

Elephant Capital plc

Annual Report

2017

Elephant Capital plc
Year ended 31 August 2017

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Elephant Capital plc
Year ended 31 August 2017

Directors and Advisors

Directors

Francis Anthony Hancock

Vincent Campbell

(for Directors' biographies, please visit the Company's website www.elephantcapital.com)

Investment Manager

Elephant Capital LLP

25A Brooks Mews, Mayfair,

London, W1K 4DZ

Lawyers in respect of English law

Hogan Lovells International LLP

Atlantic House

Holborn Viaduct

London, EC1A 2FG

Administrator, Registrar and Registered Office

SMP Fund Services Limited

Clinch's House,

Lord Street, Douglas,

Isle of Man, IM99 1RZ

CREST Service Provider

Link Asset Services (Jersey) Limited trading as Link Asset Services

12 Castle Street

St Helier

Jersey

JE2 3RT

Chairman's Statement

Results

As at 31 August 2017, Net Asset Value ("NAV") was £4.05 million or 27p per share, compared to £5.48 million or 36p per share as at 31 August 2016. The decrease in the Company's NAV reflects the return of pro-rata share capital of £0.75 million to shareholders (a 5p per share capital distribution), a £0.53 million fall in the valuation of the unlisted portfolio and the excess of expenses over income of £0.15 million.

Unlisted investment portfolio

Air Works India (Engineering) Private Limited ("Air Works") has not been performing in line with its budget. Accordingly, its valuation, based on an independent third-party opinion has been reduced to £3.23 million at 31 August 2017 compared to £3.37 million at 31 August 2016.

Amar Chitra Katha Private Limited ("ACK") has not performed in line with its budget. Accordingly, its valuation, based on an independent third-party opinion, has been reduced to £0.38 million at 31 August 2017, compared to £0.70 million at 31 August 2016.

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

Return of capital

In August 2017, £0.75 million has been distributed (a 5p per share capital distribution) on a pro-rata basis to the shareholders following the disinvestment of Company's holding in Global Cricket Ventures Limited.

Strategy

We continue our efforts to dispose of our two remaining unlisted investments in the interests of shareholders, and, are conscious of the depletion of future NAV arising from the ongoing operating costs of the Company. Further significant returns of capital are dependent on further investment realisations.



Vincent Campbell
20 March 2018

Investment Manager's Review

Introduction

Elephant Capital plc ("Elephant Capital" or the "Company") holds its investments in businesses that are established or operating primarily in India through its Mauritian-based special purpose vehicle Tusk Investments 1 Limited (the "SPV").

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

Investment strategy

The Company was established to execute a value-based strategy in both public and private businesses. As previously announced, Elephant Capital will not make any new investments and has adopted a policy of actively managing and realising its current portfolio and returning surplus cash to its shareholders.

Investment activity

During the period to 31 August 2017, the Investment Manager's focus was on managing the existing portfolio and trying to create liquidity to return cash to shareholders.

Given this activity Elephant Capital now holds only two unlisted investments: Air Works and ACK. The Investment Manager is focused on finding ways to realise Air Works and ACK over the short to medium term. No further investments in any of these companies will be made. Such action may lead to the dilution of the Elephant Capital's investment in these company should they require additional equity support.

Portfolio review

Air Works India (Engineering) Private Limited ("Air Works")

Air Works is one of the leading independent providers of aviation maintenance, repair and overhaul (MRO) services in India, aircraft paint and refinishing in Europe and aircraft management services in Dubai. Founded in 1951, Air Works has successfully transformed itself from a family run business focused on providing maintenance services to business aircraft into a professionally managed organisation providing a full suite of services to customers across MRO, aircraft paint and refinishing, commercial aviation MRO, avionics and parts distribution. It is India's largest EASA Certified Business Aviation MRO company.

Air Works showed steady growth over the previous period, however both reported revenue and EBITDA were substantially below the operating plan. On a consolidated basis, the revenue of Air Works has been US\$46.30 million for YTD Q2 FY17-18, approximately 6% growth over YTD Q2 FY16-17 but 2.4% below the annual operating plan. Reported EBITDA was US\$ 3.0 million in Q2 FY17-18, a fall of approximately 21% over Q2 FY16-17. The Company is facing a cash crunch and the performance of the Company could deteriorate if it unable to raise funds to meet its working capital and capital expenditure requirements.

The company is seeking US\$15 million to US\$20 million by way of an equity or debt infusion which will allow it to service current debt requirements and provide an additional working capital surplus in order to maintain growth estimates. The company has already commenced the process to raise the above funds from third parties and hopefully see an IPO in 2019. The equity process is facing challenges due to the different rights of its present shareholders and Indian regulatory obstacles.

Elephant Capital plc

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Amar Chitra Katha Private Limited (“ACK”)

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

As per the consolidated numbers made available by the management, the company has generated YTD Jan FY17-18 sales of INR 259.6 million vs. annual operating plan estimate of INR 311.3 million, lower by 17%. Gross Margins of 68.7% during the same period was slightly higher than annual plan estimate of 68.5%, however higher other expenses led to a loss at the EBITDA level of (-) INR 12.4 million vs. an estimated EBITDA of INR 26.1 million. PBT (after exceptional items) stood at (-) INR 71.7 million vs. annual operating plan estimate of INR 26.1 million.

