

Annual Report 2013



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

Vikram Lall

Gaurav Burman (Date of resignation 26 February 2014)

Francis Anthony Hancock

James Norman Hauslein (Date of resignation 22 March 2013)

Elizabeth Tansell

(for Directors' biographies, please visit our website www.elephantcapital.com)

Company Secretary

Elizabeth Tansell

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Clinch's House,

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Isle of Man, IM99 1RZ

Chairman's Statement

Results and Portfolio Changes

As at 31 August 2013, Net Asset Value ("NAV") was GBP 8.1 million or 33p per share, compared to GBP 21 million or 44p per share as at 31 August 2012. The reduction in NAV reflects the purchase of the Company's shares for cancellation of GBP 9 million, a GBP 2.5 million fall in the valuation of the unlisted investment portfolio, including an exchange loss of GBP 0.8 million, a GBP 0.5 million fall in the listed investment portfolio, including an exchange loss of GBP 0.4 million, and the excess of expenses over income of GBP 0.9 million.

No new investments were made during the year. As already reported, the investment in EIH Ltd. was sold in September 2012, and the investment in ClinTec Luxembourg S.A. was disposed of in December 2012. Since the year end there was a partial disposal of a listed investment which is detailed below.

Unlisted Investment Portfolio

Air Works India (Engineering) Private Limited ("Air Works") has been performing satisfactorily. During the year the company raised further capital to finance its future growth and make an acquisition.

Efforts continue to realise Elephant Capital's investment in Global Cricket Ventures Ltd., Mauritius ("GCV"). The investment in GCV has been valued at GBP 0.58 million based on the estimated net asset value of GCV as attributable to Elephant Capital's shareholding as at 31 August 2013.

Amar Chitra Katha Private Limited ("ACK") has underperformed against budget and its valuation, based on an independent third party opinion, has been reduced to GBP 1.37 million at 31 August 2013 compared to GBP 2.13 million at 28 February 2013.

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

Listed Investment Portfolio

The Indian stock markets have been very volatile during the period, finishing up circa 7% by the end of the last financial year. Mahindra CIE Automotive Ltd. (previously known as Mahindra Forgings Ltd.) ("MCAL") performed better than the market with circa 21% gain in stock price. The other listed investment, Nitco Limited ("Nitco"), underperformed against the market and lost circa 38% of its value during the year.

We have continued our efforts to realise our listed portfolio but have been hampered by poor liquidity in the listed stocks held. Since the year end, Elephant Capital sold circa 65% of its holding in MCAL for GBP 1.42 million.

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

Return of Capital

In April 2013, 23,076,900 ordinary shares were successfully tendered for cancellation at a price of 39p per share. Following the cancellation of the above shares 24,662,511 ordinary shares remain in issue.

Board Changes and Fee Reduction

As already reported James Norman Hauslein retired from the Board at the 2013 AGM. Gaurav Burman retired from the Board on 26 February 2014, as part of a cost reduction exercise, though we continue to have access to Gaurav's services through his role within the Investment Manager's team. With effect from 1 March 2014 the remaining three Non-Executive Directors, including myself, will have their annual remuneration reduced by 20%.

Changes to Investment Management Arrangements

The existing investment management agreements entitle the Investment Manager (and their related parties appointed to provide services to the Group) to a fee equivalent to 2% of NAV. This would amount to GBP 0.16 million per annum based on the NAV of GBP 8.1 million at 31 August 2013. The Board believes that a fee based on NAV introduces a disincentive for the Investment Manager to procure an early return of capital. To remove this disincentive effect the Board has agreed to change this to a fixed fee arrangement for the 12 months ending 25 February in each of 2015, 2016, and 2017 of GBP 0.16 million per annum. Such fixed fee is inclusive of any fees payable to any member of the Group including Elephant Capital LLP or other related parties. The fixed fee will remain payable in full if the portfolio is realised before 25 February 2017. The Investment Manager has agreed to continue its management services for no fee if the investment portfolio has not been realised by 25 February 2017. Other arrangements are not significantly changed, although expenses recoverable by the Investment Manager have been clarified.

In addition the Investment Manager's Group entitlement to receive carried interests in investments has been terminated.

Strategy

Our strategy remains unchanged. We intend to dispose of our remaining portfolio as soon as possible without conducting a fire sale. We plan the next return of capital in the coming months once the disposal of our listed portfolio is complete.

Vikram Lall

26 February 2014

Investment Manager's Review

Introduction

Elephant Capital plc ("Elephant Capital" or the "Company") holds its investments through its Mauritian based special purpose vehicles ("SPVs") Tusk Investments 1 Limited and Tusk Investments 2 Limited (individually the "SPV", collectively the "SPVs") into businesses that are established or operating primarily in India.

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

Investment strategy

The Company was established to execute a value based strategy in both public and private businesses. As the Company has previously announced, Elephant Capital will no longer be making any new investments and has adopted a policy of managing and realising its current portfolio and actively looking to return cash to its shareholders.

In April 2013, the Company successfully executed a tender offer amounting to GBP 9 million and will continue to explore the best options in which to distribute capital to its shareholders.

Investment activity

During the six month period to 31 August 2013, the Investment Manager made no new investments. The focus was on managing the existing portfolio and trying to create liquidity to return cash to the shareholders.

Post year end, in October 2013, Elephant Capital sold circa 65% of its holding in Mahindra CIE Automotive Limited (previously known as Mahindra Forgings Limited) ("MCAL") for GBP 1.42 million through an open offer. The sale of MCAL resulted in a realised loss of GBP 1.71 million (being the excess of original cost of GBP 3.13 million over the sale proceeds of GBP 1.42 million).

The Investment Manager continues to focus on helping GCV pursue its claims for the wrongful termination of its agreement by the Board of Control for Cricket in India ("BCCI"), while in parallel negotiating an exit for Elephant Capital from this investment.

Given this activity Elephant Capital now holds only six investments, two listed; MCAL and Nitco, and four unlisted, Air Works, ACK, GCV and Obopay, the last of which has no value. The Investment Manager is looking for ways to realise the remaining listed investments and GCV in the shortest time frame possible and will then focus on finding ways to realise Air Works and ACK over the medium term as these businesses mature. No further investments are envisaged.

The Investment Manager agreed with the Board, to change its management fee to a fixed fee arrangement for the 12 months ending 25 February in each of 2015, 2016, and 2017 of GBP 0.16 million per annum. Such fixed fee is inclusive of any fees payable to any member of the Group including Elephant Capital LLP or other related parties. The fixed fee will remain payable in full if the portfolio is realised before 25 February 2017. The Investment Manager has agreed to continue its management services for no fee if the investment portfolio has not been realised by February 2017.

