

**EIH plc**

**Annual Report**

For the year ended 31 December 2017

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# EIH plc

## Management and Administration

<b>Directors</b>	Mr Rhys Cathan Davies* Mr Ramanan Raghavendran Mr Paul Mark Garnett (resigned 26 June 2017) Mr Brett Lance Miller (appointed 26 June 2017) *Independent
<b>Company Secretary</b>	Timothy Shepherd (appointed 30 June 2017) Andrew Baker (resigned 30 June 2017)
<b>Registered Office</b>	First Names House Victoria Road Douglas Isle of Man, IM2 4DF
<b>Administrator</b>	Cains Fiduciaries Limited First Names House Victoria Road Douglas Isle of Man, IM2 4DF
<b>Nominated Adviser and Broker</b>	Nplus1 Singer Advisory LLP One Bartholomew Lane London EC2N 2AX
<b>English Legal Advisers to the Company</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL
<b>Isle of Man Legal Advisers to the Company</b>	Cains Advocates Limited Fort Anne Douglas Isle of Man, IM1 5PD
<b>Auditors</b>	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN

## Chairman's Statement

At 31 December 2017, the net asset value of EIH plc ("the Company") was US\$0.384 per share as compared with US\$0.433 per share a year earlier, a decline of 11.3% in the period. Adjusting for the capital distributions of 4.0 cents per share and 1.5 cents per share made to shareholders of the Company registered at 17 February 2017 and 20 October 2017 respectively, the Company's NAV per share increased by 1.4% in the period.

During the year in review, the Company received distributions of US\$2.1m from the Evolve India Fund PCC ("EIF") and final proceeds from the disposal of Gland Pharma Limited via EIF Co Invest X of \$1.4m.

On 24 February 2017, the Company made a capital distribution to shareholders of 4.0 cents per share, equivalent to approximately US\$2.58m.

On 27 October 2017, the Company made a capital distribution to shareholders of 1.5 cents per share, equivalent to approximately US\$0.97m.

After the year end, on 27 April 2018, the Company made a capital distribution of 2.5 cents per share to shareholders of the Company registered as at 20 April 2018, equivalent to approximately US\$1.61m.

The Company will make a capital distribution of 1.5 cents per share to shareholders of the Company registered as at 20 July 2018 equivalent to approximately US\$0.97m.

Total operating costs during the year were US\$0.44m as compared with US\$0.46m in the prior year, a decline of 4.5%. This operating cost figure represents approximately 1.8% of the Company's Financial Assets at Fair Value. In addition, the Company paid certain annual management fees and expenses to EIF in respect of its commitment. These costs are embedded in the capital accounts for those two funds and do not appear in the Company's statement of comprehensive income.

The Company's portfolio now comprises the following (based on year end Fair Values):

<b>Table 1. Investments</b>	<b>Capital Commitment</b>	<b>Capital invested</b>	<b>Capital Distribution</b>	<b>Fair value adjustment</b>	<b>Fair Value</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<i>Fund Investments (equity)</i>					
Evolve India Fund PCC	45,120,000	45,120,000	(27,692,893)	1,135,508	18,562,615
<i>Direct Investments (equity)</i>					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	(29,235)	(1,438,192)	5,502,173
	<b>52,089,600</b>	<b>52,089,600</b>	<b>(27,722,128)</b>	<b>(302,684)</b>	<b>24,064,788</b>

### Evolve India Fund PCC ("EIF")

At the year end the Company had US\$17.4m invested in EIF (capital called less refund capital contributions), equivalent to 27.0 cents per share. At the reporting date the fair value of the Company's investment in EIF was US\$18.6m, equivalent to 28.8 cents per share, representing a 1.07 times multiple over cost. EIF is now fully drawn down.

In local currency terms the S&P BSE SENSEX Indian stock market index advanced by 27.9% during the year in review. It is also noted that the Indian Rupee ("INR") increased by 6.3% in value against the US Dollar during the year in review. Against this backdrop EIF's underlying private equity funds performed reasonably well. The distributions from realisations decreased by 22.8% year-on-year, and the fair value of EIF's underlying funds increased by approximately 4.5% in US Dollar terms, while in INR terms the decrease was approximately 1.7% (on the basis of beginning and end period fair values, and adjusting for drawdowns and distributions made during the period). On the same basis of measurement, the value of EIF's direct investments increased by approximately 18.0% in US Dollar terms, while in INR terms this increase was approximately 11.0%.

## Chairman's Statement (continued)

EIF's private equity exposure is weighted towards funds with vintages of 2006 and later. The four funds of these vintages comprise 75.5% of EIF's private equity fund weighting. The remaining six funds, with a 24.5% weighting, are all 2004 and 2005 vintages. EIF's three largest funds constitute 68.4% of EIF's private equity fund weighting. These funds are Jacob Ballas India Fund III (Growth / PIPE category), JMF India Fund I (Growth category) and HI-REF International LLC (Real Estate category).

The majority of EIF's ten underlying private equity funds have fully drawn down their committed capital from EIF, and EIF's remaining commitments are concentrated in HI-REF International LLC. During the year in review, EIF received net distributions from all of its funds, while drawdowns were extremely limited.

At the year end the fair value of the Company's interest in EIF's ten underlying private equity funds was US\$10.6m, equivalent to 16.4 cents per share, while EIF's direct investments had a fair value of US\$7.7m, equivalent to 11.9 cents per share (see Table 2, below).

