

Evolution Securities China Limited

Annual Report

For the year ended 31 March 2019

Registered Number: 04837915



DIRECTORS' REPORT

For the year ended 31 March 2019

The Directors of Evolution Securities China Limited ("ESCL", or the "Company") present their report together with the audited financial statements for ESCL for the year ended 31 March 2019.

Results and dividends

The Company's loss after taxation for the year to 31 March 2019 amounted to £273,000 (2018: £216,000). The Directors do not recommend the payment of a dividend (2018: £Nil).

Directors

The Directors of the Company, who held office during the year and up to the date of this report, are as shown below:

Clive Whiley (resigned 11 May 2018)
Ka Yee Elizabeth Kan
Man Yi Ho
Victor Lap-Lik Chu
Tim Worlledge

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Victor Lap-Lik-Chu ("Mr Chu") through First Eastern Financial Holdings Ltd ("First Eastern"). The Directors have received written confirmation from Mr Chu that he intends to support the Company for at least one year after these financial statements are signed.

Directors' interests in ordinary shares of the Company

Save as detailed in note 19, the directors in office at the period end had no interests in the ordinary share capital of the Company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic 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 prepared the Company 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 Company and of the profit or loss of the Company for the year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then 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 company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Evolution Securities China Limited

DIRECTORS' REPORT (continued)
For the year ended 31 March 2019

Directors' disclosures to the auditors

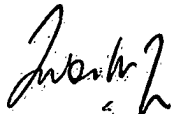
In accordance with the provisions of Section 418 of the Companies Act 2006, having made enquiries of fellow Directors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, BDO LLP have indicated their willingness to continue in office and shall be deemed reappointed under Section 487 (2) of the Companies Act 2006 unless and until they are removed.

BY ORDER OF THE BOARD



Tim Worledge
Director
30 September 2019

Registered in England and Wales Number: 04837915

STRATEGIC REPORT

For the year to 31 March 2019

Principal activities

The Company is a company limited by shares incorporated and domiciled in the United Kingdom. The address of its registered office is 52 Debden Road, Saffron Walden, Essex, CB11 4AB.

The Company ceased to be authorised and regulated by the Financial Conduct Authority ("FCA") on 16 July 2019 and going forward will provide support services to the First Eastern group of companies.

Business review and outlook

At the start of the year the Company identified a potential new client for its business model of turning around ailing businesses. Given the high profile of the potential client and the risks to the Group's reputation if the turnaround were to fail the ultimate beneficial owner and the former Chief Executive agreed that the latter should resign so he could take on this high profile work without any potential impact on the Company or the Group. Whilst the former Chief Executive is focussed on his new role the activities of the Company have been significantly reduced and costs reduced to a minimum.

The Directors anticipate that the Company will continue to receive support from First Eastern, if needed, for the foreseeable future as the Company continues to provide ongoing support to Camper & Nicholson Marina Investments Ltd ("CNMI") which is a significant investment for the First Eastern Group. Once the former Chief Executive has completed his current role it is possible the discontinued activities of the Company will resume.

Principal risks and uncertainties

The Company has implemented an internal capital adequacy assessment process (ICAAP) for the identification, measurement and management of its principal risks. These are categorised broadly as:

- strategic and business risks;
- market, credit and liquidity risks; and
- operational, regulatory and reputation risks

Strategic and Business Risks

As detailed under *Business Review and Outlook* above, the Company has significantly reduced its level of activity during the year. Given that the business activities of the Company are now minimal the business risks are insignificant. The support from First Eastern would be at risk if the parent decides the Company no longer adds value to the Group although it should be noted that the annual overheads are likely to be less than £100,000 (excluding shared overheads with CNMI) in the upcoming year.

Market, Credit and Liquidity Risks

The management of these financial risks is disclosed in note 3 to the financial statements.

