Elephant Capital plc

Annual Report

2018

Contents

Directors and Advisors

Directors
Francis Anthony Hancock
Vincent Campbell (resigned 28 November 2018)
Robert Keith Corkill (appointed 28 November 2018)
(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
Suntera Fund Services (IOM) Limited
(prior to 4 September 2020 known as SMP Fund Services Limited)
Clinch's House,
Lord Street, Douglas,
Isle of Man, IM99 1RZ

CREST Service Provider
Link Market Services (Jersey) Limited trading as Link Group
12 Castle Street
St Helier
Jersey
JE2 3RT

Chairman's Statement

Results

As at 31 August 2018, Net Asset Value ("NAV") was £1.80 million or 12p per share, compared to £4.05 million or 27p per share as at 31 August 2017. The decrease in the Company's NAV reflects a £2.10 million fall in the valuation of the subsidiaries and the excess of expenses over income of £0.15 million.

Unlisted investment portfolio

Amar Chitra Katha Private Limited ("ACK") - In September 2018, the Company divested its entire holding in ACK for GBP 1.31 million (equivalent to INR 120.33 million) through a Debenture Subscription and Share Purchase Agreement, being £0.93 million above its carried value as at 31 August 2017.

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 £0.22 million at 31 August 2018 compared to £3.23 million at 31 August 2017.

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

Strategy

We continue our efforts to dispose of one remaining unlisted investment in the interests of shareholders, and, are conscious of the depletion of future NAV arising from the ongoing operating costs of the Company.

Keith Corkill

Robert Keith Corkill
23 April 2021

Investment Manager's Review

Introduction

Elephant Capital plc (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, the Company 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 year ended 31 August 2018, the Investment Manager's focus was on managing the existing portfolio and trying to create liquidity to return cash to shareholders.

Given this activity the Company now holds only one unlisted investment: Air Works. The Investment Manager is focused on finding ways to realise Air Works in the short term. No further investment will be made in Air Works. Such action may lead to the dilution of the Company's investment in Air Works should it raise 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 negative 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$48.7 million for YTD Q3 FY18-19, circa 14% lower compared to Q3 FY17-18, due to lower charter revenue and decline in painting revenue. Reported YTD, Q3 FY18-19 EBITDA was US$ 3.2 million, a fall of approximately 20% over YTD Q3 FY17-18. 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 funding requirement of around 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. The equity process is facing challenges due to the different rights of its present shareholders and Indian regulatory obstacles.

Amar Chitra Katha Private Limited ("ACK")

Elephant Capital divested its entire shareholding in ACK for GBP 1.31 million (equivalent to INR 120.33 million) through a Debenture Subscription and Share Purchase Agreement on the 29 September 2018.

As at 31 August 2018, the unlisted portfolio was as follows:

Company	Sector	Cost £'000	**Valuation 31 August 2018 £'000**	Loss over cost £'000
Air Works India (Engineering) Private Limited	Aviation	2,922	**222**	(2,700)
Amar Chitra Katha Private Limited	Media	4,085	**1,308**	(2,777)
Total		7,007	**1,530**	(5,477)

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, Amar Chitra Katha, an unlisted investment, was realised.

Principles of valuations of investments

Principles of valuation of unlisted investments

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

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

- Cost (less any provision required)
- 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 bases described above and the earnings multiple basis of valuation will be used unless this is inappropriate, as in the case of certain asset-based businesses.

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

When valuing on an earnings multiple basis, EBITDA or net profit of the current year will normally be used. Such profits will be multiplied by 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 2018 (the "Reporting Date")

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

Gaurav Burman
On behalf of Elephant Capital LLP
23 April 2021

Directors' Report

The Directors present their report and accounts for the year to 31 August 2018.

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 £1.80 million and for the year to 31 August 2018 a loss attributable to the shareholders of £2.25 million. The Board does not propose the payment of a dividend.

Directors

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

Francis Anthony Hancock
Vincent Campbell (resigned 28 November 2018)
Robert Keith Corkill (appointed 28 November 2018)

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.

