Elephant Capital

INVESTING IN INDIA

Annual Report
2008

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

Contents

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Gaurav Burman
Francis Anthony Hancock
James Norman Hauslein
Elizabeth Tansell

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Chairman's Statement

The Report and Accounts covers the period from 1 September 2007 to 31 August 2008. July 2007 marked the start of a period that will be remembered for a long time to come. There is the old cliché, "May you live in interesting times" and we certainly do. This has been a difficult year but despite this I am pleased to report that we have made solid progress.

This year has brought great changes for Elephant Capital plc. We changed our name on 28 August 2008, the date when we separated from Promethean Investments and we now have a team focused exclusively on India. We have three offices, London, New Delhi, and Mumbai, and have doubled our headcount to ten. The business is now established as an AIM listed, India focused Private Equity fund. Over the past year we have been both cautious and disciplined in our approach, making only one new investment during this period, in a leading Indian educational business, "Project Einstein". We are awaiting the outcome of discussions with the management of the business to proceed further with this investment. We also made a small follow-on funding in Obopay, maintaining our pro-rata shareholding in the company. Obopay received further funding from Essar (Vodafone's joint venture partner in India) at a significantly higher valuation to when the Company made its initial investment.

The past 18 months have been a difficult time for India, politically, socially, and economically. In economic terms, very few predicted that this period would bring for us the astonishing list of failures and rescues of financial companies around the world. Not surprisingly, India was not immune and continues to suffer from the global economic shock that effectively has dried up all liquidity. While all Indian investors understood that exponential growth was possible as a result of the country's demography and rising employment, what many forgot is that growth cannot happen without investment, and investment cannot happen without capital. As a result, while many appeared happy to pay high multiples for Indian businesses based on forecasts of their potential growth, the valuations came crashing down when the growth disappeared. This was compounded by a multiplier effect, which meant that as capital became scarce, emerging market risk premium that had disappeared returned and further depressed valuations. As a result the Indian benchmark indices for both the small and large cap sectors have fallen by up to 70%.

We did not come through unscathed. The mark to market valuations on both Nitco, and Mahindra Forgings have suffered but we continue to believe in the potential of both businesses. We have board seats in both and we are working diligently with the management to make sure the businesses weather the storm and come through the other side in good shape. EIH continues to trade well and its shares are still at or above the price which we paid for them.

We added value this year, not only in the investments we made but perhaps even more in the investments we chose not to make. The team continued to see a tremendous amount of proprietary deal flow but we could not get comfortable with the valuations and the terms on which many of the investments were offered. The other good decision was our firm belief that the property prices in India had reached bubble like levels and we stayed away from that sector in its entirety.

As a result of these factors, we have now invested 42% of the total capital raised to date, leaving us with GBP 28 million of uninvested cash. We believe that leaves us ample opportunity to do approximately three or four transactions over the next 18 months. We are now conducting due-diligence on one business which is in a high growth consumer segment where there are still many barriers to entry. We also have a pipeline of transactions, a number of which would give us control of the businesses concerned. The next 2–3 years seem likely to be difficult and so, as a purchaser of assets, we should be well placed to take advantage of the opportunities and lower valuations.

I cannot ignore the terrible impact of the terrorist attacks that occurred in Mumbai towards the end of last year. We had colleagues and friends in both hotels, some of whom were injured and some sadly were killed. No country is immune to terrorism but the manner in which these attacks were orchestrated was terrible and we send our sympathy to everyone affected.

We remain enthusiastic about the opportunities available to us in India. As this recession passes, India with its young demographic, high savings rate and relatively low leverage will emerge strong and we expect to see Indian businesses once again becoming highly valued for global investors. Our thanks go to the team for all their hard work over the past year and we shall strive to ensure that Elephant has the ability to find and invest in the best businesses that India has to offer.

Sir Peter Burt
6 February 2009

Investment Manager’s Review

Introduction
During the period Elephant Capital plc (“Elephant Capital” or the “Company”) invested GBP 4.3 million via our Mauritius based fund vehicles Tusk Investments Fund I and Tusk Investments Fund II (individually as the “Fund”, collectively as the “Funds”) into businesses that are established or operating in India. The intention of the Manager is to invest Elephant Capital’s remaining capital via the funds over the next 12–18 months.

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 the members of the Advisor all of whom have extensive experience within the private equity and financial services industry.

Investment Strategy
The Company was established in order to execute a value activist 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 their exposure to any one sector.

