

## Regulatory Story

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**EIH PLC** - EIH Posting of 2016 Annual Report and Notice of AGM  
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26 June 2017

26<sup>th</sup> June 2017

EIH plc

**Final Results  
Posting of 2016 Annual Report and Notice of AGM**

EIH announces its audited final results for the financial year ended 31 December 2016. A copy of this announcement will shortly be available for inspection at <http://www.eihplc.co.uk/regnews.aspx>.

Printed copies of the Company's Annual Report together with Notice of 2017 Annual General Meeting have also been posted to shareholders today. The annual general meeting will be held at the Company's registered office at Fort Anne, Douglas, Isle of Man on 24 July 2017 at 10 a.m.

For further information, please contact:

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**Chairman's Statement**

At 31 December 2016, the net asset value of EIH plc ("the Company") was US\$0.433 per share as compared with US\$0.495 per share a year earlier, a decline of 12.5% in the period. Adjusting for the capital distribution of 2.5 cents per share made to shareholders of the Company registered at 8 July 2016, the Company's NAV declined by 7.7% in the period.

During the year in review, the Company received distributions of US\$1.4m from the Evolve India Fund PCC ("EIF").

On 13 July 2016, the Company made a capital distribution to shareholders of 2.5 cents per share, equivalent to approximately US\$1.61m.

After the year end, the Company made a capital distribution of 4 cents per share to shareholders of the Company registered as at 17 February 2017, equivalent to approximately US\$2.58m.

Total operating costs during the year were US\$0.46m as compared with US\$0.51m in the prior year, a decline of 9.8%. This operating cost figure represents approximately 1.7% 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. These management fees will, in the current period, be reduced by 60% from the level in the period under review.

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	(25,614,446)	272,819	19,778,373
<i>Direct Investments (equity)</i>					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	(29,235)	(1,429,405)	5,510,960
EILSF Co-invest I	466,387	466,387	-	889,781	1,356,168
	<b>52,555,987</b>	<b>52,555,987</b>	<b>(25,643,681)</b>	<b>(266,805)</b>	<b>26,645,501</b>

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

At the year end the Company had US\$19.5m invested in EIF (capital called less refund capital contributions), equivalent to 30.2 cents per share. At the reporting date the fair value of the Company's investment in EIF was US\$19.8m, equivalent to 30.7 cents per share, representing a 1.02 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 1.9% during the year in review. It is also noted that the Indian Rupee ("INR") declined by 2.4% in value against the US Dollar during the year in review.

Against this backdrop EIF's underlying private equity funds performed well. The distributions from realisations increased by 69.7% year-on-year, and the fair value of EIF's underlying funds increased by approximately 5.2% in US Dollar terms, while in INR terms this increase was approximately 7.8% (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 decreased by approximately 4.4% in US Dollar terms, while in INR terms this decrease was approximately 2.1%. This was substantially driven by a decline in the fair value of RSB Group.

EIF's private equity exposure is weighted towards funds with vintages of 2006 and later. The four funds of these vintages comprise 77.2% of EIF's private equity fund weighting. The remaining six funds, with a 22.8% weighting, are all 2004 and 2005 vintages. EIF's three largest funds constitute 70.8% 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 except one 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\$11.6m, equivalent to 18.0 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 2016, the S&P BSE SENSEX advanced by 17.0% in INR terms. It is also noted that in the same period the INR strengthened by 5.0% against the US Dollar.

#### **EILSF Co-invest I / Gland Pharma Limited ("Gland")**

On a "look through" basis the Company retains an approximately US\$2.0m interest in EILSF Co-invest I (held through EIF Co Invest X and EIF) representing its share of the Gland proceeds retained to address any potential contingencies. The final distribution amounting to US\$1.4m comprising largely of the Company's share of its interest in EILSF Co-invest I occurred in 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.