Elephant Capital invested £3.2 million in ACK in a primary transaction in June 2010. In April 2011, Elephant Capital announced a further investment of £0.9 million in a second funding round, led by Future Consumer Limited ("FCEL") (previously known as Future Consumer Enterprise Limited). Elephant Capital's stake in ACK was 22% post this investment. ACK subsequently bought back 70,457 of its own shares representing 15% of existing paid up capital of the company, at the purchase price FCEL and Elephant Capital paid in the second round. Neither Elephant Capital nor its co-investors participated in this buy-back and hence Elephant Capital's shareholding in the business increased to 26%. Elephant Capital declined the opportunity to invest in ACK's 2014 rights issue as Elephant Capital was in the process of returning capital to its shareholders. Its holding in ACK therefore was subsequently diluted to 20%.

As at 31 August 2017, the unlisted portfolio was as follows:

Company	Sector	Cost	Valuation 31 August 2017	Gain/(loss) over cost
		£'000	£'000	£'000
Air Works India (Engineering) Private Limited	Aviation	2,922	3,232	310
Amar Chitra Katha Private Limited	Media	4,085	377	(3,708)
Total		7,007	3,609	(3,398)

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

Realisations

Post year end, there is no realisation of any of the unlisted investments.

Principles of valuations of investments

Principles of valuation of unlisted investments

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

Elephant Capital plc
Year ended 31 August 2017

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

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

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

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

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

Where a company has incurred losses, or if comparable quoted companies are not primarily valued on an earnings basis, then the valuation may be calculated with regard to the underlying net assets and any other relevant information, such as the pricing for subsequent recent investments by a third party in a new financing round that is actively being sought, then any offers from potential purchasers would be relevant in assessing the valuation of an investment and are taken into account in arriving at the valuation.

When unlisted investments have obtained an exit after the valuation date but before finalization of the Company's relevant accounts (interim or final), the valuation is based on the sale/exit price.

Where appropriate, a marketability discount (as reflected in the earnings' multiple) may be applied to the investment valuation, based on the likely timing of an exit, the influence over that exit, the risk of achieving conditions precedent to that exit and general market conditions.

In arriving at the value of an investment, the percentage ownership is calculated after taking into account any dilution through outstanding warrants, options and performance-related mechanisms.

Valuation review procedures

Valuations are initially prepared by the Investment Manager with the help of an independent third party valuer. These valuations are then reviewed and approved by the Directors.

Events after 31 August 2017 (the "Reporting Date")

Events after the Reporting Date are disclosed in note 27 to the financials.



Gaurav Burman
On behalf of Elephant Capital LLP
20 March 2018

Directors' Report

The Directors present their report and accounts for the year to 31 August 2017.

Principal activities, trading review and future developments

Elephant Capital plc (the "Company") is an investment company established to build a concentrated portfolio of investments primarily in India. Until May 2011 the Company was actively managed by Elephant Capital LLP (the "Investment Manager") to realise long-term capital gains at which point it was decided that the Company would not make new investments other than follow on investments in existing portfolio companies, and to focus instead on returning capital to shareholders over time. Details of the Company's subsidiaries at the Reporting Date and at the date of this report are disclosed in note 12.

Results and dividends

The Group's consolidated financial statements are set out on pages 8 to 35. The Group reported net assets at the Reporting Date of £4.06 million and for the year to 31 August 2017 a loss attributable to the shareholders of £0.68 million. The Board does not propose the payment of a dividend.

Capital distribution

A capital distribution of £0.75 million at a rate of 4.96 pence per share based on 15,117,057 Ordinary Shares in issue at a record date of 11 August 2017 was paid to shareholders on 18 August 2017. At the date of approval of the capital distribution, 7 August 2017, the Directors were satisfied, on reasonable grounds that the Company, will immediately after the capital distribution be able to pay its debts as they become due in the normal course of the Company's business and the value of the Company's assets will exceed the value of its liabilities (the "Solvency Test").

Directors

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

Francis Anthony Hancock (appointed 6 July 2006)
Vincent Campbell (appointed 7 May 2015)

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

Creditors' payment policy and practice

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

Key performance indicators

The Directors monitor the business through the movement in the Group's net asset value (total assets less total liabilities) as disclosed in note 20.

Elephant Capital plc

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Financial risk management

It is the responsibility of management to ensure that proper controls are in place to maintain effective risk management in every aspect of the Company's business. The main risks comprise market risk, currency risk, interest rate risk, price risk, credit risk and liquidity risk. Details of how the management manages the risks are set out in note 23 to the financial statements.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Following the restructuring of the Company, the financial statements of the Company are no longer audited.

Where there is a requirement by any underlying investee company to undertake an audit, in so far as the Directors are aware:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board



Vincent Campbell

Director

20 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
Revenue			
Investment and other income	7	91	229
(Provision for impairment loss) / reversal of impairment provision on loan to subsidiary	8	(528)	229
Other income			
Net foreign exchange loss		-	(3)
		(437)	455
Expenses			
Management fees	9	(90)	(223)
Other expenses	10	(151)	(193)
(Loss)/profit before finance costs and tax		(678)	39
Finance cost		(1)	(1)
(Loss)/profit before tax		(679)	38
Income tax expense	11	-	-
(Loss)/profit after tax		(679)	38
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		(679)	38
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(679)	38
(Loss)/profit per share (basic and diluted)	20	(4.49)p	0.25p