The Manager and Advisor intend to make some 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 2008 the Manager and Advisor were focused on adding value to the portfolio companies in which investments had been made and on originating and executing high quality deal flow.

The Manager and Advisor were challenged by a worsening global economic climate. They are pleased that their portfolio companies have continued to perform relatively well and remain profitable. The mark to market valuation on Nitco and Mahindra Forgings is disappointing but the Manager and Advisor are represented on the board of both these companies and are working diligently with management to make sure value is protected and the businesses survive the storm. EIH, the other listed investment is still at or above the cost at which the investment was made. Obopay received further funding from Essar (Vodafone’s joint venture partner in India) at a significantly higher valuation to when the Fund made its initial investment.

One new investment was made, where the Fund took a position in one of the leading education businesses in India. The business is listed and the Fund is still awaiting the outcome of discussions with the management of the business, in order to decide the next steps.

The Manager and Advisor are encouraged with the quality of the investment opportunities that they are originating and they believe that their origination activities will support the continued growth of the business. In fact it is the discipline and the refusal of the Manager and Advisor to recommend investments in this cycle due to higher than acceptable pricing and multiples, refusal of the target companies to allow a full due-diligence, and lack of sufficient governance that has allowed the fund to preserve cash until there are more opportunities.

Since the period in question the Manager and Advisor are originating high quality deal flow, much of it being control situations at very favorable valuations given the changing expectations of businesses. The Company has conserved cash in what has been a volatile market and is now well positioned to take advantage of the current economic climate where cash and liquidity are highly valued by growth businesses in India due to the lack of supply. The Manager and Advisor are now confident of their ability to have the Fund fully invested by 31 May 2010.

Investment Manager's Review continued

Investment Activity
During the period Elephant Capital plc made one new investment in the following company:

Project Einstein
In March 2008, Elephant Capital plc invested a minority stake (0.60%) in a leading education business in India. Through market purchases, the Company invested approximately GBP 1.3 million for 1 million shares in the education business. The Company is awaiting the outcome of discussions with the management of the business to proceed further with this investment.

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

Mahindra Forgings Mauritius Limited (held via Promethean 1 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 leading private forging companies in Europe with 140 years of experience which had enabled it to become one of the top five axle beam manufacturers in the world, specialising in suspension, power train and engine parts.

The Mahindra Group is 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. The Mahindra Group decided that the automotive component sector had significant growth potential and was key to their automotive strategy. As a result they adopted a buy and build strategy in this sector.

In November 2007, the Mahindra Group amalgamated all its foreign subsidiaries, Schoneweiss & Co. GmbH, Stokes Group Limited and Jeco Holdings AG with Mahindra Forgings Limited. As a result of this merger, the Fund became a shareholder in the listed Indian business through Promethean 1 Limited. Mahindra Forging's key customer segments are in the midst of a major cyclical slowdown, especially the commercial vehicles segment which forms approximately 75% of the company's total revenues. The problems have been further compounded by the near failure of the Big Three US auto players. Due to the ongoing challenging environment, in January 2009, Mahindra Forgings announced the closure of one its manufacturing facilities at Walsall, West Midlands, UK which was part of the Stokes Group Ltd. The company also decided to shut down their Chakan plant in India, for 5–10 days in both December 2008 and January 2009 to align the production with reduced demand. The rationalisation of capacity is expected to reduce costs and better manage the current demand-supply scenario.

Obopay Inc.
In June 2007, the Advisor began discussions with the management of Obopay, an exciting privately held California based company that specialises in mobile payment technology. Obopay's service allows an individual to instantly obtain, spend, and send money anywhere, anytime with anyone using their mobile phone. Given India has approximately 300 million mobile subscribers, the Advisor approached Obopay to discuss the possibility of helping them scale their operations in India.

Obopay already had considerable traction and was about to close a Series "C" round of funding of USD 12.5 million with a number of leading technology investors including Richmond, Redpoint, Onset, and a strategic investment from Citibank who had announced a trial of their technology for their current account holders. Obopay had also appointed Jim Wolfensohn, the ex-head of the World Bank to their board. Obopay viewed Elephant Capital as a valuable partner in their India strategy and agreed to work with us to scale their operations there.

In July 2007, the Fund invested GBP 0.7 million in a heavily over-subscribed Series "C" financing.

The company is currently raising a further USD 25 million of equity financing, which should fully fund the business. Post our first investment the company raised USD 20 million in a Series "D" Preferred stock offering. Elephant Capital invested GBP 0.5 million in that round.

