

Elephant Capital plc
Year ended 31 August 2019

Elephant Capital plc

Annual Report

2019

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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 2019, Net Asset Value ("NAV") was £1.80 million or 12p per share, compared to £1.80 million or 12p per share as at 31 August 2018. The minor increase in the valuation of the Company's subsidiaries has been offset by an excess of expenses over income.

Unlisted investment portfolio

Air Works India (Engineering) Private Limited ("Air Works") has been performing in line with its budget. Accordingly, its valuation, based on an independent third-party opinion has been increased to £0.41 million at 31 August 2019 compared to £0.22 million at 31 August 2018.

Full details of the Company's unlisted investment 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.



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 2019, 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 a leading independent provider of aviation maintenance, repair and overhaul (MRO) services in India. 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, line maintenance, interior & exterior finishing avionics upgrades and retrofits, maintenance training and parts distribution.

Air Works showed marginal growth over the previous period, both reported revenue and EBITDA were higher than the operating plan. On a consolidated basis, the revenue of Air Works has been US\$33.3 million for YTD Q3 FY19-20, circa 24% higher than Q3 FY 18-19, due to growth in the AMRO business led by higher base maintenance and line maintenance revenue. Reported YTD Q3 FY2019-20 EBITDA was US\$1.6 million, a gain of approximately 14% over YTD Q3 FY18-19.

Air Works is facing challenges as a result of increased working capital requirements and its performance could deteriorate if it is unable to raise funds to meet its working capital and capital expenditure requirements.

The company is seeking to raise capital 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. It has already commenced the process.

Elephant Capital plc
Year ended 31 August 2019

As at 31 August 2019, the unlisted portfolio was as follows:

Company	Sector	Cost	Valuation 31 August 2019	Loss over cost
		£'000	£'000	£'000
Air Works India (Engineering) Private Limited	Aviation	2,922	411	(2,511)
Total		2,922	411	(2,511)

The valuation is in accordance with International Financial Reporting Standards and International Private Equity and Venture Capital Association guidelines. The investment is held at fair value through profit or loss and is recognised at the transaction date on initial recognition.

Realisations

There were no investment realisations during the year ended 31 August 2019.

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.

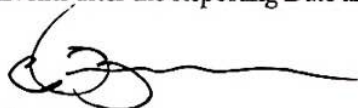
In arriving at the value of an investment, the percentage ownership is calculated after taking into account any dilution through outstanding warrants, options and performance-related mechanisms.

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 2019 (the "Reporting Date")

Events after the Reporting Date are disclosed in note 26 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 2019.

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 11.

Results and dividends

The Group's consolidated financial statements are set out on pages 8 to 33. The Group reported net assets at the Reporting Date of £1.80 million and for the year to 31 August 2019 a gain attributable to the shareholders of £0.002 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 19.

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 22 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



Robert Keith Corkill
Director
23 April 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the year ended 31 August 2019 £'000	For the year ended 31 August 2018 £'000
Revenue			
Investment and other income*	7	-	-
Provision reversed/(created) for impairment loss on loan to subsidiary	8	133	(2,103)
		133	(2,103)
Expenses			
Other expenses	9	(130)	(145)
Profit/(loss) before finance costs and tax		3	(2,248)
Finance costs		(1)	(1)
Profit/(loss) before tax		2	(2,249)
Income tax expense	10	-	-
Profit/(loss) after tax		2	(2,249)
Total comprehensive profit/(loss) for the year		2	(2,249)
Total comprehensive profit/(loss) attributable to:			
Owners of the parent		2	(2,249)
Profit/(loss) per share (basic and diluted)	19	0.01p	(14.88)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

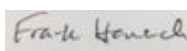
	Notes	As at 31 August 2019 £'000	As at 31 August 2018 £'000
ASSETS			
Non-current			
Investments in subsidiaries*	13	-	-
Loan to subsidiary	14	1,745	1,612
		1,745	1,612
Current			
Receivables	15	6	6
Prepayments		11	14
Cash and cash equivalents	16	75	203
		92	223
Total assets		1,837	1,835
LIABILITIES			
Current			
Payables	17	29	29
		29	29
Net assets		1,808	1,806
EQUITY			
Stated capital	18	151	151
Share premium		20,752	20,752
Distributable capital reserve		14,807	14,807
Unrealised revaluation reserve		-	(24,237)
Accumulated losses		(33,902)	(9,667)
Equity attributable to owners of the parent		1,808	1,806
Total equity		1,808	1,806
Net asset value per share	19	£0.12	£0.12

* Amounts have been rounded to the nearest thousand.

