

Registration number 07475530

# Cathay Investments 2 Limited

Directors' Report, Strategic Report and Audited Consolidated Financial Statements  
for the Year Ended 31 December 2015

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# **Cathay Investments 2 Limited**

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# **Cathay Investments 2 Limited**

## **Company Information**

<b>Directors</b>	B Chaing
	K Johnson
	D Nicholas
	G M Thwaites
<b>Registered office</b>	A2 Yeoman Gate
	Yeoman Way
	Worthing
	West Sussex
	BN13 3QZ
<b>Independent auditor</b>	Grant Thornton UK LLP
	Grant Thornton House
	Melton Street
	Euston Square
	Euston
	London
	NW1 2EP

## Cathay Investments 2 Limited

### Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015

#### Fair review of the business

The group made two acquisitions in the year. The largest acquisition, Amethyst Group Limited ("Amethyst"), is a third party logistics provider of warehousing services. Amethyst was acquired to bring in house warehousing expertise to the group to improve the efficiency of distribution services in other group companies and to offer a wider range of distribution knowledge and expertise.

The group also acquired Williams of Swansea Limited ("Williams"). Williams is a specialist distributor of toys and stationery and was acquired to complement our existing business in this area, Perkins Group Services Limited ("Perkins"). The acquisition has allowed us to offer a wider range of products to customers of both companies.

A new company, Cathay Investments 2 Properties Limited, was incorporated in the year to take ownership of the trading sites operated by Perkins to allow for greater flexibility in Perkins operational activities.

The group will look for strategic acquisitions to further strengthen its position in each of the sectors in which it operates.

The directors are happy with the performance of the business in the period. A focus on creating efficiencies together with an excellent Christmas trading period generated a significant improvement in profitability in Amethyst. The businesses of Perkins and Williams have been merged since the year end and we hope this will facilitate similar operational improvements.

The group made a profit before tax for the period of £7,465,056 (Year ended 31 December 2014: loss £143,812). The statement of financial position shows total assets of £23,896,133 (As at 31 December 2014: £3,597,628), total liabilities of £16,458,931 (As at 31 December 2014: £3,720,273) and net assets of £7,437,202 (As at 31 December 2014: net liabilities £122,645).

The group's key financial and other performance indicators during the year were as follows:

	Unit	2015	2014
EBITDA [1]	£	8,964,161 00	(119,085 00)
Cash generated from operations	£	1,349,141 00	(520,310 00)

All key performance indicators have been calculated on the group's continuing businesses.

[1] - EBITDA = Earnings before interest, tax, depreciation and amortisation.

The improvement in the KPI's has been driven by the acquisitions in the year and EBITDA includes £5,680,662 of negative goodwill released to income.

## **Cathay Investments 2 Limited**

### **Strategic Report for the Year Ended 31 December 2015**

#### **Principal risks and uncertainties**

The performance of the group is to some extent determined by the sales performance of the clients of Amethyst. The range of markets covered by its clients and the quality of those clients helps to mitigate this risk, providing diversification and trading stability. The loss of key customer relationships is a key risk identified by the directors.

The group imports products from overseas for sale in the UK and the situation post Brexit is being monitored closely by the directors.

The company's overall risk management programme focuses on the unpredictability of the marketplace and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the operating divisions under policies approved by the board of directors.

Approved by the Board on 29 September 2016 and signed on its behalf by



B Chaing  
Director

## **Cathay Investments 2 Limited**

### **Directors' Report for the Year Ended 31 December 2015**

The directors present their report and the consolidated financial statements for the year ended 31 December 2015

#### **Directors' of the group**

The directors, who held office during the year, were as follows

B Chaing

K Johnson

The following directors were appointed after the year end

D Nicholas (appointed 26 April 2016)

G M Thwaites (appointed 1 May 2016)

#### **Principal activities**

The principal activity of the company is that of a holding company

The principal activities of the group are the

- import and distribution of toys, costumes, stationery and seasonal products, and
- warehousing and logistics services

#### **Dividends**

The directors recommend that no dividend be paid

#### **Financial instruments**

##### **Price risk, credit risk, liquidity risk and cash flow risk**

The group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk

The group does not have any material exposures in any of these areas and, consequently does not use derivative instruments to manage these exposures. The group's principal financial instruments comprise bank loans, preference shares, sterling cash and bank deposits, together with trade debtors and trade creditors that arise directly from its operations

The main risks arising from the group's financial instruments can be analysed as follows

##### **Price risk**

The group is not exposed to equity securities price risk or commodities price risk

##### **Foreign currency risk**

The group has no significant foreign currency risk as the majority of the group's transactions are carried out in sterling

##### **Credit risk**

The group has no significant concentrations of customer credit risk. It has policies in place to ensure that sales of products and services are made to credit approved customers

##### **Liquidity risk**

The group is funded by shareholder's funds, directors loans and bank debt

##### **Cashflow interest rate risk**

Group policy is to obtain short term borrowing on fixed rates when required. All current borrowings are on variable rates

# **Cathay Investments 2 Limited**

## **Directors' Report for the Year Ended 31 December 2015**

### **Employment of disabled persons**

The directors have maintained the group's established policy of giving full and fair consideration to applications for employment from disabled persons, and to continue the employment and training of employees who become disabled during their employment with the group

### **Employee involvement**

Maintaining the quality and commitment of employees is an important factor for the continued success of the group. Employees' performance is aligned to the group's objectives through an annual review process that is carried out with all employees

### **Environmental matters**

The group's policy with regard to the environment is to understand and manage the actual and potential impact of activities. All legal requirements that are relevant to the group's businesses are complied with. The group has not incurred any fines or penalties or been investigated for any breach of environmental regulations during the period under review

### **Future developments**

The directors are not aware of any likely major changes in the group's activities in the next year, and there have been no events since the year end affecting the group that require disclosure in the financial statements

### **Going concern**

The financial statements have been prepared on a going concern basis as there is reasonable expectation that the group and the company has access to adequate funding sources to continue in operational existence for the foreseeable future

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 group and the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## **Cathay Investments 2 Limited**

### **Directors' Report for the Year Ended 31 December 2015**

#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware of.

