Regulatory Story

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EIH PLC - EIH Posting of 2018 Annual Results and Notice of AGM
Released 07:00 28-Jun-2019

RNS Number : 7441D
EIH PLC
28 June 2019

EIH plc ("EIH" or the Company")

Posting of Annual Report and Accounts and Notice of AGM

EIH announces that its Annual Report and Accounts for the year ended 31 December 2018 ("Annual Report") together with a Notice of the Company's Annual General Meeting and associated documents ("Notice of AGM") have been posted to shareholders.

The Company also announces that its annual general meeting will be held at the Company's registered office at First Names House, Victoria Road, Douglas, Isle of Man on 30th July 2019 at 10.00am.

Copies of the Annual Report and Notice of AGM are available for inspection on the Company's website at http://www.eihplc.co.uk

For further information, please contact:

EIH plc
Rhys Davies
Tel: +41 (0)796200215

Nplus1 Singer Advisory LLP
(Nominated Advisor)
James Maxwell
Tel: +44 (0)207 496 3000

Chairman's Statement

At 31 December 2018, the net asset value of EIH plc ("the Company") was US$0.263 per share as compared with US$0.384 per share a year earlier, a decline of 31.5% in the period. Adjusting for the capital distributions of 2.5 cents per share and 1.5 cents per share made to shareholders of the Company registered at 20 April 2018 and 20 July 2018 respectively, the Company's NAV per share decreased by 21.1% in the period. The Company reported a loss for the year of US$5.3m (2017: US$0.4m profit), due mainly to the decrease in fair value of the investment in Evolvence India Fund PCC of US$4.5m (2017: increase in fair value of US$0.9m).

During the year in review, the Company entered into an agreement to dispose of its holding in RSB, resulting in sale proceeds being received after the year end of approx. US$6.8m.

On 27 April 2018, the Company made a capital distribution to shareholders of 2.5 cents per share, equivalent to approximately US$1.61m.

On 26 July 2018, 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 23 April 2019, following the disposal of the Company's holding in RSB, the Company made a capital distribution of 8.0 cents per share to shareholders of the Company registered as at 12 April 2019, equivalent to approximately US$5.16m. Then on 24 May 2019, the Company made a capital distribution of 2.0 cents per share to shareholders of the Company registered as at 17 May 2019, equivalent to approximately US$1.29m.

Total operating costs during the year were US$0.52m as compared with US$0.44m in the prior year, an increase of 18.2%. This operating cost figure represents approximately 3.2% 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):

Table 1. Investments	**Capital Commitment**	**Capital invested**	**Capital Distribution**	**Fair value adjustment**	**Fair Value**
	US$	**US$**	**US$**	**US$**	**US$**
Fund Investments (equity)					
Evolvence India Fund PCC	45,120,000	45,120,000	(30,675,015)	(3,337,207)	11,107,778
Direct Investments (equity)					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	(29,235)	(1,702,666)	5,237,699
	52,089,600	**52,089,600**	**(30,704,250)**	**(5,039,873)**	**16,345,477**

Evolvence India Fund PCC ("EIF")

At the year end the Company had US$14.4m invested in EIF (capital called less refund capital contributions), equivalent to 22.3 cents per share, and representing an approximate 18% interest. At the reporting date the fair value of the Company's investment in EIF was US$11.1m, equivalent to 17.2 cents per share, representing a 0.77 times multiple over cost. EIF is now fully drawn down.

It is noted that the Indian Rupee ("INR") decreased in value by 8.2% against the US Dollar during the year in review. The distributions from EIF's underlying funds increased by 11.9% year-on-year, while the fair value of EIF's underlying funds decreased by approximately 15.6% in US Dollar terms (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 31.7% in US Dollar terms to reflect their realisable value.

EIF's private equity exposure is weighted towards funds with vintages of 2006 and later. The remaining three funds of these vintages, being EIF's three largest funds, comprise 74.3% 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 remaining six funds, with a 25.7% weighting, are all 2004 and 2005 vintages.

At the year end the fair value of the Company's interest in EIF's ten underlying private equity funds was US$7.1m, equivalent to 11.0 cents per share, while EIF's direct investments had a fair value of US$3.6m, equivalent to 5.6 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 realisations are achieved, further cash distributions will be received by the Company.

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. At the year end the Company's direct investment in RSB was held through EIF Co Invest VII. The shareholders in EIF Co Invest VII were the Company and EIF, which invested US$7.0m and US$10.0m respectively, for a total investment of US$17.0m. During the year the Company entered into an agreement to dispose of its holding in RSB.

Through the above arrangements, and on a look-through basis, the fair value of Company's total interest in RSB is 10.3 cents per share; while the fair value of the Company's direct interest in RSB (held through EIF Co Invest VII) is 8.1 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 its valuation is based on the agreement entered into by the Company to dispose of its holding in RSB, a transaction which completed after the year end.