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

Keith Corkill

Robert Keith Corkill
Director
23 April 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	**For the year ended 31 August 2018 £'000**	For the year ended 31 August 2017 £'000
Revenue			
Investment and other income	7	**-**	**91**
Provision for impairment loss on loan to subsidiary	8	**(2,103)**	**(528)**
Other income			
Net foreign exchange gain*		-	**-**
		(2,103)	**(437)**
Expenses			
Management fees	9	**-**	**(90)**
Other expenses	10	**(145)**	**(151)**
Loss before finance costs and tax		**(2,248)**	**(678)**
Finance costs		**(1)**	**(1)**
Loss before tax		**(2,249)**	**(679)**
Income tax expense	11	**-**	**-**
Loss after tax		**(2,249)**	**(679)**
Total comprehensive loss for the year		**(2,249)**	**(679)**
Total comprehensive loss attributable to:			
Owners of the parent		**(2,249)**	**(679)**
Loss per share (basic and diluted)	20	**(14.88)p**	**(4.49)p**

* Amounts have been rounded to the nearest thousand.

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

Consolidated Statement of Financial Position

	Notes	As at 31 August 2018 £'000	As at 31 August 2017 £'000
ASSETS			
Non-current			
Investments in subsidiaries	14	**-**	-
Loan to subsidiary	15	**1,612**	3,715
		1,612	3,715
Current			
Receivables	16	**6**	6
Prepayments		**14**	14
Cash and cash equivalents	17	**203**	352
		223	372
Total assets		**1,835**	4,087
LIABILITIES			
Current			
Payables	18	**29**	32
		29	32
Net assets		**1,806**	4,055
EQUITY			
Share capital	19	**151**	151
Share premium		**20,752**	20,752
Distributable capital reserve		**14,807**	14,807
Unrealised revaluation reserve		**(24,237)**	(22,134)
Accumulated losses		**(9,667)**	(9,521)
Equity attributable to owners of the parent		**1,806**	4,055
Total equity		**1,806**	4,055
Net asset value per share	20	**£0.12**	£0.27

(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 23 April 2021 and are signed on its behalf by

Keith Corkill

Robert Keith Corkill
Director

Frank Hancock

Francis Anthony Hancock
Director

Company Statement of Financial Position

	Notes	As at 31 August 2018 £'000	As at 31 August 2017 £'000
ASSETS			
Non-current			
Investments in subsidiaries	12	**-**	-
Loans to subsidiaries	13	**1,612**	3,715
		1,612	3,715
Current			
Loans to subsidiaries	13	**-**	7
Receivables	16	**6**	6
Prepayments		**14**	14
Cash and cash equivalents	17	**203**	350
		223	377
Total assets		**1,835**	4,092
LIABILITIES			
Current			
Payables	18	**29**	23
		29	23
Net assets		**1,806**	4,069
EQUITY			
Share capital	19	**151**	151
Share premium		**20,752**	20,752
Distributable capital reserve		**14,807**	14,807
Accumulated losses		**(33,904)**	(31,641)
Equity attributable to owners of the Company		**1,806**	4,069
Total equity		**1,806**	4,069

(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 23 April 2021 and are signed on its behalf by