Portfolio Review

Air Works India (Engineering) Private Limited

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

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

The company has been performing satisfactorily. During the reporting period Air Works announced that it had raised further capital through a rights issue at the same valuation as the last round of financing and the funds have been used to finance a further acquisition and pay down some debt. Elephant Capital did not participate in the rights issue. Subsequent to the latest round of funding the stake of Elephant Capital has been diluted to 4.45% on a fully diluted basis.

Investment Manager's Review continued

Amar Chitra Katha Private Limited

ACK is one of the leading children's media companies in India, with a catalogue of over 750 print and digital products and 25 major (and 50+ minor) proprietary characters with India-wide recognition. ACK's origins are in children's books and comics, with "Amar Chitra Katha", the number one children's comic book series dating back to 1967. Other key brands include Tinkle, the number one English magazine for children. ACK has also entered into a licensing arrangement with National Geographic Society, US for publishing their magazines in India.

In recent years, the ACK has sought to diversify its product offering to digital media platforms including films, TV, online, mobile and other new media platforms. The company's focus areas include creating new content and merchandise and expanding e-commerce (direct to consumer and indirect channels). ACK has digitised the majority of its content and the digital applications will be launched shortly. Further, e-commerce sales have been growing significantly and the company is taking various initiatives to grow this part of the business exponentially. The Investment Manager has been a proponent of focusing on the core values of the business and crafting a strategy that will allow the company to take its unique and rich library to a larger audience using a digital distribution strategy and upgrading its products to build a larger print business. The management team led by Vijay Sampath has been working hard to execute the company's growth strategy.

Elephant Capital invested GBP 3.2 million in ACK in a primary transaction, in June 2010. In April 2011, it announced a further investment of GBP 0.9 million in a second funding round, led by Future Consumer Enterprise Limited ("FCEL") (previously known as Future Ventures India Limited). Elephant Capital's stake in ACK was 22% post this investment. ACK subsequently bought back 70,457 of its own shares representing 15% of existing paid up capital of the company, at the purchase price FCEL and Elephant Capital paid in the second round. Neither Elephant Capital nor its co-investors participated in this buy-back and hence Elephant Capital's shareholding in the business increased to 26%.

During the reporting period, ACK has announced the desire to execute a rights issue at a discounted price. Elephant Capital declined the opportunity to invest in the rights issue of ACK, because the Company is in the process of returning capital back to its shareholders.

Global Cricket Ventures Limited, Mauritius

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

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

GCV views BCCI's termination of its contractual rights to be wrongful and has commenced an arbitration process with the BCCI in order to reach a resolution of the current situation.

The investment has been valued at GBP 0.58 million based on the Investment Manager's best estimate of the net asset value of GCV attributable to the Company's shareholding in GCV. The Investment Manager has initiated discussions with the other shareholders in the business to exit its shareholding and the Investment Manager is keen to negotiate a resolution to the matter as soon as possible.

Mahindra CIE Automotive Limited (Previously known as Mahindra Forgings Limited)

In October 2013 Participaciones Internacionales Autometal Dos, S.L. (the "Acquirer"), a private limited company incorporated under the laws of Spain, and persons acting in concert with the Acquirer to acquire 77.50% of the fully diluted equity share capital of MCAL by way of agreements and an open offer. MCAL is focused on manufacturing forging components for the commercial vehicle market in Europe and in India and is the leading manufacturer of crankshaft and stub axles for Indian cars, multi-utility vehicles and tractors. India has a very strong track record in manufacturing high value and critical auto-components for the world market and a series of acquisitions left MCAL very well placed to compete in this space in Europe.

The Company through its subsidiaries sold 1.74 million MCAL shares, circa 65% of its holdings, in the open offer for a consideration of GBP 1.42 million and its residual holding is circa 1% of the ownership of the company.

Nitco Limited

Nitco is one of the largest manufacturers of flooring tiles in India. It has a direct interest in the real estate sector through a wholly-owned subsidiary which develops residential and commercial property assets in Maharashtra. Elephant Capital became interested in the company because it wanted to participate in the significant real estate growth in India and believed that Nitco offered a strong play in the sector.

However, the environment changed dramatically post Elephant Capital's investment in 2007, with the credit crisis ushering in an unprecedented decline in global property markets. The sector has yet to regain its earlier buoyancy and periodic interest rate hikes have further dampened sentiments.

Despite various promises from the management that they would try and sell the company's real estate holdings to pay down debt, the words proved empty and the business failed to execute this strategy. Nitco entered a Master Restructuring Agreement with lenders for rescheduling of debt payment, to manage its working capital position/liquidity challenges, arising out of the mismatch of loan maturities and potential projected earnings.

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

As at 31 August 2013, the portfolio was as follows:

Company	Sector	Listed/ Unlisted	Cost £'000	Valuation 31 August 2013 £'000	Gain/(Loss) Over Cost £'000
Air Works India (Engineering) Private Limited	Aviation	Unlisted	2,922	2,918	(4)
Amar Chitra Katha Private Limited	Media	Unlisted	4,085	1,374	(2,711)
Global Cricket Ventures Limited	Media	Unlisted	5,949	583	(5,366)
Obopay Inc.	Mobile banking services	Unlisted	1,239	–	(1,239)
Mahindra CIE Automotive Limited*	Automotive	Listed	4,809	1,656	(3,153)
Nitco Limited	Building materials	Listed	1,393	219	(1,174)
Total			20,397	6,750	(13,647)

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

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

Realisations

Post the year end, the Company sold circa 65% of its holdings in MCAL for GBP 1.42 million.

Principles of valuations of investments

Principles of valuation of unlisted investments

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

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

- Cost (less any provision required)
- Price of recent transaction
- Discounted cash flows or earnings (of underlying businesses)
- Earnings multiple
- Net assets
- Sale price

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

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

When valuing on earnings multiple basis, earnings before interest, taxes, depreciation and amortisation ("EBITDA") or net profit of the current year will normally be used. Such profits will be multiplied by an appropriate and reasonable earnings multiple (EBITDA multiple or net profit multiple as the case may be). This is normally related to comparable quoted companies, with adjustments made for points of difference between the comparator and the company being valued, in particular for risks, size, illiquidity, earnings growth prospects and surplus assets or excess liabilities.

Investment Manager's Review continued

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.

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 Investment Manager. These valuations are approved by the Directors and reviewed by the Company's external auditors.

