World Sports Group ("WSG") from whom GCV sublicensed many of its own cricket-related rights. Further, WSG terminated GCV's contractual rights relating to the IPL. This obviously dealt a fatal blow to the business prospects of GCV, as GCV lost its key rights as a result of this action, and ahead of the fourth IPL season, these rights were re-awarded to other parties. As a result of WSG's termination, GCV entered into active discussions to settle liabilities towards its own sub-licensees and has made significant progress on such settlements.

GCV views WSG's termination of its contractual rights to be wrongful and has commenced legal proceedings to enforce its legal rights. GCV has also entered into a dialogue with the BCCI to explore the possibility of a resolution of the current situation.

Elephant Capital is considering liquidating GCV after it has resolved and/or pursued all its outstanding claims and liabilities so that cash can be returned to the shareholders.

The investment has been valued at GBP 1.7 million based on the Investment Manager's best estimate of the net asset value of GCV, attributable to the Company's shareholding in GCV. As mentioned in the interim report the final exit value on this investment cannot be certain until the exit process is complete. Elephant Capital will update the market as and when appropriate.

Obopay Inc.

Obopay, is a privately-held, California-based company specialising in mobile phone payment technologies, which allow individuals to instantly obtain, spend, and send money anywhere, anytime and to anyone using their mobile phone. Obopay's service has huge potential in emerging markets, such as India, which are "under banked", but where mobile phone penetration is high. The Investment Manager recognised the strength of this opportunity, and Elephant Capital invested GBP 1.2 million across two funding rounds in July 2007 and April 2008 (series "C" and "D"). Post the investment, Nokia took a strategic stake in Obopay, investing USD 70 million (alongside some smaller partners) in funding rounds closing in February 2009, April 2009 and January 2010 (series "E1" and "E2").

In May 2011, Obopay informed its shareholders about another round of financing (series "G"). All the shareholders were invited to participate in Series G round of fund raising. The total amount being raised was USD 15 million and the investment was at a significant discount to the last round. The first closing of USD 8.76 million took place in July 2011. A subsequent closing for USD 6.24 million is expected to be completed by May 2012. Elephant Capital closely evaluated the opportunity to invest in Series G and after several rounds of discussions with Obopay's management, it chose not to invest. The Board of Elephant Capital has decided to write down the investment in Obopay based on the price at which funds were raised in the latest round. The investment value has been written down by c.90% to GBP 0.2 million.

The recently implemented change in strategy from being a customer facing mobile money transfer service provider to a back end technology and platform provider to its partners has been delivering results. But the growth in Obopay's business has been below expectations. Although the company has significantly increased revenue and reduced expenses, the company is not yet profitable. The new management team under the CEO Deepak Chandnani has been working on building relationships with key strategic partners, and these efforts are showing signs of success. In India, the customer base has crossed 1 million users; in Africa, Obopay is offering their service in four countries; and in the US, Obopay is making inroads into the remittance and disbursement markets.

The Investment Manager remains cautious about the performance of this investment, but there are signs of improvement.

EIH Limited

EIH owns and/or operates 25 hotels and two luxury cruisers across four countries under the luxury "Oberoi" and five star "Trident" brands. It has one of the strongest hotel portfolios in India, with both destination resorts and business hotels located in Tier I and II cities across the country. Elephant Capital saw an opportunity in this market, because despite the rapid growth of its travel and tourism market (recording a CAGR of 15.0% from 2002-08), India was (and remains), relatively underserved by the hotel market.

At the time of the Company's investment in 2007, Elephant Capital was aware of the potential for corporate activity at EIH, with tobacco-to-hotels conglomerate ITC-Welcomgroup having been stake-building since 2001 (current holding is just under 15%). In August 2010, Oberoi family sold a 14.1% stake to Reliance Industries, and Reliance acquired additional shares from the market to up its stake to almost 15%. Hence, with two large industrial groups holding c.15% each, speculation about corporate activity continues to be rife.

In March 2011, EIH completed an INR 11.8 billion rights issue, in which both ITC-Welcomgroup and Reliance Industries took up their rights in full. Promoter entities also fully participated, and in addition pledged to acquire shares from the unsubscribed portion. Elephant Capital participated in the rights issue, and received its full entitlement of 1.8 million shares for a total consideration of GBP 1.7 million, leaving its stake in the company unchanged at 1%.

During the year, EIH opened an Oberoi in Gurgaon (near Delhi), and an Oberoi, and Trident hotel in Hyderabad. Further, Trident hotels in Bangalore and Dehradun are planned to open this year. International expansion plans include luxury properties in Dubai, Abu Dhabi, Greece, Oman, Mauritius and Morocco, where management contracts have been signed. EIH's other businesses include Oberoi Flight Services and Oberoi Airport Services, providing catering services to leading international airlines, domestic and international airports. Last year, this business expanded to Mauritius, whilst operations in Delhi are currently being redeveloped, and new kitchens are planned for Hyderabad, Kolkata and Bangalore.

Mahindra Forgings Limited

Mahindra Forgings is 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. Mahindra Forgings itself is focused on manufacturing forging components for the commercial vehicle market in Europe, and in India, and is the leading manufacturer of crankshaft and stub axles for Indian cars, multi-utility vehicles and tractors. India has a very strong track record in manufacturing high value and critical auto-components for the world market, and a series of acquisitions left Mahindra Forgings very well placed to compete in this space in Europe.

Elephant Capital invested in Mahindra Forgings in 2007, and its current holding is 3%. Elephant Capital is represented on the board, and has worked closely with management to help reposition the company post the downturn. The Investment Manager has been impressed by the company's recovery in Europe, which accounts for nearly 80% of sales, although internal operational issues in India, continue to affect margins. During the year under review, the value of this investment declined significantly (by c.40%).

Nitco Limited

Nitco is one of the largest manufacturers of flooring tiles in India, selling more than 10 million square metres of tiling in FY 2010-11. It has a direct interest in the real estate sector through a wholly-owned subsidiary which develops residential and commercial property assets in Maharashtra. The Investment Manager became interested in the company because it wanted to participate in the significant real estate growth in India, and believed that Nitco offered a strong play on the sector, at a more realistic valuation.

However, the environment changed dramatically post Elephant Capital's investment in 2007, with the credit crisis ushering in an unprecedented decline in global property markets. The sector has yet to regain its earlier buoyancy, and periodical interest rate hikes have further dampened sentiments, but the key residential vertical has seen some recovery, and as a result, in 2010 Nitco announced plans to monetise its real estate assets. In early 2011, Nitco developed and sold 20% of one of its real estate assets in Thane, but the full impact of this initiative will not be realised for another two to three years. Elephant Capital, which has a 6% holding in Nitco and is represented on the board, is extremely supportive of this strategy, and indeed first proposed it to the board some time ago.

However, the Investment Manager remains skeptical of the management's true conviction in selling its real estate holdings and feels the management could have been much more aggressive about this process. Nitco has suffered due to its over-leveraged balance sheet and Elephant Capital has been encouraging the management to address this issue. Over and above this, the core business needs to be focused on, and the environment in India has become much more competitive with the entry of global manufacturers. The Investment Manager will continue to try and convince the management team to be more proactive about the issues they are facing.