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

The consolidated financial statements on pages 8 to 33 were approved and authorised for issue by the Board of Directors on 23 April 2021 and are signed on its behalf by


Robert Keith Corkill
Director


Francis Anthony Hancock
Director

Company Statement of Financial Position

	Notes	As at 31 August 2019 £'000	As at 31 August 2018 £'000
ASSETS			
Non-current			
Investments in subsidiaries*	11	-	-
Loans to subsidiaries	12	1,745	1,612
		1,745	1,612
Current			
Receivables	15	6	6
Prepayments		11	14
Cash and cash equivalents	16	75	203
		92	223
Total assets		1,837	1,835
LIABILITIES			
Current			
Payables	17	29	29
		29	29
Net assets		1,808	1,806
EQUITY			
Stated capital	18	151	151
Share premium		20,752	20,752
Distributable capital reserve		14,807	14,807
Accumulated losses		(33,902)	(33,904)
Equity attributable to owners of the Company		1,808	1,806
Total equity		1,808	1,806

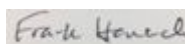
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(The accompanying notes are an integral part of the consolidated financial statements.)

The consolidated financial statements on pages 8 to 33 were approved and authorised for issue by the Board of Directors on 23 April 2021 and are signed on its behalf by



Robert Keith Corkill
Director



Francis Anthony Hancock
Director

Statement of Cash Flows

	Consolidated		Company	
	For the year ended 31 August 2019	For the year ended 31 August 2018	For the year ended 31 August 2019	For the year ended 31 August 2018
	£'000	£'000	£'000	£'000
(a) Operating activities:				
Profit/(loss) before tax	2	(2,249)	2	(2,263)
Adjustments for:				
Provision (reversed)/created for impairment loss on loan to subsidiary	(133)	2,103	(133)	2,103
Loan written off	-	-	-	25
Net changes in working capital:				
Decrease in receivables and prepayments	3	-	3	-
(Decrease)/increase in payables	-	(3)	-	6
Net cash used in operating activities	(128)	(149)	(128)	(129)
(b) Investing activities:				
Loan to subsidiary	-	-	-	(18)
Net cash used in investing activities	-	-	-	(18)
(c) Financing activities:				
Net cash flow from financing activities	-	-	-	-
Net decrease in cash and cash equivalents	(128)	(149)	(128)	(147)
Cash and cash equivalents at beginning of year	203	352	203	350
Cash and cash equivalents at end of year	75	203	75	203

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

Consolidated Statement of Changes in Equity

	Stated capital £'000	Share premium £'000	Distributable capital reserve £'000	Unrealised revaluation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 September 2018	151	20,752	14,807	(24,237)	(9,667)	1,806
Transfer to accumulated losses				24,237	(24,237)	-
Profit for the year	-	-	-	-	2	2
<i>Total comprehensive income for the year</i>	-	-	-	24,237	(24,235)	2
Balance as at 31 August 2019	151	20,752	14,807	-	(33,902)	1,808
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	-
Loss for the year	-	-	-	-	(2,249)	(2,249)
<i>Total comprehensive loss for the year</i>	-	-	-	(2,103)	(146)	(2,249)
Balance as at 31 August 2018	151	20,752	14,807	(24,237)	(9,667)	1,806

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

Company Statement of Changes in Equity

	Stated capital £'000	Share premium £'000	Distributable capital reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 September 2018	151	20,752	14,807	(33,904)	1,806
Profit for the year	-	-	-	2	2
<i>Total comprehensive income for the year</i>	-	-	-	2	2
Balance as at 31 August 2019	151	20,752	14,807	(33,902)	1,808
Balance as at 1 September 2017	151	20,752	14,807	(31,641)	4,069
Loss for the year	-	-	-	(2,263)	(2,263)
<i>Total comprehensive loss for the year</i>	-	-	-	(2,263)	(2,263)
Balance as at 31 August 2018	151	20,752	14,807	(33,904)	1,806

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

Notes to 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 2019 (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

In the current year, the following new and revised standards and interpretation issued by the IASB became mandatory for the first time for the financial year beginning on 1 September 2018:

IAS 40 Transfers of Investment Property
IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
IFRS 9 Financial Instruments (2014)
IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
IFRS 15 Revenue from Contracts with Customers

Management has assessed the impact of these new and revised standards and interpretation and concluded that only IFRS 9, *Financial Instruments (2014)* has an impact on these financial statements.