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

Consolidated Statement of Financial Position

	Notes	As at 31 August 2017 £'000	As at 31 August 2016 £'000
ASSETS			
Non-current			
Investments in subsidiaries	14	-	-
Loans to subsidiary	15	3,715	5,061
		3,715	5,061
Current			
Receivables	16	6	12
Prepayments		14	17
Cash and cash equivalents	17	352	448
		372	477
Total assets		4,087	5,538
LIABILITIES			
Current			
Payables	18	32	54
		32	54
Net assets		4,055	5,484
EQUITY			
Share capital	19	151	151
Share premium		20,752	20,752
Distributable capital reserve		14,807	15,557
Unrealised revaluation reserve		(22,134)	(21,606)
Accumulated losses		(9,521)	(9,370)
Equity attributable to owners of the parent		4,055	5,484
Total equity		4,055	5,484
Net asset value per share	20	£0.27	£0.36

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

The consolidated financial statements on pages 8 to 35 were approved and authorised for issue by the Board of Directors on 20 March 2018 and are signed on its behalf by


Vincent Campbell
Director

Francis Anthony Hancock
Director

Consolidated Statement of Financial Position

	Notes	As at 31 August 2017 £'000	As at 31 August 2016 £'000
ASSETS			
Non-current			
Investments in subsidiaries	14	-	-
Loans to subsidiary	15	3,715	5,061
		<u>3,715</u>	<u>5,061</u>
Current			
Receivables	16	6	12
Prepayments		14	17
Cash and cash equivalents	17	352	448
		<u>372</u>	<u>477</u>
Total assets		<u>4,087</u>	<u>5,538</u>
LIABILITIES			
Current			
Payables	18	32	54
		<u>32</u>	<u>54</u>
Net assets		<u>4,055</u>	<u>5,484</u>
EQUITY			
Share capital	19	151	151
Share premium		20,752	20,752
Distributable capital reserve		14,807	15,557
Unrealised revaluation reserve		(22,134)	(21,606)
Accumulated losses		(9,521)	(9,370)
Equity attributable to owners of the parent		<u>4,055</u>	<u>5,484</u>
Total equity		<u>4,055</u>	<u>5,484</u>
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Vincent Campbell
Director

Francis Anthony Hancock
Director

Company Statement of Financial Position

	Notes	As at 31 August 2017 £'000	As at 31 August 2016 £'000
ASSETS			
Non-current			
Investments in subsidiaries	12	-	-
Loans to subsidiary	13	3,715	5,061
		<u>3,715</u>	<u>5,061</u>
Current			
Loans to subsidiary	13	7	7
Receivables	16	6	-
Prepayments		14	16
Cash and cash equivalents	17	350	445
		<u>377</u>	<u>468</u>
Total assets		<u>4,092</u>	<u>5,529</u>
LIABILITIES			
Current			
Payables	18	23	39
		<u>23</u>	<u>39</u>
Net assets		<u>4,069</u>	<u>5,490</u>
EQUITY			
Share capital	19	151	151
Share premium		20,752	20,752
Distributable capital reserve		14,807	15,557
Accumulated losses		(31,641)	(30,970)
Equity attributable to owners of the Company		<u>4,069</u>	<u>5,490</u>
Total equity		<u>4,069</u>	<u>5,490</u>

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

The consolidated financial statements on pages 8 to 35 were approved and authorised for issue by the Board of Directors on 20 March 2018 and are signed on its behalf by


Vincent Campbell
Director

Francis Anthony Hancock
Director

Company Statement of Financial Position

	Notes	As at 31 August 2017 £'000	As at 31 August 2016 £'000
ASSETS			
Non-current			
Investments in subsidiaries	12	-	-
Loans to subsidiary	13	3,715	5,061
		3,715	5,061
Current			
Loans to subsidiary	13	7	7
Receivables	16	6	-
Prepayments		14	16
Cash and cash equivalents	17	350	445
		377	468
Total assets		4,092	5,529
LIABILITIES			
Current			
Payables	18	23	39
		23	39
Net assets		4,069	5,490
EQUITY			
Share capital	19	151	151
Share premium		20,752	20,752
Distributable capital reserve		14,807	15,557
Accumulated losses		(31,641)	(30,970)
Equity attributable to owners of the Company		4,069	5,490
Total equity		4,069	5,490

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

The consolidated financial statements on pages 8 to 35 were approved and authorised for issue by the Board of Directors on 20 March 2018 and are signed on its behalf by



Vincent Campbell
Director

Francis Anthony Hancock
Director

Statement of Cash Flows

	Consolidated		Company	
	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000	For the year ended 31 August 2017 £'000	For the year ended 31 August 2016 £'000
(a) Operating activities:				
(Loss)/profit before tax	(679)	38	(671)	42
Adjustments for:				
Interest income	-	(2)	-	(2)
Provision for impairment loss/ (reversal of impairment provision on loan to subsidiary)	528	(328)	528	(328)
Loss on impairment of loan	-	99	-	99
Net changes in working capital:				
Decrease/(increase) in receivables and prepayments	9	(8)	(4)	5
Decrease in payables	(22)	(10)	(16)	(11)
Net cash used in operating activities	(164)	(211)	(163)	(195)
(b) Investing activities:				
Loan to Subsidiary	-	-	-	(7)
Proceeds from repayment of loan by subsidiary	818	55	818	55
Interest received	-	2	-	2
Net cash generated from investing activities	818	57	818	50
(c) Financing activities:				
Capital distributed to Shareholders	(750)	-	(750)	-
Net cash used in financing activities	(750)	-	(750)	-
Net decrease in cash and cash equivalents	(96)	(154)	(95)	(145)
Cash and cash equivalents at beginning of year	448	602	445	590
Cash and cash equivalents at end of year	352	448	350	445