As at 31 August 2011, the portfolio was as follows:

Company	**Sector**	**Listed/ Unlisted**	**Cost £'000**	**Valuation 31 Aug '10 £'000**	**Valuation 31 Aug '11 £'000**	**Gain/(Loss) Over Cost £'000**
Air Works India (Engineering) Private Limited	Aviation	Unlisted	2,451	-	2,380	(71)
Amar Chitra Katha Private Limited	Media	Unlisted	4,085	3,004	4,085	-
ClinTec Luxembourg S.A.	Clinical research	Unlisted	8,000	8,000	1,645	(6,355)
Global Cricket Ventures Limited	Media	Unlisted	5,949	1,934	1,713	(4,236)
Obopay Inc.	Mobile banking services	Unlisted	1,239	1,714	156	(1,083)
EIH Limited	Hospitality	Listed	7,071	7,836	6,903	(168)
Mahindra Forgings Limited*	Automotive	Listed	4,809	3,672	2,154	(2,655)
Nitco Limited	Building materials	Listed	1,393	1,429	1,353	(40)
Total			**34,997**	**27,589**	**20,389**	**(14,608)**

The valuations of the above are in accordance with International Financial Reporting Standards and International Private Equity and Venture Capital Association guidelines. All investments are held at fair value through profit or loss and are recognised at the transaction date on initial recognition.

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

Realisations

No investments were realized during the period.

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

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, earnings before interest, taxes, depreciation and amortization (EBITDA) or net profit of the current year, will normally be used. Such profits will be multiplied by an appropriate and reasonable earnings multiple (EBITDA multiple or net profit multiple as the case may be). 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, size, illiquidity, 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 finalization 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 reporting date

Elephant Capital made a GBP 0.5 million investment in Air Works India (Engineering) Private Limited, as per the second tranche to the initial investment in Air Works.

Subsequent to the year end, there has been a decline in the value of the Group's listed investments, due to fall in stock prices of EIH and Nitco and adverse exchange rate movements. This has increased the unrealised losses by GBP 694 thousand.

Further details on events after the reporting date are disclosed in note 26 to the financial statements.

Gaurav Burman
On behalf of Elephant Capital LLP
27 February 2012

Consolidated Statement of Comprehensive Income

	Notes	**For the year ended 31 August 2011 £'000**	**For the year ended 31 August 2010 £'000**
Revenue			
Investment and other income	7	535	771
Net losses on financial assets at fair value through profit or loss	8	(12,219)	(1,039)
Other income			
Net foreign exchange gain		1	124
		(11,683)	(144)
Expenses			
Management fees	9	(907)	(786)
Other expenses	10	(915)	(1,272)
Loss before finance costs and tax		(13,505)	(2,202)
Finance costs		(4)	(6)
Loss before tax		**(13,509)**	**(2,208)**
Income tax expense	11	-	-
Loss after tax		**(13,509)**	**(2,208)**
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(13,509)**	**(2,208)**

Loss and total comprehensive loss attributable to:			
Owners of the parent		(13,532)	(2,323)
Non-controlling interest		23	115
Loss per share - (basic & diluted)	20	(27p)	(5p)

(The accompanying notes are an integral part of the financial statements.)

Consolidated Statement of Financial Position

	Notes	**As at 31 August 2011 £'000**	**As at 31 August 2010 £'000**
ASSETS			
Non-current			
Investments at fair value through profit or loss	14	20,389	27,589
Property, plant and equipment	15	-	23
		20,389	**27,612**
Current			
Receivables	16	81	516
Prepayments		32	56
Cash and cash equivalents	17	5,130	11,764
		5,243	**12,336**
Total assets		**25,632**	**39,948**
Current liabilities			
Payables	18	181	379
		181	**379**
Net assets		**25,451**	**39,569**
EQUITY			
Share capital	19	484	500
Share premium		20,752	47,752
Distributable capital reserve		26,456	-
Unrealised investment revaluation reserve		(14,608)	(2,389)
Accumulated losses		(7,633)	(6,320)
Total attributable to the owners of the parent		**25,451**	**39,543**
Non-controlling interest		-	26
Total equity		**25,451**	**39,569**
Net asset value per share	20	**£0.51**	**£0.79**

(The accompanying notes are an integral part of the financial statements.)

The financial statements on pages 17 to 52 were approved and authorised for issue by the Board of

	Notes	As at 31 August 2011 £'000	As at 31 August 2010 £'000
ASSETS			

Directors on 27 February 2012 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Company Statement of Financial Position

	Notes	As at 31 August 2011 £'000	As at 31 August 2010 £'000
ASSETS			
Non-current			
Investments in subsidiaries	12	8,855	12,585
Loans to subsidiaries	13	12,391	13,485
		21,246	**26,070**
Current			
Loans to subsidiary	13		677
Receivables	16	1	73
Prepayments		21	32
Cash and cash equivalents	17	3,765	10,528
		3,787	**11,310**
Total assets		**25,033**	**37,380**
Current liabilities			
Payables	18	106	103
		106	**103**
Net assets		**24,927**	**37,277**
Equity			
Share capital	19	484	500
Share premium		20,752	47,752
Distributable capital reserve		26,456	-
Accumulated losses		(22,765)	(10,975)
Equity attributable to owners of the Company		**24,927**	**37,277**

(The accompanying notes are an integral part of the financial statements.)

The financial statements on pages 17 to 52 were approved and authorised for issue by the Board of Directors on27 February 2012 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Statement of Cash Flows

		Consolidated		Company	
		For the year ended	For the year ended	For the year ended	For the year ended
		31 August 11	31 August 10	31 August 11	31 August 10
		£'000	£'000	£'000	£'000
(a)	**Operating activities**				
	Loss before tax	(13,509)	(2,208)	(11,790)	(12,200)
	Adjustments for :				
	Depreciation	3	8	-	-
	Interest income	(31)	(86)	(30)	(63)
	Dividend income	(71)	(103)	-	-
	Gain on sale of investments	-	(322)	-	-
	Net unrealised losses on investments	12,219	1,361	-	-
	Impairment of loans to subsidiaries	-	-	7,594	4,015
	Impairment of investments in subsidiaries	-	-	3,730	7,650
	Net changes in working capital :				
	Decrease/(increase) in receivables, prepayments and other assets	392	32	83	(84)
	(Decrease)/increase in payables	(198)	101	3	31
	Net cash used in operations	**(1,195)**	**(1,217)**	**(410)**	**(651)**
	Income tax paid	-	-	-	-
	Net cash used in operating activities	**(1,195)**	**(1,217)**	**(410)**	**(651)**
(b)	**Investing activities**				
	Purchase of property, plant and equipment	-	(5)	-	-
	Purchase of investments	(5,019)	(17,135)	-	-
	Proceeds from sale of investments	-	2,613	-	-
	Proceeds from buy-back of shares in a subsidiary	-	-	-	8,000
	Loan repaid from subsidiary	-	-	677	-
	Loan to subsidiaries	-	-	(6,500)	(17,500)
	Interest received	31	104	30	77
	Dividend received	139	98	-	-
	Net cash used in investing activities	**(4,849)**	**(14,325)**	**(5,793)**	**(9,423)**
(c)	**Financing activities**				
	Capital contribution by the partner in group entity	200	-	-	-
	Shares bought back under tender offer	(560)	-	(560)	-
	Net cash paid to Partner on sale of subsidiary	(200)	-	-	-
	Drawings made by Partner in a Group Company	(30)	(130)	-	-

	Consolidated		Company	
	For the year ended	For the year ended	For the year ended	For the year ended
	31 August 11	31 August 10	31 August 11	31 August 10
	£'000	£'000	£'000	£'000
Net cash used in financing activities	**(590)**	**(130)**	**(560)**	**-**
Net decrease in cash and cash equivalents	**(6,634)**	**(15,672)**	**(6,763)**	**(10,074)**
Cash and cash equivalents at beginning of the year	**11,764**	**27,436**	**10,528**	**20,602**
Cash and cash equivalents at end of the year	**5,130**	**11,764**	**3,765**	**10,528**

(The accompanying notes are an integral part of the financial statements.)

