Elephant Capital
INVESTING IN INDIA

Annual Report
2009

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

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Directors and Advisors

Directors
Pramath Raj Sinha (Date of appointment 3 December 2009)
Niraj Agarwal
Gaurav Burman
Sir Peter Alexander Burt (Date of resignation 3 December 2009)
Francis Anthony Hancock
James Norman Hauslein
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Chairman's Statement

I join Elephant Capital at an exciting time in its development – and, at what I consider to be an exciting time to be investing in India. The Indian economy has not been unaffected by the global downturn, and this has been a difficult year for those in our field, but the strength of the turnaround has been encouraging. Industrial output, corporate earnings, and the equity markets are all showing strong momentum. However, I fear it is too soon to assume that we are out of the woods. The recent "recovery" has been very dependent upon the expansionary nature of fiscal and monetary policy, adopted in the wake of the financial crisis. These policies cannot be maintained indefinitely, and mindful of a burgeoning fiscal deficit, "exit" discussions are already well advanced.

Concerns over the resilience of the Indian economy were expressed at the start of the year, with GDP growth for the year to March 2009 coming in at 6.7%, the slowest in six years. At the same time, both exports and industrial production were negative year-on-year, foreign investors were exiting the Indian markets and in March, the Sensex hit a low of 8,160 points. More recent data however, points firmly to an improvement. The index of industrial production was up 11.7% in November, exports have recorded a second consecutive month of positive growth, and quarterly GDP growth at 7.9% for the July – September quarter, was the strongest in eighteen months. The Reserve Bank of India, ("RBI") is currently projecting GDP growth for the 2009 – 10 year to be 7.5%, in line with IMF forecasts, which rank India as the second fastest growing economy globally. Most visibly, the Sensex has rallied strongly, and is now up around 100% from its lows in March 2009.

The unexpectedly decisive victory for the Congress-led UPA ("United Progressive Alliance") in May 2009 was the key political event of the year, but also marked a clear step change in the progress of the Indian markets. The Sensex jumped 17% on the news, as investors speculated that unencumbered by the Left, the Government would be able to deliver on its plans to revive the economy, boost infrastructure spending and move ahead with liberalisation measures. Whilst some were disappointed that no clear roadmap for divestment was laid down at the annual budget in July, the Government has since announced a mandatory 10% sell down of profit-making public sector firms, with the proceeds to be directed towards social sector programmes. This has provided some comfort that the Government is addressing the fiscal deficit, forecast to be 6.8% for the 2009 – 10 year and in addition signals to the market and investor community that reform and liberalisation remain firmly on the agenda.

Set against this volatile background, I am satisfied by the way in which our portfolio has performed. This year saw the share prices of our portfolio companies hit lows of approximately 50% to 80% below the peaks achieved earlier in the financial year, but more promisingly, has seen much of these losses recovered. Our investments in EIH and NIIT are both extremely sound. Operationally, EIH has been affected by the global downturn and security concerns relating to the shocking events in Mumbai in November 2008, but with its excellent portfolio of assets, has largely maintained the confidence of the market. NIIT, which is active in vocational skills and education, one of the most dynamic sectors in the Indian economy today, saw its price fall to less than 10% of its all time high, but as signs of recovery have emerged, its share price has rallied strongly. In December, we felt that the time was opportune to start to realise this investment, and accordingly have now divested around 75% of our holding, generating an IRR in excess of 25%.

Although not currently profitable, we continue to be confident that our investment in Mahindra Forgings will be positive for us. The downturn has been particularly pronounced in the auto sector, bringing about the bankruptcy of two of the big three auto players in the US, and so it may be some time before confidence is fully restored. We have however, been impressed by the steps the company has taken to protect the business, and share management's belief that India has a promising future in the production of auto components for the world market. Turning to Nitco, the news in September, that the company was subject to an investigation by the Directorate of Revenue Intelligence, in connection with customs duty payable on imported marble slabs, caused us great concern. However, we are represented on the Board, and are working closely with management to help steer the company through these difficult times. We are confident that the worst is now behind us, and that going forward, it will be "business as usual".

We are pleased to report that Obopay is performing well, and that we have every confidence in the strategy it is executing. In particular, we are enthusiastic about the tie-up with Nokia, announced in March 2009, which will lead to the launch of "Nokia Money", a mobile financial service offering that will see Obopay technology pre-loaded onto Nokia handsets in selected markets this year. In a similar arrangement, Obopay technology is now available on Apple iPhones, for use in the US. The announcement in December, that Obopay had been selected as 2010 Technology Pioneer by the World Economic Forum further reinforces our conviction that this business has an exciting future.

Our investment in Global Cricket Ventures ("GCV") was announced post the year end, but I would like to take this opportunity to say how excited I am by this business. GCV is the exclusive licensee of key digital and mobile rights relating to the Indian Premier League ("IPL") and Champion's League Twenty20 ("CLT20") until 2017, and will be responsible for developing their respective websites. In addition, in January, GCV announced the acquisition of Willow TV, the primary owner and leading online broadcaster of cricket in North America, with television and online live streaming rights for IPL, CLT20 and ICC events, as well as long-term rights from several cricket Boards. IPL and CLT20 have been phenomenal successes in India, setting new standards in terms of rights, sponsorship and advertising spend, and I am confident that GCV will be able to harness this potential going forward. GCV recently announced a partnership with Google India, which I think will prove an important development in this regard.

At this point however, I do feel it worth sounding a few cautionary notes. Whilst I continue to believe that India provides an attractive environment for investment, getting deals done in the private equity field has been tough. This does not reflect a lack of interesting business opportunities – far from it – but, keenly aware of the long-term potential inherent in the economy, and in each individual's own venture, promoters have maintained unrealistic valuation hurdles for their businesses. Many funds have also faced tighter liquidity constraints over the past year, and as a result, private equity activity in India was down 63% by value in calendar year 2009.

I spoke earlier of the economic recovery. Whilst this has surprised positively, it would be wrong to suggest that no weak spots remain. After 14 consecutive weeks of deflation, September saw the return of positive inflation, triggered by stronger growth and a weaker than normal monsoon. The wholesale price index (the official Indian measure) is now at 7.3%, whilst the RBI has raised its March 2010 projection to 8.5%, and retracted some of the liquidity support measures it adopted last year, indicating a tighter policy stance going forward.

In summary, I believe that India offers excellent opportunities for the long-term investor. It has a strong and growing economy, a liberalising economic regime and a wealth of entrepreneurial opportunities. Getting deals done can be difficult, but securing the right investments for our shareholders remains our priority. We have an excellent portfolio of assets, and I am very encouraged by the pipeline going forward. I am pleased to join the Company at a very exciting stage in its development, and look forward to working with the team in the year ahead.

Pramath Raj Sinha
19 February 2010

Investment Manager's Review

Introduction
During the period Elephant Capital plc ("Elephant Capital" or the "Company") made no new investments, though it partially exited its position in EIH Limited in December 2008.

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

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

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

No fresh investments were made during the financial year, but post year end, Elephant Capital has made an investment of GBP 5.95 million in Global Cricket Ventures Limited ("GCV"), an online media and broadcasting company, with exclusive digital and mobile licensing rights in respect of the Indian Premier League ("IPL") and Champion's League Twenty20 ("CLT20") Cricket tournaments, and which owns the domain name, Cricket.com.