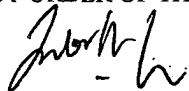
Operational, Regulatory and Reputation Risks

Operational risks broadly include exposures to financial crime, failures of business practice, or failures in processes or technology. Whilst these risks can never be eliminated, the Company mitigates its exposure by a system of strong internal controls and a well embedded risk management culture.

The Company is no longer regulated by the FCA and did not undertake any regulated activities in the year under review, therefore there are no regulatory risks.

Reputational risk is seen as a consequential risk in that it may arise from a failure to manage any of the risks outlined above. As noted where the reputational risk from his activities was considered to be too significant the Chief Executive agreed with the owner to resign his position as a Director rather than risk jeopardising the reputation of the Group.

BY ORDER OF THE BOARD



Tim Worlledge
Director 30 September 2019

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF EVOLUTION SECURITIES CHINA LIMITED

Opinion

We have audited the financial statements of Evolution Securities China Limited ("the Company") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Company incurred a net loss of £273,000 (2018: £216,000) during the year ended 31 March 2019 and, as of that date, the Company had an accumulated loss of £9,706,000 (2018: £9,433,000). As stated in note 1, these events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
30 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	Year ended 31/03/2019 £'000	Year ended 31/03/2018 £'000
Revenue		2	301
Unrealised depreciation on financial assets at fair value through profit and loss		(42)	(69)
Gross (loss)/income		(40)	232
Operating expenses	4	(233)	(448)
Loss before tax		(273)	(216)
Income tax charge	7	-	-
Loss for the year		(273)	(216)

There is no comprehensive income apart from the profit for the year.

The notes on pages 11 to 21 form an integral part of these financial statements.

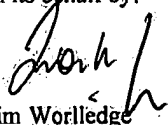
STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	31/03/2019 £'000	31/03/2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	-	-
Total non-current assets		-	-
Current assets			
Short term investments	10	42	84
Trade and other receivables	11	6	119
Cash and cash equivalents	12	55	67
Total current assets		103	270
Total assets		103	270
LIABILITIES			
Current liabilities			
Trade and other payables	13	25	39
Total current liabilities		25	39
Net assets		78	231
EQUITY			
Capital and reserves attributable to owners			
Share capital	14	3,845	3,725
Share premium		5,939	5,939
Accumulated losses		(9,706)	(9,433)
Total equity		78	231

The notes on pages 11 to 21 form an integral part of these financial statements.

The financial statements on pages 7 to 21 were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:


Tim Worlledge
Director

Company number: 04837915

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Ordinary shares	Deferred shares	Share premium	Accumulated losses	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	2,985	490	5,939	(9,217)	197
Issue of shares	250	-	-	-	250
	3,225	490	5,939	(9,217)	447
Loss for the year	-	-	-	(216)	(216)
Total comprehensive income for the year	-	-	-	(216)	(216)
Balance at 31 March 2018	3,225	490	5,939	(9,433)	231
Issue of shares	120	-	-	-	120
	3,345	490	5,939	(9,433)	351
Loss for the year	-	-	-	(273)	(273)
Total comprehensive expense for the year	-	-	-	(273)	(273)
Balance at 31 March 2019	3,345	490	5,939	(9,706)	78

The notes on pages 11 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Cash flows from operating activities:			
Cash used in operations	15	(132)	(196)
Net cash used in operating activities		<u>(132)</u>	<u>(196)</u>
Cash flows from financing activities:			
Issue of shares		120	250
Net cash generated from financing activities		<u>120</u>	<u>250</u>
Net (decrease)/increase in cash and cash equivalents		(12)	54
Cash and cash equivalents at beginning of the year		67	13
Cash and cash equivalents at end of the year	12	<u>55</u>	<u>67</u>

The notes on pages 11 to 21 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

A summary of the Company's accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Going concern considerations

The Company incurred a net loss of £273,000 (2018: £216,000) during the year ended 31 March 2019 and as of that date, the Company had an accumulated loss of £9,706,000 (2018: £9,433,000). These events or conditions indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the continued financial support of the ultimate beneficial owner, Victor Lap-Lik-Chu ("Mr Chu"). The Directors have received written confirmation that Mr Chu intends to support the Company through First Eastern for at least one year after these financial statements are signed and are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Company be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Company's assets to their recoverable amounts and to provide for any further liabilities which might arise.