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Distributable capital reserve	Unrealised investment revaluation reserve	Accum-ulated losses	Total attributed to owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 September 2009	500	47,752	-	(594)	(5,792)	41,866	41	41,907
Drawings made by Partner in a Group Company	-	-	-	-	-	-	(130)	(130)
Transactions with owners	-	-	-	-	-	-	(130)	(130)
Net unrealized loss reserve transfer	-	-	-	(1,361)	1,361	-	-	-
Transfer of accumulated unrealized gain of investments sold	-	-	-	(434)	434	-	-	-
(Loss)/profit for the year	-	-	-	-	(2,323)	(3,434)	115	(2,208)
Total comprehensive (loss)/income for the year	-	-	-	(1,795)	(528)	(2,323)	115	(2,208)
Balance as at 31 August 2010	500	47,752	-	(2,389)	(6,320)	39,543	26	39,569
Balance as at 1 September 2010	**500**	**47,752**	**-**	**(2,389)**	**(6,320)**	**39,543**	**26**	**39,569**
Drawings made by Partner in a Group Company	-	-	-	-	-	-	(30)	(30)
Capital contribution by Partner in Group company	-	-	-	-	-	-	200	200
Sale of subsidiary	-	-	-	-	-	-	(219)	(219)
Transfer to distributable capital reserve	-	(27,000)	27,000	-	-	-	-	-
Shares bought back under tender offer	(16)	-	(544)	-	-	(560)	-	(560)
Transactions with owners	(16)	(27,000)	26,456	-	-	(560)	(49)	(609)
Net unrealized gain reserve transfer	-	-	-	(12,219)	12,219	-	-	-
(Loss)/profit for the year	-	-	-	-	(13,532)	(13,532)	23	(13,509)
Total comprehensive (loss)/income for the year	-	-	-	(12,219)	(1,313)	(13,532)	23	(13,509)
Balance as at 31 August 2011	**484**	**20,752**	**26,456**	**(14,608)**	**(7,633)**	**25,451**	**-**	**25,451**

(The accompanying notes are an integral part of the financial statements)

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Distributable Capital Reserve £'000	Retained earnings/ (Accumulated losses) £'000	Total £'000
Balance as at 1 September 2009	500	47,752	-	1,225	**49,477**
Transactions with owners	-	-	-	-	**-**
Loss for the year	-	-	-	(12,200)	**(12,200)**
Total comprehensive loss for the year	-	-	-	(12,200)	**(12,200)**
Balance as at 31 August 2010	**500**	**47,752**	**-**	**(10,975)**	**37,277**
Balance as at 1 September 2010	**500**	**47,752**	**-**	**(10,975)**	**37,277**
Transfer to distributable capital reserve	-	(27,000)	27,000	-	**-**
Shares bought back under tender offer	(16)	-	(544)	-	**(560)**
Transaction with the owner	(16)	(27,000)	26,456	-	**(560)**
Loss for the year	**-**	**-**	**-**	**(11,790)**	**(11,790)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(11,790)**	**(11,790)**
Balance as at 31 August 2011	**484**	**20,752**	**26,456**	**(22,765)**	**24,927**

(The accompanying notes are an integral part of the financial statements.)

Notes to Consolidated Financial Statements

1. General information and statement of compliance with IFRS

Elephant Capital plc (the ‘Company’) is a public limited company, incorporated in the Isle of Man on 16 May 2006 and listed on the Alternative Investment Market (‘AIM’) of the London Stock Exchange, with its registered office at 3rd Floor, Exchange House, 54-62 Athol Street, Douglas, Isle of Man, IM1 1JD.

The Group represents the Company and its subsidiaries. The financial statements comprise the Group’s consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity. The financial statements also include the Company statement of financial position, the Company statement of cash flows and the Company statement of changes in equity to comply with the Isle of Man Companies Act 1982. Under section 3(5) (b) (ii) of the Isle of Man Companies Act 1982, the Company is exempt from the requirement to present its own statement of comprehensive income. The accounting policies for the preparation of the Company statement of financial position, statement of cash flow and statement of changes in equity to the extent they differ from accounting policies used for the preparation of the consolidated financial statements have been separately disclosed in the following notes.

Under Protocol 3 of the UK’s Treaty of Accession, the Isle of Man is part of the customs territory of the European Union. The financial statements have been prepared in accordance with the applicable International Financial Reporting Standards (‘IFRS’) as adopted by the European Union.

The financial statements for the year ended 31 August 2011(including comparatives) were approved and authorised for issue by the Board of Directors on 27 February 2012.

2. Nature of operations

The Company’s business consists of investing through the Group, in businesses that have operations primarily in India and generating returns for its shareholders.

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards that are likely to be applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group.

(I) Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s financial statements is provided below. None of these have been endorsed by the European Union on the date of authorisation of the financial statements.

Amendments to IFRS 9: Financial Instruments (issued 28 October 2010 and amendments issued thereafter)
Effective date: Annual Period beginning on or after 1 Jan 2015

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Group's management has yet-to assess the impact of this new standard on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

IFRS10 Consolidated Financial Statements (issued 12 May 2011)
Effective date: Annual Period beginning on or after 1 Jan 2013
IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. It introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation. The Group's management has yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 12 Disclosures of interests in other entities (issued 12 May 2011)
Effective date: Annual Period beginning on or after 1 Jan 2013
IFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. The Group's management has yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 13 Fair Value Measurement (issued 12 May 2011)
Effective date: Annual Period beginning on or after 1 Jan 2013
The new IFRS does not affect which items are required to be 'fair-valued', but specifies how an entity should measure fair value and disclose fair value information. Prior to the publication of IFRS 13, the guidance on measuring fair value was distributed across many IFRSs. IFRS 13 has been developed to remedy this problem, by:
— establishing a single source of guidance for all fair value measurements clarifying the definition of fair value and related guidance: and
— enhancing disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).
Though the standard would apply to the Group and the fair value measurements, the Group's management has yet to assess the impact of this new standard on the Group's consolidated financial statements.

IAS27 Separate Financial Statements (issued12May 2011)
Effective date: Annual Period beginning on or after 1 Jan 2013
Consequential changes have been made to IAS27 as a result of the publication of the new IFRSs. IAS 27 will now solely address separate financial statements, the requirements for which are substantially unchanged. Though applicable, based on management's assessment, the standard is not likely to have an impact on the Company financial statements as the requirements have remained unchanged.

4. Summary of significant accounting policies

4.1 Overall considerations

The consolidated and Company financial statements have been presented on a going concern basis. The significant accounting policies that have been used in the preparation of these consolidated and Company financial statements are summarised below. The consolidated and Company financial statements have been prepared using the measurement bases specified by IFRS as adopted by the European Union for each type of asset, liability, income and expense. The consolidated and Company financial statements have been prepared on the historical cost basis except that certain financial assets and liabilities are stated at fair value. The measurement bases are more fully described in the accounting policies below.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries drawn up to 31 August each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The Company obtains and exercises control through more than half of the voting rights. In specific circumstances control may exist even when the Company does not hold more than half of the voting rights. All subsidiaries have a reporting date of 31 August.