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

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

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

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

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

Investment origination and activity
In the period to 31 August 2009 the Manager and Advisor were focused on adding value to the existing portfolio companies and on evaluating high quality investment opportunities.

The operating environment has varied dramatically over the course of the financial year, creating an uncertain and challenging background in which to do business. In particular, the new era ushered in by the collapse of Lehman Brothers, saw an unprecedented freezing of credit markets, and aggressive marking down of leveraged assets, from which the Indian market was not immune. The Sensex shed 60% from peak to trough, between January 2008 and March 2009, but has since staged an impressive comeback, hitting highs of 17,700 in recent weeks. However, this rally has been marked by a number of significant pullbacks, which raise questions over its sustainability, and demonstrate how fragile this recovery may yet be.

The effect of this uncertainty has been felt unevenly across sectors, and this is reflected in the performance of our portfolio. Property prices collapsed globally during the credit crisis, but the impact was particularly pronounced in India, where the realty index lost 90% in value between January 2008 and March 2009. Nitco too hit lows some 90% below our in-price. It has since rallied around 120%, but with confidence in the stock shaken by news that the company was being investigated in connection with a customs tax evasion, its performance continues to disappoint. Mahindra Forgings, which is heavily exposed to the global auto market, has also been slow to recover. However, we have been impressed by the measures management has taken to protect the business, and position it for recovery, and believe that the mark-to-market on this investment will improve as global demand picks up.

We continue to be pleased with our investment in EIH, which remains comfortably above cost. This year has been an extremely challenging one for the hospitality sector, with weak global demand, security concerns post the terrorist attacks in Mumbai and the swine flu pandemic all weighing. EIH has weathered these storms extremely well, and more recently, has seen its share price buoyed by press speculation (as yet unsubstantiated) of a possible change in the ownership structure. At year end, our investment in NIIT was just above cost and, in the context of the past year, has been a sound investment for us. NIIT is an excellent play on the “India growth story”, and with positive economic news building, the share price has rallied well. In view of this, we took the decision in December last year to sell down our position in NIIT, and have now divested around 75% of our holding, generating an IRR in excess of 25%. The Indian markets weakened in the second half of January and we have therefore retained the remaining 0.66 million shares, which represent a holding in the company of 0.4%.

Our investment in Obopay has also been positive for Elephant, with the most recent fund raising being done at a premium of more than 5% to our average in-price. With over 300 million mobile users and only limited access to conventional electronic means of payment, we continue to believe that the mobile payments sector represents a huge opportunity in India. This is a view shared by Nokia, which announced a partnership with Obopay in March last year. We believe this tie-up to be extremely encouraging, and expect it to drive Obopay to the next phase of its development.

We were very pleased to be able to announce our investment in GCV in November last year. The Manager and Advisor are aware that this is our first fresh investment for some time, but with asset values uncertain, we felt that shareholders’ interests were best served by conserving cash, until the “right” investment could be found. GCV’s subsequent acquisition of Willow TV, the primary rights owner and leading online broadcaster of cricket in North America and its partnership with Google India are, we believe important steps in its development, and we look forward to updating you on this business in the near future.

The Manager and Advisor are committed to securing the best deals for Elephant; but, getting comfortable with an investment opportunity, on the basis of valuation, corporate governance and due diligence can take time, especially in the context of the Indian market. However, we successfully conserved cash in the downturn, and with none of the liquidity constraints that continue to affect our peers, are well placed to act quickly when the time is right. We have every confidence that our strategy will continue to deliver exciting opportunities for Elephant and look forward to a busy year.

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

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

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

Overseas revenue accounts for over 75% of total revenue for Mahindra Forgings, of which the European markets are the focus. These markets, and in particular the commercial vehicle segment in which Mahindra Forgings specialises, have faced unprecedented difficulties this year. For example, as at March 2009, truck production in Germany was some 60% below the level one year previously whilst passenger car production was down by around 30%. Inevitably, Mahindra Forgings has suffered, but it has actively sought to rationalise its business in response, reorienting its strategy towards cash conservation and cost reduction. Mahindra Forgings believes that the situation in Europe is stabilising, whilst conditions in India are already starting to pick up, with all major vehicle segments reporting quarter-on-quarter growth in FY10. The Manager and Advisor were comforted to note that in its Q3 results, Mahindra Forgings reported volume growth of over 40% for the first three quarters. Elephant Capital is represented on the Board and is working closely with management to ensure that this momentum is sustained.

At the end of October, the Board of Mahindra Forgings approved in principle plans for an equity raising. In January it announced a Qualified Institutional Placement (“QIP”) issue of 17.5 million shares, with promoters entitled to warrants totaling 7.3 million at a price of INR 137. Proceeds will be used to fund ongoing capital requirements, providing greater flexibility, and strengthening the debt covenants of the company.

As announced on 22 October 2009, Elephant Capital has been required to write down part of a loan of GBP 3.7 million extended to Krammer Holdings Pte. Ltd (full details are contained in note 11 of these accounts). The loan was originally secured by 600 shares in Elephant Capital 1 Limited (the “Guarantee Shares”) which holds shares in Mahindra Forgings. The 600 Guarantee Shares were transferred to the Group under a Deed of Settlement dated 2 February 2010, effectively raising our position in Mahindra Forgings from 1.9% to 3.9%.

Investment Manager's Review continued

Obopay Inc.

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

Obopay has successfully raised USD 137 million in five separate funding rounds. Elephant Capital invested GBP 0.7 million in the Series "C" funding and GBP 0.5 million in the Series "D" funding, in July 2007 and April 2008 respectively. In its most recent fund raising, Obopay received total funding of USD 70 million from Nokia and some existing investors in closings occurring in February 2009, April 2009 and January 2010. Given the valuation of the recent rounds of funding and the fact that Elephant Capital was awarded warrants due to the introductions the Advisor has made in the past, the Manager and Advisor decided not to invest in this last round of funding.

The Manager and Advisor are very positive on the collaboration with Nokia, and are enthusiastic that "Nokia Money" which will be rolled out to selected markets in early 2010 will be an effective driver for the business. Nokia believes that emerging markets such as India, where mobile phone penetration exceeds bank account penetration, represent a huge opportunity for mobile payment technologies which effectively link those not currently served by existing payment mechanisms, to the financial system. With the Obopay mobile payments application now available on Apple iPhones for use in the US, we firmly believe that momentum for this technology is building. The Manager and Advisor were further delighted to see that in December 2009, Obopay was selected as 2010 Technology Pioneer by the World Economic Forum, in recognition of its innovation, transformational technology, leadership and substantial long-term impact on businesses and society. It was one of just 26 companies around the world to receive such an award.

Nitco Limited

The Advisor first became interested in Nitco Limited in June 2007. The Advisor wanted to participate in the significant real estate growth in India but was finding it difficult to justify the high valuations that the private or listed property companies in India were demanding. As a result the Advisor started to look at businesses that it felt would benefit from the significant amount of commercial, residential and retail construction in India. The Manager and Advisor felt that Nitco which, since being founded in 1956 had grown to become the second largest branded tile manufacturer in India, was an interesting play on this space.