Significant Accounting Policies

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Company

IFRS 9 and 15 were issued applicable for periods commencing on or after 1 January 2018. The adoption of these standards has not had a material impact on the financial statements of the Company

b) Standards issued but not yet effective

- IFRS 16, 'Leases' effective for period beginning on or after 1 January 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

The impact of this standard is not expected to be material to the Company as it holds no operating leases.

There are no other IFRSs that are not yet effective.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

Income recognition

The Company follows the principles of IFRS 15, 'Contracts with Customers', in determining appropriate revenue recognition policies. In principle, therefore, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Company.

Fee and commission income

Fee and commission income includes directors' fee and corporate finance fees previously written off that were received during the year but is net of success fees no longer recoverable.

Fees and commissions are recognised in the income statement when the related services have been performed, when it is probable all legal conditions will be satisfied and when the amounts are considered recoverable.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). These financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, Plant and Equipment

All property, plant and equipment ("PPE") is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on PPE is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Computer equipment	3 to 5 years
Fixtures and fittings	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

Financial assets and liabilities

Financial assets and liabilities are recognised on the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The Company measured its financial instruments in accordance with IFRS 9, Financial instruments. IFRS 9 was effective for periods commencing on or after 1 January 2018. As permitted by the standard, the Company has not restated comparatives in respect of the implementation of IFRS 9.

Short term investments

Under the terms of its contract with SGI the Company received shares in SGI to the value of £180,000 in a placing that was organised in order to provide sufficient funds to ensure SGI remained a going concern as the Company carried out its work. These shares are included in the statement of financial position at fair value, being the bid price of those shares on the London Stock Exchange. Movements between the cost of the investment and its fair value are recorded as unrealised movements in fair value in the Statement of Comprehensive Income.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. A provision for impairment is established using a forward looking credit loss model.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents represent deposits held at call with banks.

Trade and other payables

Trade and other payables are recognised initially at fair value, which is the agreed market price at the time goods or services are provided. The Company accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value.

Current and deferred taxes

Current taxes are computed on a basis of the tax laws enacted or substantially enacted at the Statement of Financial Position date in the UK.

Deferred taxes are computed using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which tax losses or deductible temporary differences can be utilised.

Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is dealt with in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

2. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed below.

Income taxes

The Company is subject to income taxes. Judgment is required in determining the extent that it is probable that taxable profits will be available in the future against which deferred tax assets can be utilised.

The Company has substantial tax losses against which a deferred tax asset has not been recognised because of uncertainty as to when taxable profits will arise.

3. MANAGEMENT OF FINANCIAL RISK

Through its normal operations, the Company is exposed to a number of risks, the most significant of which are market, credit and liquidity risks.

(a) Management of Market Risk

The Company holds shares in SGI that are listed on the AIM market of the London Stock Exchange and accordingly exposed to market risk. The Company has chosen not to hedge its exposure since there is no cost effective means of doing so. The exposure to market risk at the year-end was £42,000 (2018: £84,000) and the Company's sensitivity to market risk is considered to be £4,000 (2018: £8,000) which is 10% of the market risk exposure.

Foreign exchange risk

Substantially all of the Company's expenditure is incurred in Sterling whilst revenues earned during the year were also in sterling and new shares are issued in sterling. As such foreign exchange risk as a result of the Company's activities is considered insignificant.

The Company's currency exposure arising from unmatched monetary assets or liabilities not denominated in the functional currency of the Company is insignificant at the year-end and at the prior year-end.