On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. All significant inter-company transactions and balances between Group entities are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interest, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income (or loss) of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

4.3 Investment in associates

Associates are those entities over which the Group is able to exercise significant influence but which are neither subsidiaries nor joint ventures. By way of exemption under IAS 28 for venture capital organisations, the Group has designated its investments at fair value through profit or loss and accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* at fair value. The changes in fair value are recognised in profit or loss in the period of change.

4.4 Foreign currency translation

The consolidated financial statements are presented in Pounds Sterling (GBP), which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements all assets, liabilities, and transactions of the Group entities are presented in Pounds Sterling which is the functional currency of all entities within the Group. The functional currency of the entities in the Group has remained unchanged during the reporting period.

4.5 Revenue recognition

Revenue comprises Income from investments, interest and dividend income. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured and when the criteria mentioned below have been met:

Interest income
Interest income comprises income from treasury deposits and loans recoverable. Interest income is recognised on accrual basis using the effective interest method.

Dividend income
Dividend income from investments is recognised when the entity's right to receive payment has been established.

4.6 Expenses

All expenses are recognised on accrual basis through profit or loss.

4.7 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost comprises purchase price and any other costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of property, plant and equipment over the estimated useful lives of assets concerned, as determined by management. Depreciation expense during the year is shown in the statement of comprehensive income.

The Group has determined the estimated useful life of assets as:

Type of assets	**Estimated useful life**
Office equipment	4 Years
Furniture and fixtures	4 Years
Computer hardware	4 Years

Material residual value estimates and estimates of useful life of all types of assets are updated as required, but at least annually.

Gains or losses arising on disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised 'net' within 'other income' or 'other expenses' in the statement of comprehensive income.

4.8 Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised as an expense and disclosed as a separate line item in the statement of comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4.9 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax, not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws applicable in each jurisdiction and that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

4.10 Investment in subsidiaries

Investments in subsidiaries are valued at cost less provision for impairment in the financial statements of the Company.

4.11 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs except for financial assets and financial liabilities carried at fair value through profit or loss which are measured initially at fair value and transaction costs are charged to profit or loss.

Subsequent measurement criteria of financial assets and financial liabilities are described below:

Financial assets

For the purpose of subsequent measurement, the Group's financial assets can be classified into the following categories upon initial recognition:

- loans and receivables; and
- financial assets at fair value through profit or loss

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

All loans and receivables are subject to review for impairment at least at each reporting date. Further, individually significant loans and receivables are considered for impairment when they are past due or when there is other objective evidence that a specific counterparty will default. Impairment is evaluated by comparison of the carrying value to expected cash flows discounted by original effective interest rate (which is computed at the initial recognition).

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Company's and the Group's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with the documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's board of directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company and its subsidiaries as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off in the statement of comprehensive income). Subsequently, the investments are valued at 'fair value' with gains or losses recognised in profit or loss. Fair value of such investments is determined by reference to active market transactions or using a valuation technique where no active market exists which is done in accordance with IAS 39 and the International Private Equity and Venture Capital Association valuation guidelines.

For investments in associate undertakings, in accordance with the limited exemption available under IAS 39 to private equity/ venture capitalist organisation for investments in associates which upon initial recognition are designated at fair value through profit or loss, the investments are accounted at fair value through profit or loss.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'realised and unrealised gain/ (loss) on investments', 'Investment and other income' or 'other financial items', except for impairment of receivables which is presented as a separate line item on the face of the income statement.

Financial liabilities

The Company's financial liabilities include trade and other payables which are measured subsequently at amortized cost using the effective interest method.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise balance with banks and demand deposits which are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

4.13 Equity and reserves

Share capital represents the nominal value of shares that have been issued. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote each at the shareholders' meetings of the Company.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Distributable capital reserve is a specified reserve created by reclassifying the amounts lying in the share premium account for reduction in share capital of the Company through buy-back of its own shares.

Retained earnings/ accumulated losses include all current and prior period retained net profits or losses. All transactions with owners of the parent are recorded separately within equity.

Gain or loss to the extent unrealised is transferred from retained earnings to ‘Unrealised investment revaluation reserve’ and is transferred to retained earnings upon realisation.

4.14 Provisions, contingent liabilities and contingent assets

Provisions are recognised when there is a present obligation as a result of a past event that probably will require an outflow of resources and a reliable estimate of the amount of the obligation can be made. A present obligation arises from the presence of a legal or other constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on most reliable evidence available at the reporting date.

A disclosure for a contingent liability is made when there is a present obligation that may, but probably will not, require an outflow of resources. Disclosure is also made in respect of a present obligation as a result of a past event that probably requires an outflow of resource, where it is not possible to make a reliable estimate of the outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

4.15 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss (after deducting attributable taxes) for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

5. Significant management judgements in applying accounting policies

Information about significant management judgements that have the most significant effect on the financial statements is summarised below. Critical estimation uncertainties are described in note 6 to the financial statements.

Investments recognised at fair value through profit or loss

The Group has recognised its investments at fair value through profit or loss. In accordance with IAS39, an entity may record an item at fair value through profit or loss if they are either classified as held for trading or if they meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The management has designated all the investments in listed as well as unlisted securities at fair value through profit or loss, as they meet the requirements in IAS 39. The facts considered in applying this judgement are included under note 4.11.

Determination of functional currency of individual entities

Following the guidance under *IAS 21 "The effects of changes in foreign exchange rates"* the functional currency of each individual entity is determined to be the currency of the primary economic environment in which the entity operates. In the presence of mixed indicators, the management applies judgement in determining the functional currency of each individual entity within the Group which most faithfully represents the economic effects of the underlying transactions, events and conditions under which the entity conducts its business. The consolidated financial statements are presented in Pounds Sterling, which is also the functional currency of the Company.

6. Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses that have a significant effect on the financial statements.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, incomes and expenses is provided below:

Fair value of unquoted investments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that other market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Details of the assumptions used are given in note 14. Further, the levels of hierarchy for the investments have been disclosed in note 24.

Impairment

An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. To determine the recoverable amount, individually significant assets are considered for impairment when they are past due or when there is other objective evidence that a specific counterparty will default. These assumptions relate to future events and circumstances. The actual results may vary, and may cause adjustments to the Group's assets in future financial periods. Impairment loss on investment in subsidiaries and loan to subsidiaries has been recorded in the standalone financial statements of the Company and related information has been disclosed in note 12 and 13 respectively.

Deferred tax asset

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The Group's assessment of the probability of availability of future taxable income against which deferred tax assets can be utilised is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. These estimates may vary due to changes in tax legislation which affects the tax rates that are expected to apply in the relevant period and due to availability of taxable profits which affects recognition of deferred tax assets. The Group had unused tax losses amounting to GBP 3,767 thousand as at 31 August 2011(31 August 2010: GBP 2,985 thousand) in relation to its subsidiaries in Mauritius.

7. Investment and other income

	2011	**2010**
	£'000	**£'000**
Interest income	31	86
Dividend income	71	103
Management fee*	152	156
Service fee from investee companies	224	207
Directors' fees from investee company	50	-
Reimbursement of expenses from investee companies	-	219
Other income	7	-
	535	**771**

* Represents fee from the co-investment vehicle.

