Elephant Capital
INVESTING IN INDIA

Annual Report
2012

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

Contents

Directors and Advisors

Directors
Pramath Raj Sinha (Date of resignation 23 March 2012)
Gaurav Burman
Francis Anthony Hancock
James Norman Hauslein
Vikram Lall
Elizabeth Tansell
(for Directors' biographies, please visit our website www.elephantcapital.com)

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Chairman's Statement

Results
As at 31 August 2012, NAV was GBP 21 million or 44p per share; compared to GBP 23.5 million or 49p per share as at 29 February 2012.

Unlisted Investment Portfolio
In December 2012, the Company divested its entire holding in ClinTec Luxembourg SA ("ClinTec") for GBP 3 million through a Share Transfer Agreement and a Share Buyback Agreement, this being GBP 1.9 million above its carried value as at 29 February 2012 and GBP 5 million below the investment cost of GBP 8 million.

Efforts continue to realise Elephant Capital's investment in Global Cricket Ventures, Mauritius ("GCV"). The investment in GCV has been valued at GBP 1.2 million based on the estimated net asset value of GCV as attributable to Elephant Capital's shareholding as at 31 August 2012.

Amar Chitra Katha Private Limited ("ACK") has not performed according to its budget and will shortly be embarking on a rights issue. As this has not happened yet, Elephant Capital's stake in ACK has been valued at GBP 3.7 million at 31 August 2012, however we expect this will have to be adjusted downwards in the near future due to the current performance of the company and in anticipation of a discounted rights issue.

Air Works India (Engineering) Private Limited ("Air Works") has been performing satisfactorily. Air Works successfully raised a further GBP 9.6 million of equity to finance its future growth and make an acquisition. The Company did not participate in this round of financing. Elephant Capital's stake in Air Works was valued at GBP 2.5 million on 31 August 2012.

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

Listed Investment Portfolio
The Indian stock markets have been very volatile during the year finishing up circa 5% by the end of the period. All the listed investments EIH Limited ("EIH"), Mahindra Forgings Limited ("Mahindra Forgings") and Nitco Limited ("Nitco") underperformed during the period.

We have continued our efforts to realise our listed portfolio but have been hampered by poor liquidity. Realisations in the year ended 31 August 2012 were minimal at circa GBP 0.17 million. Since the year end we have, as announced, sold our entire holding in EIH for proceeds of GBP 4.71 million.

Full details of the Company's listed investments are included in the Investment Manager's Review.

Further Return of Capital
As previously announced Elephant Capital is proposing to return capital to its shareholders following the sale of EIH and the settlement of its claim against ClinTec. It is proposed to return a maximum of GBP 9 million to shareholders at a price of 39 pence per share. Full details of the terms of the tender offer are set out in the circular to shareholders which is enclosed with this annual report. The notice and agenda for the Company's annual general meeting to be held on 22 March 2013 is incorporated within the circular to shareholders.

Board changes and cost reduction plan
James Norman Hauslein has expressed his wish to retire from the Board at the forthcoming AGM. The board would like to thank James for his incisive and wise counsel during his tenure as a director.

Following the proposed tender offer the Board proposes to implement cost reductions to bring operating costs down to a level more appropriate to the fund's reduced asset levels. Details of the proposed cost reductions will be announced when the plan is finalised.

Strategy
We will continue our efforts to realise cash from the disposal of our remaining investment portfolio, balancing the timing of disposal with realisation proceeds that we believe to be in the interests of shareholders. Given the illiquidity of our portfolio further capital returns to shareholders may take some time to achieve.

Vikram Lall
26 February 2013

Investment Manager's Review

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

Elephant Capital made investments via its Mauritian based fund vehicles Tusk Investments 1 Limited and Tusk Investments 2 Limited (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 Investment 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 the Company has previously announced 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 executed a tender offer amounting to GBP 0.56 million last year and following the recent disposals of EIH and ClinTec proposes a further tender offer, the details of which are set out in the shareholders circular attached to this report.

Investment activity
During the six month period to 31 August 2012, the Investment Manager made no new investments. The focus was on managing the existing portfolio and trying to create liquidity to return cash to the shareholders.

The Investment Manager spent a great deal of time on pursuing a warranty claim against the Founders of ClinTec as a result of the significant continued underperformance of the business against targets and forecasts set out in the share purchase agreement. This matter was brought to a conclusion when Elephant Capital divested its entire shareholding in ClinTec Luxembourg SA for GBP 3 million through a Share Transfer Agreement and a Share Buyback Agreement on 13 December 2012.

The Investment Manager continues to focus on helping GCV pursue it claims for the wrongful termination of its distribution agreement against both World Sports Group (WSG) and the Board of Control for Cricket in India (BCCI), while in parallel negotiating an exit for Elephant Capital from this investment.

After the Company's year-end, on 30 October 2012, Obopay entered into a merger agreement with OBP Investments, OBP Investments Inc., Obopay Inc. and representatives of Obopay's stakeholders. Unfortunately, the value ascribed to Obopay meant that only the Series G investors in Obopay saw any value for their shares and all the other classes of shares were cancelled and extinguished without any conversion or payment. Elephant Capital was an investor in the Series C and Series D preferred stock, which as a result of this merger have been valued at Nil.