Keith Corkill

Robert Keith Corkill
Director

Frank Hancock

Francis Anthony Hancock
Director

Statement of Cash Flows

		Consolidated		Company	
		For the year ended 31 August 2018 £'000	For the year ended 31 August 2017 £'000	**For the year ended 31 August 2018 £'000**	For the year ended 31 August 2017 £'000
(a)	**Operating activities:**				
	Loss before tax	**(2,249)**	(679)	**(2,263)**	(671)
	Adjustments for:				
	Provision for impairment loss on loan to subsidiary	**2,103**	528	**2,103**	528
	Loan written off	**-**	-	**25**	-
	Net changes in working capital:				
	Decrease/(increase) in receivables and prepayments	**-**	9	**-**	(4)
	(Decrease)/increase in payables	**(3)**	(22)	**6**	(16)
	Net cash used in operating activities	**(149)**	(164)	**(129)**	(163)
(b)	**Investing activities:**				
	Loan to subsidiary	**-**	-	**(18)**	-
	Proceeds from repayment of loan by subsidiary	**-**	818	**-**	818
	Net cash generated from/(used in) investing activities	**-**	818	**(18)**	818
(c)	**Financing activities:**				
	Capital distributed to Shareholders	**-**	(750)	**-**	(750)
	Net cash used in financing activities	**-**	(750)	**-**	(750)
	Net decrease in cash and cash equivalents	**(149)**	(96)	**(147)**	(95)
	Cash and cash equivalents at beginning of year	**352**	448	**350**	445
	Cash and cash equivalents at end of year	**203**	352	**203**	350

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

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 2017	**151**	**20,752**	**14,807**	**(22,134)**	**(9,521)**	**4,055**
Net unrealised loss reserve transfer	**-**	**-**	**-**	**(2,103)**	**2,103**	**-**
Transfer of accumulated realised gain	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year	**-**	**-**	**-**	**-**	**(2,249)**	**(2,249)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(2,103)**	**(146)**	**(2,249)**
Balance as at 31 August 2018	**151**	**20,752**	**14,807**	**(24,237)**	**(9,667)**	**1,806**
Balance as at 1 September 2016	151	20,752	15,557	(21,606)	(9,370)	5,484
Capital distributed to Shareholders	-	-	(750)	-	-	(750)
Transactions with owners	-	-	(750)	-	-	(750)
Net unrealised loss reserve transfer	-	-	-	(528)	528	-
Loss for the year	-	-	-	-	(679)	(679)
Total comprehensive loss for the year	-	-	-	(528)	(151)	(679)
Balance as at 31 August 2017	151	20,752	14,807	(22,134)	(9,521)	4,055

(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 equity £'000
Balance as at 1 September 2017	**151**	**20,752**	**14,807**	**(31,641)**	**4,069**
Loss for the year	**-**	**-**	**-**	**(2,263)**	**(2,263)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(2,263)**	**(2,263)**
Balance as at 31 August 2018	**151**	**20,752**	**14,807**	**(33,904)**	**1,806**
Balance as at 1 September 2016	151	20,752	15,557	(30,970)	5,490
Capital distributed to Shareholders	-	-	(750)	-	(750)
Transactions with owners	-	-	(750)	-	(750)
Loss for the year	-	-	-	(671)	(671)
Total comprehensive loss for the year	-	-	-	(671)	(671)
Balance as at 31 August 2017	151	20,752	14,807	(31,641)	4,069

(The accompanying notes are an integral part of the 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 2018 (including comparatives) were approved and authorised for issue by the Board of Directors on 23 April 2021.

2. Nature of operations

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

3. a) New standards/amendments adopted

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.

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

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

At the date of authorisation of these 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.

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 loss 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 Standard.

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 recognise 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 reason (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, non-refundable 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 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 Standard.

IFRIC 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 non-monetary 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 Interpretation.

IFRIC 23 Uncertainty over Income Tax Treatments
This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

When there is uncertainty over income tax treatments, this Interpretation addresses: a. whether an entity considers uncertain tax treatments separately; b. the assumptions an entity makes about the examination of tax treatments by taxation authorities; c. how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d. how an entity considers changes in facts and circumstances.

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

IFRS 16 Leases
(Applicable for annual reporting periods beginning on or after 1 January 2019)

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

IAS 28 (Amendment) Long-term Interests in Associates and Joint Ventures
Applicable for annual reporting periods beginning on or after 1 January 2019

The Amendment clarifies the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interest under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

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 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, information about the group is also provided internally on a similar basis to its key management personnel (including the board of directors).

Investment entity
The Company 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. The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

(a) the Company has obtained funds for the purpose of providing investors with investment management services;

(b) the Company'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; and

(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.