The Directors have reviewed certain underlying financial information provided to us by EIF's Investment Manager and we remain confident that as EIF's underlying portfolio matures and further realizations are achieved, further cash distributions will be received by the Company.

From the year end until 31 May 2018, the S&P BSE SENSEX advanced by 3.7% in INR terms. It is also noted that in the same period the INR declined by 5.7% against the US Dollar.

### EIF Co Invest X / Gland Pharma Limited ("Gland")

The Company held its interest in Gland Pharma Limited through an SPV, EIF Co Invest X. EIF Co Invest X sold its interest in Gland Pharma Limited during the year ended 31 December 2014, but retained an amount of the sale proceeds to address any possible contingencies. The Company received its final distribution amounting to US\$1,352,515 in respect of this interest on 24 January 2017.

### RSB Group ("RSB")

RSB is a large automotive components group based in Pune with a multi-product portfolio comprising of propeller shafts, gears, axles, machined engine components, trailers and construction equipment parts. The Company's direct investment in RSB is held through EIF Co Invest VII. The shareholders in EIF Co Invest VII are the Company and EIF, which invested US\$7.0m and US\$10.0m respectively, for a total investment of US\$17.0m. No fees are payable on the Company's investment in EIF Co Invest VII, while the Company's indirect investment in RSB (through its interest in EIF) attracts standard management and carried interest fee arrangements. Through the above arrangements, and on a look-through basis, the Company has a total of US\$6.9m invested in RSB (at cost) compared to the US\$7.0m invested in RSB through EIF Co Invest VII.

Through the above arrangements, and on a look-through basis, the fair value of Company's total interest in RSB is 10.7 cents per share; while the fair value of the Company's direct interest in RSB (held through EIF Co Invest VII) is 8.5 cents per share. These values represent a 0.8 times multiple over cost. The Directors have reviewed certain underlying financial information pertaining to RSB and the valuation basis employed in the fair valuation calculation which is based on the trading multiples of RSB's comparable group and the application of company specific factors.

Table 2. Investments (Fair Values)	As per LP reports	RSB (EIF)	Pro-forma
	US\$	US\$	US\$
<b>Fund Investments</b>			
EIF (PE funds)	10,561,630		10,561,630
EIF (direct investments)	7,659,817	(1,422,301)	6,237,516
EIF (other)	341,178		341,178
<b>Direct Investments</b>			
RSB Group	5,502,173	1,422,301	6,924,474
	<b>24,064,798</b>	<b>-</b>	<b>24,064,798</b>

Table 2 extracts the Company's "look through" interest in RSB (from EIF) and adds it to the Company's direct interest in RSB (held by EIF Co Invest VII). On this basis, 28.8% of the Company's Financial Assets at Fair Value (US\$6.9m, equivalent to 10.7 cents per share), is accounted for by its interest in RSB on an underlying pro-forma basis.

EIH plc

## Chairman's Statement (continued)

Table 2 further shows that 43.9% of the Company's Financial Assets at Fair Value is accounted for by its interests in EIF's ten PE fund investments, and a further 25.9% by its interests in EIF's direct investments (excluding RSB).

### **Board changes**

Paul Garnett resigned as a Director on 26 June 2017, and Brett Miller was appointed Director on 26 June 2017. Andrew Baker resigned as Company Secretary on 30 June 2017, and Timothy Shepherd was appointed Company Secretary on the same date.

### **Other matters**

At the date of signing this report the Company holds US\$1.42m in net cash balances, equivalent to 2.20 cents per share.

As a Board we will continue to manage operating costs carefully. Our objective is to realize assets at the appropriate time and value, and to return the proceeds less expenses to our shareholders.

On behalf of the Board of Directors, I thank all Shareholders for their support.

Sincerely yours,

**Rhys Cathan Davies**

**Chairman**

**27 June 2018**

## Directors' Report

The Directors hereby submit their annual report together with the audited financial statements of the Company for the financial year ended 31 December 2017.

### The Company

The Company is incorporated in the Isle of Man and was established to provide investors access to a diversified Indian private equity portfolio. The Company re-registered under the Isle of Man Companies Act 2006 on 28 March 2011.

### Results and Dividend

The results of the Company for the year and the financial position of the Company at the end of the year are set out in the attached financial statements.

Audited net asset value ("NAV") as at 31 December 2017

* NAV	US\$24.8 million (2016: US\$27.9million)
* NAV per share	US\$0.384 (2016: US\$0.433)

The Company announces its audited NAV of US\$0.384 per share as at 31 December 2017. The NAV per share of US\$0.384 as at 31 December 2017 represents a decrease of 4.5% from the NAV per share of US\$0.402 as at 30 June 2017.

During the year capital distributions of 4.0 cents per share and 1.5 cents per share, equivalent to approximately US\$2.58 million and approximately US\$0.97 million respectively, were made to the shareholders of the Company (2016: 2.5 cents per share, equivalent to approximately US\$1.61 million).

After the year end, on 27 April 2018, the Company made a capital distribution of 2.5 cents per share to shareholders of the Company registered as at 20 April 2018. The Company will make a capital distribution of 1.5 cents per share to shareholders of the Company registered as at 20 July 2018 equivalent to approximately US\$0.97m.

The Directors recommend that no dividend be declared in respect of the year ended 31 December 2017 (2016: US\$ Nil).