Approved by the Board on 29 September 2016 and signed on its behalf by



B Chaing  
Director



## Independent auditor's report to the members of Cathay Investments 2 Limited

We have audited the financial statements of Cathay Investments 2 Limited for the year ended 31 December 2015 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent company statements of financial position, the Consolidated and Parent company statements of changes in equity, the Consolidated and Parent company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## Independent auditor's report to the members of Cathay Investments 2 Limited (continued)

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Grant Thornton UK LLP*

### **Marc Summers**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

**London**

Date 29 September 2016

## Cathay Investments 2 Limited

### Consolidated Income Statement for the Year Ended 31 December 2015

(As restated)

	Note	2015 £	2014 £
Revenue	5	38,985,743	4,174,039
Cost of sales		<u>(18,407,418)</u>	<u>(2,842,136)</u>
Gross profit		20,578,325	1,331,903
Distribution costs		(4,611,965)	(602,444)
Administrative expenses		(14,064,337)	(949,730)
Other operating income	6	<u>5,680,662</u>	<u>81,352</u>
Operating profit/(loss)	7	<u>7,582,685</u>	<u>(138,919)</u>
Finance income		43	-
Finance costs		<u>(117,672)</u>	<u>(4,893)</u>
Net finance cost	8	<u>(117,629)</u>	<u>(4,893)</u>
Profit/(loss) before tax		7,465,056	(143,812)
Income tax receipt	11	<u>94,791</u>	<u>9,167</u>
Profit/(loss) for the year		<u>7,559,847</u>	<u>(134,645)</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		<u>7,559,847</u>	<u>(134,645)</u>

The above results were derived from continuing operations

## Cathay Investments 2 Limited

### Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2015

	(As restated)	
	2015 £	2014 £
Profit/(loss) for the year	<u>7,559,847</u>	<u>(134,645)</u>
Total comprehensive income for the year	<u>7,559,847</u>	<u>(134,645)</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the company	<u>7,559,847</u>	<u>(134,645)</u>

## Cathay Investments 2 Limited

(Registration number: 07475530)

### Consolidated Statement of Financial Position as at 31 December 2015

		2015	(As restated) 2014
	Note	£	£
<b>Non-current assets</b>			
Property, plant and equipment	12	3,542,824	162,484
Intangible assets	13	3,231,200	4,904
Deferred tax assets	11	<u>1,067,015</u>	<u>-</u>
		<u>7,841,039</u>	<u>167,388</u>
<b>Current assets</b>			
Inventories	16	3,275,397	1,642,568
Trade and other receivables	17	12,105,306	1,496,363
Cash and cash equivalents	18	<u>674,391</u>	<u>291,309</u>
		<u>16,055,094</u>	<u>3,430,240</u>
Total assets		<u>23,896,133</u>	<u>3,597,628</u>
<b>Equity</b>			
Share capital	19	12,000	12,000
Retained earnings		<u>7,425,202</u>	<u>(134,645)</u>
Equity attributable to owners of the company		<u>7,437,202</u>	<u>(122,645)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	3,478,165	1,873,162
Provisions	24	1,485,000	-
Deferred tax liabilities	11	<u>589,651</u>	<u>20,718</u>
		<u>5,552,816</u>	<u>1,893,880</u>
<b>Current liabilities</b>			
Trade and other payables	25	7,223,178	1,309,617
Loans and borrowings	21	3,659,621	511,467
Income tax liability		<u>23,316</u>	<u>5,309</u>
		<u>10,906,115</u>	<u>1,826,393</u>
Total liabilities		<u>16,458,931</u>	<u>3,720,273</u>
Total equity and liabilities		<u>23,896,133</u>	<u>3,597,628</u>

Approved by the Board on 29 September 2016 and signed on its behalf by



B Chaing  
Director

## Cathay Investments 2 Limited

(Registration number: 07475530)

### Statement of Financial Position as at 31 December 2015

	Note	2015 £	(As restated) 2014 £
<b>Non-current assets</b>			
Investments	14	5,615,501	1,570,000
<b>Current assets</b>			
Trade and other receivables	17	758,961	454,431
Cash and cash equivalents	18	48,597	2,151
		<u>807,558</u>	<u>456,582</u>
Total assets		<u>6,423,059</u>	<u>2,026,582</u>
<b>Equity</b>			
Share capital	19	12,000	12,000
Retained earnings		<u>(290,674)</u>	<u>(100,175)</u>
Total equity		<u>(278,674)</u>	<u>(88,175)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	1,863,300	1,863,300
<b>Current liabilities</b>			
Trade and other payables	25	1,438,184	51,208
Loans and borrowings	21	<u>3,400,249</u>	<u>200,249</u>
		<u>4,838,433</u>	<u>251,457</u>
Total liabilities		<u>6,701,733</u>	<u>2,114,757</u>
Total equity and liabilities		<u>6,423,059</u>	<u>2,026,582</u>

Approved by the Board on 29 September 2016 and signed on its behalf by



B Chaing  
Director

## Cathay Investments 2 Limited

### Consolidated Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £	Retained earnings (as restated) £	Total £
At 1 January 2014	10,000	-	10,000
Loss for the year	-	(134,645)	(134,645)
Total comprehensive income	-	(134,645)	(134,645)
New share capital subscribed	2,000	-	2,000
At 31 December 2014	12,000	(134,645)	(122,645)

	Share capital £	Retained earnings (as restated) £	Total £
At 1 January 2015	12,000	(134,645)	(122,645)
Profit for the year	-	7,559,847	7,559,847
Total comprehensive income	-	7,559,847	7,559,847
At 31 December 2015	12,000	7,425,202	7,437,202

The notes on pages 17 to 48 form an integral part of these financial statements

## Cathay Investments 2 Limited

### Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £	Retained earnings (as restated) £	Total £
At 1 January 2014	10,000	-	10,000
Loss for the year	-	(100,175)	(100,175)
Total comprehensive income	-	(100,175)	(100,175)
New share capital subscribed	2,000	-	2,000
At 31 December 2014	12,000	(100,175)	(88,175)

	Share capital £	Retained earnings (as restated) £	Total £
At 1 January 2015	12,000	(100,175)	(88,175)
Loss for the year	-	(190,499)	(190,499)
Total comprehensive income	-	(190,499)	(190,499)
At 31 December 2015	12,000	(290,674)	(278,674)



## Cathay Investments 2 Limited

### Consolidated Statement of Cash Flows for the Year Ended 31 December 2015

		2015	(As restated) 2014
	Note	£	£
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		7,559,847	(134,645)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	1,381,476	19,834
Loss on disposal of property, plant and equipment		4,538	24,308
Finance income	8	(43)	-
Finance costs	8	117,672	4,893
Release of negative goodwill to income	15	(5,680,662)	(81,352)
Income tax expense/(receipt)	11	(94,791)	(9,167)
		<u>3,288,037</u>	<u>(176,129)</u>
Working capital adjustments			
Decrease in inventories	16	172,127	364,628
Increase in trade and other receivables	17	(4,572,767)	(224,891)
Increase/(decrease) in trade and other payables	25	2,330,744	(394,730)
Increase/(decrease) in provisions	24	<u>131,000</u>	<u>(89,188)</u>
Cash generated from operations		1,349,141	(520,310)
Income taxes paid	11	<u>(7,866)</u>	<u>-</u>
Net cash flow from operating activities		<u>1,341,275</u>	<u>(520,310)</u>
<b>Cash flows from investing activities</b>			
Interest received	8	43	-
Acquisitions of property, plant and equipment	12	(2,067,522)	(199)
Proceeds from sale of property, plant and equipment		6,306	(17,936)
Acquisition of investments in subsidiary undertakings	15	<u>(3,532,505)</u>	<u>(1,360,156)</u>
Net cash flows from investing activities		<u>(5,593,678)</u>	<u>(1,378,291)</u>
<b>Cash flows from financing activities</b>			
Interest paid	8	(117,672)	(4,893)
Value of new loans obtained during the year		1,863,864	300,000
Repayment of loans and borrowings		(300,000)	(164,264)
Issue of shares		-	1,865,300
Repayment of capital element of finance leases and HP contracts		(10,707)	(6,482)
Proceeds from other borrowing drawdowns		<u>3,200,000</u>	<u>200,249</u>
Net cash flows from financing activities		<u>4,635,485</u>	<u>2,189,910</u>
Net increase in cash and cash equivalents		383,082	291,309
Cash and cash equivalents at 1 January		<u>291,309</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u><u>674,391</u></u>	<u><u>291,309</u></u>

