28 February 2011

Elephant Capital plc

Preliminary Results for twelve months ended 31 August 2010

Elephant Capital plc (ECAP), the India focused Private Equity company announces its preliminary results for the twelve months ended 31 August 2010.

Key Points :

- Net Asset Value per share 79p (prior to the estimated write down of ClinTec) (28 February 2010:89p)
- Three new investments in the period
- Exit of NIIT completed, achieving an IRR of 23%, across all shares sold
- GCV: GBP 4.9 million write down (9.9p per share) on February 2010 valuation; Elephant Capital has decided to exit its investment in GCV. The revised valuation of GBP 1.9 million represents the best estimate of net assets of GCV attributable to Elephant Capital's shareholding.
- ClinTec: Sound platform for growth, but pipeline projects slower than anticipated. GBP 2.1 million write-down expected in 2011 interim results, reducing NAV per share by 4.2p
- A strong pipeline of investment opportunities

Commenting, Chairman Pramath Raj Sinha, said:

"In summary, this has been a busy but disappointing year for Elephant Capital. We have fully exited one of our investments, at a good rate of return, and since the start of the period, have made three additions to the portfolio. It is clearly disappointing to be writing down several of our investments, but we believe that going forward, we have set the portfolio on a sounder footing."

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Chairman's Statement

In our interim statements, I said that Elephant Capital was "very well placed to negotiate some interesting transactions". Elephant Capital has indeed had a very busy period, with three new investments being added over the year. However, this year has also been one of disappointment for us; we have decided to exit one of our most recent investments, due to circumstances beyond our control, which will likely result in a loss, and another recent investment has seen underperformance in the past few months. However, we believe that we also have some very sound investments, and that going forward, we are well placed for recovery.

Globally, economies are recovering, but the strength of the upturn has been uneven across markets, with performances remaining subdued in advanced economies, but with emerging economies such as India demonstrating robust growth. Elephant Capital, in its most recent investments has sought to focus upon sectors which leverage this growth, and in particular, which benefit from rising middle class consumption. Key sectors for us have included media, education and pharmaceuticals which we believe will see strong growth, in the coming years.

Amar Chitra Katha ("ACK"), in which we invested in June 2010, is one of India's leading children's media and entertainment companies, and is an excellent example of our strategy. ACK is uniquely positioned in the sector, with its origins in the 1960s, but which today is focused on diversifying its product across alternative media platforms. This is still a very new investment for us, but we have been encouraged by what we have seen so far.

ClinTec, an investment we closed in August 2010, is active in the clinical research space; it has built up a strong network of client relationships and a broad geographical footprint which leverages its Indian capabilities. The company has developed a sound platform for growth, but its recent performance has fallen short of expectations as pipeline projects were slower to come on stream than envisaged, and as some projects were delayed or cancelled. The Board has made no adjustment to the valuation of this investment for the August 2010 statement of financial position, since underperformance materialised post this date but in the interim results for February 2011, would expect to make a write down in the region of GBP 2.1 million. The Board continues to believe that ClinTec's business model is sound, and is hopeful that this investment will generate value for us over time.

Obopay, the mobile payments business we invested in, in 2007, continues to develop its emerging markets operations, where we believe it has potential. The roll out in India is progressing, although the pace has been slower than we envisaged. However, we understand that the company has adopted a more consistent and efficient business model, and is making progress with key strategic partners. This, we hope, will accelerate the roll out process, and allow Obopay to get to new markets faster. In addition, we were pleased to hear that the recently announced management changes have already started to impact on the business.

We were disappointed to learn in June last year that the Board of Control for Cricket in India ("BCCI") had decided to rescind its global media contracts with World Sports Group ("WSG"). Global Cricket Ventures ("GCV"), one of our investee companies sublicensed from WSG the online and mobile broadcast rights to the Indian Premier League ("IPL") and was inevitably affected by this action. Consequently, the Board of Elephant Capital has decided to dispose of its investment in GCV and accordingly to adjust the valuation of this investment for the August 2010 statement of financial position. This has resulted in a write down against the NAV reported in February 2010 of GBP 4.9 million or 9.9p per share. The revised valuation of GBP 1.9 million represents the best estimate of net assets of GCV attributable to Elephant Capital's shareholding in GCV. The Board is currently in discussions to exit its entire investment in GCV. Shareholders are reminded that the final exit value on this investment cannot be certain until this process is complete. Elephant Capital will update the market as and when appropriate.

Of our listed, investments, we are pleased that two, EIH and Mahindra Forgings, significantly outperformed the Sensex over the period. EIH held up well in the downturn, and on the back of renewed bid speculation, was showing good returns at the period end, whilst Mahindra Forgings rallied strongly in the first half of the year, with a well received QIP issue. Nitco suffered in the early part of the year following a Government investigation into customs duty payments, but made some gains in the second half. However, post period end, the Indian stock market has suffered a correction which has affected all our listed investments. Our investment in NIIT, the listed education business, was fully exited in the period, generating an IRR of 23%, which I believe to be a good result for shareholders.

In summary, this has been a busy but disappointing year for Elephant Capital. We have seen changes at the Board level, with my own appointment as Chairman at the end of 2009, Niraj Agarwal leaving the Board in September, but remaining as Special Advisor, and Vikram Lall joining the Board in October. We have fully exited one of our investments, at a good rate of return, and since the start of the period, have made three additions to the portfolio. It is clearly disappointing to have to be writing down several of our investments, but we believe that going forward, we have set the portfolio on a sounder footing.

The Board is conscious that the Company's shares stand at a significant discount to net asset value, and that the stock lacks liquidity. The Board has been examining measures to address these issues, and in the coming period, will seek shareholders' consent to redesignate part of Elephant Capital's share premium account as a distributable profits reserve, which would then be available to finance a buyback of Elephant Capital's own shares. The Board is hopeful that this will provide greater flexibility for shareholders and I look forward to updating you on this, as on the progress of the portfolio, at the interim stage.

Pramath Raj Sinha
25 February 2011

Investment Manager's Review

Introduction

During the period Elephant Capital plc ("Elephant Capital" or the "Company") made investments of GBP 5.95 million in Global Cricket Ventures Limited Mauritius ("GCV"), a digital media and broadcasting company, GBP 3.19 million in Amar Chitra Katha Private Limited ("ACK"), one of India's leading children's media companies, and GBP 8.0 million in ClinTec Luxembourg S.A. ("ClinTec"), a full service clinical research organization.

Elephant Capital also fully exited its investment in NIIT Limited, the India-based education and skills provider. The aggregate cost of this investment was GBP 1.86 million and the aggregate realization was GBP 2.61 million, resulting in an income of GBP 0.75 million and an IRR across all shares sold of 23%.

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

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

The Manager and the Advisor's investment team, led by Gaurav Burman and Mohit Burman, include all the members of the Advisor all of whom have extensive experience within the private equity and 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. The Investment Manager targets companies, which it believes have the potential to add value and growth to the portfolio by way of domestic growth, international expansion or restructuring. The Investment Manager utilises its knowledge of the region, and networks both inside and outside of India, to assist investee companies to develop plans which ensure value creation.

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

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

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

Investment origination and activity

In the twelve month period to 31 August 2010 the Investment Manager made three investments and completed the exit of another. The Investment Manager continues to be focused firmly on adding value to the portfolio companies and on evaluating high quality investment opportunities. In addition, the Investment Manager is aware that the stock currently trades at a significant discount to NAV and will introduce measures to address this in the coming period.