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

The property bubble which developed in India in the second half of 2007 collapsed dramatically in early 2008, with the realty index losing 90% of its value from the peak in January 2008, to the trough in March 2009. The chief casualties of the downturn have been property developers – at one time, a rapidly growing, and important customer base for Nitco, and its operational performance has been affected accordingly. More recently, Nitco has tried to reduce its focus on institutional clients, in favour of the retail market segment, where margins are higher, and market variations are less severe. By expanding its retail network, and developing premium category products, it has reduced the institutional sales contribution from 60% in 2008, to 40% in 2009 and is targeting 20% by 2011.

Inevitably, the value of the company's real estate portfolio corrected sharply during the crisis, reflecting declining real estate values globally. While we take comfort from the fact that the bulk of the portfolio was legacy manufacturing sites, and was therefore not purchased at the height of the bubble, the investment that has gone into the conversion of these assets to commercial and residential use will not now show returns until the market is recovered. In the last six months, with interest rates at historic lows, and confidence in the economy building, the Indian real estate market does seem to have stabilised, and in the residential sector at least, there are signs that prices are rising. Nitco however, remains cautious with respect to its real estate business. With the exception of an IT Park at Thane, which is nearing completion, and a joint venture residential project at Worli, Mumbai, where construction has commenced, it has postponed the execution of its development projects until a more appropriate time.

Whilst broadly supportive of the strategic decisions that Nitco has undertaken to protect and reposition the business at this time, the Manager and Advisor were extremely concerned to learn in September that the company had been investigated by the Directorate of Revenue Intelligence in connection with an investigation into custom duty payable on imported marble slabs. Sales of imported products were suspended for four months in the current fiscal year, substantially affecting the company's results. Our position on the Board has enabled us to discuss this inquiry extensively with management, and we are working hard with them to resolve the issues it has thrown up. We believe that much progress has been made, and are confident that these events will not impact the company long-term.

EIH Limited

The Advisor became interested in the hospitality sector in India, because despite the growth of tourism both internationally and domestically, and the proliferation of affordable air travel, there were fewer luxury hotel rooms in India than in Manhattan. EIH represented an attractive opportunity for Elephant Capital, because it has one of the best portfolios of properties in India, and, at the time of our investment, the Advisor believed that it was not correctly valued by the public markets. The Fund built its stake in the business during the month of August 2007.

Today, EIH owns or manages 28 hotels, with over 3,000 rooms and three cruise ships in five countries, under the luxury "Oberoi" and five star "Trident" brands. The Manager and Advisor have been impressed by the group's roll out in recent years, with new openings in Indonesia, Mauritius and Egypt. In December 2009, the group opened a 436-room Trident at Bandra Kurla, Mumbai, and is targeting new openings in Gurgaon, Delhi in 2010, and in Bangalore in 2011. Internationally, construction of a 252-room Oberoi, at Business Bay in Dubai is under way, with opening expected in 2011 and management contracts have been signed for two Oberoi hotels in Abu Dhabi and one in Oman. The Oberoi Group's two hotels in Mumbai, the Trident, Nariman Point and The Oberoi Mumbai were among the 10 locations in the City targeted during the shocking terrorist attacks in late November 2008. The Trident reopened in December 2008, but the Oberoi remains closed for renovation, with reopening expected this year.

Analysts have long speculated that EIH might become the subject of corporate activity, but press speculation has intensified in recent months, and the share price has been buoyed as a result. EIH however, has not commented formally on the rumours.

NIIT Limited

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

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

The Manager and Advisor have been pleased with the operating performance of NIIT throughout the downturn; the company's "Individual Learning Solutions" and the "Schools Learning Solutions" businesses have been consistently strong, whilst the "Corporate Learning Solutions" business has seen steady margin growth. In particular, we have been encouraged by the number of significant contract wins announced in recent months. These include partnerships with IBM and SAP India to teach their respective technologies, and with KPMG to offer training in IFRS. Earlier in the year, NIIT announced contracts to provide computer aided learning to 1870 schools in Gujarat and 1672 schools in Rajasthan for INR 844 million and INR 214 million respectively.

NIIT was hit hard by the collapse of the equity markets, but has rallied well in recent months on the back of positive economic and company specific news. We therefore took the decision in December 2009 to divest our holding in the company, and accordingly between 11 December and 21 January 1.9 million shares were sold, representing 75% of our total investment and achieving an IRR in excess of 25%. Selling was suspended in the second half of January as the Indian markets weakened, and we continue to hold 0.66 million shares in the company.

As at 31 August 2009, the portfolio was as follows:

Company	Sector	Listed/ Unlisted	Cost £'000	Valuation £'000	Gain/(Loss) £'000
EIH Limited	Hospitality	Listed	5,402	6,032	630
Mahindra Forgings Limited*	Automotive	Listed	4,809	2,503	(2,306)
NIIT Limited (formerly referred as Project Einstein)	Education	Listed	1,857	2,291	434
Nitco Limited**	Building Materials	Listed	1,393	1,602	209
Obopay Inc.	Mobile Banking Services	Unlisted	1,239	1,678	439
Total			14,700	14,106	(594)

The valuations of the above are in accordance with International Financial Reporting Standard/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).
** Please refer to footnote 1 of note 9 to the financial statements.

Realisations

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

EIH Limited

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

Investment Manager’s Review continued

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 finalisation of the Company’s relevant accounts (interim or final), the valuation is based on the sale price.

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

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

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

Events after the balance sheet date
Subsequent to the period end, the Company has made an investment of GBP 5.95 million in Global Cricket Ventures Limited, Mauritius, an online media and broadcast company which owns one of the most exciting collections of sporting rights in the internet space. In January 2010, GCV announced that it had acquired the entire issued share capital of Willow TV, the leading internet broadcaster of cricket in North America.

Between 11 December and 21 January, Elephant Capital sold 1.9 million shares in NIIT, representing 75% of its total holding.

Further details on events after the balance sheet date are disclosed in note 28 to the financial statements.

Gaurav Burman
on behalf of Elephant Capital LLP
19 February 2010

Directors’ Report

The Directors present their report and accounts for the year 1 September 2008 to 31 August 2009.

Principal activities, trading review and future developments
Elephant Capital plc (the “Company") is an investment company established to build a concentrated portfolio of investments in India that is actively managed by Elephant Capital LLP (the “Manager") to realise long-term capital gains.

Results and dividends
The Group’s consolidated financial statements are set out on pages 12 to 32. The Group reported net assets at the balance sheet date of GBP 41.91 million and in the year to 31 August 2009 loss attributable to the shareholders of GBP 6.07 million.

Directors
The Directors of the Company during the year and to date were as follows:
Pramath Raj Sinha (appointed 3 December 2009)
Niraj Agarwal (appointed 23 March 2007)
Gaurav Burman (appointed 1July 2008)
Sir Peter Alexander Burt (resigned 3 December 2009)
Francis Anthony Hancock (appointed 6 July 2006)
James Norman Hauslein (appointed 23 March 2007)
Elizabeth Tansell (appointed 6 July 2006)

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

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

Key performance indicators
The Directors monitor the business through growth in the net asset value (total assets less total liabilities) as disclosed on note 22.

Financial risk management
It is the responsibility of management to ensure that proper controls are in place to maintain effective risk management in every aspect of the Company's business. The main risks comprise market risk, currency risk, interest rate risk, price risk, credit risk and liquidity risk. Details of how the management manages the risks are set out in note 26 to the financial statements.