Post year end, on the 10 September 2012, Elephant Capital sold its remaining holding in EIH Ltd. for an aggregate consideration of GBP 4.71 million. The sale resulted in a realised loss of GBP 2.16 million (being the excess of the original cost of GBP 6.87 million over the sale proceeds of GBP 4.71 million).

Given this activity Elephant Capital now holds only five investments, two listed; Mahindra Forgings and Nitco and three unlisted, GCV, Air Works and ACK. The Investment Manager is looking for ways to realise the remaining listed investments and GCV in the shortest time frame possible and will then focus on finding ways to realise ACK and Air Works over the medium term as these businesses mature. No further investments are envisaged, save for a potential participation in the anticipated Rights Issue which may be called by ACK.

Given the reduced portfolio the Investment Manager is in discussions with the Board to find a way in which the portfolio can be managed in a more cost effective manner.

Portfolio Review

Air Works India (Engineering) Private Limited

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 and the business aviation sectors.

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 AgustaWestland.

In May 2011, Elephant Capital 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") during the same time as the investment by Elephant Capital. In November 2011, an additional GBP 0.5 million was invested for a 0.7% stake in the company on a fully diluted basis, as the second tranche to the initial funding.

The company has been performing satisfactorily. Post the reporting period Air Works announced that they had raised a further GBP 9.6 million at the same valuation as the last round of financing, the funds have been used to finance a further acquisition and pay down some debt.

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 one children's comic book series dating back to 1967. Other key brands include Tinkle, the number one English magazine for children.

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). The Investment Manager has 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. The new management team led by Vijay Sampath has been working hard to execute the company's growth strategy.

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 Future Ventures India Limited ("FVIL"). Elephant Capital's stake in ACK was 22% post this investment. ACK subsequently purchased back 70,457 of its own shares representing 15% of existing paid up capital of the company, at the purchase price FVIL and Elephant Capital paid in the second round. Neither Elephant Capital nor its co-investors participated in this buy back and hence Elephant's shareholding in the business has increased to 26%.

During the year ACK's management team have been focused on restructuring the business to focus on its core. The management were doing a good job and ACK was tracking on budget save for a very expensive and with the benefit of hindsight, ill-fated decision to launch an animated film. While the Board was assured that the potential loss from this film would be managed by finding partners to bear some of the costs and risks, this did not happen and the business has had to digest a large loss on this project. The only good to come from the decision is that the shareholders now seem more aligned on how the business needs to develop and are more risk averse as a result.

As a result of the film, post year end ACK has announced the desire to execute a discounted Rights offering. Elephant Capital is reviewing the terms of the Rights Issue to decide whether it will participate in this Rights Issue. If it chooses to, the approximate investment will be GBP 0.4 million.

ClinTec Luxembourg S.A
As a result of the Warranty Claim initiated against the shareholders of ClinTec, Elephant Capital divested its entire shareholding in ClinTec Luxembourg SA for GBP 3 million through a Share Transfer Agreement and a Share Buyback Agreement on the 13 December 2012.

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.

The investment has been valued at GBP 1.2 million based on the Investment Manager's best estimate of the net asset value of GCV, attributable to the Company's shareholding in GCV. The Investment Manager has initiated discussions with the other shareholders in the business to exit its shareholding and the Investment Manager is keen to negotiate a resolution to the matter during the next reporting period.

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% of the ownership of the company.

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 2012. It has a direct interest in the real estate sector through a wholly-owned subsidiary which develops residential and commercial property assets in Maharashtra. Elephant Capital 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.

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.

Despite various promises from the management that they would try and sell the company's real estate holdings to pay down debt, the words proved empty and the business failed to execute this strategy. The Investment Manager decided to resign its board seat and sadly Nitco has continued to become over leveraged and we hear reports that the company has failed to meet some debt obligations and is now in a work-out situation with the banks.

Elephant Capital is looking for ways in which to sell its shareholding in what has become a highly illiquid and out of favour stock.

As at 31 August 2012, the portfolio was as follows:

Company	Sector	Listed/ Unlisted	Cost £'000	Valuation 31 Aug '11 £'000	**Valuation 31 Aug '12 £'000**	Gain/(Loss) Over Cost £'000
Air Works India (Engineering) Private Limited	Aviation	Unlisted	2,922	2,380	**2,522**	(400)
Amar Chitra Katha Private Limited	Media	Unlisted	4,085	4,085	**3,656**	(429)
ClinTec Luxembourg S.A.	Clinical research	Unlisted	8,000	1,645	**3,004**	(4,996)
Global Cricket Ventures Limited	Media	Unlisted	5,949	1,713	**1,213**	(4,736)
Obopay Inc.	Mobile banking services	Unlisted	1,239	156	**–**	(1,239)
EIH Limited	Hospitality	Listed	6,875	6,903	**5,039**	(1,836)
Mahindra Forgings Limited*	Automotive	Listed	4,809	2,154	**1,620**	(3,189)
Nitco Limited	Building materials	Listed	1,393	1,353	**421**	(972)
Total			35,272	20,389	**17,475**	(17,797)

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
164 thousand shares of EIH Ltd. have been sold during the year.

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
- Discounted cash flows or earnings (of underlying businesses)
- 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.

Under the discounted cash flow technique the projected cash flows from business operations are discounted at the "Weighted Average Cost of Capital" to the providers of capital to the business. The sum of the discounted value of such free cash flows is the value of the business.