## Cathay Investments 2 Limited

### Statement of Cash Flows for the Year Ended 31 December 2015

	Note	2015 £	(As restated) 2014 £
<b>Cash flows from operating activities</b>			
Loss for the year		(190,499)	(100,175)
Adjustments to cash flows from non-cash items			
Finance income	8	(43)	-
		(190,542)	(100,175)
Working capital adjustments			
Increase in trade and other receivables	17	(304,530)	(444,431)
Increase in trade and other payables	25	1,386,976	51,208
Net cash flow from operating activities		891,904	(493,398)
<b>Cash flows from investing activities</b>			
Interest received	8	43	-
Acquisition of subsidiaries	14	(4,045,501)	(1,570,000)
Net cash flows from investing activities		(4,045,458)	(1,570,000)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares, net of issue costs		-	1,865,300
Proceeds from other borrowing draw downs		3,200,000	200,249
Net cash flows from financing activities		3,200,000	2,065,549
Net increase in cash and cash equivalents		46,446	2,151
Cash and cash equivalents at 1 January		2,151	-
Cash and cash equivalents at 31 December		48,597	2,151

# **Cathay Investments 2 Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2015**

### **1 General information**

The company is a private company limited by share capital incorporated and domiciled in England and Wales

The nature of the group's and the company's operations and its principal activities are set out in the Strategic Report and the Directors' Report

The address of its registered office is

A2 Yeoman Gate  
Yeoman Way  
Worthing  
West Sussex  
BN13 3QZ

The principal place of business is

Office 37  
Airport House  
Purley Way  
Croydon  
CR0 0XZ

### **2 Accounting policies**

#### **Statement of compliance**

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU (IFRSs). They are consistent with the IFRSs as issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these financial statements and are in accordance with the Companies Act 2006

The group and company transitioned from UK GAAP to IFRS as adopted by the EU as at 1 January 2014. An explanation of how transition to IFRS as adopted by the EU has affected the reported financial position and financial performance is given in the notes

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

#### **Basis of preparation**

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **2 Accounting policies (continued)**

##### **Going concern**

The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the group and company will continue in operational existence for the foreseeable future

##### **Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2015

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £190,499 (2014 - loss of £100,175 as restated)

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full on consolidation

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group

##### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group

The group recognises revenue when

The amount of revenue can be reliably measured,  
it is probable that future economic benefits will flow to the entity,  
and specific criteria have been met for each of the group activities

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods

Revenue from the rendering of services is recognised in accordance with the terms of client contracts. Recognition is following provision of the service or at the point that goods are dispatched, depending on the terms of the contract

##### **Foreign currency transactions and balances**

In preparing the financial statements, transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise

All other exchange differences are recognised in the statement of comprehensive income in the period in which they are incurred

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 2 Accounting policies (continued)

##### Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The group's and company's corporation tax liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that such taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

##### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. The group recognises the carrying amount of property, plant and equipment, and the subsequent costs of replacing part of such items when there is an indication of future economic benefit. All other costs are recognised in the statement of comprehensive income as an expense as they are incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

##### Depreciation

Property, plant and equipment is not depreciated until it is brought into use.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	2% per annum straight line
Leasehold buildings	10% per annum straight line and shorter of lease life and 15 years per annum straight line
Plant and equipment	Between 3 and 15 years per annum straight line
Fixtures and fittings	10-25% per annum straight line and 20-25% per annum reducing balance
Motor vehicles	25% per annum reducing balance

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 2 Accounting policies (continued)

##### Business combinations

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

##### Goodwill

Goodwill comprises goodwill arising on consolidation and goodwill arising on acquisition.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities or a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit and loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to units of the business from which independent cash flows can largely be attributed ("cash-generating units"). Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a cash-generating unit the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### Intangible assets

Intangible assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

##### Amortisation

Goodwill is not subject to amortisation but is tested for impairment.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

##### Asset class

Contractual customer relationships

##### Amortisation method and rate

25% per annum straight line

##### Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. This definition is also used for the statement of cash flows.

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **2 Accounting policies (continued)**

##### **Trade and other receivables**

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Cost includes all directly attributable expenditure necessary to bring the stocks to their existing condition and location.

An allowance is recorded for obsolescence.

##### **Trade and other payables**

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the statement of comprehensive income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### **Provisions**

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money. A contingent liability is disclosed where the existence of the obligations will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability.

##### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the group at the lower of their fair value at the date of commencement of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the statement of comprehensive income and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **2 Accounting policies (continued)**

##### **Impairment of non-financial assets**

At the end of each reporting period, the group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Redeemable preference shares have the characteristics of a liability and are recognised in the statement of financial position as a liability, net of issue costs.

##### **Defined contribution pension obligation**

Payments to group defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **Financial assets and liabilities**

###### **Classification**

The group's and company's financial assets consist of trade and other receivables. Trade and other receivables are financial assets with fixed or determinable payments, none of which are quoted in an active market.

The group's and company's financial liabilities include loans and borrowings and trade and other payables.

###### **Recognition and measurement**

The group's and company's financial assets are recognised initially at cost, including transaction costs, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group's and company's financial liabilities are recognised initially at cost, including transaction costs, and subsequently measured at amortised cost using the effective interest method.

###### **Impairment**

Receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.



## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **3 Adoption of new and revised standards**

##### **New standards, interpretations and amendments effective**

During the financial year, there were no new IFRSs or IFRIC interpretations that were effective for the first time that would be expected to have a material impact on the group and the company

The following pronouncements have been adopted in the year and either had no impact on the financial statements or resulted in changes to presentation and disclosure only

IAS 19 (amendments) 'Defined Benefit Plans Employee Contributions', effective 1 July 2014

Annual Improvements (2011-2013), effective 1 July 2014

Annual Improvements (2010-2012), effective 1 July 2014

##### **New standards, interpretations and amendments not yet effective**

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the group and the company, which have not been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance had not been endorsed by the European Union

IAS 1 (amendments) 'Disclosure Initiative', effective 1 January 2016

IAS 16 and IAS 38 (amendments) 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective 1 January 2016

Annual Improvements (2012-2014), effective 1 January 2016

IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses', effective 1 January 2017

IAS 7 (amendments) 'Disclosure Initiative', effective 1 January 2017

IFRS 9 'Financial instruments' (2014), effective 1 January 2018

IFRS 15 'Revenue from contracts with customers', effective 1 January 2018

IFRS 16 'Leases', effective 1 January 2019

Except for IFRS 16, the directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group and the company. The impact of IFRS 16 is currently being evaluated by the directors to determine the impact on the financial statements.