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

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

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing those financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors' Report continued

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

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

Gaurav Burman
Director
on Behalf of the Board
19 February 2010

Report of the Independent Auditor to the Members of Elephant Capital plc (formerly known as Promethean India plc)

We have audited the consolidated and parent Company financial statements (the "financial statements") of Elephant Capital plc for the year ended 31 August 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with Isle of Man law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, Investment Manager's Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

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

Opinion
In our opinion:
- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's and the parent Company's affairs as at 31 August 2009 and of the Group's loss for the year ended 31 August 2009;
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 August 2009.

Grant Thornton

Grant Thornton
Chartered Accountants
Isle of Man
19 February 2010

Consolidated Income Statement

	Notes	For the year ended 31 August 09 £'000	For the year ended 31 August 08 £'000
Revenue			
Investment and other income	7	**871**	1,945
Net foreign exchange gain	8	**772**	–
Net losses on financial assets at fair value through profit or loss	9	**(3,508)**	(1,238)
		(1,865)	707
Expenses			
Management fees	10	**(651)**	(1,000)
Loss on default in recovery of loan	11	**(2,449)**	–
Other expenses	12	**(958)**	(473)
Loss before finance costs and tax		**(5,923)**	(766)
Finance costs		**(4)**	(1)
Loss before tax		**(5,927)**	(767)
Income tax expense	13	**–**	–
Group loss after tax		**(5,927)**	(767)
Attributable to:			
Minority interest		**141**	–
Equity holders of the Company		**(6,068)**	(767)
		(5,927)	(767)
Loss per share – (basic and diluted)	22	**(12p)**	(2p)

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

Consolidated Balance Sheet

	Notes	As at 31 August 09 £'000	As at 31 August 08 £'000
ASSETS			
Non-current			
Investments at fair value through profit or loss	15	**14,106**	17,790
Property, plant and equipment	16	**26**	–
Other assets		**23**	–
		14,155	17,790
Current			
Loans recoverable	17	**–**	3,708
Receivables	18	**558**	355
Prepayments		**36**	14
Cash and cash equivalents	19	**27,436**	26,264
		28,030	30,341
Total assets		**42,185**	48,131
Current Liabilities			
Payables	20	**278**	197
		278	197
Net assets		**41,907**	47,934
EQUITY			
Share capital	21	**500**	500
Share premium		**47,752**	47,752
Unrealised investment revaluation reserve		**(594)**	(886)
Retained earnings		**(5,792)**	568
Attributable to the equity holders of the Company		**41,866**	47,934
Minority interest		**41**	–
Total Equity		**41,907**	47,934
Net asset value per share	22	**£0.84**	£0.96

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

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on 19 February 2010 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Company Balance Sheet

	Notes	As at 31 August 09 £'000	As at 31 August 08 £'000
ASSETS			
Non-current			
Investments in subsidiaries	14	**28,235**	28,235
		28,235	28,235
Current assets			
Receivables	18	**692**	1,575
Prepayments		**20**	12
Cash and cash equivalents	19	**20,602**	20,126
		21,314	21,713
Total assets		**49,549**	49,948
Current liabilities			
Payables	20	**72**	135
		72	135
Net Assets		**49,477**	49,813
Equity			
Share capital	21	**500**	500
Share premium		**47,752**	47,752
Retained earnings		**1,225**	1,561
Equity attributable to equity holders of the Company		**49,477**	49,813

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

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on 19 February 2010 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Cash Flow Statement

	Consolidated		Company	
	For the year ended 31 August 09 £'000	For the year ended 31 August 08 £'000	**For the year ended 31 August 09 £'000**	For the year ended 31 August 08 £'000
(A) Cash flows from operating activities				
(Loss)/profit before taxation	**(5,927)**	(767)	**(336)**	885
Adjustments for:				
– Depreciation	**5**	–	**–**	–
– Interest income	**(518)**	(1,754)	**(67)**	(1,327)
– Dividend income	**(152)**	(191)	**–**	–
– Loss on default in recovery of loan	**2,449**	–	**–**	–
– Loss on sale of investments	**1,455**	–	**–**	–
– Unrealised losses on investments	**2,053**	1,238	**–**	–
Net changes in working capital :				
– Decrease/(increase) in receivables, prepayments and other assets	**(116)**	863	**896**	(1,151)
– Increase/(decrease) in payables	**81**	(3,453)	**(63)**	(207)
Net cash (used in)/generated from operations	**(670)**	(4,064)	**430**	(1,800)
Income tax paid	–	–	–	–
Net cash (used in)/generated from operating activities	**(670)**	(4,064)	**430**	(1,800)
(B) Cash flows from investing activities				
Purchase of property, plant and equipment	**(31)**	–	**–**	–
Purchase of investments	**(1,987)**	(4,310)	**–**	–
Proceeds from sale of investments	**3,429**	–	**–**	(9,250)
Interest received	**303**	1,664	**46**	1,322
Dividend received	**228**	54	**–**	–
Net cash generated by/(used in) investing activities	**1,942**	(2,592)	**46**	(7,928)
(C) Cash flows from financing activities				
Drawings made by partner in a group entity	**(100)**	–	**–**	–
Net cash used in investing activities	**(100)**	–	**–**	–
Net increase/(decrease) in cash and cash equivalents	**1,172**	(6,656)	**476**	(9,728)
Cash and cash equivalents at beginning of period	**26,264**	32,920	**20,126**	29,854
Cash and cash equivalents at end of period	**27,436**	26,264	**20,602**	20,126

(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	Retained Earnings £'000	Total attributed to the shareholders of Elephant Capital plc £'000	Minority Interest £'000	Total Equity £'000
Balance as at 1 September 2007	**500**	**47,752**	**352**	**97**	**48,701**	**–**	**48,701**
Loss for the year	–	–	–	(767)	(767)	–	(767)
Net Unrealised loss reserve transfer	–	–	(1,238)	1,238	–	–	–
Balance as at 31 August 2008	**500**	**47,752**	**(886)**	**568**	**47,934**	**–**	**47,934**
Balance as at 1 September 2008	**500**	**47,752**	**(886)**	**568**	**47,934**	**–**	**47,934**
(Loss)/Profit for the year	–	–	–	(6,068)	(6,068)	141	(5,927)
Drawings made by partner in a group company	–	–	–	–	–	(100)	(100)
Net unrealised loss reserve transfer	–	–	(2,053)	2,053	–	–	–
Transfer of accumulated unrealised gain on investments sold	–	–	2,345	(2,345)	–	–	–
Balance as at 31 August 2009	**500**	**47,752**	**(594)**	**(5,792)**	**41,866**	**41**	**41,907**

(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 £'000	Total £'000
Balance as at 1 September 2007	**500**	**47,752**	**676**	**48,928**
Profit for the year	–	–	885	885
Balance as at 31 August 2008	**500**	**47,752**	**1,561**	**49,813**
Balance as at 1 September 2008	**500**	**47,752**	**1,561**	**49,813**
Loss for the year	–	–	(336)	(336)
Balance as at 31 August 2009	**500**	**47,752**	**1,225**	**49,477**

(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") formerly known as Promethean India plc is a public limited Company, incorporated in the Isle of Man on 16 May 2006 and is 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 income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity. The financial statements also include the Company balance sheet, the Company cash flow statement 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 income statement. The accounting policies for the preparation of the Company balance sheet, cash flow statement 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 2009 (including comparatives) were approved and authorised for issue by the Board of Directors on 19 February 2010.