Events after the reporting date

Subsequent to the year end, there has been an increase in the value of the Group's listed investments, due to a gain in stock prices of MCAL and Nitco and favourable exchange rate movements. This has decreased the unrealised losses by GBP 0.06 million.

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

Gaurav Burman

On behalf of Elephant Capital LLP

26 February 2014

Directors' Report

The Directors present their report and audited accounts for the year to 31 August 2013.

Principal activities, trading review and future developments

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

Results and dividends

The Group's consolidated financial statements are set out on pages 10 to 31. The Group reported net assets at the reporting date of GBP 8.1 million and for the year to 31 August 2013 the loss attributable to the shareholders of GBP 3.86 million. The Board does not propose the payment of a dividend.

Directors

The Directors of the Company during the year and to date were as follows:

Gaurav Burman (resigned 26 February 2014)

Francis Anthony Hancock (appointed 6 July 2006)

James Norman Hauslein (resigned 22 March 2013)

Vikram Lall (appointed 11 October 2010)

Elizabeth Tansell (appointed 6 July 2006)

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

Creditors' payment policy and practice

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

Key performance indicators

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

Financial risk management

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

Auditors

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

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group and the Company 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.

Directors' Report continued

In so far as the Directors are aware:

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

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

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

On behalf of the Board

Elizabeth Tansell
Director

26 February 2014

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

We have audited the Consolidated and Parent Company financial statements (the “financial statements”) of Elephant Capital plc for the year ended 31 August 2013, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and the Parent Company’s affairs as at 31 August 2013 and of the Group’s loss for the year ended 31 August 2013;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton Chartered Accountants

Isle of Man
26 February 2014

Consolidated Statement of Comprehensive Income

	Notes	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
Revenue			
Investment and other income	7	198	352
Net losses on financial assets at fair value through profit or loss			
	8	(3,009)	(3,211)
Other income			
Net foreign exchange gain		19	7
Expenses			
Management fees	9	(440)	(555)
Other expenses	10	(623)	(824)
Loss before finance costs and tax			
		(3,855)	(4,231)
Finance costs			
		(4)	(3)
Loss before tax			
		(3,859)	(4,234)
Income tax expense			
	11	-	-
Loss after tax			
		(3,859)	(4,234)
Other comprehensive income for the year			
		-	-
Total comprehensive loss for the year			
		(3,859)	(4,234)
Loss and total comprehensive loss attributable to:			
Owners of the parent		(3,859)	(4,234)
Loss per share – (basic & diluted)			
	19	(10p)	(9p)

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

Consolidated Statement of Financial Position

	Notes	As at 31 August 2013 £'000	As at 31 August 2012 £'000
ASSETS			
Non-current			
Investments at fair value through profit or loss	14	4,875	7,391
		4,875	7,391
Current			
Investments at fair value through profit or loss	14	1,875	10,084
Receivables	15	–	76
Prepayments		27	22
Cash and cash equivalents	16	1,472	3,776
		3,374	13,958
Total assets		8,249	21,349
Current liabilities			
Payables	17	123	364
		123	364
Net assets		8,126	20,985
EQUITY			
Share capital	18	246	477
Share premium		20,752	20,752
Distributable capital reserve		17,462	26,231
Unrealised investment revaluation reserve		(12,408)	(16,558)
Accumulated losses		(17,926)	(9,917)
Total attributable to the owners of the parent		8,126	20,985
Total equity		8,126	20,985
Net asset value per share	19	£0.33	£0.44

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

The financial statements on pages 10 to 31 were approved and authorised for issue by the Board of Directors on 26 February 2014 and are signed on its behalf by

Vikram Lall
Director

Elizabeth Tansell
Director

Company Statement of Financial Position

	Notes	As at 31 August 2013 £'000	As at 31 August 2012 (Restated*) £'000
ASSETS			
Non-current			
Investments in subsidiaries	12	2,315	5,970
Loans to subsidiaries	13	5,047	7,814
		7,362	13,784
Current			
Loans to subsidiaries	13	–	4,954
Receivables	15	–	1
Prepayments		21	14
Cash and cash equivalents	16	815	2,497
		836	7,466
Total assets		8,198	21,250
Current liabilities			
Payables	17	77	77
		77	77
Net assets		8,121	21,173
EQUITY			
Share capital	18	246	477
Share premium		20,752	20,752
Distributable capital reserve		17,462	26,231
Accumulated losses		(30,339)	(26,287)
Equity attributable to owners of the Company		8,121	21,173

* Refer note 12, Investments in subsidiaries.

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

The financial statements on pages 10 to 31 were approved and authorised for issue by the Board of Directors on 26 February 2014 and are signed on its behalf by

Vikram Lall
Director

Elizabeth Tansell
Director

Statement of Cash Flows

	Consolidated		Company	
	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000	For the year ended 31 August 2013 £'000	For the year ended 31 August 2012 £'000
(a) Operating activities				
Loss before tax	(3,859)	(4,234)	(4,052)	(3,522)
Adjustments for:				
Interest income	(9)	(15)	(8)	(15)
Dividend income	–	(85)	–	–
Net unrealised losses on investments	2,682	3,038	–	–
Loss on sale of investments	327	173	–	–
Impairment loss/(reversal) on loans to subsidiaries	–	–	2,717	(377)
Impairment of investments in subsidiaries	–	–	955	3,565
Net changes in working capital:				
Decrease/(Increase) in receivables and prepayments	71	15	(6)	7
(Decrease)/Increase in payables	(241)	183	–	(29)
Net cash used in operations	(1,029)	(925)	(394)	(371)
Income tax paid	–	–	–	–
Net cash used in operating activities	(1,029)	(925)	(394)	(371)
(b) Investing activities				
Purchase of investments	–	(471)	–	–
Proceeds from sale of investment	7,716	174	–	–
Loan repaid from subsidiary	–	–	5,004	–
Investments made in subsidiary	–	–	–	(680)
Proceeds from buyback of shares in a subsidiary	–	–	2,700	–
Interest received	9	15	8	15
Dividend received	–	85	–	–
Net cash used in investing activities	7,725	(197)	7,712	(665)
(c) Financing activities				
Shares bought back for cancellation/under tender offer	(9,000)	(232)	(9,000)	(232)
Net cash used in financing activities	(9,000)	(232)	(9,000)	(232)
Net decrease in cash and cash equivalents	(2,304)	(1,354)	(1,682)	(1,268)
Cash and cash equivalents at beginning of the year	3,776	5,130	2,497	3,765
Cash and cash equivalents at end of the year	1,472	3,776	815	2,497