Table 2. Investments (Fair Values)	**As per LP reports**	**RSB (EIF)**	**Pro-forma**
	US$	**US$**	**US$**
Fund Investments			
EIF (PE funds)	7,133,786		7,133,786
EIF (direct investments)	3,635,888	(1,417,712)	2,218,176
EIF (other)	338,104		338,104
Direct Investments			
RSB Group	5,237,699	1,417,712	6,655,411
	16,345,477	**-**	**16,345,477**

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, 40.7% of the Company's Financial Assets at Fair Value (US$6.7m, equivalent to 10.4 cents per share), is accounted for by its interest in RSB on an underlying pro-forma basis.

Table 2 further shows that 43.6% 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 13.6% by its interests in EIF's direct investments (excluding RSB).

Other matters
At the date of signing this report the Company holds US$0.74m in net cash balances, equivalent to 1.15 cents per share.

As a Board we will continue to manage operating costs carefully. Our objective is to realise 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 2019

Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		US$	US$
Income			
Interest receivable		496	1,194
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	(4,737,192)	853,902
Other expenditure		(4,723)	(1,951)
Net investment (expenditure)/income		**(4,741,419)**	**849,492**
Expenses			
Administrative expenses		(346,065)	(259,580)
Legal and other professional fees	9.2	(133,240)	(137,027)
Audit fees		(39,825)	(45,473)
Total operating expenses		**(519,130)**	**(442,080)**
(Loss)/profit before tax		**(5,260,549)**	**407,412**
Income tax expense	16	-	-
(Loss)/profit for the year		**(5,260,549)**	**407,412**
Other comprehensive income		-	-
Total comprehensive (expenditure)/income for the year		**(5,260,549)**	**407,412**
Basic and fully diluted (loss)/earnings per share (cents)	14	**(8.16)**	**0.63**

The Directors consider that all results derive from continuing activities.

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2018

	Note	31 December 2018 US$	31 December 2017 US$
Non-current assets			
Financial assets at fair value through profit or loss	7	16,345,477	24,064,788
Total non-current assets		**16,345,477**	**24,064,788**
Current assets			
Trade and other receivables	11	24,488	29,131
Cash and cash equivalents	10	627,867	747,553
Total current assets		**652,355**	**776,684**
Total assets		**16,997,832**	**24,841,472**
Issued share capital	13	1,264,706	1,264,706
Share premium		18,854,923	21,434,923
Retained (loss)/earnings		(3,186,350)	2,074,199
Total equity		**16,933,279**	**24,773,828**
Trade and other payables	12	64,553	67,644
Total current liabilities		**64,553**	**67,644**
Total liabilities		**64,553**	**67,644**
Total equity and liabilities		**16,997,832**	**24,841,472**

The financial statements were approved by the Board of Directors on 27 June 2019 and signed on their behalf by:

Rhys Cathan Davies
Director

Ramanan Raghavendran
Director

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2018

	Share Capital US$	Share Premium US$	Retained Earnings US$	Total US$
Balance at 1 January 2017	1,264,706	24,982,423	1,666,787	27,913,916
Total comprehensive income				
Profit for the year	-	-	407,412	407,412
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	407,412	407,412
Transactions with shareholders				
Return of capital to shareholders	-	(3,547,500)	-	(3,547,500)
Total transactions with shareholders	**-**	**(3,547,500)**	**-**	**(3,547,500)**
Balance at 31 December 2017	**1,264,706**	**21,434,923**	**2,074,199**	**24,773,828**
Balance at 1 January 2018	1,264,706	21,434,923	2,074,199	24,773,828
Total comprehensive expenditure				
Loss for the year	-	-	(5,260,549)	(5,260,549)
Other comprehensive income	-	-	-	-
Total comprehensive expenditure	-	-	(5,260,549)	(5,260,549)
Transactions with shareholders				
Return of capital to shareholders	-	(2,580,000)	-	(2,580,000)
Total transactions with shareholders	**-**	**(2,580,000)**	**-**	**(2,580,000)**
Balance at 31 December 2018	**1,264,706**	**18,854,923**	**(3,186,350)**	**16,933,279**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2018

	Note	31 December 2018 US$	31 December 2017 US$
Cash flows from operating activities			
(Loss)/profit before tax		(5,260,549)	407,412
Adjustments:			
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	4,737,192	(853,902)
Interest receivable		(496)	(1,194)
Operating loss before working capital changes		**(523,853)**	**(444,031)**
Decrease/(increase) in trade and other receivables		4,643	(11,202)

(Decrease)/increase in trade and other payables		(3,091)	4,079
Net cash used by operating activities		**(522,301)**	**(451,154)**
Cash flows from investing activities			
Interest receivable		496	1,194
Proceeds from disposal of investment		-	1,352,515
Capital distributions received	7	2,982,119	2,078,447
Net cash generated from investing activities		**2,982,615**	**3,432,156**
Cash flows from financing activities			
Return of capital to shareholders		(2,580,000)	(3,547,500)
Net cash used by financing activities		**(2,580,000)**	**(3,547,500)**
Net decrease in cash and cash equivalents		(119,686)	(566,498)
Cash and cash equivalents at beginning of the year		747,553	1,314,051
Cash and cash equivalents at end of year	10	**627,867**	**747,553**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2018

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 2018 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 2019.