When valuing on earnings multiple basis, earnings before interest, taxes, depreciation and amortisation ("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 unlisted investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the Company's relevant accounts (interim or final), the valuation is based on the sale price.

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

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

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

Events after the reporting date
Subsequent to the year end, there has been a decline in the value of the Elephant Capital's listed investments, due to a fall in the price of Mahindra Forgings. This has increased the unrealised losses by GBP 0.12 million.

Further details on events after the reporting date are disclosed in note 25 to the financial statements.

Gaurav Burman
On behalf of Elephant Capital LLP
26 February 2013

Directors' Report

The Directors present their report and audited accounts for the year to 31 August 2012.

Principal activities, trading review and future developments
Elephant Capital plc (the "Company") is an investment Company established to build a concentrated portfolio of investments primarily in India that is actively managed by Elephant Capital LLP (the "Manager") to realise long-term capital gains. Details of the Company's subsidiaries at the reporting date and at the date of this report are disclosed in note 12.

Results and dividends
The Group's consolidated financial statements are set out on pages 11 to 35. The Group reported net assets at the reporting date of GBP 21 million and in the year to 31 August 2012 the loss attributable to the shareholders of GBP 4.23 million. The Board does not propose the payment of a dividend.

Directors
The Directors of the Company during the year and to date were as follows:
Pramath Raj Sinha (resigned 23 March 2012)
Gaurav Burman (appointed 1 July 2008)
Francis Anthony Hancock (appointed 6 July 2006)
James Norman Hauslein (appointed 23 March 2007)
Vikram Lall (appointed 11 October 2010)
Elizabeth Tansell (appointed 6 July 2006)

None of the Directors own any beneficial interest in the ordinary share capital of the Company.

Creditors' payment policy and practice
It is the Group's policy to agree terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Group pays, wherever possible, in accordance with these agreed terms.

Key performance indicators
The Directors monitor the business through the movement in the Group's net asset value (total assets less total liabilities) as disclosed in note 19.

Financial risk management
It is the responsibility of management to ensure that proper controls are in place to maintain effective risk management in every aspect of the Company's business. The main risks comprise market risk, currency risk, interest rate risk, price risk, credit risk and liquidity risk. Details of how the management manages the risks are set out in note 22 to the financial statements.

Auditors
Grant Thornton (Isle of Man), Chartered Accountants, retire under the provisions of section 12(2) of the Isle of Man Companies Act 1982 and being eligible they offer themselves for re-election at the forthcoming AGM.

Directors' responsibilities
The Directors are responsible for preparing the annual report and financial statements in accordance with Isle of Man Law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

On behalf of the Board

Gaurav Burman
Director
26 February 2013

Report of the Independent Auditor to the Members of Elephant Capital plc

We have audited the Consolidated and Parent Company financial statements (the "financial statements'') of Elephant Capital plc for the year ended 31 August 2012, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. The other information comprises only the Chairman's Statement, Investment Manager's Review and the Directors' Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion
In our opinion the financial statements:
- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 August 2012 and of the Group's loss for the year ended 31 August 2012;
- have been properly prepared in accordance with IFRS's as adopted by European Union; and
- have been properly prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:
- proper books of account have not been kept, or returns adequate for our audit have not been received from the branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by the law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton
Chartered Accountants
Isle of Man
26 February 2013

Consolidated Statement of Comprehensive Income

	Notes	For the year ended 31 August 2012 £'000	For the year ended 31 August 2011 £'000
Revenue			
Investment and other income	7	**352**	535
Net losses on financial assets at fair value through profit or loss	8	**(3,211)**	(12,219)
Other income			
Net foreign exchange gain		**7**	1
		(2,852)	(11,683)
Expenses			
Management fees	9	**(555)**	(907)
Other expenses	10	**(824)**	(915)
Loss before finance costs and tax		**(4,231)**	(13,505)
Finance costs		**(3)**	(4)
Loss before tax		**(4,234)**	(13,509)
Income tax expense	11	**–**	–
Loss after tax		**(4,234)**	(13,509)
Other comprehensive income for the year		**–**	–
Total comprehensive loss for the year		**(4,234)**	(13,509)
Loss and total comprehensive loss attributable to:			
Owners of the parent		**(4,234)**	(13,532)
Non-controlling interest		**–**	23
Loss per share – (basic & diluted)	19	**(9p)**	(27p)

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

Consolidated Statement of Financial Position

	Notes	As at 31 August 2012 £'000	As at 31 August 2011 £'000
ASSETS			
Non-current			
Investments at fair value through profit or loss	14	**7,391**	20,389
		7,391	20,389
Current			
Investments at fair value through profit or loss	14	**10,084**	–
Receivables	15	**76**	81
Prepayments		**22**	32
Cash and cash equivalents	16	**3,776**	5,130
		13,958	5,243
Total assets		**21,349**	25,632
Current liabilities			
Payables	17	**364**	181
		364	181
Net assets		**20,985**	25,451
EQUITY			
Share capital	18	**477**	484
Share premium		**20,752**	20,752
Distributable capital reserve		**26,231**	26,456
Unrealised investment revaluation reserve		**(16,558)**	(14,608)
Accumulated losses		**(9,917)**	(7,633)
Total attributable to the owners of the parent		**20,985**	25,451
Total equity		**20,985**	25,451
Net asset value per share	19	**£0.44**	£0.51