The adoption of IFRS 9 has the following impact on the financial statements.

IFRS 9 replaces IAS 39: *Financial Instruments: Recognition and Measurement*.

Notes to the Consolidated Financial Statements

It introduces new requirements for:

- (i) the classification and measurement of financial assets and financial liabilities;
- (ii) impairment of financial assets; and
- (iii) general hedge accounting.

The Company's financial instruments comprise of financial assets at fair value through profit or loss, receivables, cash and cash equivalents and payables.

The adoption of IFRS 9 has impacted the following areas:

- The reclassification of the Company's receivables and cash and cash equivalents from the category "loans and receivables" to "amortised cost".
- The impairment of financial assets applying the expected credit loss model. This affects the Company's receivables measured at amortised cost. For these financial assets, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

On the date of initial application, 1 September 2018, the financial instruments of the Company were reclassified as follows:

Particulars	Original IAS 39 category	New IFRS 9 category	Closing balance as at 31 August 2018 (IAS 39) £'000	Adoption of IFRS 9 £'000	Opening balance as at 1 September 2018 (IFRS 9) £'000	Effect on accumulated losses £'000
Financial assets						
Non-current						
Investment in Subsidiary	FVTPL	FVTPL	-	-	-	-
Current						
Loans to Subsidiary	Loans and receivables	Amortised cost	1,612	-	1,612	-
Receivables	Loans and receivables	Amortised Cost	6	-	6	-
Cash and cash equivalents	Loans and receivables	Amortised cost	203	-	203	-
Total financial assets			1,821	-	1,821	-

Notes to the Consolidated Financial Statements

	Original IAS 39 category	New IFRS 9 category	Closing balance as at 31 August 2018 (IAS 39) £'000	Adoption of IFRS 9 £'000	Opening balance as at 1 September 2018 (IFRS 9) £'000	Effect on accumulated losses £'000
Financial liabilities						
Current						
	Amortised cost	Amortised cost				
Payables			29	-	29	-
Total financial liabilities			29	-	29	-

There were no financial assets or financial liabilities which the Company had previously designated at Fair Value through Profit or Loss (FVTPL) under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9.

The Company's accounting policy on financial instruments is detailed in Note 4.8 to these financial statements.

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 financial statements, certain new standards, amendments to existing standards and interpretation have been published but are not yet effective and have not been adopted early by the Company.

Management anticipate that all of the relevant pronouncements, as applicable to the Company's activity, will be adopted in the Company's accounting policies for the first year beginning after the effective date of the pronouncements. Information on new standards, amendments to existing standards and interpretation is provided below.

IFRS 16	Leases
IFRIC 23	Uncertainty Over Income Tax Treatments
IFRS 9	Prepayment Features with Negative Compensation (Amendments to IFRS 9)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
IFRS 17	Insurance Contracts
IAS 19	Plan Amendment, Curtail or Settlement (Amendments to IAS 19)
IAS 1/IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)
IFRS 3	IFRS 3 Definition of a Business (Amendments to IFRS 3)
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
IAS 1	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

Management has yet to assess the impact of the above standards, amendments and interpretation on the Company's financial statements.

Notes to the Consolidated Financial Statements

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"). 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 is measured and evaluated on a fair value basis.

The Company controls Tusk 1 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 2019 and 31 August 2018 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.

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

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 2019 (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:

Notes to the Consolidated Financial Statements

Financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and receivables fall into this category of financial instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets where contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial liabilities

The Company's financial liabilities include amounts due to related parties and accrued expenses. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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.

Notes to the Consolidated Financial Statements

4.10 Equity and reserves

Stated 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 stated 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 stated 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.

Notes to the Consolidated Financial Statements

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 23.

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 11 and 12 respectively.

7. Investment and other income

	2019 £'000	2018 £'000
Interest income*	-	-
	-	-

* Amounts have been rounded to the nearest thousand.

Notes to the Consolidated Financial Statements

8. Provision reversed/(created) for impairment loss on loan to subsidiary

	2019 £'000	2018 £'000
Provision reversed/(created) for impairment loss on loan to subsidiary	133	(2,103)
	<u>133</u>	<u>(2,103)</u>

9. Other expenses

	2019 £'000	2018 £'000
Administration charges	96	111
Directors' fees*	34	34
	<u>130</u>	<u>145</u>

*Detail of Directors' fees are as follows:

	2019 £'000	2018 £'000
Francis Anthony Hancock	18	18
Vincent Campbell (resigned 28 November 2018)	4	16
Robert Keith Corkill (appointed 28 November 2018)	12	-
	<u>34</u>	<u>34</u>

The Company has no other employees.