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **4 Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the group's and company's accounting policies, the following judgements and key assumptions concerning the future have had the most significant effect on the amounts recognised in the financial statements

##### **Deferred tax assets**

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Significant assumptions are made in estimating the level of future profits, including market conditions and growth rates. Changes in these assumptions could affect the recognition of deferred tax assets.

##### **Provisions**

Provision is made for dilapidations due to be carried out on leased properties. Provisions are recognised when management are satisfied that an outflow of economic benefits is probable and a reliable estimate can be made of the obligation. The determination of the onerous lease and dilapidation provision requires significant judgement.

In making this judgement, the group considers the likelihood of being able to sublet the properties, the expected level of rentals, expected future trading conditions, whether uneconomic sites will be closed and sublet, the dilapidations required under the terms of the lease, and the anticipated condition of properties at the end of the lease.

##### **Impairment of property, plant and equipment and intangible assets**

The group tests goodwill, at least annually for impairment, and tests all other tangible and intangible assets when indicators of impairment exist. Impairment is determined with reference to the higher of net realisable value and value in use. Value in use is estimated using adjusted future cash flows from the cash-generating unit and a suitable discount rate in order to calculate present value. Significant other assumptions are made in estimating future cash flows about future events, including future market conditions and future growth rates. Changes in these assumptions could affect the outcome of impairment reviews.

##### **Goodwill and intangible assets**

The group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combination. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which any goodwill is attributed, any legal or regulatory provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

##### **Inventory valuation**

Inventories are stated at the lower of cost and net realisable value. The determination of inventory provisions requires significant judgement. In making this judgement the group evaluates amongst other factors the age and physical condition of inventory and its expected saleability based on forecast demand for the products taking into account expected trading conditions.

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 5 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows

	2015 £	2014 £
Sale of goods	14,253,602	4,174,039
Rendering of services	<u>24,732,141</u>	<u>-</u>
	<u>38,985,743</u>	<u>4,174,039</u>

Management currently identifies the group's two principal activities as its operating segments. The analysis of the group's revenue for the year by segment is as follows

	2015 £	2014 £
Import and distribution of toys, costumes, stationery and seasonal products	12,677,994	4,174,039
Warehousing and logistics services	<u>26,307,749</u>	<u>-</u>
	<u>38,985,743</u>	<u>4,174,039</u>

#### 6 Other operating income

The analysis of the group's other operating income for the year is as follows

		2015 £	(As restated) 2014 £
Negative goodwill	Note 15	<u>5,680,662</u>	<u>81,352</u>
		<u>5,680,662</u>	<u>81,352</u>

#### 7 Operating profit/(loss)

Arrived at after charging/(crediting)

	2015 £	2014 £
Depreciation expense	585,372	19,834
Amortisation expense	796,104	-
Foreign exchange gains	(126,717)	(20,144)
Loss on disposal of property, plant and equipment	<u>4,538</u>	<u>24,308</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 8 Finance income and costs

	2015 £	2014 £
<b>Finance income</b>		
Interest income on bank deposits	43	-
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(73,804)	(3,505)
Other finance costs	<u>(43,868)</u>	<u>(1,388)</u>
Total finance costs	<u>(117,672)</u>	<u>(4,893)</u>
Net finance costs	<u>(117,629)</u>	<u>(4,893)</u>

#### 9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows

	2015 £	2014 £
Wages and salaries	5,991,881	503,549
Social security costs	517,675	48,723
Pension and other post-employment benefit costs	307,491	10,217
Redundancy costs	448,986	57,414
	<u>7,266,033</u>	<u>619,903</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows

	2015 No.	2014 No.
Administration and support	79	20
Sales	17	7
Marketing	2	-
Distribution	226	25
Management	<u>4</u>	<u>6</u>
	<u>328</u>	<u>58</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 10 Auditor's remuneration

	2015 £	2014 £
Audit of these financial statements	5,000	16,900
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>36,625</u>	<u>-</u>
	<u>41,625</u>	<u>16,900</u>
<b>Other fees to auditors</b>		
Taxation compliance services	6,000	-
All other non-audit services	<u>-</u>	<u>1,725</u>
	<u>6,000</u>	<u>1,725</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 11 Tax

Tax charged/(credited) in the income statement

	2015 £	2014 £
<b>Current taxation</b>		
UK corporation tax	28,223	(9,167)
UK corporation tax adjustment to prior periods	<u>(6,830)</u>	<u>-</u>
	21,393	(9,167)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>(116,184)</u>	<u>-</u>
Tax receipt in the income statement	<u>(94,791)</u>	<u>(9,167)</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2014 - the same as the standard rate of corporation tax in the UK) of 20% (2014 - 20%)

The differences are reconciled below

	<b>(As restated)</b>	
	2015 £	2014 £
Profit/(loss) before tax	<u>7,465,056</u>	<u>(143,812)</u>
Corporation tax at standard rate	1,493,011	(28,762)
Increase/(decrease) in current tax from adjustment for prior periods	(6,830)	-
Increase/(decrease) from effect of capital allowances depreciation	32,500	-
Increase/(decrease) from effect of different UK tax rates on some earnings	(109)	-
Decrease/(increase) from effect of revenues exempt from taxation	(1,136,132)	-
Increase/(decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	222,184	-
Increase/(decrease) arising from group relief tax reconciliation	(198)	-
Deferred tax expense/(credit) from unrecognised tax loss or credit	(741,325)	-
Increase/(decrease) in current tax from unrecognised temporary difference from a prior period	(1,919)	-
Deferred tax expense/(credit) relating to changes in tax rates or laws	173,341	-
Other tax effects for reconciliation between accounting profit and tax expense/(income)	<u>(129,314)</u>	<u>19,345</u>
Total tax credit	<u>(94,791)</u>	<u>(9,417)</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 11 Tax (continued)

##### Deferred tax

##### Group

Deferred tax assets and liabilities

	Asset £	Liability £	Net deferred tax £
<b>2015</b>			
Accelerated tax depreciation	308,829	(51,938)	256,891
Tax losses carry-forwards	758,186	-	758,186
Other items	-	(537,713)	(537,713)
	<u>1,067,015</u>	<u>(589,651)</u>	<u>477,364</u>
<b>2014</b>			Liability £
Accelerated tax depreciation			(20,718)
Tax losses carry-forwards			-
Other items			-
			<u>(20,718)</u>

Deferred tax movement during the year

	At 1 January 2015 £	Recognised in income £	Arising from acquisition of subsidiaries £	At 31 December 2015 £
Accelerated tax depreciation	(20,718)	(24,720)	302,329	256,891
Tax losses carry-forwards	-	8,217	749,969	758,186
Other items	-	-	(537,713)	(537,713)
Net tax assets/(liabilities)	<u>(20,718)</u>	<u>(16,503)</u>	<u>514,585</u>	<u>477,364</u>