8. Net losses on financial assets at fair value through profit or loss

	2011	2010
	£'000	**£'000**
Financial assets designated as fair value through profit or loss		
Unrealised gains on investments	183	3,009
Unrealised losses on investments	(12,402)	(4,370)
Realised gain on investment	-	322
	(12,219)	**(1,039)**

9. Management fees

Under the "Investment Management Agreement", the amount of management fee payable from Tusk Investments Fund 1 and Tusk Investments Fund 2 (individually the "Fund" and collectively the "Funds") for the year ended 31 August 2011 is at 2% of NAV of Elephant Capital plc as at the most recent valuation date. The amount of management fee for the year ended 31 August 2010 payable from funds is the greater of GBP 1,000 thousand or 2 % of Net Asset Value ("NAV") till 25 April 2010, thereafter it has been fixed at 2% of NAV of Elephant Capital plc as at the most recent valuation date.

'Management fee' disclosed in consolidated statement of comprehensive income also include *inter alia*, expenses incurred out of service fees received from investee companies by Elephant 2 Limited (Manager).

Other expenses also include amounts out of the management fee paid to Elephant Capital LLP (Investment Manager), and incurred by them, till the date the investment manager ceased to be part of the Group effective 17 December 2010.

10. Other expenses

	2011 £'000	2010 £'000
Administration charges		
-Incurred by Elephant Capital LLP*	94	303
-Other administration charges	596	761
Directors' fees**	153	152
Auditors' remuneration***	72	56
	915	**1,272**

*Refer to note 9 above.

**Detail of Directors' fees are as follows:

	2011	2010

	£'000	£'000
Pramath Raj Sinha	35	26
Vikram Lall	22	-
Niraj Agarwal	1	25
Gaurav Burman	25	25
Sir Peter Alexander Burt	-	6
Francis Anthony Hancock	25	25
James Norman Hauslein	25	25
Elizabeth Tansell	20	20
	153	**152**

The Company has no other employees.

***Auditors' remuneration comprises:		
Audit of Company's annual accounts	44*	29
Audit of subsidiaries' annual accounts	13	12
Review of Group's half yearly accounts	15	15
	72	**56**

**Includes GBP 8 thousand charged for overruns pertaining to the audit for the year ended 31August 2010.*

11. Taxation

The Company is a resident of the Isle of Man for income tax purposes, being subject to the standard rate of income tax, which is currently 0%. No provision for taxation has, therefore, been made. As the Company is wholly owned by non-residents, along with being listed on a recognised stock exchange, it is not subject to the Attribution Regime for Individuals, which commenced from 1 September 2008.

The Mauritian entities consolidated in the Group are Global Business License Category 1 (GBL1) companies in Mauritius and under the current laws and regulations are liable to pay income tax on their net income at a rate of 15%. The entities are, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of the Mauritian tax payable in respect of their foreign source income thus reducing their maximum effective tax rate to 3%. No Mauritian capital gains tax is payable on profits arising from the sales of securities, and any dividends and redemption proceeds paid by the entities to their member will be exempt in Mauritius from any withholding tax. At 31 August 2011, the entities had no income tax liability due to tax losses carried forward.

Deferred taxation

No deferred tax asset has been recognised in respect of the tax loss carried forward for GBP 1,809 thousand and GBP1,958 thousand-in Tusk Investments Fund 1 and Tusk Investments Fund 2 respectively as no taxable income is probable in the foreseeable future.

A reconciliation of the income tax expense based on accounting profit and the actual income tax expenses is as follows:

	2011 £'000	2010 £'000
Analysis of charge for the year		
Income tax expense	-	-

	2011 £'000	2010 £'000
Total tax expense	-	-
Loss before taxation	(13,509)	(2,208)
Less: Loss attributable to Elephant Capital plc and other Group companies except Mauritian Funds	538	460
Add: Profit attributable to non-controlling interest	(23)	(115)
Loss attributable to Mauritian Entities	**(12,994)**	**(1,863)**
Enacted rate for Isle of Man	0%	0%
Enacted rate for Mauritius	15%	15%
Taxation at standard rate in Isle of Man	-	-
Taxation at standard rate in Mauritius	(1,949)	(279)
Tax effect of:		
Exempt income	-	(51)
Non-taxable items	1,832	204
Non-allowable expenses	-	9
Unutilised tax loss for the period	23	23
Foreign tax credit	94	94
Income tax charge	-	-

12. Investments in subsidiaries (Company Statement of Financial Position)

Particulars	**2011 £'000**	**2010 £'000**
Company shares in Group undertakings:		
Elephant Capital LP*	-	-
Tusk Investments Fund 1	6,985	6,985
Tusk Investments Fund 2	13,250	13,250
Elephant 2 Limited*	-	-
Elephant Investments (General Partner) Limited*	-	-
Elephant Investments (Carry) Limited*	-	-
Elephant Capital Services Limited*	-	-
Less: Provision for impairment**	(11,380)	(7,650)
	8,855	**12,585**

* Amounts have been rounded to the nearest thousand.

** As of 31 August 2011, in the Company financial statements, an impairment analysis of the investment in subsidiaries was done and consequently, an additional impairment loss of GBP 3,730 thousand was recorded on account of decline in the value of investments made through group subsidiaries.

The Group comprises the following entities:

Name of Subsidiary	**Incorporation (or registration) and operation**	**Proportion of ownership Interest**	**Proportion of voting Power**
Elephant Capital LP	England	100%	100%
Tusk Investments Fund 1	Mauritius	100%	100%
Tusk Investments Fund 2	Mauritius	100%	100%
Elephant 2 Limited	Guernsey	100%	100%
Elephant Investments (General Partner) Limited	England	100%	100%
Elephant Investments (Carry) Limited	British Virgin Islands	100%	100%
Elephant Capital 1 Limited	Mauritius	100%	100%

On 17 December 2010, the entire subscribed share capital (two shares of GBP 1.00 each) of Elephant Capital Services Limited was transferred from Elephant Capital plc. to Mr. Gaurav Burman, one of the directors of Elephant Capital plc. by way of stock transfer. This was done as part of the process of completing the formalities for FSA authorisation of Elephant Capital LLP in the United Kingdom. Consequent to this transfer Elephant Capital Services Limited and Elephant Capital LLP ceased to be part of the Group effective 17December 2010.

This resulted in loss of control of the aforementioned subsidiary. As the investment was transferred at cost there was no gain or loss realised upon such transfer of equity stake in subsidiary by Elephant Capital plc.

13. Loans to subsidiaries(Company Statement of Financial Position)

Loans to subsidiaries in the standalone financial statements of the Company comprise the following:

Particulars	**2011 £'000**	**2010 £'000**
Non-current		
Elephant Capital LP*	17,500	-
Add: loan given to subsidiaries during the year	6,500	17,500
Less Provision for impairment**	(11,609)	(4,015)
	12,391	**13,485**
Current		
Loan to subsidiary	-	677
	12,391	**14,162**

* As of 31 August 2011, loan of GBP 24,000 thousand was given by Elephant Capital plc to Elephant Capital LP in order to provide further funds to Tusk Investments Fund 1 and Tusk Investments Fund 2 for making investments in certain investee companies in accordance with the investment strategy of the Group.