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

Elephant Capital plc
Year ended 31 August 2017

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Distributable capital reserve £'000	Unrealised revaluation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 September 2016	151	20,752	15,557	(21,606)	(9,370)	5,484
Capital distributed to Shareholder	-	-	(750)	-	-	(750)
<i>Transactions with owners</i>	-	-	(750)	-	-	(750)
Net unrealised loss reserve transfer	-	-	-	(528)	528	-
Transfer of accumulated realised gain	-	-	-	-	-	-
Loss for the year	-	-	-	-	(679)	(679)
<i>Total comprehensive income for the year</i>	-	-	-	(528)	(151)	(679)
Balance as at 31 August 2017	151	20,752	14,807	(22,134)	(9,521)	4,055
Balance as at 1 September 2015	151	20,752	15,557	(21,977)	(9,037)	5,446
<i>Transactions with owners</i>	-	-	-	-	-	-
Net unrealised gain reserve transfer	-	-	-	328	(328)	-
Transfer of accumulated realised loss	-	-	-	43	(43)	-
Profit for the year	-	-	-	-	38	38
<i>Total comprehensive income for the year</i>	-	-	-	371	(333)	38
Balance as at 31 August 2016	151	20,752	15,557	(21,606)	(9,370)	5,484

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

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Distributable capital reserve £'000	Accumulated losses £'000	Total £'000
Balance as at 1 September 2016	151	20,752	15,557	(30,970)	5,490
Capital distributed to Shareholder	-	-	(750)	-	(750)
<i>Transactions with owners</i>	-	-	(750)	-	(750)
Loss for the year	-	-	-	(671)	(671)
<i>Total comprehensive income for the year</i>	-	-	-	(671)	(671)
Balance as at 31 August 2017	151	20,752	14,807	(31,641)	4,069
Balance as at 1 September 2015	151	20,752	15,557	(31,012)	5,448
<i>Transactions with owners</i>	-	-	-	-	-
Profit for the year	-	-	-	42	42
<i>Total comprehensive income for the year</i>	-	-	-	42	42
Balance as at 31 August 2016	151	20,752	15,557	(30,970)	5,490

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

Elephant Capital plc

Year ended 31 August 2017

Notes to Consolidated Financial Statements

1. General information and statement of compliance with IFRSs

Elephant Capital plc (the “Company” or “Elephant Capital”) is a limited company, incorporated in the Isle of Man on 16 May 2006, with its registered office at Clinch’s House, Lord Street, Douglas, Isle of Man, IM99 1RZ. On 18 May 2017 the Company de-registered under the Isle of Man Companies Acts 1931 to 2004 and re-registered under the Isle of Man Companies Act 2006.

The Group represents the Company and its subsidiaries. The financial statements comprise the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity. The financial statements also include the Company’s statement of financial position, the Company’s statement of cash flows and the Company’s statement of changes in equity to comply with the Isle of Man Companies Act 2006. The accounting policies for the preparation of the Company’s statement of financial position, statement of cash flow and statement of changes in equity to the extent they differ from accounting policies used for the preparation of the consolidated financial statements have been separately disclosed in the following notes.

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

The consolidated financial statements for the year ended 31 August 2017 (including comparatives) were approved and authorised for issue by the Board of Directors on 20 March 2018.

2. Nature of operations

The Company’s business consists of investing through the Group in businesses that have operations primarily in India and generating returns for its shareholders.

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

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

Amendment to IAS 7 - ‘Disclosure Initiative’

Applicable for annual reporting periods beginning on or after 1 January 2017

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a ‘net debt’ reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

Elephant Capital plc

Year ended 31 August 2017

Notes to Consolidated Financial Statements

Management does not anticipate a material impact on the Group's consolidated financial statements from application of this amendment.

IFRS 9 *Financial Instruments and associated amendments to various other standards*

Applicable for annual reporting periods beginning on or after 1 January 2018

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income (with recycling through profit or loss) if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss. An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income (without subsequent recycling to profit or loss). IFRS 9 also introduces a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. On initial recognition, entities will record a day-1 loss equal to the 12 month ECL, unless the assets are considered credit impaired.

Management does not anticipate a material impact on the Group's consolidated financial statements from application of this amendment.

IFRS 15 *Revenue from contracts with customers and associated amendments to various other standards*

Applicable for annual reporting periods beginning on or after 1 January 2018

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: identify contracts with customers. identify the separate performance obligation. determine the transaction price of the contract allocate the transaction price to each of the separate performance obligations, and. recognised the revenue as each performance obligation is satisfied. Key changes to current practice are: Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) – minimum amounts must be recognised if they are not at significant risk of reversal. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. There are new specific rules on licenses, warranties, nonrefundable upfront fees and, consignment arrangements, to name a few. As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business

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practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Management does not anticipate a material impact on the Group's consolidated financial statements from application of this amendment.

IFRS 22 *Foreign Currency Transactions and Advance Consideration*

Applicable for annual reporting periods beginning on or after 1 January 2018

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the nonmonetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply the interpretation: retrospectively for each period presented, prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or prospectively from the beginning of a prior reporting period presented as comparative information.

Management does not anticipate a material impact on the Group's consolidated financial statements from application of this amendment.