Over the past year Obopay has entered into agreements with MasterCard, Fidelity and Bancorp for offering its person-to-person (P2P) mobile money transfer services. In March 2008, the company launched its instant money transfer service in India through an alliance between wholly-owned subsidiary Obopay India and Yes Bank. In August 2008, Obopay announced an alliance with Grameen Solutions for the use of mobile technology to deliver banking services to a billion of the world's poorest people by 2018.

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

Nitco had also recently announced that they were moving their production out of the Mumbai region to take advantage of tax subsidies that some less industrial states in India were offering to businesses that set up manufacturing units in those regions. As a result some valuable real estate that the company owned would be released and potentially developed into lucrative residential or commercial use. Given all the positive attributes of the company and given that it was not well covered by the research community in India we started to buy the stock and build our position. The Fund built its stake in the business during July to October 2007.

Since we invested, the company raised USD 42 million at a 17% premium to our investment price through a Qualified Institutional Placement (QIP) round in November 2007. Key investors in the round were Deutsche Bank, Citigroup, Merrill Lynch and CSFB. Nitco has commenced developing their real estate in order to unlock the value of their land assets. Currently, an IT park and a premium residential building in Mumbai are under construction. They are also in the process of expanding capacities for the ceramic tiles segment and building capacities for processing imported marble.

EIH Limited
The Advisor had for some time been interested in EIH, one of the largest branded hospitality businesses in India. Given the growth in tourism both domestic and international and the growth rate in the aviation sector which had resulted in both Indian and foreign visitors having access to air travel, India was witnessing a period of major growth in the hospitality and catering industries. The hospitality sector in India historically has suffered from significant under-investment and as a result there are less luxury hotel rooms in India than there are in Manhattan. The Advisor believed that they had found an asset, which despite being one of the best portfolio of properties in India, has not been correctly valued by the public markets.

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

In March 2008, the company terminated its alliance with Hilton for marketing and co-branding "Trident-Hilton" brand. They are aggressively pursuing brand creation on their own. A new 436 room Trident at Bandra Kurla, Mumbai is expected to open in the fourth quarter of FY09. A host of new properties have been planned at various places in India and the Middle East and are expected to come by FY10 and FY11. The new properties will be a mix of owned and managed properties.

The disturbing terrorist attacks in Mumbai in late November 2008 have worsened the prospects of the hotel industry, which was already feeling pressure from the ongoing recession in the developed world and a slowdown in India.

As at 31 August 2008, the portfolio was as follows:

Company	Sector	Listed	Cost £'000	Valuation* £'000	Gain/(Loss) £'000
EIH Limited	Hospitality	Listed	7,131	9,846	2,715
Mahindra Forgings Limited**	Automotive	Listed	3,543	2104	(1,439)
Nitco Limited	Building Materials	Listed	5,501	2,497	(3,004)
Project Einstein***	Education	Listed	1,262	1,118	(144)
Obopay Inc.	Mobile Banking Services	Unlisted	1,239	2,225	986
Total			18,676	17,790	(886)

* The valuations are in accordance with International Financial Reporting Standards/International Private Equity and Venture Capital valuation guidelines. Valuation of listed investments is based on the closing bid price as at 31 August 2008. Unlisted investments are held at fair value through profit or loss. All investments are recognised at the transaction date.

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

*** Company name undisclosed, with the underlying investment purchased via P-notes.

Realisations
During the year the Company made no realisations of any of its 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; or
- sale price.

Investments are only valued at cost for a limited period after the date of acquisition, otherwise 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 multiples 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
On 5 December 2008, the Company sold 1.3 million shares of EIH Limited for an aggregate consideration of GBP 2.1 million. The partial exit resulted in a realised gain of GBP 0.3 million. Subsequent to the disposal, the Company's aggregate holding in EIH Limited is 4.1 million shares.

In October and November 2008, the Company invested further GBP 0.6 million in Project Einstein by purchasing 1.6 million shares from the secondary market. Post this additional investment, the Company's aggregate investment in Project Einstein is 2.6 million shares.

Further details on events after the balance sheet date are disclosed in note 22 to the financial statements.

Gaurav Burman
on behalf of
Elephant Capital LLP
6 February 2009

Directors' Report

The directors present their report and accounts for the period 1 September 2007 to 31 August 2008.

Principal activities, trading review and future developments
Elephant Capital plc ("the Company") [formerly known as Promethean India plc] 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. For trading review, please refer the section on Investment Manager's Review.