The Company currently does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, at the annual general meeting of the Company in 2015 a resolution was proposed that the Company ceases to continue as presently constituted. No Shareholders voted in favour of this resolution, therefore a similar resolution will be proposed at every third annual general meeting of the Company thereafter. If the resolution is passed, the Directors will be required, within 3 months of the resolution, to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

### Directors

The Directors during the year and up to the date of this Report are as follows:

Mr Rhys Cathan Davies (Chairman)

Mr Ramanan Raghavendran

Mr Paul Mark Garnett

resigned 26 June 2017

Mr Brett Lance Miller

appointed 26 June 2017

### Investment Manager

Evolve India Advisors Inc ("EIA") gave notice of its intention to resign as the Investment Manager of the Company on 27 October 2008 and the termination of the Investment Management Agreement took effect on 30 September 2009. EIA were retained as consultants on 23 March 2010 to provide information to assist in the valuation of the Company's investments.

### Independent Auditors

Our Auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

On behalf of the Board

**Rhys Cathan Davies**  
**Chairman**  
**27 June 2018**

## **Statement of Directors' Responsibilities in Respect of the Annual Report, the Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Annual Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Isle of Man Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are 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 legislation in other jurisdictions.

On behalf of the Board

**Rhys Cathan Davies**  
**Chairman**  
**27 June 2018**

## Independent Auditor’s Report to the Members of EIH PLC

### 1. Our opinion is unmodified

We have audited the financial statements of EIH PLC (“the Company”) for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and Statement of Cash Flows, and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, we have identified one key audit matter, as follows (unchanged from 2016):

Key audit matter	The risk	Our response
<p><b>Valuation and ownership of the unquoted investment portfolio</b></p> <p><b>US\$24m: 2016: US\$27m</b></p> <p>as described in note 3.1 (accounting policy for investments at fair value through profit or loss), note 4 (use of estimates and judgement) and note 7 (financial assets at fair value through profit or loss).</p>	<p><b>Subjective valuation:</b></p> <p>97% of the Company’s total assets (by value) is held in investments where no quoted price is available. These comprise investments in private equity funds and co-investment vehicles, where fair value is estimated by the Directors to be the Company’s share of net asset value per the latest financial results reported by the underlying fund administrators.</p> <p>In accordance with the Company’s policy, all unlisted investments are carried at their fair value on the basis of the latest available information and is consistent with the principles of the International Private Equity and Venture Capital Association (“IPEVCA”) guidelines.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company’s net asset value and total return.</p> <p>Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>- <b>Control design:</b> Documenting and assessing the processes in place to record investment transactions and to value the portfolio.</li> <li>- <b>Historical comparisons:</b> Assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determination of whether they are indicative of bias or error in the Company’s approach to valuations.</li> <li>- <b>Methodology choice:</b> We challenged the appropriateness of the valuation basis selected by comparison with observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines.</li> <li>- <b>Valuations:</b> For all private equity funds, we performed the following: <ul style="list-style-type: none"> <li>- We agreed the valuation of private equity funds to year-end statements received from the underlying fund administrators.</li> <li>- We assessed that the framework of reporting used by the underlying funds is consistent with the principles of fair value measurement.</li> </ul> </li> </ul>

## Independent Auditor’s Report to the Members of EIH PLC (continued)

### 2. Key audit matters: our assessment of risks of material misstatement (continued)

Key audit matter	The risk	Our response
	<p>portfolio valuation and, therefore, the return generated for shareholders.</p>	<ul style="list-style-type: none"> <li>- We assessed any adjustment made by management to the valuations provided by the underlying fund administrators.</li>   <li>- We assessed the quality and reliability of the valuations received from the underlying fund administrators by comparing the 31 December 2017 statements received from the underlying fund administrators at that time to the audited financial statements as at that date, which became available at a later time.</li>   <li>- We considered whether the completion of the audit process had resulted in any material valuation adjustments being applied to the underlying private equity fund managers’ original estimates of investment valuation (that was included in the statements) and thus whether the unaudited valuations included in the year-end statements as at 31 December 2017 were reliable.</li>   <li>- We also considered whether the audit had been completed by a reputable auditor, whether the opinion was unqualified and whether the basis of preparation was appropriate.</li>   <li>- For all private equity funds, we agreed all drawdowns and distributions to notices received from the underlying fund administrator.</li>   <li>- <b>Ownership:</b> We requested independent confirmations of investment holdings from the underlying fund administrators to confirm existence.</li>   <li>- <b>Assessing transparency:</b> Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments.</li> </ul>

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Company’s financial statements as a whole was set at \$500,000 (2016: \$280,000), determined with reference to benchmark of net assets for the year ended 31 December 2017, of which it represents 2% (2016: 1% of total assets).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$25,000 (2016: \$14,000) for Company’s financial statements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

### 4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Independent Auditor's Report to the Members of EIH PLC (continued)

### 5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### 6. Respective responsibilities

#### *Directors' responsibilities*

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company, or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditors' report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### 7. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Section 80(c) of the Isle of Man Companies Act 2006. 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 auditor's 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 report, for this report, or for the opinions we have formed.