At 31 March 2019, if Sterling had weakened/strengthened by 10% against other currencies, with all other variables held constant, post tax profit for the period would have been £Nil (2018:£Nil) lower / higher as a result of foreign exchange gains/losses on translation of non-sterling denominated unmatched monetary assets and liabilities.

(b) Management of Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation.

The Company manages its credit risk exposure on cash deposits by holding them with one of the major high street banks in the UK and generally holding balances of less than £75,000 such that they are eligible for cover under FSCS. Credit risk on trade receivables is a function of the client's that the Company act for. In all cases, fees will be a small fraction of the overall transaction size and accordingly management do not impose any specific credit risk controls.

Credit Risk Control

The quality of the Company's financial assets in terms of their credit rating is 54% "AAA-A" rated (2018: 25%) and "Un-Rated" 46% (2018: 75%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

The ratings noted above have been derived using source information from Standard & Poor's and Moody's. All financial assets over an "A" rating are consolidated under the "AAA-A" category and represent assets such as cash and cash equivalents. Unrated credit items are incidental to the Company's business and no specific credit assessment is performed on such items.

Financial assets subject to credit risk may be analysed by:

(i) Ageing according to the contractual due date:

31 March 2019	Neither past due nor impaired £ '000	Past due but not impaired				Impaired £ '000	Carrying value before impairment £ '000
		0-3 months £ '000	3-6 months £ '000	6-12 months £ '000	> 1 year £ '000		
Trade receivables	-	-	-	-	-	-	-
Other receivables	6	-	-	-	-	-	6
Cash and cash equivalents	55	-	-	-	-	-	55
	61	-	-	-	-	-	61

31 March 2018	Neither past due nor impaired £ '000	Past due but not impaired				Impaired £ '000	Carrying value before impairment £ '000
		0-3 months £ '000	3-6 months £ '000	6-12 months £ '000	> 1 year £ '000		
Trade receivables	64	50	-	-	-	10	124
Other receivables	5	-	-	-	-	-	5
Cash and cash equivalents	67	-	-	-	-	-	67
	136	50	-	-	-	10	196

The carrying amounts disclosed above for the Company's financial assets represent the maximum exposure to credit risk. No collateral is held as security on these exposures, and the terms have not been renegotiated.

(c) Fair value estimation

The Company values its short term investments at fair value at 31 March 2019 of £42,000 (2018: £84,000).

The carrying values of assets and liabilities not held at fair value (cash and cash equivalents, trade receivables, counterparty receivables, other receivables, and trade and other payables) are not significantly different from fair value.

(d) Management of Liquidity Risk

The Company manages liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely. The Company maintains cash balances sufficient to meet its working capital needs. First Eastern have provided additional share capital as and when required to meet the cash needs of the Company during the year.

The tables below analyse the Company's future cash outflows based on the remaining period to the expected maturity date. The amounts disclosed are the contractual undiscounted cash flows.

As at 31 March 2019	Less than 1 year £'000	2-5 years £'000	Total £'000
Trade and other payables	25	-	25
	25	-	25

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

	Less than 1 year £'000	2-5 years £'000	Total £'000
As at 31 March 2018			
Trade and other payables	39	-	39
	39	-	39

(e) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital adequacy and the use of regulatory capital are monitored on a monthly basis by the Company's management. Compliance with FCA regulatory capital requirements was maintained throughout the year. At 31 March 2019, the Company had adequate capital over and above its requirement.

On 31 March 2019, the Company had £33,000 (2018: £121,000) of regulatory capital resources in excess of its regulatory capital requirement. Management consider that the Company has sufficient capital for its size and complexity taking into account all material risks faced in carrying out the Company's activities.

Where significant business initiatives are planned, the effects on the risk profile of both the Company and therefore its capital requirement, are considered as part of the business plan.