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

The financial statements on pages 11 to 35 were approved and authorised for issue by the Board of Directors on 26 February 2013 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Company Statement of Financial Position

	Notes	As at 31 August 2012 £'000	As at 31 August 2011 £'000
ASSETS			
Non-current			
Investments in subsidiaries	12	**–**	8,855
Loans to subsidiaries	13	**7,814**	12,391
		7,814	21,246
Current			
Loans to subsidiaries	13	**4,954**	–
Receivables	15	**1**	1
Prepayments		**14**	21
Cash and cash equivalents	16	**2,497**	3,765
		7,466	3,787
Assets held for distribution to owners	12	**5,970**	–
Total assets		**21,250**	25,033
Current liabilities			
Payables	17	**77**	106
		77	106
Net assets		**21,173**	24,927
EQUITY			
Share capital	18	**477**	484
Share premium		**20,752**	20,752
Distributable capital reserve		**26,231**	26,456
Accumulated losses		**(26,287)**	(22,765)
Equity attributable to owners of the Company		**21,173**	24,927

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

The financial statements on pages 11 to 35 were approved and authorised for issue by the Board of Directors on 26 February 2013 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Statement of Cash Flows

	Consolidated		Company	
	For the year ended 31 August 2012 £'000	For the year ended 31 August 2011 £'000	**For the year ended 31 August 2012 £'000**	For the year ended 31 August 2011 £'000
(a) Operating activities				
Loss before tax	**(4,234)**	(13,509)	**(3,522)**	(11,790)
Adjustments for:				
Depreciation	**–**	3	**–**	–
Interest income	**(15)**	(31)	**(15)**	(30)
Dividend income	**(85)**	(71)	**–**	–
Net unrealised losses on investments	**3,038**	12,219	**–**	–
Loss on sale of investments	**173**	–	**–**	–
Loss/(reversal)of impairment loss of loans to subsidiaries	**–**	–	**(377)**	7,594
Impairment of investments in subsidiaries	**–**	–	**3,565**	3,730
Net changes in working capital:				
Decrease in receivables and prepayments	**15**	392	**7**	83
Increase/(decrease) in payables	**183**	(198)	**(29)**	3
Net cash used in operations	**(925)**	(1,195)	**(371)**	(410)
Income tax paid	**–**	–	**–**	–
Net cash used in operating activities	**(925)**	(1,195)	**(371)**	(410)
(b) Investing activities				
Purchase of investments	**(471)**	(5,019)	**–**	–
Proceeds from sale of investment	**174**	–	**–**	–
Loan repaid from subsidiary	**–**	–	**–**	677
Investments in subsidiary	**–**	–	**(680)**	–
Loan to subsidiaries	**–**	–	**–**	(6,500)
Interest received	**15**	31	**15**	30
Dividend received	**85**	139	**–**	–
Net cash used in investing activities	**(197)**	(4,849)	**(665)**	(5,793)
(c) Financing activities				
Capital contribution by the partner in group entity	**–**	200	**–**	–
Shares bought back for cancellation/under tender offer	**(232)**	(560)	**(232)**	(560)
Net cash paid to Partner on sale of subsidiary	**–**	(200)	**–**	–
Drawings made by Partner in a Group Company	**–**	(30)	**–**	–
Net cash used in financing activities	**(232)**	(590)	**(232)**	(560)
Net decrease in cash and cash equivalents	**(1,354)**	(6,634)	**(1,268)**	(6,763)
Cash and cash equivalents at beginning of the year	**5,130**	11,764	**3,765**	10,528
Cash and cash equivalents at end of the year	**3,776**	5,130	**2,497**	3,765

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

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Distributable capital reserve £'000	Unrealised investment revaluation reserve £'000	Accumulated losses £'000	Total attributed to owners of the parent company £'000	Non-controlling interest £'000	Total equity £'000
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 unrealised 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
Balance as at 1 September 2011	**484**	**20,752**	**26,456**	**(14,608)**	**(7,633)**	**25,451**	**–**	**25,451**
Shares bought back for cancellation	(7)	–	(225)	–	–	**(232)**	–	**(232)**
Transactions with owners	(7)	–	(225)	–	–	**(232)**	–	**(232)**
Net unrealised gain reserve transfer	–	–	–	(3,038)	3,038	**–**	–	**–**
Transfer of accumulated realised loss on investments sold	–	–	–	1,088	(1,088)	**–**	–	**–**
(Loss) for the year	–	–	–	–	(4,234)	**(4,234)**	–	**(4,234)**
Total comprehensive (loss) for the year	–	–	–	(1,950)	(2,284)	**(4,234)**	–	**(4,234)**
Balance as at 31 August 2012	**477**	**20,752**	**26,231**	**(16,558)**	**(9,917)**	**20,985**	**–**	**20,985**

(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	Accumulated losses £'000	Total £'000
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
Balance as at 1 September 2011	**484**	**20,752**	**26,456**	**(22,765)**	**24,927**
Shares bought back	(7)	–	(225)	–	**(232)**
Transaction with the owner	477	20,752	26,231	(22,765)	**24,695**
Loss for the year	–	–	–	(3,522)	**(3,522)**
Total comprehensive loss for the year	–	–	–	(3,522)	**(3522)**
Balance as at 31 August 2012	**477**	**20,752**	**26,231**	**(26,287)**	**21,173**

(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 2012 (including comparatives) were approved and authorised for issue by the Board of Directors on 26 February 2013.