<b>Table 2. Investments (Fair Values)</b>	<b>As per LP reports</b>	<b>RSB (EIF)</b>	<b>Gland (EIF)</b>	<b>Pro-forma</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Fund Investments</b>				
EIF (PE funds)	11,554,049			11,554,049
EIF (direct investments)	7,664,554	(1,424,575)	(679,740)	5,560,239
EIF (other)	559,770			559,770
<b>Direct Investments</b>				
RSB Group	5,510,960	1,424,575		6,935,535
EILSF Co-invest I	1,356,168		679,740	2,035,908
	<b>26,645,501</b>	<b>-</b>	<b>-</b>	<b>26,645,501</b>

Table 2 extracts the Company's "look through" interests in EILSF Co-invest I and RSB (from EIF) and adds them to the Company's direct interests in EILSF Co-invest I and RSB (held by EIF Co Invest X and EIF Co Invest VII respectively). On this basis, 33.7% of the Company's Financial Assets at Fair Value (US\$9.0m, equivalent to 13.9 cents per share), is accounted for by its interests in Gland and RSB on an underlying pro-forma basis.

Table 2 further shows that 43.4% 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 20.9% by its interests in EIF's direct investments (excluding Gland and RSB).

#### **Board changes**

Paul Garnett has resigned from the Board effective today and the Board would like to thank him for his contribution since 2013. Brett Miller has today joined the Board in place of Paul Garnett.

#### **Other matters**

At the date of signing this report the Company holds US\$1.24m in net cash balances, equivalent to 1.92 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  
26 June 2017

**Statement of Comprehensive Income  
for the year ended 31 December 2016**

	Note	31 December 2016 US\$	31 December 2015 US\$
<b>Income</b>			
Interest receivable		1,482	-
Fair value movement on investments at fair value through profit or loss	7	(1,921,292)	308,041
Other expenditure		(13,352)	(8,339)
<b>Net investment (expenditure)/income</b>		<b>(1,933,162)</b>	<b>299,702</b>
<b>Expenses</b>			
Administrative expenses	9.2	(290,740)	(332,773)
Legal and other professional fees		(135,686)	(136,882)
Audit fees		(36,697)	(43,474)
<b>Total operating expenses</b>		<b>(463,123)</b>	<b>(513,129)</b>
<b>Loss before tax</b>			
Income tax expense	16	-	-
<b>Loss for the year</b>		<b>(2,396,285)</b>	<b>(213,427)</b>
Other comprehensive income		-	-
<b>Total comprehensive expenditure for the year</b>		<b>(2,396,285)</b>	<b>(213,427)</b>
<b>Basic and fully diluted loss per share (cents)</b>	14	<b>(3.72)</b>	<b>(0.33)</b>

The Directors consider that all results derive from continuing activities.

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

**Statement of Financial Position  
as at 31 December 2016**

	Note	31 December 2016 US\$	31 December 2015 US\$
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	7	26,645,501	29,922,302
<b>Total non-current assets</b>		<b>26,645,501</b>	<b>29,922,302</b>
<b>Current assets</b>			
Trade and other receivables	11	17,929	18,753
Cash and cash equivalents	10	1,314,051	2,114,333
<b>Total current assets</b>		<b>1,331,980</b>	<b>2,133,086</b>
<b>Total assets</b>		<b>27,977,481</b>	<b>32,055,388</b>
Issued share capital	13	1,264,706	1,264,706
Share premium		24,982,423	26,594,923
Retained earnings		1,666,787	4,063,072
<b>Total equity</b>		<b>27,913,916</b>	<b>31,922,701</b>
Trade and other payables	12	63,565	132,687
<b>Total current liabilities</b>		<b>63,565</b>	<b>132,687</b>
<b>Total liabilities</b>		<b>63,565</b>	<b>132,687</b>
<b>Total equity and liabilities</b>		<b>27,977,481</b>	<b>32,055,388</b>

The financial statements were approved by the Board of Directors on 26 June 2017 and signed on their behalf by:

**Rhys Cathan Davies**  
Director

**Ramanan Raghavendran**  
Director

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

**Statement of Changes in Equity  
for the year ended 31 December 2016**

	Share Capital	Share Premium	Retained Earnings	Total
	US\$	US\$	US\$	US\$
Balance at 1 January 2015	1,264,706	26,594,923	4,276,499	32,136,128
<b>Total comprehensive income</b>				
Loss for the year	-	-	(213,427)	(213,427)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	(213,427)	(213,427)
<b>Transactions with shareholders</b>				
Return of capital to shareholders	-	-	-	-
<b>Total transactions with shareholders</b>	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>1,264,706</b>	<b>26,594,923</b>	<b>4,063,072</b>	<b>31,922,701</b>
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>	-	(1,612,500)	-	(1,612,500)
<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>