In the period under review, Elephant Capital assessed opportunities in key growth sectors such as media and entertainment, medical and pharmaceutical, consumer and engineering. The Investment Manager was pleased to announce two investments in these sectors towards the end of the period, and to have agreed a significant minority position in both cases. ACK, which was announced in June 2010, is active in the children's entertainment and media sector, and is a play both on the rise of consumer spending and the cultural predisposition towards education.

ClinTec, an investment which was announced in August 2010, leverages both the outsourcing opportunities available in emerging markets, and the strategic shift by pharmaceutical companies towards more flexible and cost-effective working practices. However, despite its sound platform for growth, we were disappointed to see that ClinTec's recent performance has fallen short of expectations. It is very early days for this investment, and since underperformance did not materialise until post the reporting date, it was not appropriate to make any changes to our valuation in these financial statements. However, at the next interim stage, we would expect to announce a write down in the region of GBP 2.1 million. Elephant Capital is represented on the Board of ClinTec and will be working closely with management in all key areas of strategy at this time.

Earlier in the period, Elephant Capital announced its investment in GCV, the cricket-focused media company. However, as a result of wider events associated with the Indian Premier League, Elephant Capital has decided to exit its investment in this business. This is discussed in further detail below.

In August, the Investment Manager was pleased to complete the exit of NIIT Ltd, the listed education and skills provider in which we first invested in March 2008. Elephant Capital achieved an IRR of 23% across all shares sold, which is a good result for shareholders.

This has been an extremely active year for Elephant Capital; we are encouraged by the improving operational performance of our listed investments, and believe that recent additions to the portfolio are sound, albeit not without some teething troubles. Our investments in GCV and ClinTec have clearly proved disappointing, but we have also made a good return on NIIT, the listed education business we exited during the period. We are currently around 80% invested, and are continuing to source opportunities for our remaining capital.

Portfolio Activity

During the period our portfolio companies achieved the following:

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 100 digital products, and 25 major (and 50+ minor) proprietary characters with India-wide recognition. ACK's origins are in children's books and comics, with "Amar Chitra Katha", the number 1 children's book series dating back to 1967. 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. Elephant Capital became interested in ACK, because it recognised that in India, where under-18s represent 40% of the billion-plus population, and against a background of rising middle class disposable income, the children's education and entertainment sector offered a huge growth opportunity. ACK, with its strong portfolio of intellectual property rights is well positioned in this market.

Elephant Capital invested GBP 3.2 million in ACK in a primary transaction, in June 2010. At the time of our initial investment, ACK had just completed the acquisition of India Book House, India's largest books and magazine distributor, giving it control over a comprehensive pan-Indian distribution network. For the quarter ended 30 June 2010, this acquisition was already profitable. In recent months, ACK has continued to develop its "360-degree" media strategy. It has expanded the home video catalogue with fifteen new titles of Karadi Tales and ACK stories, for "8+" year olds. Series two of the ACK TV show has been aired on Cartoon Network, a Karadi series has aired on Disney and ACK's first TV animated feature film, "Tripura – The Three Cities of Maya" will be aired on Cartoon Network in early 2011. ACK has also diversified into school programs, and over Diwali, test launched a program to increase children's emotional intelligence through the telling of ACK classics, in a workshop format. We have been encouraged by the progress of the business so far.

ClinTec

Established in 1997 in the UK, ClinTec is a full service global clinical research organization, providing clinical research outsourcing services to pharmaceutical, biotechnology and medical device companies internationally. The company has a specific differentiation on its ability to deliver clinical research in emerging markets. ClinTec has strategically positioned regional offices in Bangalore, New York, Mexico City, Krakow, Beirut, Dubai, London and Glasgow, offering a one-stop resourcing service, to clients with a global presence. The clinical research market has seen strong growth over the last decade, as leading pharmaceutical companies adopt more flexible working practices, in the drive to improve efficiency and cut costs. ClinTec, which currently counts 11 of the top 25 pharmaceutical companies amongst its clients, has established a very firm footprint in this market.

Elephant Capital invested GBP 8.0 million, in a secondary transaction, in ClinTec in August 2010 for a 28.57% stake. Over the last year, ClinTec has broadened its geographic footprint, opening offices and establishing relationships in Bulgaria, Hungary, Finland, Belgium and Singapore. Operations in Central and Eastern Europe have been expanded, and the Bangalore regional hub, which supports all aspects of clinical research globally, has been strengthened by the addition of several senior hires. ClinTec's geographic roll out has been important in cementing its appeal to global pharmaceutical clients, and indeed contracts were signed with five of the top ten global pharmaceutical companies over the past year.

However, revenues have been slower to come on stream than anticipated, as pipeline projects did not convert to work orders at the rate expected, and as some projects were delayed or cancelled. As a result, future projections have been scaled back. The Investment Manager has made no adjustment to the valuation of its investment in ClinTec at this time, as underperformance materialised post the reporting period, but expects to announce a write down of GBP 2.1 million at the interim stage. The Investment Manager continues to believe in the business model, and is hopeful that this investment will generate value for Elephant Capital over time. Elephant Capital is represented on the board of ClinTec and the Investment Manager is working closely with management to help the company capitalise on its expansion going forward.

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 our 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.

GCV sublicensed its rights to the IPL from World Sports Group ("WSG"). In March 2010, GCV received notice from WSG that its licenses in respect of the IPL had been terminated. No disclosure of this matter was made at this time, because it was considered that the circumstances surrounding the termination were not sufficient for it to be upheld and because amicable negotiations for a reversal of the termination had commenced with WSG (refer note 28). However, in subsequent weeks, an investigation was launched by the Board of Control for Cricket in India ("BCCI") and certain Government agencies into all aspects of the IPL. As a result, in June 2010, the BCCI announced that it would be rescinding agreements with WSG, covering the global media rights to the IPL. GCV's licenses were therefore amongst those affected by this action. At the same time, the BCCI informed GCV that it would no longer be honouring its arrangement with GCV to build, host and manage the CLT20 website.

As a result of the above, Elephant Capital has decided to dispose of its investment in GCV and discussions are underway to exit its entire shareholding. Elephant Capital currently considers it appropriate to write down the value of its investment to GBP 1.9 million, which represents the Investment Manager's best estimate of net assets of GCV attributable to Elephant Capital's shareholding. The impact against the NAV reported in February 2010 is GBP 4.9 million, or 9.9p per share. However, shareholders are reminded that the final exit value on this investment cannot be certain until the exit process is complete. Elephant Capital will update the market as and when appropriate.

Obopay Inc.

Obopay, is a privately held California based company specialising in mobile phone payment technologies, which allow individuals to instantly obtain, spend, and send money anywhere, anytime and to anyone using their mobile phone. Obopay's service has huge potential in emerging markets, such as India, which are "underbanked", but where mobile phone penetration is high. The Investment Manager recognised the strength of this opportunity, and Elephant Capital invested GBP 1.2 million across two funding rounds in July 2007 and April 2008 (series "C" and "D"); our current position is 1.2% (on a fully diluted basis). Elephant Capital was awarded warrants at the time of its investment, but chose not to exercise them and as a result, these warrants have now lapsed. Elephant Capital has therefore been obliged to write off the value of these warrants, which represents a loss of value of GBP 106 thousand; this write down has been offset by foreign exchange gain and value of anti-dilution shares (refer note 27). Post our investment, Nokia took a strategic stake in Obopay, investing USD70 million (alongside some smaller partners) in funding rounds closing in February 2009, April 2009 and January 2010 (series "E1" and "E2").