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.

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

Amendment (issued 28 October 2010) (Effective from 1 January 2013) In October 2010, the IASB amended IFRS 9 to incorporate requirements for classifying and measuring financial liabilities and derecognising financial assets and financial liabilities.

IFRS 10 Consolidated Financial Statements (issued 12 May 2011)
Effective date: Annual Period beginning on or after 1 January 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 January 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.

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

IFRS 13 Fair Value Measurement (issued 12 May 2011)

Effective date: Annual Period beginning on or after 1 January 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.

IAS 27 Separate Financial Statements (issued 12 May 2011)

Effective date: Annual Period beginning on or after 1 January 2013

Consequential changes have been made to IAS 27 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.

IAS 1, 'Presentation of Financial statements' (issued 16 June 2011)

Annual periods beginning on or after 1 July 2012

The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment – will be presented separately from items that may be recycled in the future – such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. Given the current transactions, this amendment is not likely to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (issued on 31 October 2012)

Annual periods beginning on or after 1 January 2014

This standard, introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.

While the standard is applicable to the Group, there would be no impact from the current accounting treatment as the Group is already availing the exemption under IAS 39 for venture capital organisations.

Improvements to IFRSs 2009–2011 (issued on 17 May 2012)

Annual periods beginning on or after 1 January 2013

The improvements make amendments to the following five standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
  Issue: Repeated application of IFRS 1
- IAS 1 Presentation of Financial Statements
  Issue: Clarification of requirements for comparative information
- IAS 16 Property, Plant and Equipment
  Issue: Classification of servicing equipment
- IAS 32 Financial Instruments: Presentation
  Issue: Tax effect of distribution to holders of equity instruments
- IAS 34 Interim Financial Reporting
  Issue: Interim financial reporting and segment information for total assets and liabilities.

While most of the above improvements are applicable to the Group, none of these are likely to have an impact on the Group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (issued 28 June 2012)

Annual periods beginning on or after 1 January 2014

The amendments also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

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. 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 remeasurement 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. Summary of significant accounting policies continued

4.7 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.

4.8 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.

4.9 Investment in subsidiaries

Investments in subsidiaries are valued at cost less provision for impairment in the financial statements of the Company. Where investment is subsidiaries are identified for distribution to shareholders, based on the plan identified by the holding companies and where the criteria for such distribution is met, such amounts are classified as "Assets held for distribution to owners" on the Statement of Financial Position.

4.10 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 28 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 'net losses/gains on financial assets at fair value through profit or loss', '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 Statement of Comprehensive Income.

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

4.11 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.

4.12 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 premium 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. The reserve has been created for the distribution of capital to the equity shareholders following a tender offer.

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.

4.13 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.

4. Summary of significant accounting policies continued
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.

4.14 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 IAS 39, 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 4.10.

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 judgment 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 23.

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 4,462 thousand as at 31 August 2012 (31 August 2011: GBP 3,767 thousand) in relation to its subsidiaries in Mauritius.

7. Investment and other income

	2012 £'000	2011 £'000
Interest income	**15**	31
Dividend income	**85**	71
Management fee*	**131**	152
Service fee from investee companies	**62**	224
Directors' fees from investee company	**50**	50
Other income	**9**	7
	352	535

* Represents fee from the co-investment vehicle.

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

	2012 £'000	2011 £'000
Financial assets designated as fair value through profit or loss		
Unrealised gains on investments	**1,359**	183
Unrealised losses on investments	**(4,397)**	(12,402)
Realised loss on investments	**(173)**	–
	(3,211)	(12,219)

9. Management fees

Under the "Investment Management Agreement", the amount of management fee payable from Tusk Investments 1 Limited and Tusk Investments 2 Limited for the year ended 31 August 2012 and 31 August 2011 is at 2% of NAV of Elephant Capital plc as at the most recent valuation date.

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

10. Other expenses

	2012 £'000	2011 £'000
Administration charges		
Incurred by Elephant Capital LLP*	**–**	94
Other administration charges	**624**	596
Directors' fees**	**136**	153
Auditors' remuneration***	**64**	72
	824	915

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

Notes to Consolidated Financial Statements continued

10. Other expenses continued

** Detail of Directors' fees are as follows:

	2012 £'000	2011 £'000
Pramath Raj Sinha	**14**	35
Vikram Lall	**33**	22
Niraj Agarwal	**–**	1
Gaurav Burman	**23**	25
Francis Anthony Hancock	**23**	25
James Norman Hauslein	**23**	25
Elizabeth Tansell	**20**	20
	136	153

The Company has no other employees.

*** Auditors' remuneration comprises:

	2012 £'000	2011 £'000
Audit of Company's annual accounts	**36**	44
Audit of subsidiaries' annual accounts	**13**	13
Review of Group's half yearly accounts	**15**	15
	64	72

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.

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 2012, 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 2,291 thousand and GBP 2,171 thousand in Tusk Investments 1 Limited and Tusk Investments 2 Limited respectively as no taxable income is probable in the foreseeable future.