**KPMG Audit LLC**  
*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

**27 June 2018**

# EIH plc

## Statement of Comprehensive Income for the year ended 31 December 2017

	Note	31 December 2017 US\$	31 December 2016 US\$
<b>Income</b>			
Interest receivable		1,194	1,482
Loss on disposal of investments at fair value through profit or loss		(3,653)	-
Fair value movement on investments at fair value through profit or loss	7	853,902	(1,921,292)
Other expenditure		(1,951)	(13,352)
<b>Net investment income/(expenditure)</b>		<b>849,492</b>	<b>(1,933,162)</b>
<b>Expenses</b>			
Administrative expenses	9.2	(259,580)	(290,740)
Legal and other professional fees		(137,027)	(135,686)
Audit fees		(45,473)	(36,697)
<b>Total operating expenses</b>		<b>(442,080)</b>	<b>(463,123)</b>
<b>Profit/(loss) before tax</b>		<b>407,412</b>	<b>(2,396,285)</b>
Income tax expense	16	-	-
<b>Profit/(loss) for the year</b>		<b>407,412</b>	<b>(2,396,285)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(expenditure) for the year</b>		<b>407,412</b>	<b>(2,396,285)</b>
<b>Basic and fully diluted earnings/(loss) per share (cents)</b>	14	<b>0.63</b>	<b>(3.72)</b>

The Directors consider that all results derive from continuing activities.

The accompanying notes on pages 14 to 23 form an integral part of these financial statements.

Statement of Financial Position  
as at 31 December 2017

	Note	31 December 2017 US\$	31 December 2016 US\$
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	7	24,064,788	26,645,501
<b>Total non-current assets</b>		<b>24,064,788</b>	<b>26,645,501</b>
<b>Current assets</b>			
Trade and other receivables	11	29,131	17,929
Cash and cash equivalents	10	747,553	1,314,051
<b>Total current assets</b>		<b>776,684</b>	<b>1,331,980</b>
<b>Total assets</b>		<b>24,841,472</b>	<b>27,977,481</b>
<b>Equity</b>			
Issued share capital	13	1,264,706	1,264,706
Share premium		21,434,923	24,982,423
Retained earnings		2,074,199	1,666,787
<b>Total equity</b>		<b>24,773,828</b>	<b>27,913,916</b>
<b>Liabilities</b>			
Trade and other payables	12	67,644	63,565
<b>Total current liabilities</b>		<b>67,644</b>	<b>63,565</b>
<b>Total liabilities</b>		<b>67,644</b>	<b>63,565</b>
<b>Total equity and liabilities</b>		<b>24,841,472</b>	<b>27,977,481</b>

The financial statements were approved by the Board of Directors on 27 June 2018 and signed on their behalf by:

**Rhys Cathan Davies**  
Director

**Ramanan Raghavendran**  
Director

Statement of Changes in Equity  
for the year ended 31 December 2017

	Share Capital US\$	Share Premium US\$	Retained Earnings US\$	Total US\$
Balance at 1 January 2016	1,264,706	26,594,923	4,063,072	31,922,701
<b>Total comprehensive income</b>				
Loss for the year	-	-	(2,396,285)	(2,396,285)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	(2,396,285)	(2,396,285)
<b>Transactions with shareholders</b>				
Return of capital to shareholders	-	(1,612,500)	-	(1,612,500)
<b>Total transactions with shareholders</b>	-	<b>(1,612,500)</b>	-	<b>(1,612,500)</b>
<b>Balance at 31 December 2016</b>	<b>1,264,706</b>	<b>24,982,423</b>	<b>1,666,787</b>	<b>27,913,916</b>
Balance at 1 January 2017	1,264,706	24,982,423	1,666,787	27,913,916
<b>Total comprehensive income</b>				
Profit for the year	-	-	407,412	407,412
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	407,412	407,412
<b>Transactions with shareholders</b>				
Return of capital to shareholders	-	(3,547,500)	-	(3,547,500)
<b>Total transactions with shareholders</b>	-	<b>(3,547,500)</b>	-	<b>(3,547,500)</b>
<b>Balance at 31 December 2017</b>	<b>1,264,706</b>	<b>21,434,923</b>	<b>2,074,199</b>	<b>24,773,828</b>

The accompanying notes on pages 14 to 23 form an integral part of these financial statements.

Statement of Cash Flows  
for the year ended 31 December 2017

	Note	31 December 2017 US\$	31 December 2016 US\$
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		407,412	(2,396,285)
<i>Adjustments:</i>			
Loss on disposal of investments at fair value through profit or loss	7	3,653	-
Fair value movement on investments at fair value through profit or loss	7	(853,902)	1,921,292
Interest receivable		(1,194)	(1,482)
<b>Operating loss before working capital changes</b>		<b>(444,031)</b>	<b>(476,475)</b>
(Increase)/decrease in trade and other receivables		(11,202)	824
Increase/(decrease) in trade and other payables		4,079	(69,122)
<b>Net cash used by operating activities</b>		<b>(451,154)</b>	<b>(544,773)</b>
<b>Cash flows from investing activities</b>			
Interest receivable		1,194	1,482
Proceeds from disposal of investment		1,352,515	-
Capital distributions received	7	2,078,447	1,355,509
<b>Net cash generated from investing activities</b>		<b>3,432,156</b>	<b>1,356,991</b>
<b>Cash flows from financing activities</b>			
Return of capital to shareholders		(3,547,500)	(1,612,500)
<b>Net cash used by financing activities</b>		<b>(3,547,500)</b>	<b>(1,612,500)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(566,498)</b>	<b>(800,282)</b>
Cash and cash equivalents at beginning of the year		1,314,051	2,114,333
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>747,553</b>	<b>1,314,051</b>

The accompanying notes on pages 14 to 23 form an integral part of these financial statements.