Whilst Obopay continues to develop its emerging market operations, the pace of the roll out has lagged the Investment Manager's expectations. However, the Investment Manager understands that Obopay has adopted a consistent, and more efficient and profitable business model, with strategic partners in all of the major geographies that Obopay does business; we are hopeful that this will accelerate the roll out process, and enable Obopay to go to market in new countries faster. As a result, the outlook is improved. Recent management changes at senior level have also done much to strengthen our confidence. Deepak Chandnani was appointed Chief Executive Officer of Obopay Inc., in January 2011. Mr Chandnani was previously President of Obopay, Inc. and was instrumental in launching the Obopay service in India, spearheading efforts in North and East Africa, and positioning the company for expansion into parts of Europe. Under his tenure, the company's year-on-year revenue has doubled.

EIH Limited

EIH owns or operates 24 hotels and three luxury cruisers across five countries under the luxury "Oberoi" and five star "Trident" brands. It has one of the strongest hotel portfolios in India, with both destination resorts and business hotels located in Tier I and II cities across the country. Elephant Capital saw an opportunity in this market, because despite the rapid growth of its travel and tourism market (recording a 5-year CAGR of 16.4%), India was (and remains), relatively underserved by the hotel market.

At the time of our investment in 2007, Elephant Capital was also aware of the potential for corporate activity at EIH, with tobacco-to-hotels conglomerate ITC-Welcomgroup having been stake-building since 2001 (current holding is just under 15%). In August 2010, this speculation intensified, as the sell-down of 14.1% of the company by the Oberoi family to Reliance Industries, and Reliance's subsequent purchases in the market, introduced a potential "white knight". In September 2010, EIH announced plans for a rights issue, to repay part of its existing debt, fund capital expenditure and for general corporate purposes; in February 2011, the size of the rights issue was confirmed as Rs 11.8 billion, at Rs 66 per share, on a 5 for 11 bases. Elephant Capital has a 1% stake in the company, which at period end, was showing a very good return. Elephant Capital is considering whether to take up its rights, and will inform the market as appropriate.

During the period, the group opened a 440-room Trident at Bandra Kurla, Mumbai, and the Oberoi Mumbai, which was targeted during the shocking terrorist attacks in 2008, reopened at the end of April after substantial renovation. The Oberoi, Gurgaon (near Delhi), is expected to open early in 2011, and 2012 should see openings of a Trident in Dehradun and both an Oberoi and a Trident in Hyderabad. Internationally, construction of an Oberoi in Business Bay Dubai is progressing, with operations expected to commence towards the end of 2011, and planning is underway for Oberoi hotels in Abu Dhabi, Oman, Marrakech, Greece and Mauritius.

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, 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 3.0%. We are represented on the board, which has enabled us to work closely with management throughout the downturn, and we have been supportive of the "rightsizing" initiatives the company has taken, to reposition itself for the changed market. We are pleased to note that the impact of these initiatives is now being reflected in the company's financial performance. In its Q3 2011 results, Mahindra Forgings reported revenue growth in Europe of 68% for the first nine months and commented that the key German commercial vehicle market had shown strong signs of recovery. In India, the company has faced some internal operational issues, including missed volume targets, and a rising rejection rate which had affected margins, but which the company is working to correct.

In February 2010, Mahindra Forgings raised INR 1.75 billion through a QIP, with the proceeds to fund ongoing capital requirements, provide greater flexibility, and strengthen the debt covenants of the company. The QIP was very well received by the market, gaining nearly 60% from the QIP announcement to the closure of the issue.

Nitco Limited

Nitco is one of the largest manufacturers of flooring tiles in India, selling approximately nine million square metres of tiling in FY 2010. It has a direct interest in the real estate sector through a wholly owned subsidiary which develops residential and commercial property assets in Maharashtra. The Investment Manager became interested in the company because it wanted to participate in the significant real estate growth in India, and believed that Nitco offered a strong play on the sector, at a more realistic valuation. However, the environment has changed dramatically since our investment in 2007, with the sector only now beginning to emerge from the global collapse of the property market, early in 2008.

Recovery has been such that last year, Nitco announced plans to monetise its real estate assets (with the exception of a business park in Thane, which is nearing completion); the impact of these developments should be realised over the next three years, and will go some way towards deleveraging the company. Elephant Capital, which has a 6.0% holding in Nitco and is represented on the Board, recommended this strategy some time ago, and is extremely pleased that it has now been adopted by the Board. The Investment Manager is also supportive of plans to develop the retail business, which is higher margin, and over the downturn, proved to be less volatile than the corporate business. Nitco is rolling out its "Le Studio" format across Tier I and II cities, and expects to raise the retail contribution to 70% of sales in the FY11-12 financial year, vs. 60% currently.

Nitco's financial performance over the year was adversely affected by an investigation into the company by the Directorate of Revenue Intelligence (DRI) in August 2009, which resulted in a seizure of the company's imported material for five months. Nitco was unable to sell or deal in these products during this time, which severely impacted its second and third quarter, 2009-10 results.

As at 31 August 2010, the portfolio was as follows:

Company	Sector	Listed /Unlisted	Cost £000	Valuation £000	Gain/(Loss) £000
Amar Chitra Katha Private Limited	Media	Unlisted	3,186	3,004	(182)
ClinTec Luxembourg S.A.	Clinical research	Unlisted	8,000	8,000	-
Global Cricket Ventures Limited	Media	Unlisted	5,949	1,934	(4,015)
Obopay Inc.	Mobile banking services	Unlisted	1,239	1,714	475
EIH Limited	Hospitality	Listed	5,402	7,836	2,434
Mahindra Forgings Limited*	Automotive	Listed	4,809	3,672	(1,137)
Nitco Limited	Building materials	Listed	1,393	1,429	36
Total			29,978	27,589	(2,389)

The valuations of the above are in accordance with International Financial Reporting Standard 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.

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

Realisations
During the period, the Company exited its investment in the following company:

NIIT Limited
Between 11 December 2009 and 19 August 2010, Elephant Capital sold 2.6 million shares in NIIT Limited resulting in a gain of GBP 0.75 million (being the excess of the sale consideration over the original cost).

Principles of valuations of investments

Principles of valuation of unlisted investments

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

All investments are valued according to one of the following bases:

- Cost (less any provision required)
- Price of recent transaction
- Earnings multiple
- Net assets
- Sale price

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

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

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

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

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

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

Principles of valuation of listed investments

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

Valuation review procedures

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

Events after the reporting date

Elephant Capital has decided to exit its entire holding in GCV, and has revised its valuation of this investment to GBP 1.9 million which represents the best estimate of net assets of GCV attributable to Elephant Capital's shareholding. The impact on NAV against the NAV reported in February 2010 will be GBP 4.9 million. The write down against cost will be GBP 4.0 million.

In December 2010, Elephant Capital decided not to exercise warrants held in respect of Obopay, and as a result these warrants have expired.

Post Elephant Capital's investment in ClinTec in August 2010, ClinTec's performance has not met expectations. Elephant Capital considers it would be appropriate to adjust its valuation of ClinTec at the next interim stage, and accordingly, a write down of GBP 2.1 million is expected. No adjustment is made to the valuation for the August 2010 statement of financial position as the underperformance did not materialise until after this date.

Subsequent to the year end, there has been a loss in the value of the Group's listed investments due to corrections in the Indian Stock Markets. This has increased the unrealised loss by GBP 4.4 million.

Further details on events after the reporting date are disclosed in note 27 to the financial statements.