10. 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.

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

Particulars	2019 £'000	2018 £'000
Elephant Capital LP*	-	-
Elephant 2 Limited*#	-	-
Elephant Investments (General Partner) Limited*	-	-
Less: Provision for impairment**	<u>(-)</u>	<u>(-)</u>
	<u>-</u>	<u>-</u>

* Amounts have been rounded to the nearest thousand.

Elephant Capital plc

Year ended 31 August 2019

Notes to the Consolidated Financial Statements

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

** As at 31 August 2019, investments in Elephant Capital LP and Elephant Investments (General Partner) Limited are being carried at fair value through profit or loss, where the actual cost of investments is £382 and £2 being valued at £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
<i>Company's share in Group undertakings</i>			
Elephant Investments (General Partner) Limited*	England	100%	100%
Elephant Capital LP*	England	100%	100%
Elephant 2 Limited **	Guernsey	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.

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

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

Particulars	2019 £'000	2018 £'000
Elephant Capital LP*		
Non-current		
Opening balance	25,991	25,991
	25,991	25,991
Less: Provision for impairment**	(24,246)	(24,379)
Total	1,745	1,612
Elephant 2 Limited***		
Current		
Opening balance	-	7
Add: Loan given	-	18
	-	25
Less: Loan written off	-	(25)
Total	-	-

*As at 31 August 2019, 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

Notes to the Consolidated Financial Statements

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 2019 and, consequently, a reversal of impairment provision of £133 thousand for the loan given to Elephant Capital LP was recorded on account of rise in the value of investments held through Elephant Capital LP since 31 August 2018.

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

13. Investments in subsidiaries

Particulars	2019 £'000	2018 £'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 2019, investments in Elephant Capital LP and Elephant Investments (General Partner) Limited are being carried at fair value through profit or loss, where the actual cost of investments is £382 and £2 being valued at £nil and £2 respectively.

14. 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 loans given by the Company to its subsidiary are as set out below:

Particulars	2019 £'000	2018 £'000
Elephant Capital LP*		
Non-current		
Opening balance	25,991	25,991
Less: Provision for impairment**	(24,246)	(24,379)
Total	1,745	1,612

* As at 31 August 2019, 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 2019 and, consequently, a reversal of impairment provision of £133 thousand was recorded on account of the rise in the value of investments made through Elephant Capital LP since 31 August 2018.

Notes to the Consolidated Financial Statements

15. Receivables

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Other receivables	6	6	6	6
	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>

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

16. Cash and cash equivalents

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Cash in current accounts	75	75	203	203
	<u>75</u>	<u>75</u>	<u>203</u>	<u>203</u>

17. Payables

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade and other payables	29	29	29	29
	<u>29</u>	<u>29</u>	<u>29</u>	<u>29</u>

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

18. Stated capital

	2019		2018	
	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	<u>15,117,057</u>	<u>151</u>	<u>15,117,057</u>	<u>151</u>
	<u>15,117,057</u>	<u>151</u>	<u>15,117,057</u>	<u>151</u>

The Company's stated 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.

Notes to the Consolidated Financial Statements

19. Profit/(loss) and net asset value per share

	2019	2018
Profit/(loss) attributable to ordinary shareholders (£'000)	<u>£2</u>	<u>£(2,249)</u>
Issued ordinary shares at the beginning of the year	15,117,057	15,117,057
Issued ordinary shares 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
Profit/(loss) per share (basic and diluted)	0.01p	(14.88)p
Net asset value per share	£0.12	£0.12
Total net assets value as at year end (£'000)	<u>£1,808</u>	<u>£1,806</u>

20. 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 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Investments at fair value through profit or loss <i>(designated as fair value through profit or loss)</i>	11 & 13	-	-	-	-
Financial assets at amortised cost					
• Loan to subsidiary	12 & 14	1,745	1,745	1,612	1,612
• Receivables	15	6	6	6	6
• Cash and cash equivalents	16	75	75	203	203
		<u>1,826</u>	<u>1,826</u>	<u>1,821</u>	<u>1,821</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 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Financial liabilities measured at amortised cost:					
Payables	17	29	29	29	29
		<u>29</u>	<u>29</u>	<u>29</u>	<u>29</u>

Notes to the Consolidated Financial Statements

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 23. A description of the Group's financial instruments risks, including risk management objectives and policies is given in note 22.