Further, the loan classified as non-current has not been discounted to its present value, as the repayment period is not determinable.

** As of 31 August 2011, in the Company financial statements, an impairment analysis of the loan to subsidiaries was done and consequently, an additional impairment loss of GBP 7,594 thousand was recorded on account of decline in the value of investments made through group subsidiaries.

14. Investments at fair value through profit or loss

The Group has invested in a portfolio of quoted and unquoted securities. The quoted securities are listed on the Bombay Stock Exchange (‘BSE’) and the National Stock Exchange (‘NSE’), India and the value of such quoted investments has been determined using the closing bid market prices on the NSE as at the reporting date.

The Group has made various investments in the unquoted securities as summarised below. The fair value of the unquoted investments other than valuation of investment in Global Cricket Ventures has been determined using appropriate methodology in accordance with International Private Equity and Venture Capital Guidelines and guidance provided in IAS 39.

(i) Obopay Inc., an unquoted Company incorporated in the United States of America has been valued based on ‘price of recent investment’ which took place on 20 June 2011.

(ii) Global Cricket Ventures (GCV) - The Group made investment for a 50% equity stake (subsequently diluted to 45.50%) in Global Cricket Ventures Limited (Mauritius) for GBP 5,949 thousand. However, the Board of Elephant Capital plc had decided to exit from this investment and accordingly, the value of this investment as on 31 August 2011 has been determined on the basis of best estimate of the net assets of GCV attributable to Elephant Capital’s shareholding.

(iii) Amar Chitra Katha (ACK)—During the year ended 31 August 2011, the Group acquired a further equity stake of GBP 899 thousand. As of 31 August 2011, the Group holds an aggregate of 21.94% (post dilution, consequent to further investments by other parties) stake in ACK at a total cost of GBP 4,085 thousand. The investment has been valued (adjusted for foreign exchange gain as of the reporting date) based on ‘price of recent investment’ which took place on21 July 2011.

(iv) ClinTec–As of 31 August 2011, the Group holds a 28.57% equity stake in ClinTec acquired for GBP 8,000 thousand. The investment is measured at average earnings multiples for comparable companies.

(v) Air Works-On 11 May 2011, the Group acquired a 4.78% equity stake in Air Works for GBP 2,451 thousand. The investment is measured at transaction price (adjusted for foreign exchange loss as of the reporting date) which is considered to be reasonable estimate of the fair value as of the reporting date.

Details of the Group’s investments are as under:

		2011 £'000	2010 £'000
Listed investments			
Balance brought forward		12,937	12,428
Additions		1,669	-
Disposal		-	(2,291)
		14,606	10,137
Unrealised gain/(loss)		(4,196)	2,800
	A	**10,410**	**12,937**

Unlisted investments			
Balance brought forward		14,652	1,678
Additions		3,350	17,135
		18,002	18,813
Unrealised loss		(8,023)	(4,161)
	B	**9,979**	**14,652**
Total investment	**A+B**	**20,389**	**27,589**

15. Property, plant and equipment

The carrying amounts of property, plant and equipment can be analysed as follows:

	Office equipment £'000	**Furniture and fixtures £'000**	**Computer hardware £'000**	**Total £'000**
Gross carrying amount (at cost)				
Opening balance as at 1 September 2010	5	28	3	36
Additions	-	-	-	-
Eliminated on disposal of subsidiary	(5)	(28)	(3)	(36)
As at 31 August 2011	**-**	**-**	**-**	**-**
Accumulated depreciation				
Opening balance as at 1 September 2010	2	11	-*	13
Charge for the period**	1	2	- *	3
Eliminated on disposal of subsidiary	(3)	(13)	-*	(16)
As at 31 August 2011	**-**	**-**	- *	**-**
Net carrying value				
As at 31 August 2011	**-**	**-**	**-**	**-**
As at 31 August 2010	3	17	3	23

* Amounts have been rounded to the nearest thousand.

**The depreciation charge for the period is included within 'other expenses' in the statement of comprehensive income.

16. Receivables

	Group 2011 £'000	**Company 2011 £'000**	**Group 2010 £'000**	**Company 2010 £'000**
Interest receivable from banks	1	1	1	1
Dividend receivable	-	-	67	-
Interest receivable on account of Krammer loan	80	-	203	-
Accrued income	-	-	3	-
Rent Deposit	-	-	23	-
Expenses recoverable from investee companies	-	-	219	72
	81	**1**	**516**	**73**

All trade and other receivables are short- term and their carrying values are considered to be a reasonable approximation of their fair value.

17. Cash and cash equivalents

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Cash in current accounts	2,632	1,267	9,278	8,042
Cash in short- term deposits accounts	2,498	2,498	2,486	2,486
	5,130	**3,765**	**11,764**	**10,528**

18. Payables

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Trade and other payables	181	106	379	103
	181	**106**	**379**	**103**

All trade and other payables are short- term and their carrying values are considered to be a reasonable approximation of their fair value.

19. Share capital

	2011 Number of shares	2011 £'000	2010 Number of shares	2010 £'000
Authorised ordinary shares of 1p each	300,000,000	3,000	300,000,000	3,000
Issued and fully paid ordinary Shares 1p each-beginning of year	50,000,000	500	50,000,000	500
Buy-back of ordinary 1p shares*	1,599,589	(16)	-	-
	48,400,411	484	50,000,000	500

*Pursuant to a tender offer and subsequent court order, on 22 July 2011 the Company bought back from shareholders and cancelled a total of 1,599,589 ordinary shares at a price of 35 p. The distribution of share capital to shareholders is reflected in the share capital and distributable capital reserve accounts in consolidated statement of change in equity

The Company's share capital comprises ordinary shares. Rights attached to ordinary shares include the right to vote at the Company's meetings of shareholders including AGM and receive future dividends. On listing, warrants were allocated to initial places of the ordinary shares in the ratio of one warrant for every five ordinary shares. Each warrant entitles the holder to subscribe for ordinary shares at a subscription price of GBP 1.25 (including 25%

premium to the placing price), from 2007 to 2012, within 30 days of the Company's interim unaudited accounts being released to shareholders, subject to certain conditions.

Further, the Company allocated warrants to Elephant India Limited ('EIL Warrant) in respect of investment by the co-investment vehicle. The EIL Warrants are subject to the same terms and conditions as the warrants issued under initial placing of ordinary shares. Copies of the warrant instrument are available on application to the Company's registered office.

20. Loss and net asset value per share

	2011	**2010**
Loss attributable to ordinary shareholders	**£**(13,532,843)	**£**(2,323,025)
Issued ordinary shares-beginning of year	50,000,000	50,000,000
Buy-back of shares	(1,599,589)	-
Issued ordinary shares outstanding at the end of the year	48,400,411	50,000,000
Weighted average number of shares outstanding	49,824,703	50,000,000
Loss per share (basic and diluted)	(27p)	(5p)
Net assets value per share (statutory)	£0.51	£0.79
Net assets value per share (statutory) is based on the statutory net assets as at year end	**£**25,451,028	**£**39,569,087

There were no options in issue to dilute the earnings per share. Details of warrants issued are disclosed in note 19. The dilutive effect of these warrants has not been considered in the calculation of earnings per share as the exercise price of the warrants was more than the market price of the ordinary share and the weighted average number of shares for basic and diluted earnings per share equals the issued shares of the Parent Company.

21. Financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

Financial assets

	Note	**Group 2011 £'000**	**Company 2011 £'000**	**Group 2010 £'000**	**Company 2010 £'000**
Investments at fair value through profit or loss (designated as fair value through profit or loss)	**14**	20,389	-	27,589	-
Loans and receivables					
• Loan to subsidiaries	**13**	-	12,391	-	14,162
• Receivables	**16**	81	1	516	73
• Cash and cash equivalents	**17**	5,130	3,765	11,764	10,528
Total		**25,600**	**16,157**	**39,869**	**24,763**

The above receivables do not carry any interest income and management considers the fair values to be not materially different from the carrying amounts recognised in the statement of financial position as they are expected to be settled within the next one year.

Financial liabilities

	Note	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Financial liabilities measured at amortised cost:					
Payables	**18**	181	106	379	103
Total		**181**	**106**	**379**	**103**

None of the financial liabilities are interest bearing and management considers the fair values to be not materially different from the carrying amounts recognised in the statement of financial position as they are expected to be settled within the next one year.

The accounting policies for each category of financial instruments are provided in note 4.11. Information relating to fair values is presented in the related notes. The methods used to determine the fair values are described in note 14 above. A description of the Group's financial instruments risks, including risk management objectives and policies is given in note 23.

22. Related party transactions

i. Related parties

(a) Key Management Personnel (KMP)

Names of Directors
Pramath Raj Sinha
Niraj Agarwal (Date of resignation 21 September 2010)
Gaurav Burman
Francis Anthony Hancock
James Norman Hauslein
Vikram Lall (Date of appointment 11 October 2010)
Elizabeth Tansell

(b) Entities controlled by KMP with whom transactions have taken place during the year:

Elephant Capital LLP (refer to note 12)
Chamberlain Fund Services Limited
Elephant India Finance Private Limited
Elephant India Advisors Private Limited
Elephant India Limited

(c) Associates with whom transactions have taken place during the year

Global Cricket Ventures Limited (GCV)
Amar Chitra Katha Private Limited (ACK)
ClinTec Luxembourg SA (ClinTec)

ii. The transactions with related parties and balances as at the year-end are summarised below

(a) Key Management Personnel (KMP)

Compensation paid to the Company's Board of Directors is disclosed in note 10. It comprises of Director fees only and there are no post-employment benefits payable to any of the Directors of the Company.

The following amount were paid on account of Director's fees during the each of year reported

Nature of transaction	**Amount**		**Debit/ (Credit) balance** *(unsecured)*	
	year ended 31 August 2011 £'000	**year ended 31 August 2010 £'000**	**As at 31 August 2011 £'000**	**As at 31 August 2010 £'000**
Directors Fee	153	152	(37)	(27)
Disbursement of Investor Directors' Fee (including expenses) received from ClinTec				
- Gaurav Burman	13	-	(4)	-
- James Norman Hauslein	25	-	(4)	-

(b) Transactions made during the year with related parties other than those with key managerial personnel are as follows:

Nature of transaction	**Amount**		**Debit/ (Credit) balance***(unsecured)*	
	for the year ended 31 August 2011 £'000	**for the year ended 31 August 2010 £'000**	**As at 31 August 2011 £'000**	**As at 31 August 2010 £'000**
(i) Management fees:*				
- Paid to Elephant Capital LLP	603	-	-	-
- Paid to Elephant India Advisors Private Limited	149	486	-	-
- Paid to Elephant India Limited	155	300	-	-
- Received from Elephant India Finance Private Limited	152	156	-	-
(ii) Other transactions:				
- Registrar and administration charges paid to Chamberlain Fund Services Limited	17	16	(1)	(1)
- Service fee from				

Nature of transaction	Amount		Debit/ (Credit) balance*(unsecured)*	
	for the year ended 31 August 2011 £'000	**for the year ended 31 August 2010 £'000**	**As at 31 August 2011 £'000**	**As at 31 August 2010 £'000**
i. GCV	62	219	(10)	(12)
ii. ClinTec	160	-	-	-
- Reimbursement of expenses from				
i. ACK	-	69	-	69
ii. ClinTec	-	150	-	150
- Directors fees from investee company	50	-	-	-

* The details of management fees have been included in note 9 above.

23. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 21. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses actively on minimising the volatility due to its exposure to financial markets and managing long-term financial investments to generate lasting returns.

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risks, which result from both its operating and investing activities.

Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, fair value interest rate risk and price risk. The Group’s strategy on the management of market risk is driven by its investment objective, as outlined in the Investment Manager’s report. The Group invests in a range of investments, including quoted and unquoted equity securities in a range of sectors. The Board monitors the Group’s investment exposure against internal guidelines specifying the proportion of total assets that may be invested in various sectors.

Currency risk

The Group's portfolio comprises predominantly Indian Rupee (INR) denominated investments along with certain unquoted investments denominated in United States Dollars (USD) as well. But the reported net asset value is denominated in Pounds Sterling (GBP). Any depreciation in INR or USD could have an adverse impact on the performance of the Group. The Group does not enter into any derivative contracts for hedging of INR or USD exposure.

For Company financial statements, all the assets and liabilities are predominantly denominated in GBP which is the functional currency of the Company and there are no significant currency risks existing in the Company statement of financial position.

Net short-term exposure in GBP equivalents of foreign currency denominated financial assets and liabilities at each reporting date is as follows:

	£'000	£'000
Functional currency	**GBP**	**GBP**
Foreign currency	**INR**	**USD**
31 August 2011		
Financial assets	16,877	1,992
Financial liabilities	-	31
Net short-term exposure	**16,877**	**1,961**
31 August 2010		
Financial assets	16,011	3,715
Financial liabilities	-	42
Net short-term exposure	**16,011**	**3,673**

As at 31 August 2011, if INR or USD had weakened by 1% (based on average daily volatilities in the previous 12 months)(31 August 2010: 1%) against GBP with all other variables held constant, the loss for the year would have been higher and equity would have been lower as follows:

	£'000	£'000	£'000
Functional currency	**GBP**	**GBP**	**Total**
Foreign currency	**INR**	**USD**	
31 August 2011	**169**	**20**	**189**
31 August 2010	160	37	197

The volatility is mainly as a result of foreign exchange losses on translation of INR and USD denominated financial assets designated at fair value through profit or loss.

If the functional currency had strengthened with respect to the various foreign currencies, there would be an equal and opposite impact on loss and equity for each year.

Interest rate risk

Interest-bearing financial assets and interest-bearing financial liabilities mature or re-price in the short term. As a result the Group is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates, however, this is not significant.

Further, there is no interest rate risk existing in the Company financial statements as there are no interest-bearing financial assets and liabilities.

Price risk

Price risk is a risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. As the majority of the Company's financial instruments are carried at fair value with fair value changes recognised in profit or loss, all changes in the market conditions will directly affect net investment income.

Price risk is mitigated by constructing a diversified portfolio of instruments and direct involvement in the management of the investment portfolio. Further, the Company does not invest more than 25% of its net asset value in any single investment.

For the listed equity securities, an average daily volatility of 3% has been observed during year ended 31 August 2011 (31 August 2010:-3%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, the investment value would have changed by GBP 312 thousand (31 August 2010:GBP 340 thousand). The listed securities are classified as investments at fair value through profit or loss.