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

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Distributable capital reserve £'000	Unrealised investment revaluation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 September 2011	484	20,752	26,456	(14,608)	(7,633)	25,451
Shares bought back for cancellation	(7)	–	(225)	–	–	(232)
<i>Transactions with the owners</i>	(7)	–	(225)	–	–	(232)
Net unrealised loss reserve transfer	–	–	–	(3,038)	3,038	–
Transfer of accumulated realised loss on investments sold	–	–	–	1,088	(1,088)	–
(Loss) for the year	–	–	–	–	(4,234)	(4,234)
<i>Total comprehensive (loss) for the year</i>	–	–	–	(1,950)	(2,284)	(4,234)
Balance as at 31 August 2012	477	20,752	26,231	(16,558)	(9,917)	20,985
Balance as at 1 September 2012	477	20,752	26,231	(16,558)	(9,917)	20,985
Shares bought back under tender offer	(231)	–	(8,769)	–	–	(9,000)
<i>Transactions with the owners</i>	(231)	–	(8,769)	–	–	(9,000)
Net unrealised loss reserve transfer	–	–	–	(2,682)	2,682	–
Transfer of accumulated realised losses on investments sold	–	–	–	6,832	(6,832)	–
(Loss) for the year	–	–	–	–	(3,859)	(3,859)
<i>Total comprehensive (loss) for the year</i>	–	–	–	4,150	(8,009)	(3,859)
Balance as at 31 August 2013	246	20,752	17,462	(12,408)	(17,926)	8,126

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

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Distributable Capital Reserve £'000	Accumulated losses £'000	Total £'000
Balance as at 1 September 2011	484	20,752	26,456	(22,765)	24,927
Shares bought back	(7)	–	(225)	–	(232)
<i>Transactions with the owners</i>	(7)	–	(225)	–	(232)
Loss for the year	–	–	–	(3,522)	(3,522)
<i>Total comprehensive loss for the year</i>	–	–	–	(3,522)	(3,522)
Balance as at 31 August 2012	477	20,752	26,231	(26,287)	21,173
Balance as at 1 September 2012	477	20,752	26,231	(26,287)	21,173
Shares bought back	(231)	–	(8,769)	–	(9,000)
<i>Transactions with the owners</i>	(231)	–	(8,769)	–	(9,000)
Loss for the year	–	–	–	(4,052)	(4,052)
<i>Total comprehensive loss for the year</i>	–	–	–	(4,052)	(4,052)
Balance as at 31 August 2013	246	20,752	17,462	(30,339)	8,121

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

Notes to Consolidated Financial Statements

1. General information and statement of compliance with IFRSs

Elephant Capital plc (the "Company") is a public limited company, incorporated in the Isle of Man on 16 May 2006 and listed on the Alternative Investment Market ("AIM") of the London Stock Exchange, with its registered office at Clinch's House, Lord Street, Douglas, Isle of Man, IM99 1RZ.

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

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

The financial statements for the year ended 31 August 2013 (including comparatives) were approved and authorised for issue by the Board of Directors on 26 February 2014.

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. a) New Standards/amendments adopted IAS 1, "Presentation of Financial Statements"

Annual periods beginning on or after 1 July 2012

The amendment requires entities to separate items presented in Other Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future such as deferred gains and losses on cash flow hedges. Entities that choose to present Other Comprehensive Income items before tax will be required to show the amount of tax related to the two groups separately.

Given the current transactions, the Group's management has evaluated that the above amendment does not have any impact on the Group.

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

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

IFRS 10 Consolidated Financial Statements

Effective date: Annual Period beginning on or after 1 January 2014

IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group's management has yet to assess the impact of this new and revised standard on the Group's consolidated financial statements.

IFRS 12 Disclosures of Interests in Other Entities

Effective date: Annual Period beginning on or after 1 January 2014

"Disclosure of Interest in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

Further, in June 2012, IASB published “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance” as amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments are intended to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

The Group’s management has yet to assess the impact of this new and revised standard on the Group’s consolidated financial statements.

IFRS 13 Fair Value Measurement

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

The new IFRS does not affect which items are required to be “fair-valued”, but specifies how an entity should measure fair value and disclose fair value information. Prior to the publication of IFRS 13, the guidance on measuring fair value was distributed across many IFRSs. IFRS 13 has been developed to remedy this problem, by:

- establishing a single source of guidance for all fair value measurements clarifying the definition of fair value and related guidance.
- enhancing disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).

The Group’s management is currently evaluating the requirements of this new standard and do not believe that the adoption of these standards will have a material effect on its consolidated financial statements.

IAS 27 Separate Financial Statements

Effective date: Annual Period beginning on or after 1 January 2014

Consequential changes have been made to IAS 27 as a result of the publication of the new IFRSs. IAS 27 will now solely address separate financial statements, the requirements for which are substantially unchanged. Though applicable, based on management’s assessment, the standard is not likely to have an impact on the Company financial statements as the requirements have remained unchanged.

IFRS 7 Financial Instruments: Disclosures

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

The IASB amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing an amendment to IAS 32 “Financial Instruments: Presentation” (“IAS 32”) and IFRS 7 “Financial Instruments: Disclosure” (“IFRS 7”).

The amendment to IFRS 7 requires companies to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. It requires retrospective application for comparative periods.

The Group’s management is currently evaluating the requirements of this new standard and do not believe that the adoption of this standard will have a material effect on its consolidated financial statements.

4. Summary of significant accounting policies

4.1 Overall considerations

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

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries drawn up to 31 August each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 August.

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

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

Notes to Consolidated Financial Statements *continued*

4. Summary of significant accounting policies *continued*

4.3 Investment in associates

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

4.4 Foreign currency translation

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

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

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

4.5 Revenue recognition

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

Interest income

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

Dividend income

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

Management fees

Fees earned from the co-investment vehicle from the ongoing management of the equity funds are recognised to the extent that it is probable that there will be economic benefits and the income can be reliably measured.

Service fees

Fees earned from the provision of support services are recognised on an accrual basis in accordance with the relevant terms of the agreement in respect thereof.

4.6 Expenses

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

4.7 Impairment of non-financial assets

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

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

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

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

4.8 Income taxes

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

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

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

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

4.9 Investment in subsidiaries

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

In case of buyback of shares by subsidiaries, carrying value of the investment is proportionally credited for the number of shares bought back by the subsidiary and any difference between the buyback price and carrying value is recorded in the profit or loss.