(This space has been intentionally left blank)

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

	2012 £'000	2011 £'000
Analysis of charge for the year		
Income tax expense	**–**	–
Total tax expense	**–**	–
Loss before taxation	**(4,234)**	(13,509)
Less: Loss attributable to Elephant Capital plc and other Group companies except Mauritian Funds	**333**	538
Add: Profit attributable to non-controlling interest	**–**	(23)
Loss attributable to Mauritian Entities	**(3,901)**	(12,994)
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	**(585)**	(1,949)
Tax effect of:		
Exempt income	**(1)**	–
Non-taxable items	**482**	1,832
Unutilised tax loss for the period	**21**	23
Foreign tax credit	**83**	94
Income tax charge	**–**	–

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

Particulars	2012 £'000	2011 £'000
Company shares in Group undertakings:		
Elephant Capital LP*	**–**	–
Tusk Investments 1 Limited**	**7,665**	6,985
Tusk Investments 2 Limited**	**13,250**	13,250
Elephant 2 Limited*	**–**	–
Elephant Investments (General Partner) Limited*	**–**	–
Elephant Investments (Carry) Limited*	**–**	–
Less: Provision for impairment***	**(14,945)**	(11,380)
	5,970	8,855
Includes:		
Assets held for distribution to owners****	**5,970**	–
Investment in subsidiaries	**–**	8,855

* Amounts have been rounded to the nearest thousand.

** Previously known as Tusk Investments Fund 1 and Tusk Investments Fund 2.

*** As of 31 August 2012, in the Company financial statements, an impairment analysis of the investment in subsidiaries was carried out and consequently, an additional impairment loss of GBP 3,565 thousand was recorded on account of decline in the value of investments made through group subsidiaries.

**** During the year, the Board decided to commence a programme of disposal of the Company's listed portfolio and to return further capital to shareholders. Further, a two of the Group's unlisted investments have also been divested subsequent to the year end. Accordingly listed investments and some of these unlisted investments have been classified as current investments and as a consequence, in the Company's statement of financial position, the related investments in subsidiaries has also been classified as held for distribution to owners and the related portion of the loan to subsidiary has also been classified as current.

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

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 1 Limited	Mauritius	100%	100%
Tusk Investments 2 Limited	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%

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

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

Particulars	2012 £'000	2011 £'000
Non-current		
Elephant Capital LP*	**24,000**	17,500
Add: loan given to subsidiaries during the year	**–**	6,500
Less: Transfer to current loan (refer note 12 above)	**(10,000)**	–
	14,000	24,000
Less: Provision for impairment**	**(6,186)**	(11,609)
A	**7,814**	12,391
Current		
Transfer from non-current loan (refer note 12 above)	**10,000**	–
Less: Provision for impairment**	**(5,046)**	–
B	**4,954**	–
Total (A+B)	**12,768**	12,391

* As of 31 August 2012, a 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 1 Limited and Tusk Investments 2 Limited 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 2012, in the Company financial statements, an impairment analysis of the loan to subsidiaries was carried out and consequently, a reversal of impairment loss of GBP 377 thousand was recorded on account of the increase 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 unquoted securities as summarised below. The fair value of the unquoted investments has been determined using appropriate methodology in accordance with International Private Equity and Venture Capital Guidelines and guidance provided in IAS 39.

(i) Global Cricket Ventures (GCV) – As at 31 August 2012, the Group held a 45.56% equity stake in Global Cricket Ventures Limited (Mauritius). The total cost of the investment was GBP 5,949 thousand. The Company's directors have decided to exit from this investment and accordingly, the value of this investment as on 31 August 2012 has been determined on the basis of best estimate of net assets of GCV attributable to Elephant Capital's shareholding.

(ii) Amar Chitra Katha (ACK) – As at 31 August 2012, the Group held a 25.87% equity stake in Amar Chitra Katha (P) Ltd. at a total cost of GBP 4,085 thousand. The investment has been valued on "discounted cash flows of earnings of underlying business". The key assumptions used in the valuation of the investment as at 31 August 2012 are as under-
Weighted average cost of capital 15%
Long term growth rate 6%

(iii) ClinTec – As of 31 August 2012, the Group held a 28.57% equity stake in ClinTec which had been acquired for GBP 8,000 thousand. The investment is measured at net realisable value of investment as on 31 August 2012.

(iv) Air Works – During the year ended 31 August 2012, the Group acquired further equity shares in the amount of GBP 471 thousand. As of 31 August 2012, the Group held an aggregate 5.52% (fully diluted basis) stake in Air Works at a total cost of GBP 2,922 thousand. The investment has been valued on 'discounted cash flows of earnings of underlying business'. The key assumptions used in the valuation of the investment as at 31 August 2012 are as under-
Weighted average cost of capital 19.44%
Long term growth rate 5%

Details of the Group's investments are as under:

	2012			2011		
	Non-current £'000	Current £'000	Total £'000	Non-current £'000	Current £'000	Total £'000
Listed investments						
Balance brought forward	**10,410**	**–**	**10,410**	12,937	–	12,937
Additions	**–**	**–**	**–**	1,669	–	1,669
Disposal	**(191)**	**–**	**(191)**	–	–	–
Transfer to current investments	**(10,219)**	**10,219**	**–**	–	–	–
	–	**10,219**	**10,219**	14,606	–	14,606
Unrealised (loss)	**–**	**(3,139)**	**(3,139)**	(4,196)	–	(4,196)
A	**–**	**7,080**	**7,080**	10,410	–	10,410
Unlisted investments						
Balance brought forward	**9,979**	**–**	**9,979**	14,652	–	14,652
Additions	**471**	**–**	**471**	3,350	–	3,350
Transfer to current investments	**(1,645)**	**1,645**	**–**	–	–	–
	8,805	**1,645**	**10,450**	18,002	–	18,002
Unrealised (loss)*	**(1,414)**	**1,359**	**(55)**	(8,023)	–	(8,023)
B	**7,391**	**3,004**	**10,395**	9,979	–	9,979
Total investments (A+B)	**7,391**	**10,084**	**17,475**	20,389	–	20,389

* the current year includes a loss of GBP 156 thousand on investment in Obopay consequent to a merger referred to in note 25 (ii).

15. Receivables

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Interest receivable from banks and others	**–**	**1**	1	1
Interest receivable on account of Krammer loan	**–**	**–**	80	–
Directors fee receivable	**13**	**–**	–	–
Accrued income	**63**	**–**	–	–
	76	**1**	81	1

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

16. Cash and cash equivalents

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Cash in current accounts	**1,564**	**285**	2,632	1,267
Cash in short-term deposit accounts	**2,212**	**2,212**	2,498	2,498
	3,776	**2,497**	5,130	3,765

17. Payables

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Trade and other payables	**364**	**77**	181	106
	364	**77**	181	106

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

Notes to Consolidated Financial Statements continued

18. Share capital

	2012 Number of shares	2012 £'000	2011 Number of shares	2011 £'000
Authorised ordinary shares of 1p each	**300,000,000**	**3,000**	300,000,000	3,000
Issued and fully paid ordinary Shares of 1p each – beginning of year	**48,400,411**	**484**	50,000,000	500
Buy-back of ordinary 1p shares*	**(661,000)**	**(7)**	(1,599,589)	(16)
	47,739,411	**477**	48,400,411	484

* On 14 September 2011, The Company bought back and cancelled a total of 661,000 ordinary shares at a price of 35p per share. The cancellation of share capital is reflected in the share capital and distributable capital reserve accounts in the 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 the AGM and to receive future dividends. On listing, warrants were allocated to initial placees 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 were subject to the same terms and conditions as the warrants issued under the initial placing of ordinary shares.

Following the expiry of the subscription period on 26 June 2012, the warrants were suspended from trading on 27 June 2012 and were cancelled with effect from 4 July 2012.

19. Loss and net asset value per share

	2012	2011
Loss attributable to ordinary shareholders	**(£4,233,476)**	(£13,532,843)
Issued ordinary shares – beginning of year	**48,400,411**	50,000,000
Buy-back of shares	**(661,000)**	(1,599,589)
Issued ordinary shares outstanding at the end of the year	**47,739,411**	48,400,411
Weighted average number of shares outstanding	**47,764,695**	49,824,703
Loss per share (basic and diluted)	**(9p)**	(27p)
Net assets value per share (statutory)	**£0.44**	£0.51
Net assets value per share (statutory) is based on the statutory net assets as at year end	**£20,985,702**	£25,451,028

There were no options in issue to dilute the earnings per share as at 31 August 2012.

20. 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

	Notes	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Investments at fair value through profit or loss (designated as fair value through profit or loss)	14	**17,475**	**–**	20,389	–
Loans and receivables					
• Loan to subsidiaries	13	**–**	**12,768**	–	12,391
• Receivables	15	**76**	**1**	81	1
• Cash and cash equivalents	16	**3,776**	**2,497**	5,130	3,765
		21,327	**15,266**	25,600	16,157

The above loans and 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 one year.

Financial liabilities

	Note	**Group 2012 £'000**	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Financial liabilities measured at amortised cost:					
Payables	17	**364**	**77**	181	106
		364	**77**	181	106

None of the financial liabilities are interest bearing. 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 4.10. 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 22.

21. Related party transactions
i. Related parties
(a) Key Management Personnel (KMP)
Names of Directors
Pramath Raj Sinha (Date of resignation 23 March 2012)
Gaurav Burman
Francis Anthony Hancock
James Norman Hauslein
Vikram Lall
Elizabeth Tansell

(b) Entities controlled by KMP with whom transactions have taken place during the year:
Elephant Capital LLP
Chamberlain Fund Services Limited
Elephant India Finance Private Limited

(c) Associates with whom transactions have taken place during the year
Global Cricket Ventures Limited ("GCV")
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 amounts were paid on account of Director's fees during each of the years reported:

	Amount		Debit/(Credit) balance *(unsecured)*	
Nature of transaction	**Year ended 31 August 2012 £'000**	Year ended 31 August 2011 £'000	**As at 31 August 2012 £'000**	As at 31 August 2011 £'000
Directors fee	**136**	153	**(22)**	(37)
Disbursement of investor directors' fees (including expenses) received from ClinTec				
– Gaurav Burman	**17**	13	**(4)**	(4)
– James Norman Hauslein	**17**	25	**(4)**	(4)

21. Related party transactions continued

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

	Amount		Debit/(Credit) balance *(unsecured)*	
Nature of transaction	**Year ended 31 August 2012 £'000**	Year ended 31 August 2011 £'000	**As at 31 August 2012 £'000**	As at 31 August 2011 £'000
(i) Management fees:*				
– Paid to Elephant Capital LLP	**555**	603	**–**	–
– Paid to Elephant India Advisors Private Limited	**–**	149	**–**	–
– Paid to Elephant India Limited	**–**	155	**–**	–
– Received from Elephant India Finance Private Limited	**131**	152	**63**	–
(ii) Other transactions:				
– Registrar and administration charges paid to Chamberlain Fund Services Limited	**16**	17	**(1)**	(1)
– Service fee from				
i. GCV	**62**	62	**(10)**	(10)
ii. ClinTec	**–**	160	**–**	–
– Directors fees from investee company	**50**	50	**13**	–

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

22. 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 20 above. 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 Review. 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 the Company's 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.