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

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. 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 1	Presentation of Financial Statements (revised) (effective from 1 January 2009)
IAS 27	Consolidated and Separate Financial Statements (Revised 2008) (effective from 1 July 2009)
IAS 32	Financial Instruments: Presentation–Puttable Financial Instruments and Obligations Arising on Liquidation Amendment (effective from 1 January 2009)
IFRS 3	Business Combinations (Revised 2008) (effective for acquisition dated on or after the beginning of the first annual reporting period beginning on or after 1 July 2009)
IFRS 8	Operating Segments (effective from 1 January 2009)
IFRIC 17	Distributions of Non-cash Assets to Owners (effective from 1 July 2009)
IAS 39	Amendments to IAS 39: Financial Instruments: Recognition and Measurement (July 2008) (effective from 1 July 2009)
IFRS 7	Amendment to IFRS7 Improving Disclosure about financial Instruments (Issued 2009) (effective 1 January 2009)

Improvement to IFRS (Issued 22 May 2008) (effective 1 January 2009)

Information on new standards, amendments and interpretations which have been issued and expected to be relevant to the Group's financial statements, but not yet adopted by the European Union is provided below:

IAS 24	Related Party Disclosures (Revised) (Issued November 2009) (effective 1 January 2011)
IFRS 9	Financial Instruments (Issued November 2009) (effective 1 January 2013)
IFRIC 19	Extinguishing Financial Liabilities with Equity instruments (Issued November 2009) (effective 1 July 2010)

Improvement to IFRS (Issued April 2009) (various effective dates, earliest being 1 July 2009)

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

Certain other new standards and interpretations have also been issued but are not expected to have a material impact on the Group's financial statements.

4. Summary of significant accounting policies

4.1 Overall considerations

The consolidated financial statements have been presented on a going concern basis. The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. The consolidated 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 separate 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 made up to 31 August each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The Company obtains and exercises control through more than half of the voting rights. In specific circumstances control may exist even when the Company does not hold more than half of the voting rights (as further described in note 11). 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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. If losses in a subsidiary applicable to a minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the majority interest except to the extent that the minority has a binding obligation and is able to cover the losses.

4.3 Foreign currencies

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. 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.

4.4 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:

Income from investment

Profit earned from sale of investments is recognised on a trade date basis. Upon sale of securities, the cost of securities is computed on the basis of average cost.

Interest income

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

Dividend income

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

4.5 Expenses

Expenses are accounted for on an accrual basis.

4. Summary of significant accounting policies continued

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment losses. Cost comprises purchase price and any cost attributable to bringing the assets to its working condition for its intended use.

Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of property, plant and equipment over the estimated useful lives of assets concerned. 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

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

4.7 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax. 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 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 directly in equity, in which case the related deferred tax is also recognised in equity.

4.8 Investment in subsidiaries

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

4.9 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 expensed in the income statement.

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, receivables; and loan recoverable 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.

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 a 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 Income Statement). Subsequently, the investments are valued at "fair value" with gains or losses recognised in the income statement. Fair value of such investments is determined in accordance with IAS 39 and the International Private Equity and Venture Capital Association valuation guidelines.

All income and expenses relating to financial assets that are recognised in the income statement 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 on the face of the income statement or within "other expenses".

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

4.10 Cash and cash equivalents
Cash and cash equivalents comprise of demand deposits which are readily convertible to known amounts of cash and are subject to insignificant risks of change in value.

4.11 Equity, reserves and dividend payments
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 at the shareholders' meeting 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 include all current and prior period retained losses. All transactions with owners of the parent are recorded separately within equity.

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

4.12 Provisions, contingent liabilities and contingent assets
Provisions are recognised when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. 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.

4.13 Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated 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.

Notes to Consolidated Financial Statements continued

4. Summary of significant accounting policies continued

4.14 Earnings per share

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

5. Significant management judgements in applying accounting policies

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

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

Information on critical estimates and assumptions used in preparation of these financial statements is discussed in note 6.

Information about significant judgements that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:

Investments recognised at fair value through profit or loss

The Group has recognised its investments in listed and unlisted entities 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 the investments at fair value through profit or loss, as they meet the requirements in IAS 39. The facts considered in applying this judgement are included under note 4.9.

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

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 15.

Impairment of loans and receivables

An impairment loss is recognised for the amount by which the loans’ and receivables’ carrying amount exceeds its recoverable amount. To determine the recoverable amount, 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. 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. A loss on default in the recovery of a loan recorded, and related estimates made by the management are explained in note 11. The amounts of loans and receivables that are past due but not impaired are disclosed in note 26.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The Group’s assessment of the probability of availability of future taxable income against which deferred tax assets can be utilised is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. These estimates may vary due to changes in tax legislation which affects the tax rates that are expected to apply in the relevant period and due to the availability of taxable profits which affects recognition of deferred tax assets. The Group had unused tax losses amounting to GBP 2,204 thousand as at 31 August 2009 (31 August 2008: GBP 903 thousand) in relation to the Mauritius subsidiaries.

7. Investment and other income

	2009 £'000	2008 £'000
Interest income	**518**	1,754
Dividend income	**152**	191
Management fee*	**144**	–
Liabilities written back	**57**	–
	871	1,945

* Represents fee receivable from the co-investment vehicle.

8. Net foreign exchange gain

Out of the net foreign exchange gain of GBP 772 thousand for the year ended 31 August 2009, GBP 774 thousand represents the gain realised on the transfer of funds from an Indian Rupee ("INR") denominated cash account of Tusk Investments Fund 2 with its custodian in India to its GBP denominated account in Mauritius.

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

	2009 £'000	2008 £'000
Unrealised gain on investments	**788**	985
Unrealised loss on investments	**(2,841)**	(2,223)
Loss on sale of investments*	**(1,455)**	–
	(3,508)	(1,238)

* (1) During the year ended 31 August 2009, the Group changed its holding of 1.9 million shares in Nitco Limited from participatory notes ("P-notes") due for renewal on 20 July 2009 to a SEBI (Securities and Exchange Board of India) registered sub-account for Tusk Investments Fund 2 ("sub account"). The transaction was effected through a stock exchange transaction i.e. P-notes were sold and the same number of shares were acquired simultaneously. As a result the Group has booked a realised loss of GBP 1,119 thousand over and above the accumulated loss of GBP 3,004 thousand as at 31 August 2008. Subsequently, the Group has changed the cost of this investment from GBP 5,501 thousand to GBP 1,393 thousand.

(2) During the year ended 31 August 2009, the Group has partly disposed of its investment in EIH Limited. The Group sold 1.3 million shares at a price of INR 124.50 each (GBP 1.58 each) for a total sale consideration of GBP 2,052 thousand. The total realised gain on the sale of this investment is GBP 323 thousand (being the excess of sale consideration over the original cost of GBP 1,729 thousand). However, there is an unrealised loss of GBP 336 thousand (being the excess of fair value of GBP 2,388 thousand as on 31 August 2008 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.