## Notes to the Financial Statements for the year ended 31 December 2017

### **1 The Company**

EIH plc was incorporated and registered in the Isle of Man under the Isle of Man Companies Act 1931-2004 on 10 November 2006 as a public company with registration number 118297C. The company re-registered under the Isle of Man Companies Act 2006 on 28 March 2011 with registration number 006738V.

Pursuant to a prospectus dated 19 March 2007 there was a placing of up to 65,000,000 Ordinary Shares of £0.01 each. The number of Ordinary Shares in issue immediately following the placing was 65,000,002. The shares of the Company were admitted to trading on AIM, a market of that name operated by the London Stock Exchange plc following the closing of the placing on 23 March 2007. The Company purchased 500,000 of its own shares for US\$0.60 each on 30 September 2011.

The Company's agents perform all significant functions. Accordingly, the Company itself has no employees.

The Company currently does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, at the annual general meeting of the Company in 2015 a resolution was proposed that the Company ceases to continue as presently constituted. No Shareholders voted in favour of this resolution, therefore a similar resolution will be proposed at every third annual general meeting of the Company thereafter. If the resolution is passed, the Directors will be required, within 3 months of the resolution, to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

### **2 Basis of preparation**

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and interpretations as adopted by the European Union ("EU").

The financial statements were authorised for issue by the Board of Directors on 27 June 2018.

#### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss that are measured at fair value in the statement of financial position.

#### **2.3 Functional and presentation currency**

These financial statements are presented in US Dollars, which is the Company's functional currency. All financial information presented in US Dollars has been rounded to the nearest Dollar.

#### **2.4 Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs, as adopted by the EU, requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by the Directors in the application of IFRS, as adopted by the EU, that have a significant impact on the financial statements and estimates with a significant risk of material adjustment in the next financial year relate to valuation of financial assets at fair value through profit or loss – see note 4.

## Notes to the Financial Statements (continued) for the year ended 31 December 2017

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **3.1 Investments at fair value through profit or loss**

IFRS 13, Fair Value Measurement, has been adopted from 1 January 2013. It establishes a single source of guidance for measuring fair value and requires disclosure about the fair value measurements. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also IFRS 13 includes disclosure requirements.

Investments are designated as financial assets at fair value through profit or loss. They are measured at fair value with gains and losses recognised through the profit or loss.

The Company's investments at fair value through profit or loss comprise funds and co-investment vehicles, where fair value is estimated by the Directors to be the Company's share of net asset value per latest financial results reported by the underlying fund administrator.

#### **3.2 Foreign currency translation**

The US dollar is the functional currency and the presentation currency. Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the date of these financial statements are translated to US dollars at exchange rates prevailing on that date. All resulting exchange differences are recognised in the profit or loss.

#### **3.3 Interest income and dividend income**

Interest income is recognised on a time-proportionate basis using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

#### **3.4 Cash and cash equivalents**

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### **3.5 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

#### **3.6 Segment reporting**

The Company has one segment focusing on maximising total returns through investing in an Indian private equity portfolio of investments (see note 7). No additional disclosure is included in relation to segment reporting, as the Company's activities are limited to one business and geographic segment.

#### **3.7 Future changes in accounting policies**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. The only new standard relevant to the Company is IFRS 9: Financial Instruments, which is discussed below. The Company does not plan to adopt IFRS 9 early.

IFRS 9, published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on the initial assessment, this standard is not expected to have a material impact on the Company's financial statements.

Notes to the Financial Statements (continued)  
for the year ended 31 December 2017

**4 Use of estimates and judgements**

These disclosures supplement the commentary on financial risk management (see note 17).

**Key sources of estimation uncertainty**

*Determining fair values*

The determination of fair values for financial assets for which there is no observable market prices requires the use of valuation techniques as described in accounting policy 3.1. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The eventual outcome may differ from the value estimate. See also "Valuation of financial instruments" below.

**Critical judgements in applying the Company's accounting policies**

*Valuation of financial instruments*

The Company's accounting policy on fair value measurements is discussed in accounting policy 3.1. The Company measures fair value using the IFRS 13 fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category included instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. The Company's investments in funds and co-investment vehicles are classified as level 3, as the underlying investments are private entities, valued using valuation techniques (see note 7).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurements are categorised:

	31 December 2017	31 December 2016
	Level 3	Level 3
	US\$	US\$
<b>Financial assets at fair value through profit or loss (note 7)</b>		
Evolve India Fund PCC	18,562,615	19,778,373
EIF Co Invest VII (RSB Group)	5,502,173	5,510,960
EIF Co Invest X (Gland Pharma Limited)	-	1,356,168
	<b>24,064,788</b>	<b>26,645,501</b>

The table in note 7 shows a reconciliation from the beginning balances to the ending balances for investments, all of which are categorised as level 3 in the fair value hierarchy.

Notes to the Financial Statements (continued)  
for the year ended 31 December 2017

**5 Net asset value per share**

The net asset value per share as at 31 December 2017 is US\$0.384 per share based on 64,500,002 ordinary shares in issue as at that date (2016: US\$0.433 per share based on 64,500,002 ordinary shares).

**6 Dividends and capital distributions**

The Directors do not propose to declare a dividend for the year ended 31 December 2017 (2016: US\$Nil). During the year capital distributions of 4.0 cents per share and 1.5 cents per share, equivalent to approximately US\$2.58m and approximately US\$0.97m respectively, were made to the shareholders of the Company (2016: 2.5 cents per share, equivalent to approximately US\$1.61m).