Gaurav Burman

On behalf of Elephant Capital LLP

25 February 2011

Consolidated Statement of Comprehensive Income

	Notes	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Revenue			
Investment and other income	7	771	871
Net losses on financial assets at fair value through profit or loss	8	(1,039)	(3,508)
Other income			
Net foreign exchange gain		124	772
		(144)	(1,865)
Expenses			
Management fees	9	(786)	(651)
Loss on default in recovery of loan		-	(2,449)
Other expenses	10	(1,272)	(958)
Loss before finance costs and tax		(2,202)	(5,923)
Finance costs		(6)	(4)
Loss before tax		**(2,208)**	**(5,927)**
Income tax expense	11	-	-
Loss after tax		**(2,208)**	**(5,927)**
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(2,208)**	**(5,927)**
Total comprehensive loss attributable to:			
Owners of the parent		(2,323)	(6,068)
Non-controlling interest		115	141
Loss per share - (basic & diluted)	20	(5p)	(12p)

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

Consolidated Statement of Financial Position

	Notes	As at 31 August 2010 £'000	As at 31 August 2009 £'000
ASSETS			
Non-current			
Investments at fair value through profit or loss	14	27,589	14,106
Property, plant and equipment	15	23	26
Other assets		-	23
		27,612	**14,155**
Current			
Receivables	16	516	558
Prepayments		56	36
Cash and cash equivalents	17	11,764	27,436
		12,336	**28,030**
Total assets		**39,948**	**42,185**
Current liabilities			
Payables	18	379	278
		379	**278**
Net assets		**39,569**	**41,907**
EQUITY			
Share capital	19	500	500
Share premium		47,752	47,752
Unrealised investment revaluation reserve		(2,389)	(594)
Accumulated losses		(6,320)	(5,792)
Attributable to the owners of the parent		**39,543**	**41,866**
Non-controlling interest		26	41
Total equity		**39,569**	**41,907**
Net asset value per share	20	**£0.79**	**£0.84**

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

The financial statements on pages 16-53 were approved and authorised for issue by the Board of Directors on 25 February 2011 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Company Statement of Financial Position

	Notes	As at 31 August 2010 £'000	As at 31 August 2009 £'000
ASSETS			
Non-current			
Investments in subsidiaries	12	12,585	28,235
Loans to subsidiaries	13	13,485	-
		26,070	**28,235**
Current assets			
Loans to subsidiaries	13	677	677
Receivables	16	73	15
Prepayments		32	20
Cash and cash equivalents	17	10,528	20,602
		11,310	**21,314**
Total assets		**37,380**	**49,549**
Current liabilities			
Payables	18	103	72
		103	**72**
Net assets		**37,277**	**49,477**
Equity			
Share capital	19	500	500
Share premium		47,752	47,752
(Accumulated losses)/ retained earnings		(10,975)	1,225
Equity attributable to owners of the Company		**37,277**	**49,477**

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

The financial statements on pages 16-53 were approved and authorised for issue by the Board of directors on 25 February 2011 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 2010 £'000	For the year ended 31 August 2009 £'000	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
(A)	**Operating activities**				
	Loss before tax	(2,208)	(5,927)	(12,200)	(336)
	Adjustments for :				
	Depreciation	8	5	-	-
	Interest income	(86)	(518)	(63)	(67)
	Dividend income	(103)	(152)	-	-
	Loss on default in recovery of loan	-	2,449	-	-
	(Gain)/loss on sale of investments	(322)	1,455	-	-
	Net unrealised losses on investments	1,361	2,053	-	-
	Impairment of loans to subsidiaries	-	-	4,015	-
	Impairment of investment in subsidiaries	-	-	7,650	-
	Net changes in working capital :				
	Decrease /(increase) in receivables, prepayments and other assets	32	(116)	(84)	896
	Increase /(decrease) in payables	101	81	31	(63)
	Net cash (used in)/generated from operations	**(1,217)**	**(670)**	**(651)**	**430**
	Income tax paid	-	-	-	-
	Net cash (used in)/ generated from operating activities	**(1,217)**	**(670)**	**(651)**	**430**
(B)	**Investing activities**				
	Purchase of property, plant and equipment	(5)	(31)	-	-
	Purchase of investments	(17,135)	(1,987)	-	-
	Proceeds from sale of investments	2,613	3,429	-	-
	Proceeds from buy-back of shares in a subsidiary (Refer note 12)	-	-	8,000	-
	Loan to a subsidiary	-	-	(17,500)	-
	Interest received	104	303	77	46
	Dividend received	98	228	-	-
	Net cash (used in)/ generated by investing activities	**(14,325)**	**1,942**	**(9,423)**	**46**
(C)	**Financing activities**				
	Drawings made by Partner in a Group entity	(130)	(100)	**-**	**-**
	Net cash used in financing activities	**(130)**	**(100)**	**-**	**-**
	Net (decrease)/increase in cash and cash equivalents	**(15,672)**	**1,172**	**(10,074)**	**476**

	Consolidated		Company	
	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000	For the year ended 31 August 2010 £'000	For the year ended 31 August 2009 £'000
Cash and cash equivalents at beginning of the year	**27,436**	**26,264**	**20,602**	**20,126**
Cash and cash equivalents at end of the year	**11,764**	**27,436**	**10,528**	**20,602**

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

Consolidated Statement of Changes in Equity

		Share capital £'000	Share premium £'000	Unrealised investment revaluation reserve £'000	Accumulated losses £'000	**Total attributed to owners of the parent £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance as at 1 September 2008	*(a)*	500	47,752	(886)	568	**47,934**	-	**47,934**
Transactions with owners	*(b)*	-	-	-	-	**-**	-	**-**
		-	-	-	-	**-**	-	**-**
Other transactions								
Drawings made by Partner in a Group company		-	-	-	-	**-**	(100)	**(100)**
Net unrealized loss reserve transfer		-	-	(2,053)	2,053	**-**	-	**-**
Transfer of accumulated un-realised gain on investments sold		- -	-	2,345	(2,345)	**-**	-	**-**
	(c)	-	-	292	(292)	**-**	(100)	**(100)**
(Loss)/ Profit for the year		-	-	-	(6,068)	**(6,068)**	141	**(5,927)**
Total comprehensive (loss)/ income for the year	*(d)*	-	-	-	(6,068)	**(6,068)**	141	**(5,927)**
Balance as at 31 August 2009		**500**	**47,752**	**(594)**	**(5,792)**	**41,866**	**41**	**41,907**
Balance as at 1 September 2009	*(a)*	500	47,752	(594)	(5792)	**41,866**	41	**41,907**
Transactions with owners	*(b)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		-	**-**	**-**	**-**	**-**	**-**	**-**
Other transactions								
Drawings made by Partner in a Group company		-	-	-	-	**-**	(130)	**(130)**
Net un-realised gain reserve transfer		-	-	(1,361)	1,361	**-**	**-**	**-**

Transfer of accumulated unrealized gain on investments sold	-	-	(434)	434	**-**	**-**	**-**
(c)	-	-	(1,795)	1,795	**-**	(130)	**(130)**
(Loss)/ Profit for the year	-	-	-	(2,323)	**(2,323)**	115	**(2,208)**
Total comprehensive (loss)/ income for the year (d)	-	-	-	(2,323)	**(2,323)**	115	**(2,208)**
Balance as at 31 August 2010	**500**	**47,752**	**(2,389)**	**(6,320)**	**39,543**	**26**	**39,569**

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

Company Statement of Changes in Equity

		Share capital £'000	Share premium £'000	Retained earnings/ (Accumulated losses) £'000	Total £'000
Balance as at 1 September 2008	*(a)*	500	47,752	1,561	**49,813**
Transactions with owners	*(b)*	-	-	-	**-**
Loss for the year		-	-	(336)	**(336)**
Total comprehensive loss for the year	*(c)*	-	-	(336)	**(336)**
Balance as at 31 August 2009		**500**	**47,752**	**1,225**	**49,477**
Balance as at 1 September 2009	*(a)*	500	47,752	1,225	**49,477**
Transactions with owners	*(b)*	-	-	-	**-**
Loss for the year		-	-	(12,200)	**(12,200)**
Total comprehensive loss for the year	*(c)*	-	-	(12,200)	**(12,200)**
Balance as at 31 August 2010		**500**	**47,752**	**(10,975)**	**37,277**

(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 custom's 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 2010 (including comparatives) were approved and authorised for issue by the board of directors on 25 February 2011.