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

The Company and Elephant Capital LP operate as an integrated structure whereby the Company invests solely into Elephant Capital LP. As at 31 August 2018 and 31 August 2017 there were no capital commitment obligations and no amounts due to Elephant Capital LP for unsettled purchases. The Company 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 the Company's holding in Elephant Capital LP or its underlying investments;
- the value date of the NAV provided; and
- any restrictions on redemptions

If necessary, the Company 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 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 2018 (the "Reporting Period").

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

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

4.8 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 transaction 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 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 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.

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, income and expenses is provided below:

Fair value of unquoted investments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that other market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the Reporting Date. Details of the assumptions used and the levels of hierarchy for the investments have been disclosed in note 24.

Notes to the Consolidated Financial Statements

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

	2018	2017
	£'000	£'000
Management fees	**-**	78
Service fee from investee company	**-**	13
	-	91

8. Provision for impairment loss on loan to subsidiary

	2018	2017
	£'000	£'000
Provision for impairment loss on loan to subsidiary	**(2,103)**	(528)
	(2,103)	(528)

9. Management fees

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

The management fees of £nil (31 August 2017: £90 thousand) included in the consolidated statement of profit or loss and other comprehensive income includes the management fee expense of £nil (31 August 2017: £78 thousand) in respect of a management fee received from Tusk Investments 1 Limited and £nil (31 August 2017: £13 thousand) in respect of a service fee received by the Manager from an investee company, which is included in "Investment and other income".

10. Other expenses

	2018	2017
	£'000	£'000
Administration charges	**111**	117
Directors' fees*	**34**	34
	145	151

Notes to the Consolidated Financial Statements

*Detail of Directors' fees are as follows:

	2018	2017
	£'000	£'000
Francis Anthony Hancock	**18**	18
Vincent Campbell	**16**	16
	34	34

The Company has no other employees.

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	2018	2017
	£'000	£'000
Elephant Capital LP*	**-**	-
Elephant 2 Limited*#	**-**	-
Elephant Investments (General Partner) Limited*	**-**	-
Less: Provision for impairment**	**(-)**	(-)
	-	-

* Amounts have been rounded to the nearest thousand.
# Elephant 2 Limited (100% subsidiary) was dissolved on 11 December 2018 under The Companies (Guernsey) Law, 2008.

** As at 31 August 2018, investments in Elephant Capital LP, Elephant 2 Limited and Elephant Investments (General Partner) Limited are being carried at fair value through profit or loss, where the actual cost of investments is £382, £2 and £2 being valued at £nil, £nil and £2 respectively.

The Group comprises the following entities:

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

* represents subsidiaries which have not been consolidated.
# Elephant 2 Limited (100% subsidiary) was dissolved on 11 December 2018 under The Companies (Guernsey) Law, 2008.

Notes to the Consolidated Financial Statements

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

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

Particulars	2018 £'000	2017 £'000
Elephant Capital LP*		
Non-current		
Opening balance	**25,991**	26,809
Less: Repayment made during the year	**-**	(818)
	25,991	25,991
Less: Provision for impairment**	**(24,379)**	(22,276)
Total	**1,612**	3,715
Elephant 2 Limited**		
Current		
Opening balance	**7**	7
Add: Loan given	**18**	-
	25	7
Less: Loan written off	**(25)**	-
Total	**-**	7

*As at 31 August 2018, a loan of £25,991 thousand was outstanding, given by the Company to Elephant Capital LP in order to provide funding 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 loans to subsidiaries was carried out by the Company as at 31 August 2018 and, consequently, impairment losses of £2,103 thousand and £25 thousand for loans given to Elephant Capital LP and Elephant 2 Limited respectively, were recorded on account of the decline in the value of investments made through Elephant Capital LP since 31 August 2017.

14. Investments in subsidiaries

Particulars	2018 £'000	2017 £'000
Elephant Capital LP*	**-**	-
Elephant Investments (General Partner) Limited*	**-**	-
Less: Provision for impairment**	**(-)**	(-)
	-	-

* Amounts have been rounded to the nearest thousand.