4. Summary of significant accounting policies

4.1 Overall considerations

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

4.2 Basis of preparation

The consolidated financial statements incorporate the financial statements of the Company and subsidiary, whose main purpose is to provide service in support of the Company's investment activities, drawn up to 31 August each year. However, subsidiaries whose main purpose is investment activities have not been consolidated and instead have been measured at fair value through profit or loss. All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Effective from the beginning of the previous year on 1 September 2014, the Company applied IFRS 10 – Consolidated financial statements and, applying the definition of 'control', Elephant Capital LP was consolidated as a subsidiary. However, since the Company manages and evaluates performance of its financial assets on a fair value basis, in accordance with its documented investment strategy and information about the group is also provided internally on the similar basis to its key management personnel (including board of directors).

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Investment Entity

Elephant Capital has multiple unrelated investors and indirectly holds multiple investments through Elephant Capital LP in Tusk investments 1 Limited (“Tusk 1”) and Tusk Investments 2 Limited (“Tusk 2”). Tusk 2 was dissolved on 8 November 2017. Elephant Capital has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) Elephant Capital has obtained funds for the purpose of providing investors with investment management services.
- (b) Elephant Capital’s business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the use of a Master-Feeder structure.
- (c) The performance of investments made through Elephant Capital LP in Tusk 1 and Tusk 2 is measured and evaluated on a fair value basis.

Elephant Capital controls Tusk 1 and Tusk 2 through its 100% holding of the voting rights and ownership interests in its subsidiary (“Elephant Capital LP”).

Elephant Capital and Elephant Capital LP operate as an integrated structure whereby Elephant Capital invests solely into Elephant Capital LP. As at 31 August 2017 and 31 August 2016 there were no capital commitment obligations and no amounts due to Elephant Capital LP for unsettled purchases. Elephant Capital has also not provided any financial or other support to Elephant Capital LP during the year, where there wasn’t any contractual obligation to do so.

4.3 Investment in subsidiaries

Investments in subsidiaries which don’t meet the definition of service entities are not being consolidated (i.e. Elephant Capital LP, and Elephant Investments (General Partner) Limited are carried at fair value based upon the net assets value (NAV) of the subsidiaries’ financial statements. Management reviews the details of the reported information obtained from the subsidiaries and considers:

- the liquidity of Elephant Capital’s holding in Elephant Capital LP or its underlying investments;
- the value date of the NAV provided; and
- any restrictions on redemptions

If necessary, Elephant Capital makes adjustments to the NAV of the subsidiaries to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income include the change in fair value of the subsidiaries.

However, the investment in a subsidiary which meets the definition of a service entity is being consolidated (Elephant 2 Limited) and is being valued at cost less a provision for impairment.

4.4 Foreign currency translation

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

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the

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remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

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

4.5 Revenue recognition

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

Interest income

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

Dividend income

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

Service fees

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

4.6 Expenses

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

4.7 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the Reporting Date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws applicable in each jurisdiction and that have been enacted or substantively enacted by the end of the year ended 31 August 2017 (the "Reporting Period").

Deferred income taxes are calculated using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the Reporting Period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the

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extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

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

4.8 Financial instruments

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

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

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

Financial assets

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Investment in subsidiaries (i.e. Elephant Capital LP and Elephant Investments (General Partner) Limited) are carried at fair value based upon the NAV of subsidiaries' financial statements. Further, the Company's and the Group's subsidiaries are investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of underlying financial assets of subsidiaries is managed and its performance evaluated on a

Notes to Consolidated Financial Statements

fair value basis, in accordance with the documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company's subsidiaries as "at fair value through profit or loss". Fair value of such underlying investments is determined by reference to active market transactions or using a valuation technique where no active market exists which is done in accordance with IAS 39 and the International Private Equity and Venture Capital Association valuation guidelines.

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

Financial liabilities

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

4.9 Cash and cash equivalents

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

4.10 Equity and reserves

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

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

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

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

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

4.11 Provisions, contingent liabilities and contingent assets

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

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

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

4.12 Earnings per share

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

5. Significant management judgments in applying accounting policies

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

Investments recognised at fair value through profit or loss

The Group has recognised its investments in subsidiaries and subsidiaries' underlying investments at fair value through profit or loss. In accordance with IAS 39, an entity may record an item at fair value through profit or loss if they are either classified as held for trading or if they meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

6. Estimation uncertainty

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

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

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

Fair value of unquoted investments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that other market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length

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transaction at the Reporting Date. Details of the assumptions used and the levels of hierarchy for the investments have been disclosed in note 24.

Impairment

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

7. Investment and other income

	2017 £'000	2016 £'000
Interest income	-	2
Management fee	78	160
Service fee from investee company	13	67
	<u>91</u>	<u>229</u>

8. (Provision for impairment loss)/ reversal of impairment provision on loan to subsidiary

	2017 £'000	2016 £'000
(Provision for impairment loss)/reversal of impairment provision on loan to subsidiary	(528)	229
	<u>(528)</u>	<u>229</u>

9. Management fee

Under the terms of the management agreement, the amount of management fee payable from Tusk Investments 1 Limited and Tusk Investments 2 Limited to Elephant 2 Limited (the "Manager") has been fixed at £160 thousand per annum till 25 February 2017 and £nil fee thereafter. In addition, the Manager is entitled to recover certain expenses.

The management fee of £90 thousand (31 August 2016: £223 thousand) included in the consolidated statement of profit or loss and other comprehensive income includes the management fee expense of £78 thousand (31 August 2016: £160 thousand) in respect of a management fee received from Tusk Investments 1 Limited and £12 thousand (31 August 2016: £63 thousand) in respect of a service fee of £13 thousand (31 August 2016: £67 thousand) received by the Manager from an investee company, which is included in "Investment and other income".