Results and dividends
The Group's consolidated financial statements are set out on pages 10–26. The Group reported net assets at the balance sheet date of GBP 47.93 million and in the period to 31 August 2008 loss attributable to the shareholders of GBP 0.77 million.

Directors
The directors of the Company during the period and to date were as follows:
- Sir Peter Alexander Burt (appointed 6 July 2006);
- Niraj Agarwal (appointed 23 March 2007);
- Gaurav Burman (appointed 1 July 2008);
- Francis Anthony Hancock (appointed 6 July 2006);
- James Norman Hauslein (appointed 23 March 2007); and
- Elizabeth Tansell (appointed 6 July 2006).

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 amount less total liabilities) as disclosed on page 11.

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 20 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 of Elephant Capital plc are responsible for preparing the Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards. 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 judgments 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
on behalf of the Board
6 February 2009

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 2008 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 24. 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 (IFRSs) 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 judgments 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 IFRSs as adopted by the European Union, of the state of the Group's and the parent Company's affairs as at 31 August 2008 and of the Group's loss for the year ended 31 August 2008;
- 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 2008.

Grant Thornton
Chartered Accountants
Isle of Man
6 February 2009

Consolidated Income Statement

	Notes	For the year ended 31 August 08 £'000	Period from 16 May 06 to 31 August 07 £'000
Revenue			
Investment and other income	6	**1,945**	885
Net gains/(losses) on financial assets at fair value through profit or loss	7	**(1,238)**	344
		707	1,229
Expenses			
Management fees		**(1,000)**	(343)
Other expenses	8	**(473)**	(436)
Profit/(loss) before finance costs and tax		**(766)**	450
Finance costs		**(1)**	(1)
Profit/(loss) before tax		**(767)**	449
Income tax expense	9	**–**	–
Group profit/(loss) after tax		**(767)**	449
Attributable to:			
Equity holders of the Company		**(767)**	449
Earnings/(loss) per share – (basic and diluted)	17	**(0.02p)**	0.01p

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

Consolidated Balance Sheet

	Notes	As at 31 August 08 £'000	As at 31 August 07 £'000
Non-current assets			
Investments held at fair value through profit or loss	11	**17,790**	14,718
Loan recoverable	12	**–**	3,766
		17,790	18,484
Current assets			
Loan recoverable – current portion	12	**3,708**	–
Receivables	13	**369**	947
Cash and cash equivalents	14	**26,264**	32,920
		30,341	33,867
Total assets		**48,131**	52,351
Current liabilities			
Payables	15	**197**	3,650
Net assets		**47,934**	48,701
Equity			
Share capital	16	**500**	500
Share premium		**47,752**	47,752
Unrealised investment revaluation reserve		**(886)**	352
Retained earnings		**568**	97
Equity attributable to equity holders of the Company		**47,934**	48,701
Net asset per share	17	**£0.96**	£0.97

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

The financial statements on pages 10–26 were approved and authorised for issue by the Board of directors on 6 February 2009 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Company Balance Sheet

	Notes	As at 31 August 08 £'000	As at 31 August 07 £'000
Non-current assets			
Investments in subsidiaries	10	**28,235**	18,985
		28,235	18,985
Current assets			
Receivables	13	**1,587**	431
Cash and cash equivalents	14	**20,126**	29,854
		21,713	30,285
Total assets		**49,948**	49,270
Current liabilities			
Payables	15	**135**	342
Net Assets		**49,813**	48,928
Equity			
Share capital	16	**500**	500
Share premium		**47,752**	47,752
Retained earnings		**1,561**	676
Equity attributable to equity holders of the Company		**49,813**	48,928

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

The financial statements on pages 10–26 were approved and authorised for issue by the Board of directors on 6 February 2009 and are signed on its behalf by