** As at 31 August 2018, investments in Elephant Capital LP, Elephant 2 Limited and Elephant Investments (General Partner) Limited are being carried at fair value through profit or loss, where the actual cost of investments is £382, £2 and £2 being valued at £nil, £nil and £2 respectively.

Notes to the Consolidated Financial Statements

15. Loan to subsidiary

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

Details of the loan given by the Company to its subsidiary are as set out below:

Particulars	2018 £'000	2017 £'000
Elephant Capital LP*		
Non-current		
Opening balance	**25,991**	26,809
Less: Repayment made during the year	**-**	(818)
	25,991	25,991
Less: Provision for impairment**	**(24,379)**	(22,276)
Total	**1,612**	3,715

* As at 31 August 2018, a loan of £25,991 thousand was outstanding, given by the Company to Elephant Capital LP in order to provide funding 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 2018 and, consequently, an impairment loss of £2,103 thousand was recorded on account of the decline in the value of investments made through Elephant Capital LP since 31 August 2017.

16. Receivables

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Other receivables	**6**	**6**	6	6
	6	**6**	6	6

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 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Cash in current accounts	**203**	**203**	352	350
	203	**203**	352	350

Notes to the Consolidated Financial Statements

18. Payables

	Group 2018 £'000	**Company 2018 £'000**	Group 2017 £'000	Company 2017 £'000
Trade and other payables	**29**	**29**	32	23
	29	**29**	32	23

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

	2018		2017	
	Number of shares	**£'000**	Number of shares	£'000
Authorised ordinary shares of 1p each	**300,000,000**	**3,000**	300,000,000	3,000
Issued and fully paid ordinary shares of 1p each	**15,117,057**	**151**	15,117,057	151
	15,117,057	**151**	15,117,057	151

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.

20. Loss and net asset value per share

	2018	2017
Loss attributable to ordinary shareholders	**£(2,249,030)**	£(678,843)
Issued ordinary shares at the beginning of the year	**15,117,057**	15,117,057
Issued ordinary shares at the end of the year	**15,117,057**	15,117,057
Weighted average number of shares outstanding	**15,117,057**	15,117,057
Loss per share (basic and diluted)	**(14.88)p**	(4.49)p
Net asset value per share	**£0.12**	£0.27
Total net assets value as at year end	**£1,806,122**	£4,055,151

Notes to the Consolidated Financial Statements

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 2018 £'000**	**Company 2018 £'000**	Group 2017 £'000	Company 2017 £'000
Investments at fair value through profit or loss *(designated as fair value through profit or loss)*	12 & 14	**-**	**-**	-	-
Loans and receivables					
• Loans to subsidiaries	13 & 15	**1,612**	**1,612**	3,715	3,722
• Receivables	16	**6**	**6**	6	6
• Cash and cash equivalents	17	**203**	**203**	352	350
		1,821	**1,821**	4,073	4,078

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 2018 £'000**	**Company 2018 £'000**	Group 2017 £'000	Company 2017 £'000
Financial liabilities measured at amortised cost:					
Payables	18	**29**	**29**	32	23
		29	**29**	32	23

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
Robert Keith Corkill (appointed 28 November 2018)
Vincent Campbell (resigned 28 November 2018)

Notes to the Consolidated Financial Statements

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:

Global Cricket Ventures Limited (discontinued on 30 September 2016)

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:

Nature of transaction	Year ended 31 August 2018 £'000	Year ended 31 August 2017 £'000	Debit/(credit) balance *(unsecured)* As at 31 August 2018 £'000	As at 31 August 2017 £'000
Directors' fees	**34**	34	**(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 2018 £'000	Year ended 31 August 2017 £'000	Debit/(credit) balance *(unsecured)* As at 31 August 2018 £'000	As at 31 August 2017 £'000
(i) Management fees expense:*				
- Elephant Capital LLP	**-**	90	**-**	-
(ii) Management fees income				
- Tusk Investments 1 Limited	**-**	78	**-**	-
(iii) Reimbursement of expenses				
- Elephant Capital LLP	**23**	23	**-**	-

Nature of transaction	**Year ended 31 August 2018 £'000**	Year ended 31 August 2017 £'000	**Debit/(credit) balance (unsecured) As at 31 August 2018 £'000**	As at 31 August 2017 £'000
(iv) Other transactions:				
- Service fee from GCV	**-**	13	**-**	-
- Repayment of loan and other receivable by Elephant Capital LP**	**-**	818	**1,618**	3,721

* 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.