4. OPERATING EXPENSES

The following items have been included in arriving at operating loss:

	31/03/2019 £'000	31/03/2018 £'000
Operating expenses		
Employee remuneration expense (note 6)	147	361
Operating lease charges	34	34
Auditors' remuneration (note 5)	12	12
Other operating expenses	40	41
Operating expenses – total	233	448

5. AUDITORS' REMUNERATION

During the year, the Company obtained the following services from the Company's auditor, BDO LLP, at costs as detailed below:

	31/03/2019 £'000	31/03/2018 £'000
Audit services:		
Fees payable to the Company's auditor:		
- statutory audit in respect of the Company	12	12
	12	12

Fees for audit services above include all amounts payable to the Company's auditors in their capacity as such.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

6. EMPLOYEES AND DIRECTORS

	31/03/2019 £'000	31/03/2018 £'000
Employee remuneration expense		
Wages and salaries	125	314
Social security costs	12	38
Other staff costs	10	9
Total employee remuneration expense	147	361

The average number of employees (including executive Directors) during the year was 2 (2018:4)

Directors

	31/03/2019 £'000	31/03/2018 £'000
Aggregate emoluments	85	284
	85	284

The aggregate emoluments of the highest paid Director were £71,000 (2018: £175,000). The amounts paid or accrued under money purchase pension schemes during the period were less than £1,000 (2018: £less than £1,000). No Director accrued benefits under money purchase pension schemes during the period (2018:£Nil) and all Directors subject to auto-enrolment have elected not to join the scheme.

7. INCOME TAX CHARGE

	31/03/2019 £'000	31/03/2018 £'000
Current tax:		
UK Corporation tax	-	-
Deferred tax:		
Current year movement	-	-
Income tax charge	-	-

The tax on the Company's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses of the Company.

Factors affecting the income tax charge for the period are explained below:

	31/03/2019 £'000	31/03/2018 £'000
Loss before tax	(273)	(216)
Loss multiplied by the rate of corporation tax for small companies in the UK of 19% (2018: 19%)	52	41
Tax effects of:		
Tax losses carried forward	(52)	(41)
Tax charge	-	-

The Company has approximately £5.9 million of unutilised trading losses and £2.3 million of unutilised capital gains tax losses. A deferred tax asset has not been recognised against these tax losses because of uncertainty over whether the Company will make taxable profits in future years (see note 1).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

8. PROPERTY, PLANT AND EQUIPMENT

	01 April 2018 to 31 March 2019			01 April 2017 to 31 March 2018		
	Fixtures and fittings £'000	Computer equipment £'000	Total £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost						
At the start of the year	5	13	18	5	13	18
Additions during the year	-	-	-	-	-	-
At the end of the year	5	13	18	5	13	18
Accumulated depreciation						
At the start of the year	5	13	18	5	13	18
Charge for the year	-	-	-	-	-	-
At the end of the year	5	13	18	5	13	18
Net book values						
At the end of the year	-	-	-	-	-	-

Any depreciation charge is included in operating expenses within the statement of comprehensive income.

9. DEFERRED INCOME TAX ASSETS

Deferred income tax assets are recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets to the extent that the Directors consider it is probable, based on forecasts and their plans and intentions for the Company, that these assets will be recovered.

The deferred tax asset not recognised in these accounts is £1,121,000 (2018: £1,064,000)

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2018: 19%). The movement on the deferred income tax asset is detailed below:

	31/03/2019 £'000	31/03/2018 £'000
At start of the year	-	-
Income statement charge	-	-
At end of the year	-	-

10. SHORT TERM INVESTMENTS

	31/03/2019 £'000	31/03/2018 £'000
At start of the year	84	153
Fair value adjustment	(42)	(69)
At end of the year	42	84

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

11. TRADE AND OTHER RECEIVABLES

	31/03/2019 £'000	31/03/2018 £'000
Current		
Trade receivables	-	114
Other receivables	6	5
	<u>6</u>	<u>119</u>

Amounts owed by Group undertakings are unsecured, interest free and have no fixed date of repayment.