Gaurav Burman
Director

Elizabeth Tansell
Director

Cash Flow Statement

	Consolidated		Company	
	For the year ended 31 August 08 £'000	Period from 16 May 06 to 31 August 07 £'000	**For the year ended 31 August 08 £'000**	Period from 16 May 06 to 31 August 07 £'000
Cash inflow from operating activities				
Profit/(loss) before taxation	**(767)**	449	**885**	676
Adjustments for:				
– Interest Income	**(1,754)**	(885)	**(1,327)**	(794)
– Dividend Income	**(191)**	–	**–**	–
– Unrealised (gain)/loss on investments	**1,238**	(352)	**–**	–
Net changes in working capital:				
– Decrease/(increase) in receivables	**863**	(947)	**(1,151)**	(431)
– Increase/(decrease) in payables	**(3,453)**	3,650	**(207)**	342
Net cash generated/(used in) from operations	**(4,064)**	1,915	**(1,800)**	(207)
Cash flow from investing activities				
Purchase of investments	**(4,310)**	(18,715)	**–**	–
Proceeds from sale of investments	**–**	4,349	**–**	–
Investment in subsidiaries	**–**	–	**(9,250)**	(18,985)
Interest received	**1,664**	885	**1,322**	794
Dividend received	**54**	–	**–**	–
Net cash used in investing activities	**(2,592)**	(13,481)	**(7,928)**	(18,191)
Proceeds from issue of shares capital	**–**	48,252	**–**	48,252
Issue of loan	**–**	(3,766)	**–**	–
Net cash from financing activities	**–**	44,486	**–**	48,252
Net increase/(decrease) in cash and cash equivalents	**(6,656)**	32,920	**(9,728)**	29,854
Cash and cash equivalents at beginning of period	**32,920**	–	**29,854**	–
Cash and cash equivalents at end of period	**26,264**	32,920	**20,126**	29,854

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

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Unrealised Investment Revaluation Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 16 May 2006	–	–	–	–	–
Issue of share capital	500	–	–	–	500
Premium on shares issued	–	49,500	–	–	49,500
Expenses relating to the issue of shares	–	(1,748)	–	–	(1,748)
Profit for the period	–	–	–	449	449
Unrealised gains reserve transfer	–	–	352	(352)	–
Balance as at 31 August 2007	500	47,752	352	97	48,701
Balance as at 1 September 2007	500	47,752	352	97	48,701
Loss for the year	–	–	–	(767)	(767)
Net unrealised loss reserve transfer	–	–	(1,238)	1,238	–
Balance as at 31 August 2008	**500**	**47,752**	**(886)**	**568**	**47,934**

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

Company Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance as at 16 May 2006	–	–	–	–
Issue of share capital	500	–	–	500
Premium of shares issued	–	49,500	–	49,500
Expenses relating to the issue of shares	–	(1,748)	–	(1,748)
Profit for the period	–	–	676	676
Balance as at 31 August 2007	500	47,752	676	48,928
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**

(The accompanying notes are an integral part of the consolidated 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 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. Pursuant to separation between Promethean plc and Promethean India plc vide separation agreement dated 21 July 2008; the name of the Company was changed to Elephant Capital plc effective 28 August 2008.

The Group represents the Company and its subsidiaries. The Consolidated Financial Statements comprise the Group's Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity. The Consolidated Financial Statements also include the Company Balance Sheet, Company Cash Flow Statement and 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 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 preparation of 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 Group has prepared consolidated financial statements in accordance with the applicable International Financial Reporting Standards ("IFRS") as adopted by European Union.

The financial statements for the year ended 31 August 2008 (including comparatives) were approved and authorised for issue by the Board of directors on 6 February 2009.

2. Nature of operations
The Company's business consists of investing through the Group in businesses that have operations 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)
IFRS 2	Amendments to IFRS 2 Share-based Payment (effective from 1 January 2009)
IFRS 8	Operating Segments (effective from 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 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)
IAS 39	Amendments to IAS 39: Financial instruments: Recognition and Measurement (October 2008)
IFRS 3	Business Combinations (Revised 2008) (effective from 1 July 2009)
IFRS 7	Financial Instruments: Disclosure
IFRIC 17	Distributions of Non-cash Assets to Owners

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 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 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 for each type of asset, liability, income and expense. 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 doesn't hold more than half of the voting rights. All subsidiaries have a reporting date of 31 August.

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

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

4.3 Foreign currencies
The consolidated financial statements are presented in pounds sterling, 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 remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements all assets, liabilities, transactions of the Group entities are presented in pound 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 Critical accounting estimates and judgements
The preparation of financial statements requires the use of estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from those estimates.

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

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

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

4.6 Expenses
Expenses are accounted for on accrual basis.

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. Summary of significant accounting policies continued

4.8 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 derecognised 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 derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets carried at fair value through profit or loss, are measured initially at fair value and transaction costs are expensed in the income statement.

Measurement criteria of financial assets and financial liabilities are described below.

Financial assets

For the purpose of subsequent measurement, 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.

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

All financial assets except financial assets at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

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 within "other expenses".