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10. Other expenses

	2017 £'000	2016 £'000
Administration charges	117	118
Directors' fees*	34	51
Auditors' remuneration**	-	24
	151	193

*Detail of Directors' fees are as follows:

	2017 £'000	2016 £'000
Vikram Lall (resigned on 11 April 2016)	-	17
Francis Anthony Hancock	18	18
Vincent Campbell	16	16
	34	51

The Company has no other employees.

	2017 £'000	2016 £'000
**Auditors' remuneration comprises:		
Audit of Company's annual accounts	-	24
	-	24

11. Taxation

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

12. Investments in subsidiaries (Company statement of financial position)

Particulars	2017 £'000	2016 £'000
Elephant Capital LP*	-	-
Elephant 2 Limited*	-	-
Elephant Investments (General Partner) Limited*	-	-
Elephant Investments (Carry)* Limited**	-	-
Less: Provision for impairment***	(-)	(-)
	-	-

* Amounts have been rounded to the nearest thousand.

** The Company has been dissolved w.e.f. 10 October 2016 under British Virgin Islands Business Act, 2004.

*** As at 31 August 2017, investments in Elephant Capital LP, Elephant 2 Limited and Elephant Investments (General Partner) Limited is being carried at fair value through profit or loss, where actual cost of investments is £382, £2 and £2 being valued at £nil, £nil and £2 respectively.

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The Group comprises the following entities:

Name of Subsidiary	Incorporation (or registration) and operation	Proportion of ownership Interest	Proportion of voting Power
<i>Company's share in Group undertakings</i>			
Elephant 2 Limited	Guernsey	100%	100%
Elephant Investments (General Partner) Limited*	England	100%	100%
Elephant Capital LP*	England	100%	100%

* represents subsidiaries which has not been consolidated.

13. Loans to subsidiary (Company statement of financial position)

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

Particulars	2017 £'000	2016 £'000
Elephant Capital LP*		
Non-current		
Opening balance	26,809	26,864
Less: Repayment made during the year	(818)	(55)
	<u>25,991</u>	<u>26,809</u>
Less: Provision for impairment**	(22,276)	(21,748)
Total	<u>3,715</u>	<u>5,061</u>
Elephant 2 Limited***		
Current		
Opening balance	7	-
Add: Loan given	-	7
Closing balance	<u>7</u>	<u>7</u>

*As at 31 August 2017, a loan of £25,991 thousand was outstanding, given by Elephant Capital plc to Elephant Capital LP in order to provide fund to Tusk Investments 1 Limited, for making investments in certain investee companies in accordance with the investment strategy of the Group. Further, the loan is classified as non-current and has not been discounted to its present value, as the repayment period is not determinable.

**An impairment analysis of loan to subsidiary was carried out by the Company as at 31 August 2017 and, consequently, an impairment loss of £528 thousand was recorded on account of the decline in the value of investments made through Group subsidiary since 31 August 2016.

Further, provision of loss of impairment on loan to subsidiary of £nil thousand (31 August 2016: £142 thousand) has been realised during the year.

*** Loan of £7 thousand was given by Elephant Capital to Elephant 2 Limited. The loan is classified as current as it is repayable on demand.

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14. Investments in subsidiaries

Particulars	2017 £'000	2016 £'000
Elephant Capital LP*	-	-
Elephant Investments (General Partner) Limited*	-	-
Elephant Investments (Carry)* Limited**	-	-
Less: Provision for impairment***	(-)	(-)
	<hr/>	<hr/>
	-	-

* Amounts have been rounded to the nearest thousand.

**The company has been dissolved w.e.f. 10 October 2016 under British Virgin Islands Business Act, 2004.

*** As at 31 August 2017, investments in Elephant Capital LP, Elephant 2 Limited and Elephant Investments (General Partner) Limited is being carried at fair value through profit or loss, where actual cost of investments is £382, £2 and £2 being valued at £nil, £nil and £2 respectively.

15. Loans to subsidiary

The Group invested in a portfolio of listed and unlisted securities of businesses operating primarily in India by providing loan to its subsidiary, Elephant Capital LP.

Details of the loans given by Elephant Capital to its subsidiary are as set out below:

Particulars	2017 £'000	2016 £'000
Elephant Capital LP*		
Non-current		
Opening balance	26,809	26,864
Less: Repayment made during the year	(818)	(55)
	<hr/>	<hr/>
	25,991	26,809
Less: Provision for impairment**	(22,276)	(21,748)
Total	<hr/>	<hr/>
	3,715	5,061

* As at 31 August 2017, a loan of £25,991 thousand was outstanding, given by Elephant Capital plc to Elephant Capital LP in order to provide further funds to Tusk Investments 1 Limited for making investments in certain investee companies in accordance with the investment strategy of the Group. Further, the loan is classified as non-current and has not been discounted to its present value, as the repayment period is not determinable.

**An impairment analysis of loan to subsidiary was carried out by the Company as at 31 August 2017 and, consequently, an impairment loss of £528 thousand was recorded on account of the decline in the value of investments made through Group subsidiary since 31 August 2016.

Further, provision of loss of impairment on loan to subsidiary of £nil thousand (31 August 2016: £142 thousand) has been realised during the year.