The Group's sensitivity to price risk with regards to its investments in unlisted entities including Obopay Inc, Global Cricket Ventures Limited (Mauritius), Amar Chitra Katha Private Limited, ClinTec Luxembourg SA and Air Works India (Engineering) Private Limited cannot be determined because its securities are not marketable. The fair values at the reporting date have been determined in accordance with the guidance provided in IPEVC guidelines and IAS 39 (refer to note 14).

In the Company statement of financial position, there are no financial assets whose value is dependent on movement in market prices and thus, no price risk is seen in the Company financial statements.

Credit risk

Credit risk is the risk that the counterparty fails to discharge an obligation to the Group. The Group's cash, cash equivalents, and receivables are actively monitored to avoid significant concentrations of credit risk. The credit risk for cash and cash equivalents is considered negligible, since the Group transacts with reputable banks. The recoverability of debts from investee companies is monitored by Directors during Board meetings and by review of management accounts.

There was a loan given by Elephant Capital plc to Elephant Capital LP, which was further given to Tusk Investments Fund 1 and Tusk Investments Fund 2 for investing in unlisted/listed entities. As of 31 August, 2011 a cumulative impairment of GBP 11,609 thousand (31 August 2010: GBP 4,015 thousand) has been recorded consequent to the decline in the value of investments made by the group subsidiaries. Apart from this, the management considers the credit quality of all other financial assets to be good in the standalone and consolidated financial statements and thus, these are not impaired.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The responsibility for liquidity risk management rests with the Board of Directors who also monitor the short, medium and long-term funding and liquidity management requirements.

As at each reporting date, the Group's and Company's liabilities having contractual maturities (including interest payments where applicable) are summarised as follows:

(Amounts in £'000)

Group financial liabilities	**Current**		**Non-current**
	Due within 6 months	Due in more than 6 months but less than one year	Due in more than one year

31 August 2011			
Trade and other payables	181	-	-
31 August 2010			
Trade and other payables	379	-	-

(Amounts in £'000)

Company financial liabilities	**Current**		**Non-current**
	Due within 6 months	Due in more than 6 months but less than one year	Due in more than one year
31 August 2011			
Trade and other payables	106	-	-
31 August 2010			
Trade and other payables	103	-	-

24. Levels of hierarchy

In accordance with the disclosure requirements of IFRS 7, the following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

31 August 2011	**Note**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets:					
Listed securities	**14**	10,410	-	-	10,410
Unlisted securities	**14**	-	5,731	4,248	9,979
Total		**10,410**	**5,731**	**4,248**	**20,389**
Liabilities		**-**	**-**	**-**	**-**
Net fair value		**10,410**	**5,731**	**4,248**	**20,389**
		Level 1	**Level 2**	**Level 3**	**Total**

31 August 2010	Note				
		£'000	£'000	£'000	£'000
Assets:					
Listed securities	**14**	12,937	-	-	12,937
Unlisted securities	**14**	-	8,000	6,652	14,652
Total		12,937	8,000	6,652	**27,589**
Liabilities		-	-	-	-
Net fair value		**12,937**	**8,000**	**6,652**	**27,589**

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

(a) Listed securities:

All the quoted investments are denominated in *Indian Rupees* and are publicly traded on the National Stock Exchange ("NSE") and Bombay Stock Exchange ("BSE") in India. Fair values have been determined and explained in note 14 above.

(b) Unlisted securities:

The Group's unlisted investments have been valued in accordance with the methodology described in note 14 above.

In respect to investments appearing in level 3, changing inputs to the valuation to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or equity.

There have been no transfers between Levels 1 and 2 during the reporting period. Further, there have been transfers into or out of level 3 during the current reporting period, which are summarised as under:

- The Group acquired an additional stake in ACK in April 2011 and the value as at 31 August 2010 was based on the transaction price as adjusted for exchange differences. As the transaction price was not observable of the market value as 31, August 2010, the investment was classified under Level 3. During the year ended 31 August 2011, ACK has been valued on the basis of' price of recent transaction', due to acquisition of shares in ACK by another entity on 21 July 2011.The transaction is considered to be a suitable input observable of the market price as at 31 August 2011.Thus, ACK has been transferred from Level 3 and disclosed under Level 2.

Level 3 fair value measurements

The Group's measurements of financial assets and liabilities classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2011	2010
Particulars	**£'000**	**£'000**
Opening balance	6,652	1,678
Purchases	2,451	9,135

Particulars	2011 £'000	2010 £'000
Transfers to Level 2	(3,004)	-
Gains or losses recognised in:		
Loss	(1,851)	(4,161)
Other comprehensive income	-	-
Closing balance	**4,248**	**6,652**

25. Capital management policies and procedures

The Group's capital management objectives are:
(i) to ensure the Group's ability to continue as a going concern; and
(ii)to provide an adequate return to shareholders by investing in opportunities that are established or operating primarily in India and where there is a high quality, well proven management team in place.

The Group invests in both private and public businesses and across the small, mid and large-cap range of companies and actively manages a concentrated portfolio of investments. It manages its affairs to generate shareholder returns primarily through capital growth, and monitors the achievement of this through growth in net asset value per share. The Group's capital comprises share capital, share premium and reserves. The Group is not subject to externally imposed capital requirements.

26. Events after the reporting date

(i) Subsequent to the year end, there has been a decline in the value of the Group's listed investments, due to fall in stock prices of EIH and Nitco and adverse exchange rate movements. This has increased the unrealised losses of GBP 694 thousand.

(Amounts in £'000)

Investments	Value at 31 August 2011	Sales/ Purchases	Unrealised Profit/(Loss)	Value at 23 Feb 2012
EIH Limited	6,903	-	(626)	6,277
Nitco Limited	1,353	-	(143)	1,210
Mahindra Forgings Limited	2,154	-	75	2,229
	10,410	-	**(694)**	**9,716**

(ii) On 14 September 2011, the Company purchased 661,000shares for cancellation at a price of 35p per share. Following the purchase and cancellation of the above shares, 47,739,411 ordinary shares remain in issue.

(iii) On 9 November 2011, a subsidiary of the Company subscribed further 8,513 shares in Air Works India(Engineering)Private Limited, an entity involved in aviation MRO (maintenance, repair and overhaul) for a total consideration GBP 471 thousand at the price similar to the initial price i.e. INR 4,377 per share.

(iv) During the year ended 31 August 2011, there was a significant write down in the value of the investment in ClinTec due to the underperformance against its original and revised budgets. The Group continues to work with the management to improve the operating performance of the business as well as considering other remedies that are available to Elephant Capital including a potential warranty claim under the original stock purchase agreement.

(v) Subsequent to the year end, the Board has decided to commence a programme for disposal of the Group’s listed portfolio on investments. The listed portfolio of investments are primarily held by the Company’s subsidiary, Tusk Investment Fund 2’s and despite Company’s plan to dispose of those investments, the financial statements of Tusk Investment Fund 2 have been prepared on a going concern basis which in management’s view is appropriate.

27. Segmental information

The management has considered the provisions of IFRS 8 in relation to segment reporting and concluded that the Group's activities form a single segment under the standard. From a geographical perspective, the Group's substantial investments are mostly focused in India. Equally, in relation to business segmentation, the Group's investments are predominantly in the small and mid-cap businesses and it is considered that, the risks and rewards are not materially different whether the investments are listed or unlisted. However, an analysis of the investments between listed and unlisted investments is provided in note 14.

28. Ultimate controlling party

The Directors are of the opinion that there is no ultimate controlling party.