For the group 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 2012		
Financial assets	13,261	1,596
Financial liabilities	–	26
Net short-term exposure	**13,261**	**1,570**
31 August 2011		
Financial assets	16,877	1,992
Financial liabilities	–	31
Net short-term exposure	16,877	1,961

As at 31 August 2012, if INR or USD had weakened by 1% (based on average daily volatilities in the previous 12 months) (31 August 2011: 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 2012	**133**	**16**	**149**
31 August 2011	169	20	189

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 through the profit or loss account, 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 2% has been observed during year ended 31 August 2012 (31 August 2011: 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 142 thousand (31 August 2011: GBP 312 thousand). The listed securities are classified as investments at fair value through profit or loss.

Notes to Consolidated Financial Statements continued

22. Risk management objectives and policies continued

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 the 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's 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 1 Limited and Tusk Investments 2 Limited for investing in unlisted/listed entities. As of 31 August, 2012 the cumulative impairment of GBP 11,232 thousand (31 August 2011: GBP 11,609 thousand) has been recorded as a consequence of 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 Company's 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:

	(£'000)		
	Current		Non-current
Group financial liabilities	Due within 6 months	Due in more than 6 months but less than one year	Due in more than one year
31 August 2012			
Trade and other payables	**364**	**–**	**–**
31 August 2011			
Trade and other payables	181	–	–

	(£'000)		
	Current		Non-current
Company financial liabilities	Due within 6 months	Due in more than 6 months but less than one year	Due in more than one year
31 August 2012			
Trade and other payables	**77**	**–**	**–**
31 August 2011			
Trade and other payables	106	–	–

23. 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 2012	Note	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets:					
Listed securities	14	7,080	–	–	7,080
Unlisted securities	14	–	–	10,395	10,395
Total		7,080	–	10,395	17,475
Liabilities		–	–	–	–
Net fair value		**7,080**	**–**	**10,395**	**17,475**

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

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair values are given below:

(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 transfers between Levels 2 and 3 during the reporting period. Further, there have been transfers into level 3 during the current reporting period, which are summarised below:

23. Levels of hierarchy continued

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:

Particulars	2012 £'000	2011 £'000
Opening balance	**4,248**	6,652
Purchases	**471**	2,451
Transfers from/(to) Level 2	**5,731**	(3,004)
Losses*	**(55)**	(1,851)
Closing balance	**10,395**	4,248

* the current year includes a loss of GBP 156 thousand on investment in Obopay consequent to a merger referred to in note 25 (ii).

24. 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.

25. Events after the reporting date

(i) EIH Limited – In September 2012, the Company sold 5,744 thousand shares of EIH Limited for an aggregate consideration of GBP 4,712 thousand. The sale resulted in a realised loss of GBP 2,163 thousand (being the excess of original cost of GBP 6,875 thousand over the sale proceeds of GBP 4,712 thousand). The loss on sale is GBP 327 thousand (being the excess of fair value of GBP 5,039 thousand as on August 31, 2012 over the sale consideration). Subsequent to disposal, the Company's aggregate holding in EIH Limited is Nil.

(ii) Obopay – Subsequent to the execution of an Agreement and Plan of Merger of OBP Investments, OBP Investments, Inc., stakeholders representative with Obopay Inc. (Obopay), the capital stock of Obopay (except series G Preferred stock) issued and outstanding immediately (including Elephant Capital's holding in series C and Series D preferred stock) prior to the Merger was cancelled and extinguished without any conversion thereof and no payment or distribution was made. Therefore the holding of Elephant Capital in Series C and D preferred stock has been valued at Nil.

(iii) ClinTec – In December 2012, the Company divested its entire holding in ClinTec Luxembourg SA for GBP 3,004 thousand through a Share Transfer Agreement and a Share Buyback agreement, being GBP 1,882 thousand above its carried value as at 29 February 2012.

(iv) Subsequent to the year end, there has been a decrease in the value of the Group's listed investments, due to a fall in stock price of Mahindra Forgings Limited. This has increased the Company's unrealised loss by GBP 121 thousand.

	(Amounts in £'000)			
Investments	**Value at 31 August 2012**	(Sales)/ Purchases	Profit/(Loss)	**Value at 22 February 2013**
EIH Limited	5,039	(4,712)	(327)	**–**
Nitco Limited	421	–	8	**429**
Mahindra Forgings Limited	1,620	–	(129)	**1,491**
	7,080	**(4,712)**	**(448)**	**1,920**

26. Segmental information

The Directors have considered the provisions of IFRS8 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 above.

27. Ultimate controlling party

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

Notes

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