4.10 Financial instruments

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

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

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

Financial assets

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

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

Loans and receivables

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

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

Notes to Consolidated Financial Statements *continued*

4. Summary of significant accounting policies *continued*

Financial assets at fair value through profit or loss

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

For investments in associate undertakings, in accordance with the limited exemption available under IAS 28 to private equity/ venture capitalist organisation for investments in associates which upon initial recognition are designated at fair value through profit or loss, the investments are accounted at fair value through profit or loss.

All incomes and expenses relating to financial assets that are recognised in profit or loss are presented within "net losses/gains on financial assets at fair value through profit or loss", "Investment and other income" or "other financial items", except for impairment of receivables which is presented as a separate line item on the face of the Statement of Comprehensive Income.

Financial liabilities

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

4.11 Cash and cash equivalents

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

4.12 Equity and reserves

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

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

Distributable capital reserve is a specified reserve created by reclassifying the part of the Company's share premium account for a reduction in the share capital of the Company through buy-back of its own shares. The reserve has been created for the distribution of capital to the equity shareholders.

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

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

4.13 Provisions, contingent liabilities and contingent assets

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

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

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

4.14 Earnings per share

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

5. Significant management judgements in applying accounting policies

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

Investments recognised at fair value through profit or loss

The Group has recognised its investments at fair value through profit or loss. In accordance with IAS 39, an entity may record an item at fair value through profit or loss if they are either classified as held for trading or if they meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The management has designated all the investments in listed as well as unlisted securities at fair value through profit or loss, as they meet the requirements in IAS 39. The facts considered in applying this judgement are included under note 4.10.

Determination of functional currency of individual entities

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

6. Estimation uncertainty

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

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

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

Fair value of unquoted investments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that other market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Details of the assumptions used are given in note 14. Further, the levels of hierarchy for the investments have been disclosed in note 23.

Impairment

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

Deferred tax asset

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The Group's assessment of the probability of availability of future taxable income against which deferred tax assets can be utilised is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. These estimates may vary due to changes in tax legislation which affects the tax rates that are expected to apply in the relevant period and due to availability of taxable profits which affects recognition of deferred tax assets. The Group had unused tax losses amounting to GBP 4,047 thousand as at 31 August 2013 (31 August 2012: GBP 4,462 thousand) in relation to its subsidiaries in Mauritius.

Notes to Consolidated Financial Statements continued

7. Investment and other income

	2013 £'000	2012 £'000
Interest income	9	15
Dividend income	–	85
Management fee*	126	131
Service fee from investee company	63	62
Directors' fees from investee company	–	50
Other income	–	9
	198	352

* Represents fee from the co-investment vehicle.

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

	2013 £'000	2012 £'000
<i>Financial assets designated as fair value through profit or loss</i>		
Unrealised gains on investments	431	1,359
Unrealised losses on investments	(3,113)	(4,397)
Realised loss on investments	(327)	(173)
	(3,009)	(3,211)

9. Management fees

Under the "Management Agreement", the amount of management fee payable from Tusk Investments 1 Limited and Tusk Investments 2 Limited, for the year ended 31 August 2013 and 31 August 2012, is at 2% of Net Asset Value ("NAV") of Elephant Capital plc as at the most recent valuation date. The fees to Elephant Capital LLP and Elephant India Limited are paid out of the management fee (see note 21).

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

10. Other expenses

	2013 £'000	2012 £'000
Administration charges		
Other administration charges	445	624
Directors' fees*	114	136
Auditors' remuneration**	64	64
	623	824

* Detail of Directors' fees are as follows:

	2013 £'000	2012 £'000
Pramath Raj Sinha	–	14
Vikram Lall	35	33
Gaurav Burman	23	23
Francis Anthony Hancock	23	23
James Norman Hauslein	13	23
Elizabeth Tansell	20	20
	114	136

The Company has no other employees.

** Auditors' remuneration comprises:

	2013 £'000	2012 £'000
Audit of Company's annual accounts	36	36
Audit of subsidiaries' annual accounts	13	13
Review of Group's half yearly accounts	15	15
	64	64

11. Taxation

The Company is a resident of the Isle of Man for income tax purposes, being subject to the standard rate of income tax, which is currently 0%. No provision for taxation has, therefore, been made.

The Mauritian entities consolidated in the Group are Global Business License Category 1 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 2013, the entities had no income tax liability due to tax losses carried forward.

Deferred taxation

No deferred tax asset has been recognised in respect of the tax loss carried forward for GBP 2,010 thousand and GBP 2,037 thousand in Tusk Investments 1 Limited and Tusk Investments 2 Limited respectively as no taxable income is probable in the foreseeable future.

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

	2013 £'000	2012 £'000
Analysis of charge for the year		
Income tax expense	-	-
Total tax expense	-	-
Loss before taxation	(3,859)	(4,234)
Less: Loss attributable to Elephant Capital plc and other Group companies except Mauritian Funds	380	333
Loss attributable to Mauritian Entities	(3,479)	(3,901)
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	(522)	(585)
Tax effect of:		
Exempt income	(3)	(1)
Non-taxable items	452	482
Unutilised tax loss for the year	15	21
Foreign tax credit	58	83
Income tax charge	-	-

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

Particulars	As restated*	
	2013 £'000	2012 £'000
Company shares in Group undertakings:		
Elephant Capital LP**	-	-
Tusk Investments 1 Limited	7,665	7,665
Tusk Investments 2 Limited	10,550	13,250
Elephant 2 Limited**	-	-
Elephant Investments (General Partner) Limited**	-	-
Elephant Investments (Carry) Limited**	-	-
Less: Provision for impairment***	(15,900)	(14,945)
	2,315	5,970

* Reclassification in the Statement of Financial Position as at 31 August 2012:

During the current year, the management has reclassified the "Assets held for distribution to owners" as "Investment in subsidiaries" in the Company's Statement of Financial Position. As a consequence, comparative figures for the previous period presented have been reclassified.

The re-presented numbers do not alter the underlying business performance of the Company and have no impact on the Company's Statement of Comprehensive Income. As per the assessment of the management, this changed presentation provides information that is in accordance with IFRS and does not impair the comparability of the financial statements.

** Amounts have been rounded to the nearest thousand.

*** As of 31 August 2013, in the Company financial statements, an impairment analysis of the investment in subsidiaries was carried out and consequently, an additional impairment loss of GBP 955 thousand was recorded on account of the decline in the value of investments made through Group subsidiaries.