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 Company's cash and cash equivalents, receivables, and loan recoverable fall into this category of financial instruments.

Individually significant loans and receivables are considered for impairment when they are past due or when there is other objective evidence that a specific counterparty will default. Impairment of loans and receivables are presented within "other expenses".

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, and allocated to "capital" at the time of acquisition). 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 the International Private Equity and Venture Capital Association Valuation Guidelines.

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.

Financial liabilities

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

4.9 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.

4.10 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 profits.

4.11 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.

4.12 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) 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 judgement in applying accounting policies

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 the note 11.

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 the next future financial periods.

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. Group's assessment of the probability of availability of future taxable income against which deferred tax assets can be utilised is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. These estimates may vary due to changes in tax legislation which affects the tax rates that are expected to apply in the relevant period and due to availability of taxable profits which affects recognition of deferred tax assets.

6. Revenue

	2008 £'000	2007 £'000
Investing operations:		
– Interest income	**1,754**	885
– Dividend income	**191**	–
	1,945	885

7. Net gains/(losses) on financial assets at fair value through profit and loss

	2008 £'000	2007 £'000
Unrealised gain on investments	**985**	352
Unrealised loss on investments	**(2,223)**	–
Realised loss on investments	**–**	(8)
	(1,238)	344

Notes to Consolidated Financial Statements continued

8. Other expenses

	2008 £'000	2007 £'000
Administration charges	**291**	321
Directors' fees*	**124**	42
Auditors' remuneration**	**58**	73
	473	436

*The amount paid to the highest paid director during the year was as follows:

	2008 £'000	2007 £'000
Directors' fees	**25**	9
The Company has no other employees		
**Auditor's remuneration comprises:		
– Audit of Company's annual accounts	**27*** **	25
– Audit of subsidiaries' annual accounts	**11**	13
– Review of Group's half yearly accounts	**20**	–
– Non-audit services	**–**	35
	58	73

*** Includes GBP 8 thousand paid for previous year's audit services.

9. Taxation

The Company is resident for Isle of Man 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 will not be subject to the Distributable Profits Charge or the Attribution Regime for Individuals, which will commence from 1 September 2008.

The Mauritian entities are Global Business Licence Category 1 (GBL1) companies in Mauritius and under the current laws and regulations 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 members will be exempt in Mauritius from any withholding tax.

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.

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

	2008 £'000	2007 £'000
Analysis of charge for the year		
Income tax expense	**–**	–
Total tax expense	**–**	–
Profit/(loss) before taxation	**(767)**	449
Less: Profit attributable to Elephant Capital plc	**(885)**	(676)
Profit/(loss) attributable to Mauritian entities	**(1,652)**	(227)
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	**(248)**	(34)
Tax effect of:		
– Exempt income	**(13)**	(1)
– Non-taxable items	**186**	(53)
– Non-allowable expenses	**25**	34
– Unutilised tax loss for the period	**50**	54
Income tax charge	–	–

10. Investments in subsidiaries

Company	2008 £'000	2007 £'000
Company shares in group undertakings:		
Tusk Investments Fund 1 (formerly Promethean India Investments Fund 1)	**6,985**	6,985
Tusk Investments Fund 2 (formerly Promethean India Investments Fund 2)	**21,250**	12,000
	28,235	18,985

The Group comprises of the following entities:

Name of Subsidiary	Incorporation (or registration) and operation	Proportion ownership interest	Proportion of voting power
Promethean India LP*	England	100%	100%
Tusk Investments Fund 1	Mauritius	100%	100%
Tusk Investments Fund 2	Mauritius	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%

* The name of the entity has been changed to Elephant Capital LP with effect from 9 September 2008 pursuant to the separation agreement with Promethean plc.

11. Investments at fair value through profit or loss

The Group has invested in a portfolio of listed and unlisted securities of businesses operating in India. The quoted securities are listed on the Bombay Stock Exchange ("BSE") and the National Stock Exchange ("NSE"), India and value of such listed investments has been determined using the closing bid market prices on NSE as at the reporting date. The Group has investments in Obopay Inc, an unquoted company incorporated in the United States of America. The Group invested a further GBP 511 thousand on 24 April 2008 as part of the fourth round of funding of Obopay Inc. 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 Valuation Guidelines.