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. Changes in accounting policies

3.1 Overall considerations

The Group has adopted the following new standards and amendments to IFRS issued by the International Accounting Standards Board and adopted by the European Union, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 September 2009:

- IAS 1 Presentation of Financial Statements (Revised 2007)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Annual Improvements to IFRS 2008
- Amendment to IFRS 7 Financial Instruments: Disclosures

Significant effects on the current, prior or future periods arising from the first time application of these new requirements in respect of presentation, recognition and measurement are described in notes 3.2 to 3.5. An overview of the standards, amendments and interpretations to IFRSs issued but not effective is given in note 3.6.

3.2 Adoption of IAS 1: Presentation of Financial Statements: A Revised Presentation (Issued September 2007)

Effective date: Annual periods beginning on or after 1 January 2009

The changes in the revised standard include renaming certain sections of the financial statements, the requirement to publish an opening statement of financial position for the previous financial year in certain circumstances, separate presentation of changes in equity arising from transactions with owners and with non-owners, separate disclosure by component of amounts removed from stockholders' equity and recognized in income, and disclosure of the related income tax effect by component in the statement of recognized income and expense. The Group has applied this standard for annual periods beginning 1 September 2009 and has also provided comparative information of the previous period. The adoption of the standard does not affect the financial position but gives rise to additional disclosures. The Group has elected to present the 'Statement of comprehensive income' in single statement: the 'Statement of comprehensive income'. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. Further, the Group has not presented a third statement of financial position in the current year as there are no retrospective changes or reclassifications of items in the financial statements after adoption of amendments and revisions in existing standards.

3.3 IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

Effective date: Annual periods beginning on or after 1 July 2009

The revised statement makes changes in measurement as well as presentation which are relevant to the Group's financial statements, as summarized below:-

(a) Attribution of losses to non-controlling interests:
IAS 27R requires companies to attribute total comprehensive income (or loss) to owners of the parent and to the non-controlling interest even if this results in non-controlling interests having a deficit balance;

(b) Presentation of non-controlling interest
The revised statement is explicit in requiring non-controlling interests to be presented within equity in the statement of financial position, separate from the parent owners' equity.

Accordingly, adoption of the revised standard where applicable, a loss would be attributed to the non controlling interest. However, in the case of the Group, there will be no allocation of loss to non-controlling interest in the current year as the non –controlling interest is in a profit making subsidiary of the Company.

Further, a reconciliation of non-controlling interest has been presented as a separate column within the statement of changes in equity.

3.4 Annual Improvements 2008

Effective date: Annual periods beginning on or after 1 January 2009

The improvements to IFRS made several minor but non-urgent amendments to IFRSs. The amendments relevant to the Group include the amendments made in IAS 28 – Investments in Associates which is summarized below-

For any investment made in an associate, certain additional disclosures be made if investment is accounted for at fair value in accordance with IAS 39 which requires the Group to disclose if there exist any significant restrictions on ability of the associates to transfer funds to the investor in the form of dividends, or repayment of loans and advances. In the case of the Group there exist no such restrictions for transfer of funds by any of the associate entities to the Group, hence, no further disclosures in respect thereof are required to be made.

3.5 Amendment to IFRS 7 Improving Disclosures about Financial Instruments (Issued March 2009)

Effective date: Annual periods beginning on or after 1 January 2009

The amendments to IFRS 7 are intended to explain more clearly how entities determine the fair value of their financial instruments and improve the disclosures of liquidity risk.

(a) The amendment includes enhanced disclosures about valuations, methodologies and the uncertainty associated with fair value measurements.
(b) Further, the amendment clarifies and enhances existing disclosure requirements about the nature and extent of liquidity risk arising from financial instruments. Enhanced disclosure requirements result in disclosures that better enable users to evaluate an entity's exposure to liquidity risk arising from financial instruments and how the entity manages this risk.

The management applied this standard for annual period beginning 1 September 2009 and the adoption of this standard resulted in additional disclosures included in the Group's subsequent financial statements which have been provided in detail in notes 24 and 25 below.

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

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

(I) Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements and which have been endorsed by the European Union is provided below:

IAS 24 Related Party Disclosures (Revised November 2009)

The IASB published revised version of IAS 24 to provide exemption from IAS 24's disclosures for transactions with a) a government that has control, joint control or significant influence over the reporting entity and b) 'government-related entities' (entities controlled, jointly controlled or significantly influenced by that same government). The revised version also amended the definition of related party to remove inconsistencies and depict the intended meaning.

Though the standard is applicable to the Group, the amendments from the previous version would not have any impact on the consolidated financial statements.

Annual Improvements to IFRS 2009 (various effective dates, earliest beginning 1 January 2010)

The Improvements to IFRS's makes minor amendments to 12 International Financial Reporting Standards (IFRSs). The annual improvements process has been developed to address non-urgent, but necessary, minor amendments to IFRS's.

The relevant amendment relates to IAS 7 Statement of cash flows which is effective for annual periods beginning on or after 1 January 2010 clarifies that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

The above changes would not have a significant impact of the presentation and disclosure of the consolidated financial statements, when these are adopted.

(II) Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements and which have not been endorsed by the European Union is provided below:

IFRS 9 Financial Instruments (Issued 12 November 2009 and revised in October 2010)
The standard was issued in November 2009 and then subsequently revised in October'2010 provides guidance for classifying and measuring financial liabilities and derecognizing financial assets and liabilities. Also, there is additional guidance provides on impairment methodology and hedge accounting in comparison to the previous standard IAS 39 proposed to be replaced with IFRS 9.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of the IFRS 9 replacement have been published and they can comprehensively assess the impact of all changes.

Annual Improvements to IFRS 2010 (various effective dates, earliest beginning 1 January 2011)
Some of the applicable amendments which are affected are summarised as under:

- IFRS 7: Clarifies the disclosure requirements of the standard to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading.

- IAS 1: Presentation of Financial Statements: Clarification of statement of changes in equity: Clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

The above changes would not have a significant impact on the presentation and disclosure in the consolidated financial statements, when these are adopted.

4. Summary of significant accounting policies

4.1 Overall considerations

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

4.2 Basis of consolidation

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

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

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

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

4.3 Investment in associates

Associates are those entities over which the Group is able to exercise significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognized at cost and are subsequently required to be accounted for using the equity method. By way of exemption under IAS 28 for venture capital organizations, 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 recognized in profit or loss in the period of change.

4.4 Foreign currency translation

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

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

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

4.5 Revenue recognition

Revenue comprises of 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 of 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 recognized on accrual basis through profit or loss.

4.7 Property, plant and equipment

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

Depreciation is recognized on a straight line basis to write down the cost less estimated residual value of property, plant and equipment over the estimated useful lives of assets concerned, as determined by management. Depreciation expense during the year is included under the heading 'other expenses' in the income statement.

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

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

Material residual value estimates and estimates of useful life of all types of assets are updated as required, but at least annually, whether or not the asset is revalued.