Deferred tax movement during the prior year

	At 1 January 2014 £	Arising from acquisition of subsidiaries £	At 31 December 2014 £
Accelerated tax depreciation	-	(20,718)	(20,718)
Tax losses carry-forwards	-	-	-
Other items	-	-	-
Net tax assets/(liabilities)	<u>-</u>	<u>(20,718)</u>	<u>(20,718)</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 12 Property, plant and equipment

##### Group

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
Additions	-	199	-	199
Acquired through business combinations	159,832	1,129,142	98,730	1,387,704
Disposals	(64,428)	(8,941)	(9,000)	(82,369)
At 31 December 2014	95,404	1,120,400	89,730	1,305,534
At 1 January 2015	95,404	1,120,400	89,730	1,305,534
Additions	1,962,205	105,317	-	2,067,522
Acquired through business combinations	2,251,669	9,169,290	-	11,420,959
Disposals	-	(6,926)	(18,000)	(24,926)
At 31 December 2015	4,309,278	10,388,081	71,730	14,769,089
<b>Depreciation</b>				
Charge for year	2,792	10,344	6,698	19,834
Eliminated on disposal	(65,693)	(8,687)	(1,617)	(75,997)
Depreciation on assets acquired	158,305	997,640	43,268	1,199,213
At 31 December 2014	95,404	999,297	48,349	1,143,050
At 1 January 2015	95,404	999,297	48,349	1,143,050
Charge for the year	169,153	403,648	12,571	585,372
Eliminated on disposal	-	-	(14,078)	(14,078)
Depreciation on assets acquired	1,498,637	8,013,284	-	9,511,921
At 31 December 2015	1,763,194	9,416,229	46,842	11,226,265
<b>Carrying amount</b>				
At 31 December 2015	2,546,084	971,852	24,888	3,542,824
At 31 December 2014	-	121,103	41,381	162,484

Included within the net book value of land and buildings above is £1,983,545 (2014 - £Nil) in respect of freehold land and buildings, £Nil (2014 - £Nil) in respect of long leasehold land and buildings and £562,539 (2014 - £Nil) in respect of short leasehold land and buildings



## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 12 Property, plant and equipment (continued)

##### Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts

	2015 £	2014 £
Motor vehicles	<u>27,930</u>	<u>39,201</u>

##### Pledged as security

Land and buildings with a carrying amount of £2,546,084 (2014 - £Nil) has been pledged as security for the group's other bank borrowings

#### 13 Intangible assets

##### Group

	Note	Goodwill £	Contractual customer relationships £	Total £
<b>Cost or valuation</b>				
Acquired through business combinations (as restated)		<u>4,904</u>	<u>-</u>	<u>4,904</u>
At 31 December 2014 (as restated)		<u>4,904</u>	<u>-</u>	<u>4,904</u>
At 1 January 2015 (as restated)		<u>4,904</u>	<u>-</u>	<u>4,904</u>
Acquired through business combinations	15	<u>-</u>	<u>4,022,400</u>	<u>4,022,400</u>
At 31 December 2015		<u>4,904</u>	<u>4,022,400</u>	<u>4,027,304</u>
<b>Amortisation</b>				
At 1 January 2015 (as restated)		<u>-</u>	<u>-</u>	<u>-</u>
Amortisation charge		<u>-</u>	<u>796,104</u>	<u>796,104</u>
At 31 December 2015		<u>-</u>	<u>796,104</u>	<u>796,104</u>
<b>Carrying amount</b>				
At 31 December 2015		<u>4,904</u>	<u>3,226,296</u>	<u>3,231,200</u>
At 31 December 2014 (as restated)		<u>4,904</u>	<u>-</u>	<u>4,904</u>

##### Individually material intangible assets

##### Customer contracts acquired on the acquisition of Amethyst Group

The carrying amount of this asset is £3,226,296 (2014 - £Nil)

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 14 Investments

##### Company subsidiaries

Details of the subsidiaries as at 31 December 2015 are as follows

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2015	2014
Perkins Group Services Limited*	Import and distribution of toys, stationery and seasonal products	England and Wales	100%	100%
Humatt Limited*	Non-trading	England and Wales	100%	100%
Buttons Bear and Friends Limited	Non-trading	England and Wales	100%	100%
Williams of Swansea Limited*	Import and distribution of toys, stationery and seasonal products	England and Wales	100%	0%
Amethyst Group Services Limited*	Provision of warehousing and logistics services	England and Wales	100%	0%
Cathay Investments 2 Properties Limited*	Letting its own property to group companies	England and Wales	100%	0%

\* indicates direct investment of the company

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 14 Investments (continued)

In line with the exemption allowed under section 479A of the Companies Act 2006 certain of the subsidiary companies of Cathay Investments 2 Limited have been made exempt from requirements to have an audit under section 475 of the Companies Act 2006. In order to meet this exemption Cathay Investments 2 Limited has pledged to guarantee all outstanding liabilities to which the relevant subsidiaries are subject to at the end of the financial year to which the guarantee relates until they are satisfied in full and that this guarantee is enforceable against the parent undertaking by any person to which the subsidiaries are liable in respect of those liabilities.

For the year ending 31 December 2015 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Humatt Limited (Registration number 03268911)

Buttons Bear and Friends Limited (Registration number 01433838)

Cathay Investments 2 Properties Limited (Registration number 09622202)

#### Summary of the company investments

	2015	(As restated) 2014
	£	£
Investments in subsidiaries	<u>5,615,501</u>	<u>1,570,000</u>

#### Subsidiaries

£

#### Cost or valuation

Additions	<u>1,570,000</u>
At 31 December 2014	<u>1,570,000</u>
At 1 January 2015	<u>1,570,000</u>
Additions	<u>4,045,501</u>
At 31 December 2015	<u>5,615,501</u>
<b>Carrying amount</b>	
At 31 December 2015	<u>5,615,501</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 15 Acquisition of subsidiaries

On 23 January 2015, the group acquired 100% of the issued share capital of Williams of Swansea Limited, obtaining control. The principal activity of Williams of Swansea Limited is import and distribution of toys, stationery and seasonal products.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	2015 £
<b>Assets and liabilities acquired</b>	
Financial assets	1,101,631
Inventory	789,092
Property, plant and equipment	153,372
Financial liabilities	<u>(921,361)</u>
Total identifiable assets	<u>1,122,734</u>
Negative goodwill	<u>(288,235)</u>
Total consideration	<u>834,499</u>
<b>Satisfied by:</b>	
Cash	<u>834,499</u>
<b>Cash flow analysis:</b>	
Cash consideration	834,499
Less cash and cash equivalent balances acquired	<u>(183,262)</u>
Net cash outflow arising on acquisition	<u>651,237</u>

Acquisition-related costs (included in administrative expenses) amount to £30,956.