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16. Receivables

	Group	Company	Group	Company
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Other receivable	6	6	12	-
	<u>6</u>	<u>6</u>	<u>12</u>	<u>-</u>

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

17. Cash and cash equivalents

	Group	Company	Group	Company
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Cash in current accounts	352	350	448	445
	<u>352</u>	<u>350</u>	<u>448</u>	<u>445</u>

18. Payables

	Group	Company	Group	Company
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Trade and other payables	32	23	54	39
	<u>32</u>	<u>23</u>	<u>54</u>	<u>39</u>

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

19. Share capital

	2017		2016	
	Number of shares	£'000	Number of shares	£'000
Authorised ordinary shares of 1p each	<u>300,000,000</u>	<u>3,000</u>	<u>300,000,000</u>	<u>3,000</u>
Issued and fully paid ordinary shares of 1p each - beginning of year	15,117,057	151	15,117,057	151
Buy-back of ordinary 1p shares	-	-	-	-
	<u>15,117,057</u>	<u>151</u>	<u>15,117,057</u>	<u>151</u>

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

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20. (Loss)/profit and net asset value per share

	2017	2016
(Loss)/profit attributable to ordinary shareholders	<u>£(678,843)</u>	<u>£37,647</u>
Issued ordinary shares at the beginning of the year	15,117,057	15,117,057
Issued ordinary shares outstanding at the end of the year	<u>15,117,057</u>	<u>15,117,057</u>
Weighted average number of shares outstanding	15,117,057	15,117,057
(Loss)/profit per share (basic and diluted)	(4.49)p	0.25p
Net asset value per share	£0.27	£0.36
Total net assets value as at year end	<u>£4,055,151</u>	<u>£5,483,990</u>

21. Financial assets and liabilities

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

Financial assets	Notes	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Investments at fair value through profit or loss (<i>designated as fair value through profit or loss</i>)	12 & 14	-	-	-	-
Loans and receivables					
• Loan to subsidiary	13 & 15	3,715	3,722	5,061	5,068
• Receivables	16	6	6	12	-
• Cash and cash equivalents	17	352	350	448	445
		<u>4,073</u>	<u>4,078</u>	<u>5,521</u>	<u>5,513</u>

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

The above loans and receivables do not carry any interest income and management considers the fair values to be not materially different from the carrying amounts recognised in the statement of financial position.

Financial liabilities

	Note	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Financial liabilities measured at amortised cost:					
Payables	18	32	23	54	39
		<u>32</u>	<u>23</u>	<u>54</u>	<u>39</u>

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

The accounting policies for each category of financial instruments are provided in note 4.8. Information relating to fair values is presented in the related notes. The methods used to determine the fair values are described in note 24. A description of the Group's financial instruments risks, including risk management objectives and policies is given in note 23.

22. Related party transactions

22.1 Related parties

- a) Key Management Personnel ("KMP")

Names of Directors

Francis Anthony Hancock

Vincent Campbell

Vikram Lall (resigned on 11 April 2016)

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

Elephant Capital LLP

- c) Entities controlled by subsidiary:

Tusk Investments 1 Limited

Tusk Investments 2 Limited (dissolved on 8 November 2017)

- d) Associates with whom transactions have taken place during the year:

Global Cricket Ventures Limited

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

- (a) Key Management Personnel

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

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

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Nature of transaction	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000	Debit/(credit) balance (unsecured)	
			As at 31 August 2017 £'000	As at 31 August 2016 £'000
Directors' fees	34	51	(6)	(6)

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

Nature of transaction	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000	Debit/(credit) balance (unsecured)	
			As at 31 August 2017 £'000	As at 31 August 2016 £'000
(i) <i>Management fees expense*</i> :				
- Elephant Capital LLP	90	223	-	12
(ii) <i>Management fees income</i>				
- Tusk Investments 1 Limited	78	80	-	-
- Tusk Investments 2 Limited	-	80	-	-
(iii) <i>Other transactions:</i>				
- Service fee from GCV	13	67	-	(13)
- Repayment of loan & other receivable by Elephant Capital LP**	818	55	3,721	5,061

* Payments to Elephant Capital LLP paid out of the management fee referred in note 9.

** Outstanding balance represents net amount of loan after provision for impairment.

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

23. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 21. The main types of risks are market risk, credit risk and liquidity risk.

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

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

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Market risk

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

Currency risk

The Group's portfolio comprises Indian rupee ("INR") denominated investments. But the reported net asset value is denominated in sterling ("£"). Any depreciation in INR could have an adverse impact on the performance of the Group. The Group does not enter into any derivative contracts for hedging of INR exposure.

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

For the Group net short-term exposure in £, equivalents of foreign currency denominated financial assets and liabilities at each Reporting Date are as follows:

	£'000 INR	£'000 US\$
Foreign currency		
31 August 2017		
Financial assets	3,609	1
Financial liabilities	-	3
Net short-term exposure	3,609	(2)
31 August 2016		
Financial assets	4,075	769
Financial liabilities	-	19
Net short-term exposure	4,075	750

As at 31 August 2017, if INR or US\$ had weakened by 1% (31 August 2016: 1%) against £, with all other variables held constant, the loss for the year would have been higher and equity would have been lower as follows:

	£'000 INR	£'000 US\$	£'000 Total
Foreign currency			
31 August 2017	36	-	36
31 August 2016	41	8	49

The volatility is mainly as a result of foreign exchange losses on translation of INR and US\$ denominated financial assets designated at fair value through profit or loss.

If the functional currency had strengthened with respect to the various foreign currencies, there would be an equal and opposite impact on loss and equity for each year.