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

4.8 Impairment of non financial assets

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

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

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

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

4.9 Income taxes

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

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

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

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

4.10 Investment in subsidiaries

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

4.11 Financial instruments

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

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

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

Financial assets

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

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

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

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

Financial liabilities

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

4.12 Cash and cash equivalents

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

4.13 Equity and reserves

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

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

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 unrealized is transferred from retained earnings to 'Unrealised investment revaluation reserve' and are transferred to retained earnings upon realisation.

4.14 Provisions, contingent liabilities and contingent assets

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

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

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

4.15 Leases

Whenever under terms of the lease, substantial risks and rewards related to ownership of the leased asset, are retained with the lessor, are considered as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.16 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 judgments in applying accounting policies

Information about significant management judgments that have the most significant effect on the financial statements is summarized 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 judgment are included under note 4.11.

Determination of functional currency of individual entities

Following the guidance under IAS 21 *"The effects of changes in foreign exchange rates"* the functional currency of each individual entity is determined to be the currency of the primary economic environment in which the entity operates. The management understands that each individual entity's functional currency reflects the 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 judgments, 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 judgments, 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.

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 subsidiary has been recorded in the standalone financial statements of the Company and related information has been disclosed in note 12 and 13 respectively. The amounts of non-current assets that are past due but not impaired are disclosed in note 24 below.

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 utilized. 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 2,985 thousand as at 31 August 2010 (31 August 2009: GBP 2,204 thousand) in relation to the Mauritius subsidiaries.

7. Investment and other income

	2010 £'000	2009 £'000
Interest income	86	518
Dividend income	103	152
Management fee*	156	144
Service fee from investee	207	-
Reimbursement of expenses from investee companies	219	-
Other income	-	57
	771	**871**

* Represents fee receivable from the co-investment vehicle.

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

	2010 £'000	2009 £'000
Unrealised gains on investments	3,009	788
Unrealised losses on investments*	(4,370)	(2,841)
Realised gain /(loss) on investment**	322	(1,455)
	(1,039)	**(3,508)**

* The Group during the year made investment in Global Cricket Ventures Limited (GCV) for 50% (subsequently diluted to 47.06 %) equity stake for GBP 5,949 thousand. The value of the investment as of 31 August 2010 was determined to be GBP 1,934 thousand and accordingly, there is an unrealized loss on the investment for GBP 4,015 thousand.

** During the year ended 31 August 2010, the Group has fully disposed of its investment in NIIT Limited. The Group sold 2,606 thousand shares for a total sale consideration of GBP 2,613 thousand. The total realised gain on the sale of this investment is GBP 756 thousand (being the excess of sale consideration over the original cost of GBP 1,857 thousand). However, there is realised gain for the year is GBP 322 thousand (being the excess of fair value of GBP 2,291 thousand as on 31 August 2009 over the sale consideration). It may be noted that the Group has not provided for any carried interest that may accrue to the carried partner on the above disposal.

9. Management fees

Under the "Investment Management Agreement", the amount of management fee for the year ended 31 August 2010 is the greater of GBP 1,000 thousand or 2 % of Net Asset Value (NAV) till 25 April 2010, thereafter it has been fixed at 2% of NAV of Elephant Capital plc as at the most recent valuation date. For the year ended 31 August 2009, management fee was greater of GBP 1,000 thousand or 2 % of NAV.

Other expenses also include amounts out of the management fee paid to Elephant Capital LLP (Investment Manager) and incurred by them.

10. Other expenses

	2010 £'000	2009 £'000
Administration charges		
-Incurred by Elephant Capital LLP*	303	352
-Other administration charges	761	421
Directors' fees**	152	145
Auditors' remuneration***	56	40
	1,272	**958**

*Refer note 9.

**Detail of Directors' fee is as follows:

	2010 £'000	2009 £'000
Pramath Raj Sinha	26	-
Niraj Agarwal	25	25
Gaurav Burman	25	25
Sir Peter Alexander Burt	6	25
Francis Anthony Hancock	25	25
James Norman Hauslein	25	25
Elizabeth Tansell	20	20
	152	**145**

The Company has no other employees.

***Auditor's remuneration comprises:		
Audit of Company's annual accounts	29	20
Audit of subsidiaries' annual accounts	12	12
Review of Group's half yearly accounts	15	8
	56	**40**

11. Taxation

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

The Mauritian entities consolidated in the Group are Global Business License Category 1 (GBL1) companies in Mauritius and under the current laws and regulations are liable to pay income tax on their net income at a rate of 15%. The entities are, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of the Mauritian tax payable in respect of their foreign source income thus reducing their maximum effective tax rate to 3%. No Mauritian capital gains tax is payable on profits arising from the sales of securities, and any dividends and redemption proceeds paid by the entities to their member will be exempt in Mauritius from any withholding tax. At 31 August 2010, the entities had no income tax liability due to tax losses carried forward.

Deferred taxation

No deferred tax asset has been recognised in respect of the tax loss carried forward for GBP 1,367 thousand and GBP 1,618 thousand in Tusk Investments Fund 1 and Tusk Investments Fund 2 respectively as no taxable income is probable in the foreseeable future.

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

	2010 £'000	**2009 £'000**
Analysis of charge for the year		
Income tax expense	-	-
Total tax expense	**-**	**-**
Loss before taxation	(2,208)	(5,927)
Loss attributable to Elephant Capital plc and other Group companies except Mauritian Funds	460	336
(Profit) attributable to non controlling interest	(115)	(141)
Loss attributable to Mauritian Entities	**(1,863)**	**(5,732)**
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	(279)	(860)
Tax effect of:		
Exempt income	(51)	(26)
Non-taxable items	204	309
Non-allowable expenses	9	382
Un-utilised tax loss for the period	117	195
Income tax charge	**-**	**-**

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

Particulars	2010 £'000	2009 £'000
Company shares in Group undertakings:		
Elephant Capital LP*	-	-
Tusk Investments Fund 1	6,985	6,985
Tusk Investments Fund 2**	13,250	21,250
Elephant 2 Limited*	-	-
Elephant Investments (General Partner) Limited*	-	-
Elephant Investments (Carry) Limited*	-	-
Elephant Capital Services Limited*	-	-
Less: Provision for impairment***	(7,650)	-
	12,585	**28,235**

* Amounts have been rounded to the nearest thousand.

** During the year ended 31 August 2010, there was a buy-back made by the Company of 179,310 shares out of total outstanding equity share capital of Tusk Investments Fund 2 for a consideration of GBP 8,000 thousand. This transaction has not changed the % of shares held in the subsidiary.

*** As of 31 August 2010, in the Company financial statements,; an impairment analysis of the investment in subsidiaries was done. and consequently, an impairment loss of GBP 7,650 thousand was recorded on account of decline in the value of investments made through group subsidiaries.

The Group comprises of the following entities:

Name of Subsidiary	Incorporation (or registration) and operation	Proportion of ownership Interest	Proportion of voting Power
Elephant Capital LP	England	100%	100%
Tusk Investments Fund 1	Mauritius	100%	100%
Tusk Investments Fund 2	Mauritius	100%	100%
Elephant 2 Limited	Guernsey	100%	100%
Elephant Investments (General Partner) Limited	England	100%	100%
Elephant Investments (Carry) Limited	British Virgin Islands	100%	100%
Elephant Capital Services Limited	England	100%	100%
Elephant Capital LLP	England	90%	90%
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 of the following:-

Particulars	2010 £'000	2009 £'000
Non current		
Elephant Capital LP*	17,500	-
Less Provision for impairment*	(4,015)	-
	13,485	-
Current		
Elephant 2 Limited	677	677
	14,162	**677**

* A loan for GBP 17,500 thousand was given by Elephant Capital plc to Elephant Capital LP in order to provide funds further to Tusk Investments Fund 1 for making investments in certain investee companies in accordance with the investment strategy of the Group. The loan was primarily given to fund investments in Global Cricket Ventures Limited (GCV), Amar Chitra Katha Private Limited (ACK) and ClinTec Luxemburg S.A. (ClinTec).