21. Related party transactions

21.1 Related parties

a) Key Management Personnel ("KMP")

Names of Directors

Francis Anthony Hancock

Vincent Campbell (resigned 28 November 2018)

Robert Keith Corkill (appointed 28 November 2018)

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

Elephant Capital LLP

c) Entities controlled by Company:

Elephant Capital LP

Tusk Investments 1 Limited

21.2 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 9. 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 2019 £'000	Year ended 31 August 2018 £'000	Debit/(credit) balance (unsecured)	
			As at 31 August 2019 £'000	As at 31 August 2018 £'000
Directors' fees	34	34	(6)	(6)

Notes to the Consolidated Financial Statements

(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 2019 £'000	Year ended 31 August 2018 £'000	Debit/(credit) balance (unsecured)	
			As at 31 August 2019 £'000	As at 31 August 2018 £'000
(i) <i>Reimbursement of expenses</i>				
- Elephant Capital LLP	23	23	-	-
(ii) <i>Others:</i>				
- Loan receivable from Elephant Capital LP*	-	-	1,745	1,612
- Other receivable from Elephant Capital LP	-	-	6	6

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

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

22. 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 20. 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.

Notes to the Consolidated Financial Statements

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 2019		
Financial assets	411	-
Financial liabilities	-	3
Net short -term exposure	411	(3)
 31 August 2018		
Financial assets	1,530	-
Financial liabilities	-	6
Net short-term exposure	1,530	(6)

As at 31 August 2019, if INR or US\$ had weakened or strengthened by 1% (31 August 2018: 1%) against £ with all other variables held constant, the impact on income and equity would have been as follows:

Particulars	2019 £'000 INR	2019 £'000 US\$*
Change in exchange rate by + 1%	4	-
Change in exchange rate by - 1%	(4)	-
 Particulars	 2018 £'000 INR	 2018 £'000 US\$*
Change in exchange rate by + 1%	15	-
Change in exchange rate by - 1%	(15)	-

* Amounts have been rounded to the nearest thousand.

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

Notes to the Consolidated Financial Statements

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. During the year ended 31 August 2019, the subsidiary had 100% exposure to only one underlying investment.

The subsidiary's sensitivity to price risk with regards to its underlying investment in the unlisted entity, 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 IFRS 9 (refer to note 23).

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 the Company to Elephant Capital LP, which were subsequently lent to Tusk Investments 1 Limited for investing in unlisted entities. As at 31 August 2019 the cumulative impairment of £24,246 thousand (31 August 2018: £24,379 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 2018: £29 thousand) and £29 thousand (31 August 2018: £29 thousand) respectively. These are expected to be settled within one year.

23. 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.

Notes to the Consolidated Financial Statements

- 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 2019. 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 2019	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:					
Investments in subsidiaries*	13	-	-	-	-
Loans to subsidiary	14	-	-	1,745	1,745
Total		-	-	1,745	1,745
Liabilities:		-	-	-	-
Net fair value		-	-	1,745	1,745

31 August 2018	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:					
Investments in subsidiaries*	13	-	-	-	-
Loans to subsidiary	14	-	-	1,612	1,612
Total		-	-	1,612	1,612
Liabilities:		-	-	-	-
Net fair value		-	-	1,612	1,612

* 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. The fair value of loans given to subsidiaries as on 31 August 2019 is £1,745 thousand (31 August 2018 is £1,612 thousands), whereas fair value of underlying Level 3 investments made by Tusk 1 from the above loans as on 31 August 2019 is £411 thousand (31 August 2018 is £1,530 thousand).

There have been no transfers between levels of fair value hierarchy

The underlying investments through subsidiary are measured at fair value using a net assets value 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:

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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 IFRS 9.

Air Works - as at 31 August 2019, 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 "Net Asset Value Method". The valuation of the unquoted investments is performed by external and independent valuation specialists. The valuation report is subsequently reviewed by the Board of Directors for approval.

24. 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 stated capital, share premium and reserves. The Group does not have any external debt. The Group is not subject to externally imposed capital requirements.

	2019	2018
The Group	£'000	£'000
Total equity	1,808	1,806
Total debt	-	-
Overall financing	1,808	1,806

25. 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 23.

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.

26. Events after the Reporting Date

The outbreak of Coronavirus (COVID-19) pandemic globally is causing disturbance and slowdown of economic activity. As at the date of issuance of financials, it is not possible for the management to reliably estimate the magnitude of impact of COVID-19 on the fair valuation of investment. Management considers that the slowdown is temporary and will reverse in coming months.