Notes to Consolidated Financial Statements continued

11. Investments at fair value through profit or loss continued

Details of the Group's investments are as follows:

	Notes	2008 £'000	2007 £'000
Listed investments			
Balance brought forward		**11,536**	–
Additions		**3,799**	11,853
Transfer from unlisted investment*		**2,453**	–
Disposal		**–**	(661)
		17,788	11,192
Unrealised gain/(loss)	7	**(2,223)**	344
	A	**15,565**	11,536
Unlisted investments			
Balance brought forward		**3,182**	–
Additions		**511**	6,862
Transfer to listed investments*		**(2,453)**	–
Disposal		–	(3,680)
		1,240	3,182
Unrealised gain/(loss)	7	**985**	–
	B	**2,225**	3,182
Total investment	A+B	**17,790**	14,718

* Includes investments in Mahindra Forgings Mauritius Ltd which was amalgamated into Mahindra Forgings Limited, a company listed on the Bombay Stock Exchange and the National Stock Exchange, India. The investment is held through a 40% stake in Promethean 1 Limited, an unquoted company incorporated in the Republic of Mauritius. The investments in Promethean 1 Limited is not considered as an investment in associate under IAS 28 (Investments in Associates) as the standard is not applicable to investments in associates held by venture capital organisations, mutual funds and similar entities. Accordingly the Company has classified the investment as "investments held at fair value through profit or loss", and accounted for in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

12. Loans recoverable

	2008 £'000	2007 £'000
Loan recoverable – non current portion	**–**	3,766
Loan recoverable – current portion	**3,708**	–

The Company through one of its subsidiaries granted loan to Krammer Holdings Pte. Ltd. The loan was utilised to acquire 60% share capital of Promethean 1 Limited. The loan is secured via a share pledge agreement and deed of guarantee. The fair value of the collateral secured via the share pledge agreement was GBP 2,152 thousand at the balance sheet date, and the rights attached thereto can be utilised by the Group on default under the loan agreement. The loan carries interest charge at the rate of 9% per annum. Carrying value of the loan is not materially different from its fair value.

13. Receivables

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Prepayments	**14**	**12**	23	410
Other receivables (including dividend and interest receivable)	**355**	**1,575**	924	21
	369	**1,587**	947	431

None of the receivables are past due as at the balance sheet date.

14. Cash and cash equivalents

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Cash at bank	**26,264**	**20,126**	32,920	29,854
	26,264	**20,126**	32,920	29,854

15. Payables

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Payables	**52**	**30**	3,538	58
Accruals	**145**	**105**	112	284
	197	**135**	3,650	342

16. Share capital

	2008 £'000	2007 £'000
Share capital		
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 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 £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.

17. Earnings and net asset value per share

	2008	2007
Profit/(loss) attributable to ordinary shareholders	**(£767,366)**	£449,483
Issued ordinary shares	**50,000,000**	50,000,000
Earnings/(loss) per share (basic and diluted)	**(0.02p)**	0.01p
Net assets value per share (statutory)	**£0.96**	£0.97
Net asset value per share (statutory) is based on the statutory net assets at year/period end	**£47,934,261**	£48,701,526

There were no options in issue to dilute the earnings per share. Details of warrants issued are disclosed in note 16. The dilutive effect of these warrants have not been considered in calculation of earnings per share as the exercise price of the warrants was more than the market price of the ordinary share.

18. Financial assets and liabilities

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

Financial assets

	Notes	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Investments in subsidiaries	10	**–**	**28,235**	–	18,985
Investments at fair value through profit or loss	11	**17,790**	**–**	14,718	–
Loans and receivables:					
– Loan recoverable	12	**3,708**	**–**	3,766	–
– Other receivables	13	**355**	**1,575**	924	21
– Cash and cash equivalents	14	**26,264**	**20,126**	32,920	29,854
Total		**48,117**	**49,936**	52,328	48,860

18. Financial assets and liabilities continued
Financial liabilities

	Notes	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Financial liabilities measured at amortised cost:					
– Payables	15	**197**	**135**	3,650	342
Total		**197**	**135**	3,650	342

19. Related party transactions
i. Related parties

(a) Key Management Personnel (KMP)

Sir Peter Alexander Burt
Niraj Agarwal
Gaurav Burman
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
Promethean Investments LLP
Chamberlain Fund Services 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 8

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

Nature of transaction	Amount		Debit/(Credit) balance	
	2008 £'000	2007 £'000	**As at 31 August 2008 £'000**	As at 31 August 2007 £'000
Manager's fee paid to Elephant 2 Limited	**1,000**	343	**–**	–
Reimbursements to Promethean Investments LLP for:				
(a) Listing cost	**–**	215	**(34)**	(215)
(b) Miscellaneous expenses	**70**	–	**–**	–
Registrar and administration charges paid to Chamberlain Fund Services Limited	**16**	7	**(3)**	(7)

20. Risk management objectives and policies
The Group's financial assets and liabilities by category are summarised in note 18. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of directors, and focuses actively on minimising the volatility due to its exposure to financial markets and managing long-term financial investments to generate lasting returns.