10. Management fees

Under the "Investment Management Agreement", the amount of the management fee during the year ended August 31, 2009 and 2008 is GBP 1 million or 2% of NAV, whichever is higher. Other expenses also include amounts out of the management fee paid to Elephant Capital LLP (Investment Manager) and incurred by them.

11. Loss on default in recovery of loan

The Group through one of its subsidiaries had granted a loan to Krammer Holdings Pte Limited ("Krammer" or the "Borrower"). The loan carried an interest charge at the rate of 9% per annum and was due on 28 June 2009. The said loan was used by Krammer to acquire a 60% interest in Elephant Capital 1 Limited ("Elephant 1"), formerly known as Promethean 1 Limited, in which the Group already held a 40% interest through Tusk Investments Fund 1. The loan was secured by a pledge on the 600 shares (the "Guarantee Shares") of Elephant 1, via the share pledge agreement dated 28 June 2007 and the personal guarantee of Mr Puneet Makkar (the "Guarantor") via the guarantee agreement dated 28 June 2007. On the due date i.e. 28 June 2009, Krammer was unable to repay the principal outstanding on the loan amounting to GBP 3,708 thousand and interest thereon.

Consequent to the default, the Group had extensive negotiations with Krammer for the recovery of the outstanding principal and interest. After several rounds of negotiations and discussions, the Board of the Company decided to take control of the Guarantee Shares as a first step towards settling the loan. The announcement to this effect was made on 22 October 2009 on AIM. Subsequent to the announcement a formal Deed of Settlement (the "Deed") has been executed on 2 February 2010, whereby interest accrued and due is payable in three installments by 30 June 2011 and a mechanism for recovery/settlement of the principal amount of the loan has been set out. Under the terms of the Deed, the loan shall be discharged within a maximum period of five years from the date of the Deed through sale of the investments in the underlying shares held by Elephant 1. Further Krammer and the Guarantor shall continue to be liable for the payment of the deficit amount, which shall be paid by the Borrower and/or Guarantor, within 30 days from the expiry of five years from the date of the Deed.

11. Loss on default in recovery of loan continued

The above event has been considered as a post balance sheet adjusting event and accordingly Elephant 1 has been consolidated within the Group as at 31 August 2009 and the Group recorded a loss on recovery of the loan of GBP 2,449 thousand. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the securities. Shares of Mahindra Forgings (the only assets in Elephant 1 as on 31 August 2009) at fair value has been considered for determining the amount of loss on recovery of the loan, however, management is unable to determine the fair value of any potential recovery from invoking the personal guarantee of Mr Makkar, to compute the loss on default in recovery as at balance sheet date, due to uncertainties involved because of its amount being dependent upon the share price of the Mahindra Forgings over the period of the next five years.

The loss on default has been computed as follows:

		2009 £'000
Amount of loan advanced to Krammer		**3,708**
Less: fair value of net assets and liabilities of Elephant 1		
Assets		
Investments	1,266	
Cash and cash equivalents	2	
Prepayments	1	
Total assets (A)	**1,269**	
Liabilities		
Current liabilities	10	
Total liabilities (B)	**10**	
Net assets and liabilities (A-B)		**1,259**
Loss on default in recovery of loan		**2,449**

12. Other expenses

	2009 £'000	2008 £'000
Administration charges		
–Incurred by Elephant Capital LLP*	**352**	–
–Other administration charges	**421**	291
Directors' fees**	**145**	124
Auditors' remuneration***	**40**	58
	958	473

*Refer note 10.

	2009 £'000	2008 £'000
**The amount paid to the highest paid director during the year was as follows:		
Directors' fees	**25**	25
The Company has no other employees		
***Auditor's remuneration comprises:		
Audit of Company's annual accounts	**20**	27
Audit of subsidiaries' annual accounts	**12**	11
Review of Group's half yearly accounts	**8**	20
	40	58

13. 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 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 2009, 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 in Tusk Investments Fund 1 and Tusk Investments Fund 2 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:

	2009 £'000	2008 £'000
Analysis of charge for the year		
Income tax expense	**–**	–
Total tax expense	**–**	–
Loss before taxation	**(5,927)**	(767)
Loss/(profit) attributable to Elephant Capital plc	**336**	(885)
(Profit)/loss attributable to Minority	**(141)**	–
Loss attributable to Mauritian Entities	**(5,732)**	(1,652)
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	**(860)**	(248)
Tax effect of:		
Exempt income	**(26)**	(13)
Non–taxable items	**309**	186
Non–allowable expenses	**382**	25
Unutilised tax loss for the period	**195**	50
Income tax charge	**–**	–

14. Investments in subsidiaries

Company	**2009 £'000**	2008 £'000
Company shares in group undertakings:		
Elephant Capital LP*	**–**	–
Tusk Investments Fund 1	**6,985**	6,985
Tusk Investments Fund 2	**21,250**	21,250
Elephant 2 Limited*	**–**	–
Elephant Investments (General Partner) Limited*	**–**	–
Elephant Investment (Carry) Limited*	**–**	–
Elephant Capital Services Limited*	**–**	–
	28,235	28,235

* Amounts have been rounded to the nearest thousand.

Notes to Consolidated Financial Statements continued

14. Investments in subsidiaries continued
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*	Isle of Man	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	40%	100%

* Elephant 2 Limited, a Company incorporated in the Isle of Man on 7 July 2006, became part of the Group subsequent to a separation agreement dated 21 July 2008 between Elephant Capital plc and Promethean plc, which became effective on 2 September 2008.

** The Group holds a 40% ownership interest in Elephant Capital 1 Limited. However control over the remaining 60% of the voting power was assumed pursuant to the inability of Krammer to repay the loan (refer note 11). The ownership of these 60% shares has been transferred to Tusk Investments Funds 1 pursuant to the Deed of Settlement dated 2 February 2010.

15. Investments at fair value through profit or loss
The Group has invested in a portfolio of listed and unlisted securities. The quoted securities are listed on the Bombay Stock Exchange ("BSE") and the National Stock Exchange ("NSE"), India and the value of such listed investments has been determined using the closing bid market prices on the NSE as at the reporting date. The Group has investments in Obopay Inc, an unquoted company incorporated in the United States of America. The fair value of the unquoted investment has been determined using the "price of recent investment" methodology in accordance with International Private Equity and Venture Capital Guidelines.

Details of the Group's investments are as under:

	Note	2009 £'000	2008 £'000
Listed investments			
Balance brought forward		**15,565**	11,536
Additions		**1,987**	3,799
Additions on account of consolidation of Elephant 1	11	**1,266**	–
Transfer from unlisted investment*		**–**	2,453
Disposal		**(4,884)**	–
		13,934	17,788
Unrealised loss	9	**(1,506)**	(2,223)
	A	**12,428**	15,565
Unlisted investments			
Balance brought forward		**2,225**	3,182
Additions		**–**	511
Transfer to listed investments*		**–**	(2,453)
		2,225	1,240
Unrealised (loss)/gain	9	**(547)**	985
	B	**1,678**	2,225
Total investment	**A+B**	**14,106**	17,790

* Includes investments in Mahindra Forgings Mauritius Ltd which was amalgamated into Mahindra Forgings Limited, a Company listed on the BSE and the NSE, India. The investment is held through a 40% stake in Elephant Capital 1 Limited (formerly Promethean 1 Limited), a Global Business License Category II ("GBL II") company incorporated in the Republic of Mauritius.