12. CASH AND CASH EQUIVALENTS

	31/03/2019 £'000	31/03/2018 £'000
Cash and cash equivalents		
Cash at bank and in hand	<u>55</u>	<u>67</u>

13. TRADE AND OTHER PAYABLES

	31/03/2019 £'000	31/03/2018 £'000
Accruals and deferred income	23	18
Other current creditors	<u>2</u>	<u>21</u>
	<u>25</u>	<u>39</u>

14. SHARE CAPITAL

	31/03/2019 £'000	31/03/2018 £'000
Authorised:		
5,000,000 (2018: 5,000,000) ordinary shares of £1 each	5,000	5,000
490,000 (2018: 490,000) deferred shares of £1 each	<u>490</u>	<u>490</u>
	<u>5,490</u>	<u>5,490</u>
Allotted, called up and fully paid:		
3,355,361 (2018: 3,235,361) ordinary shares of £1 each	3,355	3,235
490,000 (2018: 490,000) deferred shares of £1 each	<u>490</u>	<u>490</u>
	<u>3,845</u>	<u>3,725</u>

During the year, 120,000 Ordinary shares of £1 each were allotted to First Eastern at par. All shares were fully paid up at the balance sheet date.

The deferred shares are not entitled to receive any profits that the Company may determine to distribute. The deferred shares are non- interest bearing and have no voting rights.

On a return of capital on liquidation, the surplus assets of the Company remaining after payment of its liabilities shall be applied in the following priority order:

- 1) first in paying to the holders of the deferred shares an amount equal to the amount paid thereon including any premium;
- 2) thereafter, the balance (if any) in paying to the holders of the ordinary shares the amount paid up thereon;
- 3) thereafter, the balance (if any) of such surplus assets shall belong to and be distributed amongst the holders of the ordinary shares in proportion to the amounts paid up on the shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

15. CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating (loss)/profit to net cash outflow from operating activities:

	31/03/2019 £'000	31/03/2018 £'000
Cash absorbed from operating activities		
Operating loss	(273)	(216)
<i>Changes in working capital:</i>		
Decrease in short term investments	42	69
Decrease/(increase) in trade and other receivables	113	(55)
(Decrease)/increase in trade and other payables	(14)	6
Cash used in operating activities	<u>(132)</u>	<u>(196)</u>

16. CAPITAL COMMITMENTS AND CONTINGENCIES

The Company has no capital commitments and contingencies (2018: Nil).

17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

i) Intra-Group trading

There were no transactions with Group entities during the year or the prior year and there are no intercompany balances.

ii) Other related parties

During the year the Company earned £35,000 (2018: £301,000) in respect of fees under an agreement with Stanley Gibbons Group plc a company of which Mr Whiley is a director and the Company wrote off £43,000 of success fees due from Stanley Gibbons Group plc from the prior year on the basis they were no longer recoverable. Of these fees £nil (2018: £114,000) remain outstanding at the year end and are included in the Statement of Financial Position as trade debtors. Mr Whiley, Ms Kan and Mr Lap-Lik Chu are all directors of CNMI to whom the Company paid rent of £34,000 (2018: £34,000) during the year. There are no amounts outstanding at the year end (2018: £nil).

iii) Key management compensation

The compensation paid to key management is detailed below. Key management are defined as the Directors of the Company who remain as Directors at the relevant year end.

	31/03/2019 £'000	31/03/2018 £'000
Remuneration in respect of directors:		
Salaries and short term employee benefit	70	284

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

18. SUBSEQUENT EVENTS

There are no subsequent events that impact on these financial statements.

19. ULTIMATE CONTROLLING PARTY

The Company's ultimate parent company is First Eastern Financial Holdings Limited, a company incorporated in Hong Kong with limited liability. The address of its registered office is 13th Floor, 299QRC, 299 Queen's Road Central, Hong Kong. The ultimate controlling party is the director Victor Lap-Lik Chu.