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Price risk

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

Price risk is mitigated by a diversified portfolio of instruments of subsidiary and direct involvement in the management of the investment portfolio. Further, the subsidiary does not invest more than 25% of its net asset value in any single underlying investment at the time of investment. During the year ended 31 August 2017, the subsidiary's exposure to various industry sectors of underlying investments was not more than 90% in any single industry.

The subsidiary's sensitivity to price risk with regards to its underlying investments in unlisted entities, including Amar Chitra Katha Private Limited and Air Works India (Engineering) Private Limited, cannot be determined because the securities are not marketable. The fair values at the Reporting Date have been determined in accordance with the guidance provided in International Private Equity and Venture Capital guidelines and IAS 39 (refer to note 24).

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

Credit risk

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

Loans were provided by Elephant Capital to Elephant Capital LP, which were subsequently lent to Tusk Investments 1 Limited for investing in unlisted entities. As at 31 August 2017 the cumulative impairment of £22,276 thousand (31 August 2016: £21,748 thousand) has been recorded as a consequence of the loss in the value of underlying investments made by the Group's subsidiary. Apart from this, the management considers the credit quality of all other financial assets to be good in the Company's and consolidated financial statements and, thus, these have not been further impaired.

Liquidity risk

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

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

As at the Reporting Date, the Group's and Company's liabilities having contractual maturities (including interest payments where applicable), represented by way of "Trade and other payables", are £32 thousand (31 August 2016: £54 thousand) and £23 thousand (31 August 2016: £39 thousand) respectively. These are expected to be settled within one year.

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24. Levels of hierarchy

In accordance with the disclosure requirements of IFRS 13, the following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. As the fair value of the investment in Elephant Capital LP and Elephant Investments (General Partner) Limited is based on Adjusted Net Assets Value technique, Elephant Capital's investment in subsidiaries is classified as a Level 3 measurement as of 31 August 2017. The financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

31 August 2017	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:					
Investments in subsidiaries*	14	-	-	-	-
Loans to subsidiary	15	-	-	3,715	3,715
Total		-	-	3,715	3,715
Liabilities:					
Net fair value		-	-	3,715	3,715
31 August 2016	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:					
Investments in subsidiaries*	14	-	-	-	-
Loans to subsidiary	15	-	-	5,061	5,061
Total		-	-	5,061	5,061
Liabilities:					
Net fair value		-	-	5,061	5,061

* Amounts have been rounded to the nearest thousand.

Company has provided loan to the subsidiary i.e. Tusk 1 through Elephant Capital LP for making investments. Fair value of loan given to subsidiary as on 31 August 2017 is £ 3,715 thousand (31 August 2016 is £ 5,061 thousands), whereas fair value of underlying level 3 investments made by Tusk 1 as on 31 August 2017 is £3,609 thousand (31 August 2016 is £ 4,838 thousands) from above loans.

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There have been no transfers between levels of fair value hierarchy

The underlying investments through subsidiary are measured at fair value using a discounted cash flow method and therefore classified as Level 3 in the fair value hierarchy.

Measurement of fair value

The Group's Investment Manager performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. The methods and valuation techniques used for the purpose of valuation of underlying investments made by the subsidiaries are given below:

(a) Unlisted securities:

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

- (i) Amar Chitra Katha ("ACK") - As at 31 August 2017, the Group held a 20.06% equity stake in Amar Chitra Katha (P) Ltd. at a total cost of £4,085 thousand. The investment has been valued based on the "discounted cash flows of the projected future earnings of underlying businesses". The key assumptions used in the valuation of the investment as at 31 August 2017 are as follows:

	2017	2016
Cost of equity	20.53%	20.04%
Long-term growth rate	5.00%	5.00%
Discount for lack of marketability	15.00%	15.00%

- (ii) Air Works - As at 31 August 2017, the Group held an aggregate 4.64% (fully diluted basis) stake in Air Works India (Engineering) Private Ltd. at a total cost of £2,922 thousand. The investment has been valued on the "discounted cash flows of the projected future earnings of underlying business". The key assumptions used in the valuation of the investment as at 31 August 2017 are as follows:

	2017	2016
Weighted average cost of capital	16.21%	16.43%
Long term-growth rate	5.00%	5.00%
Discount for lack of marketability	15.00%	15.00%

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

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Particulars	2017 £'000	2016 £'000
Change by +50 basis points		
Weighted average cost of capital	(172)	(206)
Long-term growth rate	132	166
Change by -50 basis points		
Weighted average cost of capital	188	224
Long-term growth rate	(121)	(153)

Besides the above there are other unobservable inputs for cash flow projections. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement.

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

25. Capital management policies and procedures

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to manage the existing portfolio and to create liquidity to return cash to shareholders.

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

The Group	2017 £'000	2016 £'000
Total equity	4,055	5,484
Total debts	-	-
Overall financing	4,055	5,484

26. Segmental information

The Directors have considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Group's activities form a single segment under the standard. From a geographical perspective, the Group's substantial underlying investments made by subsidiaries are mostly focused in India. Equally, in relation to business segmentation, the Group's underlying investments made by subsidiaries are predominantly in the small and mid-cap businesses and it is considered that, the risks and rewards are not materially different whether the investments are listed or unlisted. However, an analysis of the unlisted investments is provided in note 24.

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

27. Events after the Reporting Date

The Company has dissolved its 100% subsidiary Tusk Investments 2 Limited w.e.f from 08 November 2017 under Mauritius Companies Act, 2001.