Williams of Swansea Limited contributed £5,172,022 revenue and £181,941 to the group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Williams of Swansea Limited had been completed on the first day of the financial year, group revenues for the period would have been £39,253,994 and group profit would have been £7,546,298.

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 15 Acquisition of subsidiaries (continued)

On 19 March 2015, the group acquired 100% of the issued share capital of Amethyst Group Limited, obtaining control. The principal activity of Amethyst Group Limited is provision of warehousing and logistics services.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	<b>2015</b> <b>£</b>
<b>Assets and liabilities acquired</b>	
Financial assets	6,506,336
Inventory	1,015,864
Property, plant and equipment	1,755,666
Identifiable intangible assets	4,022,400
Financial liabilities	(4,026,439)
Deferred tax	<u>(670,400)</u>
Total identifiable assets	<u>8,603,427</u>
Negative goodwill	<u>(5,392,427)</u>
Total consideration	<u>3,211,000</u>
<b>Satisfied by:</b>	
Cash	<u>3,211,000</u>
<b>Cash flow analysis:</b>	
Cash consideration	3,211,000
Less cash and cash equivalent balances acquired	<u>(329,732)</u>
Net cash outflow arising on acquisition	<u>2,881,268</u>

Acquisition-related costs (included in administrative expenses) amount to £133,504.

Amethyst Group Limited contributed £26,307,749 revenue and £2,536,873 to the group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Amethyst Group Limited had been completed on the first day of the financial year, group revenues for the period would have been £46,306,401 and group profit would have been £4,357,470.

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 16 Inventories

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Finished goods and goods for resale	<u>3,275,397</u>	<u>1,642,568</u>	<u>-</u>	<u>-</u>

The cost of group inventories recognised as an expense in the year amounted to £9,057,020 (2014 - £6,526,905) This is included within cost of sales

#### 17 Trade and other receivables

	Group (As restated)		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade receivables	9,495,528	769,727	42,000	-
Receivables from related parties	-	-	713,949	243,000
Other prepayments	1,014,005	372,187	3,012	-
Other receivables	<u>1,595,773</u>	<u>354,449</u>	<u>-</u>	<u>211,431</u>
	<u>12,105,306</u>	<u>1,496,363</u>	<u>758,961</u>	<u>454,431</u>

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note

The group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note

#### 18 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Cash at bank	<u>674,391</u>	<u>291,309</u>	<u>48,597</u>	<u>2,151</u>

# Cathay Investments 2 Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015

### 19 Share capital

#### Allotted, called up and fully paid shares

	No.	2015 £	No.	2014 £
Ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

### 20 Reserves

#### Group

##### Share capital

Represents the nominal value of shares that have been issued

##### Retained earnings

Includes all current and prior period retained profits and losses

#### Company

##### Share capital

Represents the nominal value of shares that have been issued

##### Retained earnings

Includes all current and prior period retained profits and losses

### 21 Loans and borrowings

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
<b>Non-current loans and borrowings</b>				
Bank borrowings	1,613,490	-	-	-
Finance lease liabilities	1,375	9,862	-	-
Redeemable preference shares	<u>1,863,300</u>	<u>1,863,300</u>	<u>1,863,300</u>	<u>1,863,300</u>
	<u>3,478,165</u>	<u>1,873,162</u>	<u>1,863,300</u>	<u>1,863,300</u>

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
<b>Current loans and borrowings</b>				
Bank borrowings	250,374	300,000	-	-
Finance lease liabilities	8,998	11,218	-	-
Other borrowings	<u>3,400,249</u>	<u>200,249</u>	<u>3,400,249</u>	<u>200,249</u>
	<u>3,659,621</u>	<u>511,467</u>	<u>3,400,249</u>	<u>200,249</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 21 Loans and borrowings (continued)

##### Group

##### Bank borrowings

The first HSBC Bank PLC loan is denominated in sterling with a nominal interest rate of 2.2% above the Bank of England Base Rate, and with the final instalment due by 30 September 2030. The carrying amount at year end is £1,509,247 (2014 - £Nil).

The second HSBC Bank PLC loan is denominated in sterling with a nominal interest rate of 2.2% above the Bank of England Base Rate, and with the final instalment due by 31 August 2020. The carrying amount at year end is £313,507 (2014 - £Nil).

All bank borrowings are secured over all assets of all group companies.

##### Redeemable preference shares

The holder of the redeemable preference shares has the right to redeem such shares at par. The holders of the redeemable preference shares confirmed their intentions to hold the shares for more than one year. Accordingly, the redeemable preference shares are presented as a liability within non-current loans and borrowings in the statement of financial position.

The redeemable preference shares carry a 0% coupon rate.

Movement in liability

	2015 £	2014 £
Proceeds from issue of redeemable preference shares	-	1,863,300

##### Other borrowings

Finance lease liabilities of £10,373 (2014 - £21,080) are secured over the assets under finance lease.

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risk, including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

#### 22 Obligations under leases and hire purchase contracts

##### Group

##### Operating leases

The total future value of minimum lease payments under non-cancellable operating leases is as follows:

	2015 £	2014 £
Within one year	3,160,863	253,818
In two to five years inclusive	7,966,088	692,643
In over five years	7,639,250	751,250
	<u>18,766,201</u>	<u>1,697,711</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,919,139 (2014 - £227,058).



## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 23 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £307,491 (2014 - £10,217)

#### 24 Other provisions

##### Group

	Other provisions £	Total £
At 1 January 2015	-	-
Increase/(decrease) through business combinations	1,354,000	1,354,000
Additional provisions	131,000	131,000
At 31 December 2015	1,485,000	1,485,000
Non-current liabilities	1,485,000	1,485,000

Other provisions transferred in on the acquisition of Amethyst Group Limited are dilapidation provisions

#### 25 Trade and other payables

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade payables	4,868,175	951,378	21,678	49,208
Accrued expenses	710,308	231,113	2,000	2,000
Amounts due to related parties	-	-	1,413,297	-
Social security and other taxes	511,798	120,745	505	-
Other payables	1,132,897	6,381	704	-
	<u>7,223,178</u>	<u>1,309,617</u>	<u>1,438,184</u>	<u>51,208</u>

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 26 Contingent liabilities

##### Company

The company has given cross guarantees to the groups bankers in respect of borrowings by certain group companies. The amount guaranteed is £2,400,540 (2014 £124,909). In the prior year the company also gave a cross guarantee in support of a group VAT registration. The amount guaranteed at 31 December 2014 was £4,839.