Notes to Consolidated Financial Statements continued

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

The Group comprises the following entities:

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

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

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

Particulars	2013 £'000	2012 £'000
Non-current		
Elephant Capital LP*	14,000	24,000
Less: Transfer to current loan	–	(10,000)
	14,000	14,000
Less: Provision for impairment**	(8,953)	(6,186)
A	5,047	7,814
Current		
Transfer from non-current	10,000	10,000
Add: Paid during the year	(5,004)	–
	4,996	10,000
Less: Provision for impairment**	(4,996)	(5,046)
B	–	4,954
Total (A+B)	5,047	12,768

* As of 31 August 2013, a loan of GBP 18,996 thousand was outstanding between Elephant Capital plc and Elephant Capital LP in order to provide further funds to Tusk Investments 1 Limited for making investments in certain investee companies in accordance with the investment strategy of the Group. Further, the loan classified as non-current has not been discounted to its present value, as the repayment period is not determinable.

** As of 31 August 2013, in the Company financial statements, an impairment analysis of the loan to subsidiaries was carried out and consequently, an additional impairment loss of GBP 2,717 thousand was recorded on account of decline in the value of investment made through Group subsidiaries.

14. Investments at fair value through profit or loss

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

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

- (i) Global Cricket Ventures (“GCV”) – As at 31 August 2013, the Group held a 45.56% equity stake in Global Cricket Ventures Limited (Mauritius) which had been acquired for GBP 5,949 thousand. The Company’s Directors have decided to exit from this investment and accordingly, the value of this investment as on 31 August 2013 has been determined on the basis of best estimate of net assets of GCV attributable to Elephant Capital’s shareholding.
- (ii) Obopay – Pursuant to the execution of an Agreement and Plan of Merger of OBP Investments, OBP Investments, Inc., stakeholders representative with Obopay Inc. (Obopay), the capital stock of Obopay (except series G Preferred stock) issued and outstanding immediately (including Elephant Capital’s holding in series C and Series D preferred stock) prior to the Merger was cancelled and extinguished without any conversion thereof and no payment or distribution was made. Therefore the holding of Elephant Capital in Series C and D preferred stock was valued at nil as at 31 August 2012 and the same basis of valuation has been followed for 31 August 2013.

(iii) Amar Chitra Katha (“ACK”) – As at 31 August 2013, the Group held a 25.87% equity stake in Amar Chitra Katha (P) Ltd. at a total cost of GBP 4,085 thousand. The investment has been valued on the “discounted cash flows of the earnings of underlying businesses”.

The key assumptions used in the valuation of the investment as at 31 August 2013 are as follows:

Weighted average cost of capital	14.20%
Long term growth rate	7.00%

(iv) Air Works – As of 31 August 2013, the Group held an aggregate 4.45% (fully diluted basis) stake in Air Works India (Engineering) Private Ltd. at a total cost of GBP 2,922 thousand. The investment has been valued on the “discounted cash flows of the earnings of underlying business”. The key assumptions used in the valuation of the investment as at 31 August 2013 are as under:

Weighted average cost of capital	14.80%
Long term growth rate	5.00%

Details of the Group’s investments are as set out below:

	2013			2012		
	Non-current £'000	Current £'000	Total £'000	Non-current £'000	Current £'000	Total £'000
Listed investments						
Balance brought forward	–	7,080	7,080	10,410	–	10,410
Additions	–	–	–	–	–	–
Disposal	–	(5,039)	(5,039)	(191)	–	(191)
Transfer to current investments	–	–	–	(10,219)	10,219	–
	–	2,041	2,041	–	10,219	10,219
Unrealised (loss)	–	(166)	(166)	–	(3,139)	(3,139)
A	–	1,875	1,875	–	7,080	7,080
Unlisted investments						
Balance brought forward	7,391	3,004	10,395	9,979	–	9,979
Additions	–	–	–	471	–	471
Disposal	–	(3,004)	(3,004)	–	–	–
Transfer to current investments	–	–	–	(1,645)	1,645	–
	7,391	–	7,391	8,805	1,645	10,450
Unrealised (loss)	(2,516)	–	(2,516)	(1,414)	1,359	(55)
B	4,875	–	4,875	7,391	3,004	10,395
Total investments (A+B)	4,875	1,875	6,750	7,391	10,084	17,475

15. Receivables

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Interest receivable from banks and others	–	–	–	1
Directors’ fee receivable	–	–	13	–
Accrued income	–	–	63	–
	–	–	76	1

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

16. Cash and cash equivalents

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Cash in current accounts	1,472	815	1,564	285
Cash in short term deposit accounts	–	–	2,212	2,212
	1,472	815	3,776	2,497

Notes to Consolidated Financial Statements *continued*

17. Payables

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Trade and other payables	123	77	364	77
	123	77	364	77

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

18. Share capital

	2013		2012	
	Number of shares	£'000	Number of shares	£'000
Authorised ordinary shares of 1p each	300,000,000	3,000	300,000,000	3,000
Issued and fully paid ordinary shares of 1p each – beginning of year	47,739,411	477	48,400,411	484
Buy-back of ordinary 1p shares*	(23,076,900)	(231)	(661,000)	(7)
	24,662,511	246	47,739,411	477

* On 3 April 2013, the Company bought back and cancelled a total of 23,076,900 ordinary shares at a price of 39p per share (2012: bought back and cancelled 661,000 ordinary shares at a price of 35p). The cancellation of share capital is reflected in the share capital and distributable capital reserve accounts in the consolidated statement of change in equity.

The Company's share capital comprises ordinary shares. Rights attached to ordinary shares include the right to vote at the Company's meetings of shareholders including the AGM and to receive future dividends.

19. Loss and net asset value per share

	2013	2012
Loss attributable to ordinary shareholders	£(3,858,805)	£(4,233,476)
Issued ordinary shares – beginning of year	47,739,411	48,400,411
Buy-back of shares	(23,076,900)	(661,000)
Issued ordinary shares outstanding at the end of the year	24,662,511	47,739,411
Weighted average number of shares outstanding	38,255,753	47,764,695
Loss per share (basic and diluted)	(10p)	(9p)
Net asset value per share (statutory)	£0.33	£0.44
Net asset value per share (statutory) is based on the statutory net assets as at year end	£8,126,907	£20,985,702

There were no options in issue to dilute the earnings per share as at 31 August 2013.