16. Property, plant and equipment

	Office equipment £'000	Furniture & fixtures £'000	Total £'000
Group			
Gross carrying amount (at cost)			
Opening balance as at 1 September 2008	–	–	–
Additions	5	26	31
As at 31 August 2009	**5**	**26**	**31**
Depreciation			
Opening balance as at 1 September 2008	–	–	–
Charge for the period	1	4	5
As at 31 August 2009	**1**	**4**	**5**
Net carrying value			
As at 31 August 2008	–	–	–
As at 31 August 2009	**4**	**22**	**26**

17. Loans recoverable – current portion

	2009 £'000	2008 £'000
Loan to Krammer Holdings Pte Limited*	**–**	3,708

* Refer note 11.

18. Receivables

	Group 2009 £'000	**Company 2009 £'000**	Group 2008 £'000	Company 2008 £'000
Interest receivable from banks	**19**	**15**	5	5
Dividend receivable	**62**	**–**	137	–
Management fee	**144**	**–**	–	–
Interest receivable on account of Krammer Loan*	**333**	**–**	143	–
Loan given to group companies/related parties	**–**	**677**	70	1,570
	558	**692**	355	1,575

* Refer note 26 on credit risk under risk management objectives and policies.

19. Cash and cash equivalents

	Group 2009 £'000	**Company 2009 £'000**	Group 2008 £'000	Company 2008 £'000
Cash in current accounts	**899**	**700**	287	4
Cash in short-term deposits accounts	**26,537**	**19,902**	25,977	20,122
	27,436	**20,602**	26,264	20,126

20. Payables

	Group 2009 £'000	**Company 2009 £'000**	Group 2008 £'000	Company 2008 £'000
Trade and other payables	**278**	**72**	197	135
	278	**72**	197	135

Notes to Consolidated Financial Statements continued

21. Share capital

	2009 £'000	2008 £'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 ordinary shares. Rights attached to ordinary shares include the right to vote at the Company's Annual General Meeting("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 (being a 25% premium to the placing price), from 2007 to 2012, within 30 days of the Company's interim unaudited accounts being sent 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 the placing.

Copies of the warrant instrument are available on application to the Company's registered office.

22. Loss and net asset value per share

	2009	2008
Loss attributable to ordinary shareholders	**(£6,067,938)**	(£767,366)
Issued ordinary shares	**50,000,000**	50,000,000
Loss per share (basic and diluted)	**(12p)**	(2p)
Net assets value per share (statutory)	**£0.84**	£0.96
Net asset value per share (statutory) is based on the statutory net assets at year end	**£41,907,341**	£47,934,261

There were no options in issue to dilute the earnings per share. Details of warrants issued are disclosed in note 21. 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.

23. Financial assets and liabilities

The carrying amounts presented in the consolidated balance sheet relate to the following categories of assets and liabilities:

Financial assets

	Note	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Investments at fair value through profit or loss	15	**14,106**	**–**	17,790	–
Loans and receivables					
– Other assets (security deposit for operating leases)		**23**	**–**	–	–
– Loan recoverable	17	**–**	**–**	3,708	–
– Receivables	18	**558**	**692**	355	1,575
– Cash and cash equivalents	19	**27,436**	**20,602**	26,264	20,126
Total		**42,123**	**21,294**	48,117	21,701

Security deposits mentioned above are interest bearing and have been recorded at inception at fair values. Maturity dates for these deposits fall in 2013.

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 balance sheet as they are expected to be settled within the next year.

Financial liabilities

	Note	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Financial liabilities measured at amortised cost:					
Payables	20	**278**	**72**	197	135
Total		**278**	**72**	197	135

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 balance sheet as they are expected to be settled within the next year.

24. Operating leases

The Group's operating lease payments are due on premises taken on lease for operating activities. The lease expense for premises taken on lease, recognised as an expense for the year ended 31 August 2009 is GBP 18,346. The Group's future minimum operating lease payments in respect of non-cancelable leases are as below:

	2009 £'000	2008 £'000
Amounts due within one year	**39**	–
Amounts due between two and five years	**30**	–
Amounts due in greater than five years	**–**	–
Total	**69**	**–**

25. Related party transactions

i. Related parties

(a) Key Management Personnel ("KMP")

Pramath Raj Sinha
Niraj Agarwal
Gaurav Burman
Sir Peter Alexander Burt
Francis Anthony Hancock
James Norman Hauslein
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
Promethean India Finance Private Limited
Elephant India Limited

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 12.

The following amounts were payable on account of Directors' fees payable during each of the years reported:

	2009 £'000	2008 £'000
Directors' fees payable	**24**	42

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

Nature of transaction	Amount		Debit/(Credit) balance	
	For the year ended 31 August 2009 £'000	For the year ended 31 August 2008 £'000	**As at 31 August 2009 £'000**	As at 31 August 2008 £'000
Management fees*:				
Paid to Elephant India Advisors Private Limited	**400**	–	**–**	–
Paid to Elephant India Limited	**134**	–	**–**	–
Paid to Elephant 2 Limited	**–**	1,000	**–**	–
Received from Elephant India Finance Private Limited	**108**	–	**108**	–
Received from Promethean India Finance Private Limited	**36**	–	**36**	–
Reimbursements to Promethean Investments LLP for:				
a) Listing cost	**–**	–	**–**	(34)
b) Miscellaneous expenses	**–**	70	**–**	–
Registrar and administration charges paid to Chamberlain Fund Services Limited	**17**	16	**1**	(3)

* The details of management fees have been included in note 10.

26. Risk management objectives and policies

The Group's financial assets and liabilities by category are summarised in note 23. The Group's risk management is co-ordinated 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 one investment in United States Dollars ("USD") 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's policy is not to hedge INR or USD exposure.

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

	£'000	£'000
Functional currency	**GBP**	**GBP**
Foreign currency	**INR**	**USD**
31 August 2009		
Financial assets	12,429	1,740
Financial liabilities	–	14
Net short-term exposure	**12,429**	**1,726**
31 August 2008		
Financial assets	15,565	2,362
Financial liabilities	–	25
Net short-term exposure	**15,565**	**2,337**

As at 31 August 2009, if the INR or USD had weakened by 1% (based on annual daily volatilities) (2008: 1%) against GBP with all other variables held constant, the loss for the year and equity would have been higher as follows:

	£'000	£'000	£'000
Functional currency	**GBP**	**GBP**	**Total**
Foreign currency	**INR**	**USD**	
31 August 2009	125	17	**142**
31 August 2008	141	23	164

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. A loan of GBP 3,708 thousand to Krammer Holdings Pte Ltd to purchase 60% of Elephant Capital 1 Limited has a fixed interest rate of 9% per annum. However, as explained in note 11, the loan has been settled during the year ended 31 August 2009. Thus, the Group does not have any significant interest rate risks in the current period.

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 the income statement, all changes in 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 5% has been observed during 2009 (2008: 4%). If the quoted stock price for these securities increased or decreased by that amount, the investment value would have changed by GBP 578 thousand (2008: GBP 535 thousand). The listed securities are classified as investments at fair value through the income statement.