#### 27 Financial instruments

##### Categories of financial instruments

At 31 December 2015 the group and the company held the following financial assets

	<b>Group</b> <b>(As restated)</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade and other receivables	12,105,306	1,496,363	758,961	454,431
Cash and cash equivalents	674,391	291,309	48,597	2,151
	<u>12,779,697</u>	<u>1,787,672</u>	<u>807,558</u>	<u>456,582</u>

At 31 December 2015 the group and company held the following financial liabilities

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade and other payables	7,223,178	1,309,617	1,438,184	51,208
Bank borrowings	1,863,864	300,000	-	-
Finance lease liabilities	10,373	21,080	-	-
Redeemable preference shares	1,863,300	1,863,300	1,863,300	1,863,300
Other borrowings	3,400,249	200,249	3,400,249	200,249
	<u>14,360,964</u>	<u>3,694,246</u>	<u>6,701,733</u>	<u>2,114,757</u>

##### Group

#### 28 Financial risk management and impairment of financial assets

The group's and the company's activities expose it to a variety of financial risks: market risks, credit risk, liquidity risk, cash flow interest rate risk and fair value interest rate risk. The group's and the company's overall risk management programme focuses on the unpredictability of the marketplace and seeks to minimise potential adverse effects on the group's and the company's financial performance.

Risk management is carried out by the operating divisions under policies approved by the Board of Directors.

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 28 Financial risk management and impairment of financial assets (continued)

##### Market risk

##### Interest rate risk

The group's and company's interest rate risk arises from long term borrowings. Borrowings at variable rate expose the group and company to cash flow interest rate risk which is partially offset by cash held at variable rates.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on exposure to interest rates for the fixed term borrowings of the group and company subject to interest charges at the statement of financial position date. For floating rate liabilities the analysis is prepared assuming the amount of the liability outstanding at the statement of financial position date was outstanding for the whole year. The group's and company's assessment of the reasonably possible change in interest rates is 0.25% increase or decrease.

Based on bank borrowings at 31 December 2015 if interest rates were 0.25% higher (or lower) and all other variables were held constant, the group's net profit would decrease (or increase) by £5,000.

##### Credit risk and impairment

The group's and the company's exposure to credit risk is limited to the carrying value of financial assets recognised at the year end. The maximum exposure to credit risk in relation to trade receivables is equivalent to the year end balance. The group continuously monitors the creditworthiness of customers and other counterparties. The group's and the company's policy is only to deal with creditworthy counterparties. The group benefits from credit insurance on some of its trade receivables.

The group and the company is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

##### Past due and impaired financial assets

The directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good quality credit, based on financial information and past trading history, including those that are past due.

##### Liquidity risk

Liquidity needs are monitored carefully on a day-to-day basis. Longer term liquidity needs are assessed through monthly, quarterly, and annual cash flow forecasts.

##### Maturity analysis

	Within 1 year £	After 1 year £	Total £
<b>2015</b>			
Non-interest bearing borrowings	3,400,249	-	3,400,249
Bank borrowings	250,374	1,613,490	1,863,864
Redeemable preference shares	-	1,863,300	1,863,300
Finance lease liabilities (present value)	8,998	1,375	10,373
	<u>3,659,621</u>	<u>3,478,165</u>	<u>7,137,786</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 28 Financial risk management and impairment of financial assets (continued)

	Within 1 year £	After 1 year £	Total £
<b>2014</b>			
Non-interest bearing borrowings	200,249	-	200,249
Bank borrowings	300,000	-	300,000
Redeemable preference shares	-	1,863,300	1,863,300
Finance lease liabilities (present value)	11,218	9,862	21,080
	<u>511,467</u>	<u>1,873,162</u>	<u>2,384,629</u>

#### Capital risk management

##### Capital components

Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus debt

##### Externally imposed capital requirements

The group has no externally imposed capital requirements

##### Capital management

The group's policy is to maintain a strong capital base with a view to underpinning shareholder and creditor confidence and sustaining the future development of the business. Capital consists of ordinary shares, other capital reserves, retaining earnings, preference shares and other debt. The group monitors performance at both a corporate and individual asset level and sets internal guidelines for interest cover and gearing. The group manages the capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The amounts managed as capital by the group for the reporting periods under review are summarised as follows

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Share capital	12,000	12,000	12,000	12,000
Retained earnings	(134,645)	-	(100,175)	-
Redeemable preference shares	1,863,300	1,863,300	1,863,300	1,863,300
Bank borrowings	<u>1,613,490</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,354,145</u>	<u>1,875,300</u>	<u>1,775,125</u>	<u>1,875,300</u>

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **29 Related party transactions**

##### **Key management personnel**

B Chaing, director

##### **Summary of transactions with key management**

B Chaing continued to provide a loan to the group during the year and advanced the group £1,066,667 (2014 £200,249) during the year

At the year end the amount due to B Chaing was £1,266,916 (2014 £200,249)

The loan from B Chaing is interest free and is repayable on demand

##### **Summary of transactions with entities with joint control or significant interest**

Cathay Investments Limited and its subsidiary companies, related due to common control

Cathay Investments Limited and subsidiary companies recharged costs of £30,387 (2014 £48,008) to the group

During the year the group was recharged management expenses of £158,000 (2014 £26,570) by Cathay Investments Limited

During the year the group made sale of £137,556 (2014 £nil) to Cathay Investments Limited and its subsidiary companies

At the year end the amount due to Cathay Investments Limited and its subsidiary companies was £33,852 (2014 £54,692)

##### **Summary of transactions with other related parties**

M Chaing, wife of B Chaing & 33% shareholder

M Chaing advanced the group £1,066,667 (2014 £nil) during the year

At the year end the amount due to M Chaing was £1,066,667 (2014 £nil)

The loan from M Chaing is interest free and is repayable on demand

S Chaing, son of B Chaing & 33% shareholder

S Chaing advanced the group £1,066,667 (2014 £nil) during the year

At the year end the amount due to S Chaing was £1,066,667 (2014 £nil)

The loan from S Chaing is interest free and is repayable on demand

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 29 Related party transactions (continued)

##### Income and receivables from related parties

	Entities with joint control or significant influence £
<b>2015</b>	
Receipt of services	<u>137,556</u>

##### Expenditure with and payables to related parties

	Entities with joint control or significant influence £
<b>2015</b>	
Rendering of services	158,000
Settlement of liabilities	<u>30,387</u>
	<u>188,387</u>

	Entities with joint control or significant influence £
<b>2014</b>	
Rendering of services	26,570
Settlement of liabilities	<u>48,008</u>
	<u>74,578</u>

##### Loans from related parties

	Key management £	Other related parties £
<b>2015</b>		
At start of period	200,249	-
Advanced	<u>1,066,667</u>	<u>2,133,334</u>
At end of period	<u>1,266,916</u>	<u>2,133,334</u>

	Key management £
<b>2014</b>	
Advanced	<u>200,249</u>

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **30 Transition to IFRS**

The group has adopted IFRSs for the first time in the year ended 31 December 2015. It has applied IFRS 1, First Time Adoption of the International Financial Reporting Standards in preparing these financial statements. The group's transition date is 1 January 2014 and as such an opening IFRS balance sheet has been prepared at that date. Consequently, the comparative information included in these financial statements has been restated under IFRS.