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.

Notes to the Consolidated Financial Statements

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

Foreign currency	£'000 INR	£'000 US$
31 August 2018		
Financial assets	**1,530**	**-**
Financial liabilities	**-**	**6**
Net short -term exposure	**1,530**	**(6)**
31 August 2017		
Financial assets	3,609	1
Financial liabilities	-	3
Net short-term exposure	3,609	(2)

As at 31 August 2018, if INR or US$ had weakened or strengthened by 1% (31 August 2017: 1%) against £ with all other variables held constant, the impact on income and equity would have been as follows:

Particulars	**2018 £'000 INR**	**2018 £'000 US$**
Change in exchange rate by + 1%	**15**	**-**
Change in exchange rate by - 1%	**(15)**	**-**

Particulars	2017 £'000 INR	2017 £'000 US$
Change in exchange rate by + 1%	36	-
Change in exchange rate by - 1%	(36)	-

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.

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

2018, 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 2018 the cumulative impairment of £24,379 thousand (31 August 2017: £22,276 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 "Payables", are £29 thousand (31 August 2017: £32 thousand) and £29 thousand (31 August 2017: £23 thousand) respectively. These are expected to be settled within one year.

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 inputs).

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 Asset Value technique, The Company's investment in subsidiaries is classified as a Level 3 measurement as of 31 August 2018. 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 2018	Note	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets:					
Investments in subsidiaries*	14	-	-	**-**	**-**
Loan to subsidiary	15	-	-	**1,612**	**1,612**
Total		**-**	**-**	**1,612**	**1,612**
Liabilities:		-	-	-	-
Net fair value		-	-	**1,612**	**1,612**

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

* Amounts have been rounded to the nearest thousand.

The Company has provided loans to the subsidiaries (i.e. Tusk 1) through Elephant Capital LP for making investments. Fair value of the loans given to subsidiaries as on 31 August 2018 is £1,612 thousand (31 August 2017: £3,715 thousand), whereas fair value of underlying Level 3 investments made from the above loans by Tusk 1 as on 31 August 2018 is £1,530 thousand (31 August 2017: £3,609 thousand).

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 2018, the Group held a 20.06% equity stake in Amar Chitra Katha Private Limited which had been acquired for £4,085 thousand. The Investment is measured at net realizable value of £1,308 thousand (INR 1,200 per share) as at 31 August 2018.

(ii) Air Works - as at 31 August 2018, 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 basis of "Comparable Company Method under Market approach". The key assumptions used in the valuation of the investment as at 31 August 2018 are as follows:

	2018
EV/EBITDA Multiple	**12.07%**
Discount	**35.00%**

For the investment, Air Works, which is valued using the "Comparable Company Method under Market approach" methodology and is classified as Level 3 at the Reporting Date, the Company adjusted the discount rate assumptions within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of security. For results of the sensitivity analysis, refer to the table below:

Particulars	**2018** **£'000**
Change discount by + 5%	**(85)**
Change discount by - 5%	**85**

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.

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	**2018 £'000**	2017 £'000
Total equity	**1,806**	4,055
Total debt	**-**	-
Overall financing	**1,806**	4,055

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.

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

1. Amar Chitra Katha ("ACK")- in September 2018, the Company divested its entire holding in ACK for GBP 1.31 million (equivalent of INR 120.33 million) through a Debenture Subscription and Share Purchase Agreement. Thus, exit price under the above agreement has been considered for valuation of investment.

2. The Company's 100% subsidiary Elephant 2 Limited was dissolved on 11 December 2018 under The Companies (Guernsey) Law, 2008.