**7 Financial assets at fair value through profit or loss**

The objective of the Company is to make indirect investments in Indian private equity funds and companies via Mauritian based investment funds and to also co-invest directly in certain portfolio companies of the underlying funds. As at 31 December 2017, the investment portfolio comprised the following assets:

Investments (unlisted)	Capital Commitment	Capital Invested	Capital Distribution	Fair value Adjustment	Fair Value
	US\$	US\$	US\$	US\$	US\$
<i>Fund Investments (equity)</i>					
Evolve India Fund PCC	45,120,000	45,120,000	(27,692,893)	1,135,508	18,562,615
<i>Direct Investments (equity)</i>					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	(29,235)	(1,438,192)	5,502,173
	<b>52,089,600</b>	<b>52,089,600</b>	<b>(27,722,128)</b>	<b>(302,684)</b>	<b>24,064,788</b>

The fair value of the Company's investments has been estimated by the Directors with advice from Evolve India Advisors Inc. The movement in investments in the year was as follows:

	31 December 2017	31 December 2016
	US\$	US\$
Fair value brought forward	26,645,501	29,922,302
Disposal proceeds of investments at fair value	(1,352,515)	-
Loss on disposal of investments at fair value through profit and loss	(3,653)	-
Capital distributions	(2,078,447)	(1,355,509)
Movement in fair value	853,902	(1,921,292)
<b>Fair value at year end</b>	<b>24,064,788</b>	<b>26,645,501</b>

The outstanding capital commitments as at 31 December 2017 were US\$nil (2016: US\$nil).

**Evolve India Fund PCC (EIF)**

Evolve India Fund PCC, a protected cell company formed under the laws of Mauritius having limited liability, is a private equity fund of funds with a co-investment pool, focusing primarily on investments in India. The fund size of EIF is US\$250 million, of which approximately two-thirds have been invested in different private equity funds (including growth capital, mezzanine and real estate funds) with significant focus on India, and the balance has been invested in co-investment opportunities, primarily in Indian companies or companies with significant operations in India. The fund investments of EIF include Baring India Private Equity Fund II, IDFC Private Equity Fund II, India Value Fund II (Formerly GW Capital), Leverage India Fund, New York Life Investment Management India Fund II, Ascent India Fund, JM Financial India Fund I, HI-REF International LLC Fund, NYLIM Jacob Ballas India Fund III and IDFC Private Equity Fund III.

*Valuation basis*

The fair value of the investment in EIF is based on the Company's share of the net assets of EIF at 31 December 2017 per its results as reported by the underlying fund administrator. The financial statements of EIF are prepared under IFRS, with all investments stated at fair value. The valuation of the investment portfolio of EIF has been performed by its investment manager at 31 December 2017. The investment portfolio comprises investments in private equity funds, where fair value is based on reported net asset values, and co-investments in private companies where fair values are based on valuation techniques.

## Notes to the Financial Statements (continued) for the year ended 31 December 2017

### 7 Financial assets at fair value through profit or loss (continued)

#### EIF Co Invest VII

The Company has invested US\$6,969,600 in RSB Group through a special purpose vehicle (SPV), EIF Co Invest VII. RSB Group is a leading manufacturer of automotive components and construction aggregates. The fair value of the investment in Co Invest VII is based on the Company's share of the net assets of Co Invest VII at 31 December 2017 per its financial results as reported by the underlying fund administrator. The financial statements of EIF Co Invest VII are prepared under IFRS, with all investments stated at fair value. The underlying valuation of RSB Group, which is unlisted, is based on the trading multiples of RSB's comparable group and the application of a liquidity discount thereto.

#### EIF Co Invest X

The Company held its interest in Gland Pharma Limited through an SPV, EIF Co Invest X. EIF Co Invest X sold its interest in Gland Pharma Limited during the year ended 31 December 2014, but retained an amount of the sale proceeds to address any possible contingencies. The Company received its final distribution of US\$1,352,515 in respect of this interest on 24 January 2017.

### 8 Related parties and related party transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions.

None of the Directors had any interest during the period in any material contract for the provision of services which was significant to the business of the Company.

### 9 Charges and Fees

#### 9.1 Nominated Adviser's fees

As nominated adviser to the Company for the purposes of the AIM Rules, Nplus1 Singer Advisory LLP is entitled to receive an annual fee of £30,000 in addition to reasonable costs and expenses incurred in carrying out its obligations under the nominated adviser agreement.

Advisory fees paid to the Nominated Adviser for the year amounted to US\$38,349 (2016: US\$41,763).

#### 9.2 Administrator's and Registrar's fees

By a deed dated 28 December 2006 between the Company and Cains Fiduciaries Limited (CFL), CFL agreed to provide general secretarial services to the Company for which it receives a fixed annual charge of £15,000; fees incurred on a time spent basis in accordance with the charging rates of CFL in force from time to time; and all disbursements and expenses incurred by CFL in connection with the provision by it of services to the Company. The fees are subject to Value Added Tax (VAT).

The Company and CFL may terminate the deed on the giving of thirty days' prior written notice, or earlier in the event of, *inter alia*, material breach of the terms of the deed or commencement of winding up. The governing law of the deed is that of the Isle of Man.