##### **a) Changes in accounting policies**

The transition to IFRSs resulted in the following changes to accounting policies:

i) Cathay Investments 2 has previously capitalised its directly attributable acquisition costs within the cost of investment used to calculate goodwill on consolidation. IFRS 3 'Business Combinations' requires directly attributable acquisition costs to be expensed to profit or loss. Consequently as at 31 December 2014 costs of £96,374, previously recognised in goodwill on consolidation, have been recognised in profit and loss. The effect on profit for the year ended 31 December 2014 is an additional expense of £96,374.

ii) Cathay Investments 2 has previously recognised negative goodwill arising on consolidation in the statement of financial position and amortised it over its estimated useful life. IFRS 3 'Business Combinations' requires that negative goodwill arising on consolidation is recognised directly in profit or loss. Consequently as at 31 December 2014 the group has recognised £81,592 of negative goodwill in other operating income in profit or loss and reversed the amortisation recognised to that date. The effect on profit for the year ended 31 December 2014 is additional income of £81,352.

##### **b) Reconciliation of equity shareholders' funds**

There were no changes to reported equity shareholders' funds at the date of transition, 1 January 2014. Adjustments to previously reported equity shareholders' funds at the end of the comparative period are as below:

##### **c) Reconciliation of comparative period profit or loss**

Adjustments to previously reported profit or loss for the comparative period are as below:

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 30 Transition to IFRS (continued)

##### Consolidated Statement of Financial Position at 31 December 2014

	As originally reported £	Remeasurement £	As restated £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	162,484	-	162,484
Intangible assets	18,674	(13,770)	4,904
	<u>181,158</u>	<u>(13,770)</u>	<u>167,388</u>
<b>Current assets</b>			
Inventories	1,642,568	-	1,642,568
Trade and other receivables	1,497,615	(1,252)	1,496,363
Cash and cash equivalents	291,309	-	291,309
	<u>3,431,492</u>	<u>(1,252)</u>	<u>3,430,240</u>
Total assets	<u>3,612,650</u>	<u>(15,022)</u>	<u>3,597,628</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12,000	-	12,000
Retained earnings	(119,623)	(15,022)	(134,645)
Equity attributable to owners of the company	<u>(107,623)</u>	<u>(15,022)</u>	<u>(122,645)</u>
<b>Non-current liabilities</b>			
Loans and borrowings (non-current)	1,873,162	-	1,873,162
Deferred tax liabilities	20,718	-	20,718
	<u>1,893,880</u>	<u>-</u>	<u>1,893,880</u>
<b>Current liabilities</b>			
Trade and other payables	1,309,617	-	1,309,617
Loans and borrowings (current)	511,467	-	511,467
Income tax liability	5,309	-	5,309
	<u>1,826,393</u>	<u>-</u>	<u>1,826,393</u>
Total liabilities	<u>3,720,273</u>	<u>-</u>	<u>3,720,273</u>
Total equity and liabilities	<u>3,612,650</u>	<u>(15,022)</u>	<u>3,597,628</u>



## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 30 Transition to IFRS (continued)

##### Consolidated Income Statement for the year ended 31 December 2014

	As originally reported £	Remeasurement £	As restated £
Revenue	4,174,039	-	4,174,039
Cost of sales	<u>(2,842,136)</u>	<u>-</u>	<u>(2,842,136)</u>
Gross profit	1,331,903	-	1,331,903
Distribution costs	(602,443)	-	(602,443)
Administrative expenses	(853,357)	(96,374)	(949,731)
Other operating income	<u>-</u>	<u>81,352</u>	<u>81,352</u>
Operating loss	<u>(123,897)</u>	<u>(15,022)</u>	<u>(138,919)</u>
Finance costs	<u>(4,893)</u>	<u>-</u>	<u>(4,893)</u>
Net finance income / cost	<u>(4,893)</u>	<u>-</u>	<u>(4,893)</u>
Loss before tax	(128,790)	(15,022)	(143,812)
Income tax	<u>9,167</u>	<u>-</u>	<u>9,167</u>
Loss for the financial year	<u><u>(119,623)</u></u>	<u><u>(15,022)</u></u>	<u><u>(134,645)</u></u>

The company has adopted IFRSs for the first time in the year ended 31 December 2015. It has applied IFRS 1, First Time Adoption of the International Financial Reporting Standards in preparing these financial statements. The company's transition date is 1 January 2014 and as such an opening IFRS balance sheet has been prepared at that date. Consequently, the comparative information included in these financial statements has been restated under IFRS.

#### a) Changes in accounting policies

The transition to IFRSs resulted in the following changes to accounting policies:

i) Cathay Investments 2 has previously capitalised its directly attributable acquisition costs within the cost of investments on the statement of financial position. IFRS 3 'Business Combinations' requires directly attributable acquisition costs to be expensed to profit or loss. Consequently as at 31 December 2014 costs of £96,374, previously recognised in investments in subsidiaries, have been recognised in profit and loss. The effect on profit for the year ended 31 December 2014 is an additional expense of £96,374.

#### b) Reconciliation of equity shareholders' funds

There were no changes to reported equity shareholders' funds at the date of transition, 1 January 2014. Adjustments to previously reported equity shareholders' funds at the end of the comparative period are as below:

#### c) Reconciliation of comparative period profit or loss

Adjustments to previously reported profit or loss for the comparative period are as below:

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 30 Transition to IFRS (continued)

##### Statement of Financial Position at 31 December 2014

	As originally reported £	Remeasurement £	As restated £
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries, joint ventures and associates	1,666,374	(96,374)	1,570,000
<b>Current assets</b>			
Trade and other receivables	454,431	-	454,431
Cash and cash equivalents	<u>2,151</u>	<u>-</u>	<u>2,151</u>
	<u>456,582</u>	<u>-</u>	<u>456,582</u>
Total assets	<u>2,122,956</u>	<u>(96,374)</u>	<u>2,026,582</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12,000	-	12,000
Retained earnings	<u>(3,801)</u>	<u>(96,374)</u>	<u>(100,175)</u>
Total equity	<u>8,199</u>	<u>(96,374)</u>	<u>(88,175)</u>
<b>Non-current liabilities</b>			
Loans and borrowings (non-current)	1,863,300	-	1,863,300
<b>Current liabilities</b>			
Trade and other payables	51,208	-	51,208
Other current financial liabilities	<u>200,249</u>	<u>-</u>	<u>200,249</u>
	<u>251,457</u>	<u>-</u>	<u>251,457</u>
Total liabilities	<u>2,114,757</u>	<u>-</u>	<u>2,114,757</u>
Total equity and liabilities	<u>2,122,956</u>	<u>(96,374)</u>	<u>2,026,582</u>

##### Income Statement for the year ended 31 December 2014

	As originally reported £	Remeasurement £	As restated £
Revenue	-	-	-
Administrative expenses	<u>(3,801)</u>	<u>(96,374)</u>	<u>(100,175)</u>
Operating loss	<u>(3,801)</u>	<u>(96,374)</u>	<u>(100,175)</u>
Loss before tax	<u>(3,801)</u>	<u>(96,374)</u>	<u>(100,175)</u>
Loss for the financial year	<u>(3,801)</u>	<u>(96,374)</u>	<u>(100,175)</u>