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

#### Statement of Cash Flows for the year ended 31 December 2016

	Note	31 December 2016	31 December 2015
		US\$	US\$
<b>Cash flows from operating activities</b>			
Loss before tax		(2,396,285)	(213,427)
<i>Adjustments:</i>			
Fair value movement on investments at fair value through profit or loss	7	1,921,292	(308,041)
Interest receivable		(1,482)	-
<b>Operating loss before working capital changes</b>		<b>(476,475)</b>	<b>(521,468)</b>
Decrease in trade and other receivables		824	1,959
(Decrease)/increase in trade and other payables		(69,122)	82,246
<b>Net cash used by operating activities</b>		<b>(544,773)</b>	<b>(437,263)</b>
<b>Cash flows from investing activities</b>			
Capital distributions received	7	1,355,509	1,012,113
<b>Net cash generated from investing activities</b>		<b>1,355,509</b>	<b>1,012,113</b>
<b>Cash flows from financing activities</b>			
Interest receivable		1,482	-
Return of capital to shareholders		(1,612,500)	-
<b>Net cash used by financing activities</b>		<b>(1,611,018)</b>	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(800,282)</b>	<b>574,850</b>
Cash and cash equivalents at beginning of the year		2,114,333	1,539,483
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>1,314,051</b>	<b>2,114,333</b>

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

#### Notes to the Financial Statements for the year ended 31 December 2016

##### 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 26 June 2017.

### 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.

## 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 2016, 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.

#### 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:

	Level 1 US\$	Level 2 US\$	Level 3 US\$
<b>Financial assets at fair value through profit or loss (note 7)</b>			
Evolve India Fund PCC	-	-	19,778,373
EIF Co Invest VII (RSB Group)	-	-	5,510,960
EIF Co Invest X (Gland Pharma Limited)	-	-	1,356,168
	-	-	<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.

#### 5 Net asset value per share

The net asset value per share as at 31 December 2016 is US\$0.433 per share based on 64,500,002 ordinary shares in issue as at that date (2015: US\$0.495 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 2016 (2015: US\$Nil). During the year a capital distribution of 2.5 cents per share, equivalent to approximately US\$1.61m, was made to the shareholders of the Company (2015: No capital distribution was made).

#### 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 2016, the investment portfolio comprised the following assets:

Investments (unlisted)	Capital Commitment US\$	Capital Invested US\$	Capital Distribution US\$	Fair value Adjustment US\$	Fair Value US\$
<i>Fund Investments (equity)</i>					
Evolve India Fund PCC	45,120,000	45,120,000	(25,614,446)	272,819	19,778,373
<i>Direct Investments (equity)</i>					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	(29,235)	(1,429,405)	5,510,960
EIF Co Invest X (Gland Pharma Limited)	466,387	466,387	-	889,781	1,356,168
	<b>52,555,987</b>	<b>52,555,987</b>	<b>(25,643,681)</b>	<b>(266,805)</b>	<b>26,645,501</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 2016 US\$	31 December 2015 US\$
Fair value brought forward	29,922,302	30,626,374
Capital distributions	(1,355,509)	(1,012,113)
Movement in fair value	(1,921,292)	308,041
<b>Fair value at year end</b>	<b>26,645,501</b>	<b>29,922,302</b>

The outstanding capital commitments as at 31 December 2016 were US\$nil (2015: 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 2016 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 2016. 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.

#### 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 2016 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 fair value of the investment in EIF Co Invest X is based on the Company's share of the net assets of EIF Co Invest X at 31 December 2016 per its financial results as reported by the underlying fund administrator. The financial statements of EIF Co Invest X are prepared under IFRS. 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\$41,763 (2015: US\$45,433).

#### 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 £6,168 plus a fee for each holding and transfer registered.

Administration fees for the year amounted to US\$24,111 (2015: US\$23,141) of which US\$nil was outstanding at 31 December 2016 (2015: US\$nil).

CREST fees were US\$19,964 (2015: US\$22,214) of which US\$4,672 was outstanding at 31 December 2016 (2015: US\$5,284).