CFL may utilise the services of a CREST accredited registrar for the purpose of settling share transactions through CREST. The cost of this service will be borne by the Company. The Company pays the CREST Service Provider an annual fee of £6,392 plus a fee for each holding and transfer registered.

Administration fees for the year amounted to US\$19,364 (2016: US\$24,111) of which US\$nil was outstanding at 31 December 2017 (2016: US\$nil).

CREST fees were US\$21,792 (2016: US\$19,964) of which US\$5,374 was outstanding at 31 December 2017 (2016: US\$4,672).

#### 9.3 Consultancy fees

Mr Brett Miller was retained by the Company as a consultant until his appointment as a Director. Consultancy fees are paid at the same rate as directors fees and expenses. Consultancy fees payable for the year ended 31 December 2017 amounted to US\$29,351 (2016: US\$62,642).

# EIH plc

## Notes to the Financial Statements (continued) for the year ended 31 December 2017

### 10 Cash and cash equivalents

	31 December 2017 US\$	31 December 2016 US\$
Bank balances	747,553	1,314,051
<b>Cash and cash equivalents</b>	<b>747,553</b>	<b>1,314,051</b>

### 11 Trade and other receivables

	31 December 2017 US\$	31 December 2016 US\$
Other debtors	5,056	-
Prepaid expenses	16,990	13,084
VAT receivable	7,085	4,845
<b>Total</b>	<b>29,131</b>	<b>17,929</b>

### 12 Trade and other payables

	31 December 2017 US\$	31 December 2016 US\$
Other creditors	20,960	23,824
Accruals	46,684	39,741
<b>Total</b>	<b>67,644</b>	<b>63,565</b>

### 13 Issued share capital

Ordinary Shares of 1p each	Number	US\$
In issue at the start of the year	64,500,002	1,264,706
Movement in issued share capital	-	-
<b>In issue at 31 December 2017</b>	<b>64,500,002</b>	<b>1,264,706</b>

The authorised share capital of the Company is £700,000 divided into 70 million Ordinary Shares of £0.01 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's assets.

#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board manages the Company's affairs to achieve shareholder returns through capital growth rather than income, and monitors the achievement of this through growth in net asset value per share.

At Annual General Meeting (AGM) held on 28 June 2010 the Company's new investment policy was unanimously approved by shareholders:

"The Company shall not make any new investments, save for commitments already entered into. The Company will actively manage its investments and seek to realise such investments in a managed way at an appropriate time, returning proceeds to Shareholders as soon as practicable.

Shareholder returns are expected to be delivered by way of return of capital on their shares, whether by dividend, repurchase, tender or otherwise."

Notes to the Financial Statements (continued)  
for the year ended 31 December 2017

**13 Issued share capital (continued)**

**Capital management (continued)**

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

**14 Earnings/(loss) per share**

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2017	2016
Profit/(loss) attributable to equity holders of the Company (US\$)	407,412	(2,396,285)
Weighted average number of ordinary shares in issue	64,500,002	64,500,002
<b>Basic earnings/(loss) per share (cents per share)</b>	<b>0.63</b>	<b>(3.72)</b>

There are no dilutive potential ordinary shares in issue, therefore there is no difference between the basic and fully diluted earnings/(loss) per share for the year.

**15 Directors' remuneration**

The maximum amount of remuneration payable to the Directors permitted under the Articles of Association is £200,000 per annum. The Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. Total fees and expenses paid to the Directors for the year amounted to US\$199,078 (year ended 31 December 2016: US\$179,534) and insurance expenses totalled US\$16,237 (year ended 31 December 2016: US\$16,226).

Director	31 December 2017 US\$	31 December 2016 US\$
Rhys Cathan Davies	60,026	62,642
Ramanan Raghavendran	60,026	62,642
Brett Lance Miller (appointed 26 June 2017)	30,675	-
Paul Mark Garnett (resigned 26 June 2017)	48,351	54,250
<b>Total</b>	<b>199,078</b>	<b>179,534</b>

See note 9.3 in respect of consultancy fees paid to Brett Miller in the period until his appointment.

**16 Taxation**

The Company is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man and is subject to taxation on its income but the rate of tax is zero.

The Company invests in a number of Mauritian incorporated companies and funds, which in turn invest in India. The Company is therefore exposed to Mauritian tax on the investee companies and to Indian tax on underlying investments of those companies. However, pursuant to the Double Taxation Treaty between India and Mauritius, the Mauritian incorporated companies and funds are entitled to significant tax benefits.

There is no Mauritian tax payable on distributions paid to the Company from Mauritian investee companies.

Notes to the Financial Statements (continued)  
for the year ended 31 December 2017

**17 Financial risk management**

The Company's activities expose it to a variety of financial risks: equity market risks, foreign exchange risk, credit risk, liquidity risk and interest rate risk.

*Equity market risks*

The Company's investments are subject to equity market risks. The investments are concentrated in India. The Company's strategy on the management of investment risk is driven by the Company's investment objective. The main objective of the Company is to maximise the total returns to investors by making investments in Indian private equity funds and co-investment vehicles. Underlying investments in India may be difficult, slow or impossible to realise.

The Company is subject to general risks incidental to equity investments in the relevant market sectors, including general economic conditions, poor management of the target company, increasingly competitive market conditions, changing sentiments and increasing costs, amongst others. The marketability and value of any investment will depend on many factors beyond the control of the Company and therefore the Company can give no assurance that an exit from any investment will be achieved.