As of 31 August 2010 there was a write down for GBP 4,015 thousand in the investment made in GCV as compared to cost of investment for GBP 5,949 thousand (refer note 14 for details). Accordingly, in the Company financial statements, the loan originally given by Elephant Capital plc to Elephant Capital LP for making investment in GCV was written down by way of a provision for impairment of a similar amount.

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

14. Investments at fair value through profit or loss

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

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

(i) Obopay Inc, an unquoted company incorporated in the United States of America has been valued based on 'price of recent investment'.

(ii) Global Cricket Ventures (GCV) - The Group made investment for 50% equity stake (subsequently diluted to 47.06%) in Global Cricket Ventures Limited (Mauritius) for GBP 5,949 thousand in November 2009. However, the Board of Elephant Capital plc has decided to exit from this investment (refer note 27 for detail) and accordingly, the value of this investment as on 31 August 2010 has been determined on the basis of best estimate of the net assets of GCV attributable to Elephant Capital's shareholding.

(iii) ACK - The Group acquired equity stake of 25.50% in ACK for GBP 3,186 thousand in June 2010. The investment is measured at transaction price (adjusted for foreign exchange loss as of the reporting date) which is considered to be reasonable estimate of the fair value as of the reporting date.

(iv) ClinTec - The Group acquired 28. 57% equity stake in ClinTec for GBP 8,000 thousand in August 2010. The investment is measured at transaction price which is considered to be reasonable estimate of the fair value as of the reporting date.

Details of the Group's investments are as under:

		2010 £'000	2009 £'000
Listed investments			
Balance brought forward		12,428	15,565
Additions		-	1,987
Additions on account of consolidation of Elephant Capital 1Limited		-	1,266
Disposal		(2,291)	(4,884)
		10,137	13,934
Unrealised gain/(loss)		2,800	(1,506)
	A	**12,937**	**12,428**
Unlisted investments			
Balance brought forward		1,678	2,225
Additions		17,135	-
		18,813	2,225
Unrealised loss		(4,161)	(547)
	B	**14,652**	**1,678**
Total investment	**A+B**	**27,589**	**14,106**

15. Property, plant and equipment

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

	Office equipment £'000	Furniture and fixtures £'000	Computer hardware £'000	Total £'000
Gross carrying amount (at cost)				
Opening balance as at 1 September 2009	5	26	-	31
Additions	-	2	3	5
As at 31 August 2010	**5**	**28**	**3**	**36**
Accumulated depreciation				
Opening balance as at 1 September 2009	1	4	-	5
Charge for the period**	1	7	- *	8
As at 31 August 2010	**2**	**11**	- *	**13**

	Office equipment £'000	Furniture and fixtures £'000	Computer hardware £'000	Total £'000
Net carrying value				
As at 31 August 2010	**3**	**17**	**3**	**23**
As at 31 August 2009	**4**	**22**	**-**	**26**

* Amounts have been rounded to the nearest thousand.

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

16. Receivables

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Interest receivable from banks	1	1	19	15
Dividend receivable	67	-	62	-
Management fee	-	-	144	-
Interest receivable on account of Krammer loan	203	-	333	-
Accrued income	3	-	-	-
Rent Deposit*	23	-	-	-
Expenses recoverable from investee companies	219	72	-	-
	516	**73**	**558**	**15**

* Rent deposit which is considered as recoverable within one year as of the reporting date has been classified to 'current assets' from 'other non-current assets' as at 31 August 2010.

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

17. Cash and cash equivalents

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Cash in current accounts	9,278	8,042	899	700
Cash in short term deposits accounts	2,486	2,486	26,537	19,902
	11,764	**10,528**	**27,436**	**20,602**

18. Payables

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000

Trade and other payables	379	103	278	72
	379	**103**	**278**	**72**

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

19. Share capital

	2010 £'000	2009 £'000
Authorised 300,000,000 ordinary shares of 1p each	3,000	3,000
Issued and fully paid 50,000,000 ordinary Shares 1p each	500	500

The Company's share capital comprises of ordinary shares. Rights attached to ordinary shares include the right to vote at the Company's meetings of shareholders including AGM and receive future dividends. On listing, warrants were allocated to initial 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 Warrants) in respect of investment by the co-investment vehicle. The EIL Warrants are subject to the same terms and conditions as the warrants issued under initial placing of ordinary shares. Copies of the warrant instrument are available on application to the Company's registered office.

20. Loss and net asset value per share

	2010	2009
Loss attributable to ordinary shareholders	£ (2,323,025)	£ (6,067,938)
Issued ordinary shares	50,000,000	50,000,000
Loss per share (basic and diluted)	(5p)	(12p)
Net assets value per share (statutory)	£0.79	£0.84
Net assets value per share (statutory) is based on the statutory net assets as at year end	£ 39,569,087	£41,907,341

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

21. Financial assets and liabilities

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

Financial assets

	Note	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Investments at fair value through profit or loss	**14**	27,589	-	14,106	-
Loans and receivables					
• Other assets (security deposit for operating leases)		-	-	23	-
• Loan to subsidiaries	**13**	-	14,162	-	677
• Receivables	**16**	516	73	558	15
• Cash and cash equivalents	**17**	11,764	10,528	27,436	20,602
Total		**39,869**	**24,763**	**42,123**	**21,294**

Security deposits mentioned above are interest bearing and have been recorded at inception at fair values. Maturity dates for these deposits fall in 2011. The above receivables other than security deposits do not carry any interest income and management considers the fair values to be not materially different from the carrying amounts recognised in the statement of financial position as they are expected to be settled within the next one year.

Financial liabilities

	Note	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Financial liabilities measured at amortised cost:					
Payables	**18**	379	103	278	72
Total		**379**	**103**	**278**	**72**

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

The accounting policies for each category of financial instruments are provided in note 4.11. Information relating to fair values is presented in the related notes. The methods used to determine the fair values are described in note 14 above. A description of the Group's financial instruments risks, including risk management objectives and policies is given in note 24.

22. Operating leases

The Group's operating lease payments are incurred on premises taken on lease for operating activities. The expense for premises taken on lease recognized for the year ended 31 August 2010 is GBP 39 thousands (31 August 2009: GBP 18 thousands). No sublease income or contingent rent payments were made or received.