20. Financial assets and liabilities

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

Financial assets

	Notes	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Investments at fair value through profit or loss (<i>designated as fair value through profit or loss</i>)	14	6,750	–	17,475	–
Loans and receivables					
• Loan to subsidiaries	13	–	5,047	–	12,768
• Receivables	15	–	–	76	1
• Cash and cash equivalents	16	1,472	815	3,776	2,497
		8,222	5,862	21,327	15,266

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

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

Financial liabilities

	Note	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Financial liabilities measured at amortised cost:					
Payables	17	123	77	364	77
		123	77	364	77

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

The accounting policies for each category of financial instruments are provided in note 4.10. Information relating to fair values is presented in the related notes. The methods used to determine the fair values are described in note 14. A description of the Group's financial instruments risks, including risk management objectives and policies is given in note 22.

21. Related party transactions

i. Related parties

(a) Key Management Personnel ("KMP")

Names of Directors

Gaurav Burman
Francis Anthony Hancock
James Norman Hauslein (Date of resignation 22 March 2013)
Vikram Lall
Elizabeth Tansell

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

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

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

Global Cricket Ventures Limited ("GCV")
ClinTec Luxembourg SA ("ClinTec")

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

(a) Key Management Personnel ("KMP")

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

The following amounts were paid on account of Director's fees during each of the years reported:

Nature of transaction	Amount		Debit/ (Credit) balance (unsecured)	
	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000	As at 31 August 2013 £'000	As at 31 August 2012 £'000
	Directors' fee	114	136	(24)
Disbursement of investor directors' fees (including expenses) received from ClinTec				
– Gaurav Burman	–	17	–	(4)
– James Norman Hauslein	–	17	–	(4)

Notes to Consolidated Financial Statements *continued*

21. Related party transactions *continued*

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

Nature of transaction	Amount		Debit/(Credit) balance (unsecured)	
	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000	As at 31 August 2013 £'000	As at 31 August 2012 £'000
<i>(i) Management fees*:</i>				
– Paid to Elephant Capital LLP	170	555	–	–
– Paid to Elephant India Limited	270	–	–	–
– Received from Elephant India Finance Private Limited	126	131	–	63
<i>(ii) Other transactions:</i>				
– Registrar and administration charges paid to Chamberlain Fund Services Limited	17	16	(1)	(1)
– Service fee from GCV	64	62	(11)	(10)
– Directors' fees from investee company	–	50	–	13
– Paid to Elephant Capital LLP	126	131	–	(63)

* Payments to Elephant Capital LLP and Elephant India Limited are paid out of the management fee.

22. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 20. The main types of risks are market risk, credit risk and liquidity risk.

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

The Group is exposed to market risk through its use of financial instruments and specifically to currency 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, and price risk. The Group's strategy on the management of market risk is driven by its investment objective, as outlined in the Investment Manager's Review. The Group invests in a range of investments, including quoted and unquoted equity securities in a range of sectors. The Board monitors the Group's investment exposure against internal guidelines specifying the proportion of total assets that may be invested in various sectors.

Currency risk

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

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

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

	£'000	£'000
Functional currency	GBP	GBP
Foreign currency	INR	USD
31 August 2013		
Financial assets	6,168	600
Financial liabilities	–	32
Net short-term exposure	6,168	568
31 August 2012		
Financial assets	13,261	1,596
Financial liabilities	–	26
Net short-term exposure	13,261	1,570

As at 31 August 2013, if INR or USD had weakened by 1% (31 August 2012: 1%) against GBP with all other variables held constant, the loss for the year would have been higher and equity would have been lower as follows:

	£'000	£'000	£'000
Functional currency	GBP	GBP	Total
Foreign currency	INR	USD	
31 August 2013	62	6	68
31 August 2012	133	16	149

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.

Price risk

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

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

For the listed equity securities, the volatility figure of 1% is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by the percentage of volatility, the investment value would have changed by GBP 19 thousand (31 August 2012: GBP 71 thousand). The listed securities are classified as investments at fair value through profit or loss.

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

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

Credit risk

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

There was a loan given by Elephant Capital plc to Elephant Capital LP, which was further given to Tusk Investments 1 Limited and Tusk Investments 2 Limited for investing in unlisted/listed entities. As of 31 August, 2013 the cumulative impairment of GBP 13,949 thousand (31 August 2012: GBP 11,232 thousand) has been recorded as a consequence of the decline in the value of investments made by the Group subsidiaries. Apart from this, the management considers the credit quality of all other financial assets to be good in the Company's and consolidated financial statements and thus, these are not impaired.

Liquidity risk

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

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

As at the reporting date, the Group's and Company's liabilities having contractual maturities (including interest payments where applicable), represented by way of Trade and other payables, are GBP 123 thousand (31 August 2012: GBP 364 thousand) and GBP 77 thousand (31 August 2012: 77 thousand) respectively. These are expected to be settled within one year.

Notes to Consolidated Financial Statements *continued*

23. Levels of hierarchy

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

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

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

31 August 2013	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:					
Listed securities	14	1,875	–	–	1,875
Unlisted securities	14	–	–	4,875	4,875
Total		1,875	–	4,875	6,750
Liabilities					
		–	–	–	–
Net fair value		1,875	–	4,875	6,750

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

Measurement of fair value

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

(a) Listed securities:

All the quoted investments are denominated in Indian rupees and are publicly traded on the NSE and BSE in India. Fair values have been determined and explained in note 14 above.

(b) Unlisted securities:

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

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

There have been no transfers between Levels 2 and 3 during the reporting period. Further, there have been no transfers into Level 3 during the current reporting period, which are summarised below:

Level 3 fair value measurements

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

Particulars	2013 £'000	2012 £'000
Opening balance	10,395	4,248
Purchases	–	471
Transfers from Level 2	–	5,731
Sale	(3,004)	–
Losses	(2,516)	(55)
Closing balance	4,875	10,395

For the investments, Amar Chitra Katha and Air Works which are valued using the discounted cash flows methodology and are classified as Level 3 at the reporting date, the Company adjusted the discount rate and growth rate assumptions within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of each security. For results of the sensitivity analysis, refer to the results tabulated below:

Particulars	2013 £'000	2012 £'000
Change by +50 basis points		
Weighted average cost of capital	(289)	(946)
Long term growth rate	281	351
Change by -50 basis points		
Weighted average cost of capital	326	458
Long term growth rate	(249)	(314)

For the remaining investments classified as Level 3, due to the absence of any reasonably possible alternative assumptions for these investments, a sensitivity analysis has not been performed.