The investment portfolio is subject to market price sensitivity related to the Indian equity market.

A substantial portion of the Company's underlying investments are or will be in unlisted companies, whose securities are considered to be illiquid. Illiquidity may affect the ability of the primary and underlying funds to acquire and dispose of such investments.

*Foreign exchange risk*

A significant portion of the investments of the Company, the primary funds and the underlying funds are made in securities of companies in India and the income and capital realisations received from such investments as well as the income and capital realisations received from any direct investments will be denominated in Indian Rupees, whereas the capital contributions by the Company are in US Dollars. The Company's other operations are also conducted in other jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than the US Dollars. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to these currencies. The currency giving rise to this risk is primarily the Indian Rupee.

The Company's policy is not to enter into any currency hedging transactions.

At the reporting date the Company had the following exposure:

	31 December 2017 %	31 December 2016 %
Pounds Sterling	0.45	-
Indian Rupee	97.14	95.40
US Dollar	2.41	4.60
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The following table sets out the Company's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

	Monetary Assets US\$	Monetary Liabilities US\$	Net Exposure US\$
31 December 2017			
Pound Sterling	179,037	(67,644)	111,393
Indian Rupee	24,064,788	-	24,064,788
US Dollar	597,647	-	597,647
	<b>24,841,472</b>	<b>(67,644)</b>	<b>24,773,828</b>

# EIH plc

## Notes to the Financial Statements (continued) for the year ended 31 December 2017

### 17 Financial risk management – continued

	Monetary Assets	Monetary Liabilities	Net Exposure
	US\$	US\$	US\$
31 December 2016			
Pound Sterling	45,914	(63,565)	(17,651)
Indian Rupee	26,645,501	-	26,645,501
US Dollar	1,286,066	-	1,286,066
	<b>27,977,481</b>	<b>(63,565)</b>	<b>27,913,916</b>

At 31 December 2017, had the Indian Rupee strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to equity holders of the Company and the profit/(loss) per the statement of comprehensive income would have increased or decreased by US\$1,203,239 (2016: US\$1,332,275).

#### *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short term maturity.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31 December 2017 US\$	31 December 2016 US\$
Financial assets at fair value through profit or loss	24,064,788	26,645,501
Trade and other receivables	29,131	17,929
Cash and cash equivalents	747,553	1,314,051
<b>Total</b>	<b>24,841,472</b>	<b>27,977,481</b>

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Directors do not expect any counterparty to fail to meet its obligations.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by maintaining sufficient cash balances to meet its obligations. The Company's liquidity position is monitored by the Board of Directors.

Residual undiscounted contractual maturities of financial liabilities:

<b>31 December 2017</b>	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
<b>Financial liabilities</b>	US\$	US\$	US\$	US\$	US\$	US\$
Trade and other payables	67,644	-	-	-	-	-
	<b>67,644</b>	-	-	-	-	-
<b>31 December 2016</b>	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
<b>Financial liabilities</b>	US\$	US\$	US\$	US\$	US\$	US\$
Trade and other payables	63,565	-	-	-	-	-
	<b>63,565</b>	-	-	-	-	-

Capital commitments outstanding to private equity funds as at 31 December 2017 amounted to US\$nil (2016: US\$nil).

Notes to the Financial Statements (continued)  
for the year ended 31 December 2017

**17 Financial risk management – continued**

*Interest rate risk*

Cash held by the Company is invested at short-term market interest rates.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

<b>31 December 2017</b>	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Financial Assets</b>	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets at fair value through profit or loss	-	-	-	-	-	24,064,788	24,064,788
Trade and other receivables	-	-	-	-	-	29,131	29,131
Cash and cash equivalents	747,553	-	-	-	-	-	747,553
<b>Total financial assets</b>	<b>747,553</b>	-	-	-	-	<b>24,093,919</b>	<b>24,841,472</b>
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	-	-	(67,644)	(67,644)
<b>Total financial liabilities</b>	-	-	-	-	-	<b>(67,644)</b>	<b>(67,644)</b>
<b>Total interest rate sensitivity gap</b>	<b>747,553</b>	-	-	-	-		

  

<b>31 December 2016</b>	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Financial Assets</b>	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets at fair value through profit or loss	-	-	-	-	-	26,645,501	26,645,501
Trade and other receivables	-	-	-	-	-	17,929	17,929
Cash and cash equivalents	1,314,051	-	-	-	-	-	1,314,051
<b>Total financial assets</b>	<b>1,314,051</b>	-	-	-	-	<b>26,663,430</b>	<b>27,977,481</b>
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	-	-	(63,565)	(63,565)
<b>Total financial liabilities</b>	-	-	-	-	-	<b>(63,565)</b>	<b>(63,565)</b>
<b>Total interest rate sensitivity gap</b>	<b>1,314,051</b>	-	-	-	-		

No financial assets are subject to fair value interest rate risk. No sensitivity is provided with respect to variable interest rate movements as the effect is considered not significant.

**18 Subsequent events**

In March 2018, the Company received a distribution from EIF of US\$1.5m. As disclosed in the Chairman's Statement, the Company made a capital distribution of 2.5 cents per share to shareholders of the Company registered as at 20 April 2018.

In June 2018, the Company received a further distribution from EIF of US\$0.9m. As disclosed in the Chairman's Statement, the Company will make a capital distribution of 1.5 cents per share to shareholders of the Company registered as at 20 July 2018.