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 IFRS 9 Financial Instruments Policy effective from 1 January 2018
The Company adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Changes in accounting policies resulting from the adoption of IFRS 9 were applied retrospectively, with the exception that, the Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 would be recognised in retained earnings and reserves as at 1 January 2018. There were no changes in the carrying amounts as a result of the adoption of IFRS 9.

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, but not applied to comparative information.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, but not to investments in equity instruments. IFRS 9 requires the Company to record ECLs on all of its trade receivables, either on a 12 month or lifetime basis. Given the limited exposure of the Company to credit risk, this amendment has not had a material impact on the financial statements. The Company only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to calculation of ECLs.

IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets and liabilities that were classified as fair value through profit or loss under IAS 39 are still classified as fair value through profit or loss under IFRS 9. All other financial assets and financial liabilities that were classified as receivables and payables and measured at amortised cost continue to be recognised and measured on that basis.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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. None of these are expected to have a significant effect 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:

	31 December 2018 Level 3 US$	31 December 2017 Level 3 US$
Financial assets at fair value through profit or loss (note 7)		
Evolvence India Fund PCC	11,107,778	18,562,615
EIF Co Invest VII (RSB Group)	5,237,699	5,502,173
	16,345,477	**24,064,788**

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 2018 is US$0.263 per share based on 64,500,002 ordinary shares in issue as at that date (2017: US$0.384 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 2018 (2017: US$Nil). During the year capital distributions of 2.5 cents per share and 1.5 cents per share, equivalent to approximately US$1.61m and approximately US$0.97m respectively, were made to the shareholders of the Company (2017: 4.0 cents per share and 1.5 cents per share, equivalent to approximately US$2.58m and approximately US$0.97m, respectively).

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 2018, the investment portfolio comprised the following assets:

Investments (unlisted)	**Capital Commitment**	**Capital Invested**	**Capital Distribution**	**Fair value Adjustment**	**Fair Value**
	US$	**US$**	**US$**	**US$**	**US$**
Fund Investments (equity)					
Evolvence India Fund PCC	45,120,000	45,120,000	(30,675,015)	(3,337,207)	11,107,778
Direct Investments (equity)					
EIF Co Invest VII (RSB Group)	6,969,600	6,969,600	(29,235)	(1,702,666)	5,237,699
	52,089,600	**52,089,600**	**(30,704,250)**	**(5,039,873)**	**16,345,477**

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

	31 December 2018	31 December 2017
	US$	US$
Fair value brought forward	24,064,788	26,645,501
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	(2,982,119)	(2,078,447)
Movement in fair value	(4,737,192)	853,902
Fair value at year end	**16,345,477**	**24,064,788**

The outstanding capital commitments as at 31 December 2018 were US$nil (2017: US$nil).

Evolvence India Fund PCC (EIF)

Evolvence 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 2018 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 2018. 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 sale proceeds received from its post year-end sale (note 18).

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$40,564 (2017: US$38,349).

9.2 Administrator's and Registrar's fees

By a deed dated 17 July 2009 between the Company and IQ EQ (Isle of Man) Limited (IQ EQ), IQ EQ agreed to provide general secretarial services to the Company for which it receives fees incurred on a time spent basis in accordance with the charging rates of IQ EQ in force from time to time; and all disbursements and expenses incurred by IQ EQ in connection with the provision by it of services to the Company. The fees are subject to Value Added Tax (VAT).

The Company and IQ EQ 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.

IQ EQ 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 £6,654 plus a fee for each holding and transfer registered.

Administration fees for the year amounted to US$10,434 (2017: US$19,364) of which US$nil was outstanding at 31 December 2018 (2017: US$nil).

CREST fees were US$21,846 (2017: US$21,792) of which US$5,150 was outstanding at 31 December 2018 (2017: US$5,374).

9.3 Consultancy fees

Mr Brett Miller was retained by the Company as a consultant until his appointment as a Director on 26 June 2017. Consultancy fees are paid at the same rate as directors fees and expenses. Consultancy fees payable for the year ended 31 December 2018 amounted to US$nil (2017: US$29,351).