#### 9.3 Consultancy fees

Mr Brett Miller has been retained by the Company as a consultant. Consultancy fees are paid at the same rate as directors fees and expenses. Consultancy fees payable for the year ended 31 December 2016 amounted to US\$62,642 (2015: US\$70,526).

### 10 Cash and cash equivalents

	31 December 2016 US\$	31 December 2015 US\$
Bank balances	1,314,051	2,114,333
<b>Cash and cash equivalents</b>	<b>1,314,051</b>	<b>2,114,333</b>

### 11 Trade and other receivables

	31 December 2016 US\$	31 December 2015 US\$
Prepaid expenses	13,084	13,617

VAT receivable	4,845	5,136
<b>Total</b>	<b>17,929</b>	<b>18,753</b>

**12 Trade and other payables**

	31 December 2016 US\$	31 December 2015 US\$
Other creditors	23,824	21,150
Accruals	39,741	111,537
<b>Total</b>	<b>63,565</b>	<b>132,687</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 2016</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."

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

**14 Loss per share**

Basic and fully diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2016	2015
Loss attributable to equity holders of the Company (US\$)	(2,396,285)	(213,427)
Weighted average number of ordinary shares in issue	64,500,002	64,500,002
<b>Basic loss per share (cents per share)</b>	<b>(3.72)</b>	<b>(0.33)</b>

There are no dilutive potential ordinary shares in issue, therefore there is no difference between the basic and fully diluted 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\$179,534 (year ended 31 December 2015: US\$207,672) and insurance expenses totalled US\$16,226 (year ended 31 December 2015: US\$16,192).

Director	31 December 2016 US\$	31 December 2015 US\$
Rhys Cathan Davies	62,642	70,526
Ramanan Raghavendran	62,642	70,526
Paul Mark Garnett	54,250	66,620
<b>Total</b>	<b>179,534</b>	<b>207,672</b>

**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.

**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 2016	31 December 2015
	%	%
Pounds Sterling	-	-
Indian Rupee	95.40	93.65
US Dollar	4.60	6.35
<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	Monetary Liabilities	Net Exposure
	US\$	US\$	US\$
<b>31 December 2016</b>			
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>
<b>31 December 2015</b>			
Pound Sterling	104,775	(132,687)	(27,912)
Indian Rupee	29,922,302	-	29,922,302
US Dollar	2,028,311	-	2,028,311
	<b>32,055,388</b>	<b>(132,687)</b>	<b>31,922,701</b>

At 31 December 2016, 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 loss per the statement of comprehensive income would have increased or decreased by US\$1,332,275 (2015: US\$1,496,115).

*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 2016	31 December 2015
	US\$	US\$
Financial assets at fair value through profit or loss	26,645,501	29,922,302
Trade and other receivables	17,929	18,753
Cash and cash equivalents	1,314,051	2,114,333
<b>Total</b>	<b>27,977,481</b>	<b>32,055,388</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 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>	-	-	-	-	-
<b>31 December 2015</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	132,687	-	-	-	-	-
	<b>132,687</b>	-	-	-	-	-

Capital commitments outstanding to private equity funds as at 31 December 2016 amounted to US\$nil (2015: US\$nil).

#### 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 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>	-	-	-	-		
<b>31 December 2015</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	-	-	-	-	-	29,922,302	29,922,302
Trade and other receivables	-	-	-	-	-	18,753	18,753
Cash and cash equivalents	2,114,333	-	-	-	-	-	2,114,333
<b>Total financial assets</b>	<b>2,114,333</b>	-	-	-	-	<b>29,941,055</b>	<b>32,055,388</b>
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	-	-	(132,687)	(132,687)
<b>Total financial liabilities</b>	-	-	-	-	-	<b>(132,687)</b>	<b>(132,687)</b>
<b>Total interest rate sensitivity gap</b>	<b>2,114,333</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 January 2017 the Company received a final distribution of US\$1.4m from EILSF Co-invest I. In January 2017 and April 2017, the Company received further distributions from EIF of US\$0.9m and US\$0.5m, respectively. As disclosed in the Chairman's Statement, the Company made a capital distribution of 4 cents per share to shareholders of the Company registered as at 17 February 2017.

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