The Group's sensitivity to price risk in regards to its investments in Obopay Inc, an unlisted entity, cannot be determined because its securities are not marketable. Its fair value at the balance sheet date has been determined based on "price of recent investments" methodology (refer note 15).

Credit risk
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 2009, a loan and interest accrued thereon was recoverable from Krammer as further described in note 11, but Krammer was unable to repay the loan and interest on the due date, i.e. 28 June 2009. Pursuant to negotiations with Krammer, the principal amount of the loan was renegotiated. Krammer has agreed to repay the interest due of GBP 333 thousand in three installments commencing from March 2010 up to June 2011. This interest receivable has been recognised at its carrying amount and is not considered to be materially different from its fair value.

The management considers the credit quality of all other financial assets to be good and thus these are not impaired.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's short, medium and long-term funding and liquidity management requirements.

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

	£'000		
31 August 2009	**Current**		**Non-current**
Group financial liabilities	Due within 6 months	Due in more than 6 months but less than 1 year	Due in more than 1 year
Trade and other payables	278	–	–

	£'000		
31 August 2008	**Current**		**Non-current**
Group financial liabilities	Due within 6 months	Due in more than 6 months but less than 1 year	Due in more than 1 year
Trade and other payables	197	–	–

Notes to Consolidated Financial Statements continued

27. 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.

28. Events after the balance sheet date

(i) Subsequent to the year end, there has been a gain in the value of Company's investments due to a rise in the Indian stock market. This has decreased the unrealised losses on investments by £2,554 thousand, resulting in the following valuations:

Investments	**Value at 31 August 2009**	(Sales)	Unrealised Profit/Loss	£'000 **Value at 15 February 2010**
EIH Limited	**6,032**	–	1,039	**7,071**
Nitco Limited	**1,602**	–	(350)	**1,252**
Mahindra Forgings Limited	**2,503**	–	1,549	**4,052**
NIIT Ltd.*	**2,291**	(1,985)	316	**622**
	12,428	**(1,985)**	**2,554**	**12,997**

* During December 2009 and January 2010, the Company sold 1,944 thousand shares of NIIT Limited for an aggregate consideration of GBP 1,985 thousand. The partial exit resulted in a realised gain of GBP 600 thousand. Subsequent to the disposal, the Company's aggregate holding in NIIT Limited was 662 thousand shares, valued at GBP 622 thousand.

(ii) The Company has made an investment of USD 10 million, (equivalent to GBP 5.95 million) through its subsidiary Tusk Investments Fund 1 in the Series "A" funding of Global Cricket Ventures Limited, Mauritius ("GCV"), an online media and broadcasting company, with exclusive digital, mobile and image rights in respect of the Indian Premier League ("IPL") and key digital rights in respect of the Champion's League Twenty20 ("CLT20") cricket tournament. These rights include the development of these tournaments' official websites, www.iplt20.com and www.clt20.com. GCV also owns the internet portal, www.cricket.com.

GCV has acquired the entire issued share capital of Willow TV Inc. ("Willow TV"). Willow TV is the primary rights owner and online broadcaster of cricket in North America, with television and online live streaming rights for most major international cricket events, including the IPL, CLT20, and International Cricket Council events.

(iii) Pursuant to the default on the loan from Krammer, as detailed in note 11 above, the management had extensive negotiations with Krammer to agree a way in which the loan could be settled and has entered into a Deed of Settlement (the "Deed") on 2 February 2010 with Krammer and accordingly the title of the 600 shares in Elephant 1 has been transferred in favour of the Group. The parties to the Deed have further agreed that the liability of the loan may be discharged within a maximum period of five years from the date of this Deed. In the event that the liability is not fully discharged during the period stipulated in the Deed, Krammer and the Guarantor shall continue to be liable for the payment of the deficit amount, which shall be paid by the Borrower and/or Guarantor, within 30 days from the expiry of five years from the date of the Deed.

29. Segmental information

The management has considered the provisions of IAS 14 in relation to segmental 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 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 15.

30. Ultimate controlling party

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Elephant Capital plc will be held at 3rd Floor, Exchange House, 54-62 Athol Street, Douglas, Isle of Man IM1 1JD on 24 March 2010 at 10.00am for the purposes of considering and, if thought fit, passing the following resolutions:

1. That the Company's audited report and financial statements for the year ended 31 August 2009 in the form produced to the Annual General Meeting be received and adopted;

2. To reappoint Grant Thornton (Isle of Man) as auditors of the Company for the current year and to authorise the Directors to fix their remuneration;

3. To reappoint Pramath Raj Sinha as Director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at the next annual general meeting following his appointment; and

4. In accordance with Rule 8 of the AIM Rules to seek the consent of shareholders for the Company's investing strategy of acquiring and taking control of underperforming small and mid-cap businesses in India and managing them as a private equity investor.

5. To transact any other business that may be transacted.

26 February 2010
3rd Floor, Exchange House
54–62 Athol Street
Douglas
Isle of Man IM1 1JD

By order of the Board
Elizabeth Tansell
Secretary

Notes
Only holders of the shares in the Company are entitled to attend the meeting.

A shareholder is entitled to appoint one or more proxies to attend the meeting, and, on a poll, vote instead of him. A proxy need not be a shareholder.

A Form of Proxy is enclosed for the use of shareholders which, if required, should be completed in accordance with the instructions thereon.

Notes

Form of Proxy

To: The Registrar
Chamberlain Fund Services Limited
3rd Floor
Exchange House
54–62 Athol Street
Douglas
Isle of Man IM1 1JD
Tel: 44 (0) 1624 641560
Fax: 44 (0) 1624 641561

I/We ____
(BLOCK CAPITALS PLEASE)

of ____

being (a) member(s) of the above named Company, hereby appoint the Chairman of the Meeting or

* ____
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 24 March 2010 and at any adjournment thereof.

*An alternative proxy may be named if desired.

I/we direct my/our proxy to vote as follows:

	For	Against
Resolution No. 1 To receive and adopt the Company's audited Report and Financial Statements for the year ended 31 August 2009.		
Resolution No. 2 To reappoint Grant Thornton (Isle of Man) as auditors for the current year, and to authorise the Directors to fix their remuneration.		
Resolution No. 3 To reappoint Pramath Raj Sinha as Director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at the next annual general meeting following his appointment.		
Resolution No. 4 In accordance with Rule 8 of the AIM Rules to seek the consent of shareholders for the Company's investing strategy of acquiring and taking control of underperforming small and mid-cap businesses in India and managing them as a private equity investor.		

If this form is signed and returned without indication as to how the proxy is to vote, he will exercise this discretion both as to how he votes and whether or not he abstains from voting.

Signature ____

Dated this ____________________ day of ______________________________ 2010

Initials and Surname ____

Notes

1. Please indicate how you wish your vote to be cast. If you do not so do, your proxy will abstain or vote at their discretion.
2. In the case of a corporation, this proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders any one may sign but the vote of the first-named on the register of members will be accepted to the exclusion of the votes of the other joint holders.
4. To be effective, this proxy must be lodged at the office of the Administrator of the Company (Chamberlain Fund Services Limited, 3rd Floor Exchange House, 54-62 Athol Street, Douglas, Isle of Man IM1 1JD) not less than 48 hours before the time fixed for the meeting.

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

www.elephantcapital.com