10 Cash and cash equivalents

	31 December 2018	31 December 2017
	US$	US$

Bank balances	627,867	747,553
Cash and cash equivalents	**627,867**	**747,553**

11 Trade and other receivables

	31 December 2018 US$	31 December 2017 US$
Other debtors	-	5,056
Prepaid expenses	18,182	16,990
VAT receivable	6,306	7,085
Total	**24,488**	**29,131**

12 Trade and other payables

	31 December 2018 US$	31 December 2017 US$
Other creditors	22,791	20,960
Accruals	41,762	46,684
Total	**64,553**	**67,644**

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	-	-
In issue at 31 December 2018	**64,500,002**	**1,264,706**

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

	2018	2017
(Loss)/profit attributable to equity holders of the Company (US$)	(5,260,549)	407,412
Weighted average number of ordinary shares in issue	64,500,002	64,500,002
Basic (loss)/earnings per share (cents per share)	**(8.16)**	**0.63**

There are no dilutive potential ordinary shares in issue, therefore there is no difference between the basic and fully diluted (loss)/earnings 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. If by arrangement with the Board, any Director performs any special duties outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine. Due to the protracted sale of the Company's holding in RSB, the sale of which was agreed in September 2018, and completed in March 2019, both Rhys Davies and Brett Miller were paid an additional £50,000 each (US$65,211 each). Total fees and expenses paid to the Directors for the year amounted to US$315,234 (year ended 31 December 2017: US$199,078) and insurance expenses totalled US$16,324 (year ended 31 December 2017: US$16,237).

Director		31 December 2018 US$	31 December 2017 US$
Rhys Cathan Davies		126,815	60,026
Ramanan Raghavendran		61,604	60,026
Brett Lance Miller	(appointed 26 June 2017)	126,815	30,675
Paul Mark Garnett	(resigned 26 June 2017)	-	48,351
Total		**315,234**	**199,078**

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.

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 2018 %	31 December 2017 %
Pounds Sterling	0.16	0.45
Indian Rupee	96.53	97.14
US Dollar	3.31	2.41
Total	**100.00**	**100.00**

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:

31 December 2018	Monetary Assets US$	Monetary Liabilities US$	Net Exposure US$
Pound Sterling	74,294	(46,912)	27,382
Indian Rupee	16,345,477	-	16,345,477
US Dollar	578,061	(17,641)	560,420
	16,997,832	**(64,553)**	**16,933,279**

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

At 31 December 2018, 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$817,274 (2017: US$1,203,239).

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 2018 US$	31 December 2017 US$
Financial assets at fair value through profit or loss	16,345,477	24,064,788
Trade and other receivables	24,488	29,131
Cash and cash equivalents	627,867	747,553
Total	**16,997,832**	**24,841,472**

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:

31 December 2018	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
Financial liabilities	US$	US$	US$	US$	US$	US$
Trade and other payables	64,553	-	-	-	-	-
	64,553	**-**	**-**	**-**	**-**	**-**
31 December 2017	Less than	1-3	3 months to	1-5 years	Over 5	No stated

	1 month	months	1 year		years	maturity
Financial liabilities	US$	US$	US$	US$	US$	US$
Trade and other payables	67,644	-	-	-	-	-
	67,644	**-**	**-**	**-**	**-**	**-**

Capital commitments outstanding to private equity funds as at 31 December 2018 amounted to US$nil (2017: US$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:

31 December 2018	Less than 1month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Financial Assets	US$	US$	US$	US$	US$	US$	US$
Financial assets at fair value through profit or loss	-	-	-	-	-	16,345,477	16,345,477
Trade and other receivables	-	-	-	-	-	24,488	24,488
Cash and cash equivalents	627,867	-	-	-	-	-	627,867
Total financial assets	**627,867**	**-**	**-**	**-**	**-**	**16,369,965**	**16,997,832**
Financial Liabilities							
Trade and other payables	-	-	-	-	-	(64,553)	(64,553)
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**(64,553)**	**(64,553)**
Total interest rate sensitivity gap	**627,867**	**-**	**-**	**-**	**-**		

31 December 2017	Less than 1month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest Bearing	Total
Financial Assets	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
Total financial assets	**747,553**	**-**	**-**	**-**	**-**	**24,093,919**	**24,841,472**
Financial Liabilities							
Trade and other payables	-	-	-	-	-	(67,644)	(67,644)
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**(67,644)**	**(67,644)**
Total interest rate sensitivity gap	**747,553**	**-**	**-**	**-**	**-**		

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 April 2019, the Company received a distribution totalling approx. US$5.2m from EIF Co Invest VII in respect of the Company's disposal of its direct holding in RSB, with a further approx. US$1.6m being received from EIF in respect of the Company's disposal of its indirect holding in RSB. As disclosed in the Chairman's Statement, the Company made capital distributions of 8.0 cents per share and 2.0 cents per share to shareholders of the Company registered as at 12 April 2019 and 17 May 2019, respectively.

END

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