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

Market risk

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

Currency risk

The Group's portfolio comprises predominantly Indian rupee denominated investments but reporting, and in particular, the reported net assets value is denominated in pounds sterling. Any depreciation in the Indian rupee could have an adverse impact on the performance of the Group. The Group's policy is not to hedge the rupee exposure.

At 31 August 2008, if the Indian rupee had weakened by 1% (2007: 1%) against sterling with all other variables held constant, the loss for the year would have been higher by GBP 141 thousand (2007: profit would have been lower by GBP 115 thousand), mainly as a result of foreign exchange losses on translation of Indian rupee denominated financial assets designated at fair value through income statement.

Interest rate risk

Interest bearing financial assets and interest-bearing financial liabilities mature or reprice 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 Promethean 1 Limited has a fixed interest rate of 9% per annum.

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 the market conditions will directly affect net investment income.

Price risk is mitigated by constructing a diversified portfolio of instruments and direct involvement in the management of the investment portfolio.

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 4% has been observed during 2008 (2007: 2%). If the quoted stock price for these securities increased or decreased by that amount, the investment value would have changed by GBP 535 thousand (2007: GBP 247 thousand). The listed securities are classified as investments at fair value through 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 to note 11).

Credit risk

The Group's cash and 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. The GBP 3,708 thousand loan to Krammer Holdings Pte. Ltd. is secured via a share pledge over the 60% investment in Promethean 1 Limited for which the loan proceeds were utilised. The loan is fully guaranteed and is repayable on 28 June 2009.

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 monitors the Company's short, medium and long-term funding and liquidity management requirements. (Refer to note 18 of the financial statements for carrying amount recognised at balance sheet date.)

21. 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 in India and where there is high quality, well proven management team in place.

The Company 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. The Company 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 Company's capital comprises share capital, share premium and reserves. The Company is not subject to externally imposed capital requirements.

Notes to Consolidated Financial Statements continued

22. Events after the balance sheet date

Subsequent to the period end, there has been a fall in the value of Company's investments due to decline in the Indian Stock Market. This has increased the unrealised loss on investments by GBP 6,047 thousand, resulting in the following valuations:

Investments	Value at 31 August 2008	Purchases/ (Sales)	Unrealised Loss	**Value at 4 February 2009**
EIH Limited*	9,846	(2,052)	(2,249)	**5,545**
Nitco Limited	2,497	–	(1,657)	**840**
Mahindra Forgings Limited	2,104	–	(1,210)	**894**
Project Einstein**	1,118	595	(931)	**782**
	15,565		(6,047)	**8,061**

* On 5 December 2008, the Company sold 1,300 thousand shares of EIH Limited for an aggregate consideration of GBP 2,052 thousand. The partial exit resulted in a realised gain of GBP 323 thousand. Subsequent to the disposal, value of the Company's aggregate holding in EIH Limited was 4,062 thousand shares, valued at GBP 5,545 thousand.

** In October and November 2008, the Company invested a further GBP 595 thousand in Project Einstein by purchasing 1,606 thousand shares from the secondary market. Post this additional investment, the value of Company's aggregate investment in Project Einstein is 2,606 thousand shares valued at GBP 782 thousand.

23. 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 11.

24. 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 ("the Company") will be held at 3rd Floor Exchange House, 54–62 Athol Street, Douglas, Isle of Man on 9 March 2009 at 10.00 am 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 2008 in the form produced to the do Annual General Meeting be received and adopted;

2. To re-appoint Grant Thornton as auditors of the Company for the current year and to authorise the directors to fix their remuneration;

3. To re-appoint Gaurav Burman as director who in accordance with the provisions of article 82 of the Company's articles of association is due to retire at this the next Annual General Meeting following his appointment;

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; and

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

13 February 2009
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.

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 9 March 2009 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 2008.		
Resolution No. 2 To re-appoint Grant Thornton as Auditors for the current year, and to authorise the Directors to fix their remuneration.		
Resolution No. 3 To re-appoint Gaurav Burman 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 ____________________ 2009

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**
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www.elephantcapital.com