24. Capital management policies and procedures

The Group's capital management objectives are:

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

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

25. Events after the reporting date

- (i) Mahindra CIE Automotive Ltd. ("MCAL") – In October 2013, the Company sold 1,744 thousand shares of MCAL for an aggregate consideration of GBP 1,425 thousand. The sale resulted in an overall loss of GBP 1,706 thousand (being the excess of original cost of GBP 3,131 thousand over the sale proceeds of GBP 1,425 thousand). The amount of gain after the reporting date is GBP 347 thousand (being the excess of sale proceeds of GBP 1,425 thousand over the fair value of GBP 1,078 thousand as on 31 August 2013). Subsequent to disposal, the Company's aggregate holding in MCAL is 935 thousand shares.
- (ii) Subsequent to the year end, there has been an increase in the value of the Group's listed investment, due to a gain in stock prices of MCAL and Nitco and favourable exchange rate movements. This has decreased the Company's unrealised losses by GBP 62 thousand.

Investments	Value at 31 August 2013 £'000	(Sales) £'000	Profit £'000	Value at 24 February 2014 £'000
Nitco Limited	219	–	37	256
Mahindra CIE Automotive Limited	1,656	(1,078)	25	603
	1,875	(1,078)	62	859

26. Segmental information

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

There are no material reconciling items between the information reported to the Board of Directors, considered as Chief Operating Decision Maker, and that presented in the Financial Statements.

27. Ultimate controlling party

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

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Notice of Annual General Meeting

ELEPHANT CAPITAL PLC (the “Company”)

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Clinch’s House, Lord Street, Douglas, Isle of Man IM99 1RZ at 10.00 a.m. on 27 March 2014 for the transaction of the following business:

ORDINARY BUSINESS

As ordinary business to consider and, if thought fit, to pass the following resolutions, each of which will be proposed as ordinary resolutions:

1. THAT the Company’s annual accounts for the year ended 31 August 2013, together with the Directors’ report and the auditors’ report thereon, be received and adopted.
2. THAT Grant Thornton (Isle of Man) be reappointed as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which financial statements are laid before the Company and that the Directors be authorised to fix the auditors’ remuneration.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

3. THAT the Company generally be and is hereby authorised for the purposes of section 13 of the Companies Act 1992 to make one or more market purchases (within the meaning of Section 13(2) of the said Act) of ordinary shares of £0.01 each in the capital of the Company (“**Ordinary Shares**”) provided that:
 - (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 15% of the Company’s issued share capital on the date on which this resolution is passed;
 - (b) the minimum price which may be paid for such Ordinary Shares is the nominal amount thereof;
 - (c) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be 5% above the average of the middle market quotations taken from the Daily Official List of the London Stock Exchange for the five business days before the purchase is made;
 - (d) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and
 - (e) the Company may make a contract to purchase its own Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own Ordinary Shares in pursuance of any such contract.

Dated: 27 February 2014

Registered office:

Clinch’s House,
Lord Street, Douglas,
Isle of Man, IM99 1RZ

By Order of the Board

Elizabeth Tansell
Secretary

Notes

The attention of members is drawn to the following notes which form part of the Notice:

1. The members of the Company entitled to attend and vote at the meeting are the holders of ordinary shares of £0.01 each in the capital of the Company.
2. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend, speak and vote instead of him. A proxy need not be a member of the Company. More than one proxy may be appointed to exercise the rights attaching to different Shares held by the member. A member may not appoint more than one proxy to exercise rights attached to any one Share. A form of proxy is enclosed for Shareholders. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he wish to do so.
3. Upon a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a representative shall have one vote, and upon a poll every member present in person, by representative (in the case of corporation) or by proxy shall have one vote for every share held by him/her.
4. To be effective a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority must be delivered to the Company Secretary at the Company’s registered office, Clinch’s House, Lord Street, Douglas, Isle of Man, IM99 1RZ, either by personal delivery, post or facsimile transmission (+44(0)1624 691773) as soon as possible but, in any event, by no later than 10.00 a.m. on 25 March 2014.
5. The Company, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005 of the Isle of Man, specifies that only those shareholders registered in the register of members of the Company as at 10.00 a.m. on 25 March 2014 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjournment meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members of the Company after 10.00 a.m. on 25 March 2014 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjournment meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. In the case of joint registered holders of any Shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the holders are shown in the register of members.

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Form of Proxy

ELEPHANT CAPITAL PLC (the "Company")

Form of Proxy for use at 2014 Annual General Meeting

(PLEASE COMPLETE IN BLOCK CAPITALS)

I/We (see note 1)

of.....

being a shareholder of the Company hereby appoint the Chairman of the meeting or (see note 2)

as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ at 10.00 a.m. on 27 March 2014 and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions set out in the notice convening the Annual General Meeting as I/we have indicated below by marking the appropriate box with an "X". If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the Annual General Meeting or any adjournment thereof.

Please clearly mark the box below to instruct your proxy how to vote.

Resolution	For	Against	Abstain
1. THAT the Company's annual accounts for the year ended 31 August 2013, together with the Directors' report and the auditors' report thereon, be received and adopted.			
2. THAT Grant Thornton (Isle of Man) be reappointed as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which financial statements are laid before the Company and that the Directors be authorised to fix the auditors' remuneration.			
3. THAT the Company generally be and is hereby authorised for the purposes of section 13 of the Companies Act 1992 to make one or more market purchases (within the meaning of Section 13(2) of the said Act) of ordinary shares of £0.01 each in the capital of the Company.			

Signature(s)

Print Name

Date

Notes:

- Full name(s) and address(es) to be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.
- If you wish to appoint a person other than the Chairman of the meeting, you should insert their full name in the box. Such proxy need not also be a member of the Company.
- This form must (a) in the case of an individual be signed by the appointor or his attorney duly authorised in writing; and (b) in the case of a corporation, be executed under its common seal or signed by an officer or attorney so authorised.
- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- To be effective, forms of proxy must be delivered to the Company Secretary at the Company's registered office, Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ, either by personal delivery, post or facsimile transmission (+44(0)1624 691773) as soon as possible but, in any event, by no later than 10.00 a.m. on 25 March 2014. Completion and return of a form of proxy will not preclude a member from attending and voting at the Meeting or at any adjournment thereof in person if he or she wishes to do so.
- To direct your proxy how to vote on the resolutions, mark the appropriate box with an "X". The "Abstain" option is provided to enable you to withhold your vote on any particular resolution. It should be noted that a vote withheld is not a vote in law and will not be counted as a vote "For" or "Against" a resolution.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Shares. You may not appoint more than one proxy to exercise rights attached to any one Share. To appoint more than one proxy, additional proxy form(s) may be obtained from the Company Secretary at the address set out in note 5.
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Notes

www.elephantcapital.com