The Group's future minimum operating lease payments in respect of non-cancelable leases are as under:

	2010 £'000	2009 £'000
Amounts due within one year	30	39
Amounts due between one and five years	-	30
Amounts due in greater than five years	-	-
Total	**30**	**69**

23. Related party transactions

i. Related parties

(a) Key Management Personnel (KMP)

Names of Directors
Pramath Raj Sinha (Date of appointment 3 December 2009)
Niraj Agarwal (Date of resignation 21 September 2010)
Gaurav Burman
Sir Peter Alexander Burt (Date of resignation 3 December 2009)
Francis Anthony Hancock
James Norman Hauslein
Vikram Lall (Date of appointment 11 October 2010)
Elizabeth Tansell

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

Elephant 2 Limited
Elephant Capital LLP
Chamberlain Fund Services Limited
Elephant India Finance Private Limited
Elephant India Advisors Private Limited
Elephant India Limited

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

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

ClinTec Luxembourg SA (ClinTec)

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

(a) Key Management Personnel (KMP)

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

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

Nature of transaction	**Amount**		**Debit/ (Credit) balance** *(unsecured)*	
	year ended 31 August 2010 £'000	**year ended 31 August 2009 £'000**	**As at 31 August 2010 £'000**	**As at 31 August 2009 £'000**
Director's Fee	152	145	(27)	(24)

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

Nature of transaction	**Amount**		**Debit/ (Credit) balance** *(unsecured)*	
	for the year ended 31 August 2010 £'000	**for the year ended 31 August 2009 £'000**	**As at 31 August 2010 £'000**	**As at 31 August 2009 £'000**
(i) Management fees*:				
Paid to Elephant India Advisors Private Limited	486	400	-	-
Paid to Elephant India Limited	300	134	-	-
Received from Elephant India Finance Private Limited	156	108	-	108
Received from Promethean India Finance Private Limited	-	36	-	36
(ii) Registrar and administration charges paid to Chamberlain Fund Services Limited	16	17	(1)	(1)
Service fee from GCV	219	-	(12)	
Reimbursement of expenses from ACK	69	-	69	-
Reimbursement of expenses from ClinTec	150	-	150	-

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

24. Risk management objectives and policies

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

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

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

Market risk

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

Currency risk

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

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

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

	£'000	**£'000**
Functional currency	**GBP**	**GBP**
Foreign currency	**INR**	**USD**
31 August 2010		
Financial assets	16,011	3,715
Financial liabilities	-	42
Net short term exposure	**16,011**	**3,673**
31 August 2009		
Financial assets	12,429	1,740

	£'000	£'000
Functional currency	**GBP**	**GBP**
Foreign currency	**INR**	**USD**
Financial liabilities	-	14
Net short term exposure	**12,429**	**1,726**

As at 31 August 2010, if INR or USD had weakened by 1% (based on average daily volatilities in the previous 12 months) (2009: 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 2010	160	37	**197**
31 August 2009	125	17	**142**

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

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

Interest rate risk

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

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

Price risk

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

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

For the listed equity securities, an average daily volatility of 3 % has been observed during 2010 (2009: 5%). 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 340 thousand (2009: GBP 578 thousand). The listed securities are classified as investments at fair value through profit or loss.

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

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

Credit risk

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

During the year ended 31 August 2010 there was loan given by Elephant Capital plc to Elephant Capital LP, which was further given to Tusk Investments Fund 1 for investing in unlisted entities. As of 31 August, 2010; there is a decline in the value of investment made in GCV by GBP 4,015 thousand as compared to its cost of GBP 5,949 thousand as referred to in note 14 above. Accordingly, there is an equal impairment for GBP 4,015 thousand recorded in the carrying amount of loan given to Elephant Capital LP in Company financial statements of Elephant Capital plc.

Apart from this, the management considers the credit quality of all other financial assets to be good in the standalone and consolidated financial statements and thus, these are not impaired.

Liquidity risk

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

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

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

(Amounts in £ '000)

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

31 August 2010			
Trade and other payables	379	-	-
31 August 2009			
Trade and other payables	278	-	-

Company financial liabilities	**Current**		**Non-current**
	Due within 6 months	Due in more than 6 months but less than one year	Due in more than one year
31 August 2010			
Trade and other payables	103	-	-
31 August 2009			
Trade and other payables	72	-	-

25. 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 2010	**Note**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets:					
Listed securities	**14**	12,937	-	-	12,937
Unlisted securities	**14**	-	8,000	6,652	14,652
Total		12,937	8,000	6,652	**27,589**
Liabilities		**-**	**-**	**-**	**-**
Net fair value		**12,937**	**8,000**	**6,652**	**27,589**

31 August 2009	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:					
Listed securities	**14**	12,428	-	-	12,428
Unlisted securities	**14**	-	-	1,678	1,678
Total		12,428	-	**1,678**	**14,106**
Liabilities		**-**	**-**	**-**	**-**
Net fair value		**12,428**	**-**	**1,678**	**14,106**

Measurement of fair value

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

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

(b) Unlisted securities:
The Group's unlisted investments have been valued in accordance with the methodology described in note 14 above.

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

There have been no transfers between Level 1 and 2 during the reporting period. Further, there have been no transfers into or out of level 3 during the current reporting period.

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	**2010 £'000**	**2009 £'000**
Opening balance	1,678	2,225
Purchases	9,135	-
Sales	-	-
Gains or losses recognized in:		
profit or loss	(4,161)	(547)
Other comprehensive income	-	-
Closing balance	**6,652**	**1,678**

26. Capital management policies and procedures

The Group's capital management objectives are:

1. to ensure the Group's ability to continue as a going concern; and
2. 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.

27. Events after the reporting date

(i) Subsequent to the year end, there has been a loss in value of Company's investments due to fall in the index of the Indian stock market affecting the prices of securities listed thereon. This has increased the unrealised losses on investments by GBP 4,427 thousand, resulting in the following valuations:

(Amounts in £ '000)

Investments	**Value at 31 August 2010**	**Sales**	**Unrealised Profit/(Loss)**	**Value at 21 February 2011**
EIH Limited	7,836	-	(3,083)	4,753
Nitco Limited	1,429	-	(13)	1,416
Mahindra Forgings Limited	3,672	-	(1,331)	2,341
	12,937	**-**	**(4,427)**	**8,510**

(ii) Elephant Capital invested GBP 8000 thousand , in a secondary transaction, in ClinTec in August' 2010 for a 28.57% stake. Over the last year, ClinTec has broadened its geographic footprint, opening offices and establishing relationships in new geographies. However, revenues have been slower to come on stream than anticipated, as pipeline projects did not convert to work orders at the rate expected, and as some projects were delayed or cancelled. As a result, future projections have been scaled back. The Company has made no adjustment to the valuation of its investment in ClinTec at this time, as underperformance materialized post the reporting period.

(iii) The Group has decided to dispose of its investment in GCV and discussions are underway to exit its entire holding. Elephant Capital therefore considers it appropriate to write down the value of this investment to GBP 1,934 thousand, which represents the best estimate of net assets of GCV attributable to Elephant Capital's shareholding.

(iv) In December 2010, the Group decided not to exercise warrants held in respect of Obopay, and as a result these warrants have expired. The Group has therefore written down the value of these warrants by GBP 106 thousand.

(v) As of 4 January 2011, Elephant Capital LLP became authorized and regulated by the FSA (Financial Services Authority) in the United Kingdom. Pursuant to this, Elephant Capital LLP is now entitled to providing investment management services to clients outside the Group as well. The entity is now required to meet standards set out in their Handbook of Rules and Guidance.

(vi) On 17 December 2010, the entire subscribed share capital (2 shares of GBP 1.00 each) of a Elephant Capital Services Limited, subsidiary of Elephant Capital plc were transferred from Elephant Capital plc to Gaurav Burman, one of the directors in the Elephant Capital plc, by way of a stock transfer form. This was done as part of the process of completing the formalities for FSA authorisation of Elephant Capital LLP in the United Kingdom.
This resulted in loss of control of the aforementioned subsidiary by Elephant Capital plc subsequent to the year end. As investment transferred at cost from Elephant Capital plc there was no gain or loss realized upon such transfer of equity stake in subsidiary by Elephant Capital plc.

28. On 14 March 2010, Global Cricket Ventures ("GCV") received notice from World Sports Group ("WSG") that its license agreements, to transmit the feed and footage of the 2010 IPL by means of the internet, had been terminated. No disclosure of this matter was made in the interim accounts for the period ended 28 February 2010, because it was considered that the circumstances surrounding the termination were not sufficient for it to be upheld and that in any case, amicable negotiations for a reversal of the termination were proceeding with WSG.

29. Segmental information

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

30. Ultimate controlling party

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