

# **Leed Resources PLC**

## **Annual report and accounts**

**For the year ended 30 June 2013**

Registered number 06034226



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## **Leed Resources PLC**

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## **Leed Resources PLC**

### **Company information**

#### **Directors**

**Peter Redmond (Chairman)**  
**Ian Shaun Gibbs**  
**Jinesh Patel**

#### **Secretary**

**R C Porter**

#### **Registered number**

**06034226**

#### **Registered office**

**CityPoint**  
**One Ropemaker Street**  
**London**  
**EC2Y 9AW**

#### **Bankers**

**Metro Bank plc**  
**One Southampton Row**  
**London**  
**WC1B 5HA**

#### **Solicitors to the Company**

**Morrison Foerster**  
**CityPoint**  
**One Ropemaker Street**  
**London**  
**EC2Y 9AW**

#### **Registrar**

**Computershare Investor Services PLC**  
**PO Box 82**  
**The Pavilions**  
**Bridgewater Road**  
**Bristol**  
**BS99 7NH**

#### **Nominated advisers**

**Libertas Capital Corporate Finance Ltd**  
**110 Fenchurch Street**  
**London**  
**EC3M 5JT**

#### **Broker**

**Peterhouse Corporate Finance Ltd**  
**31 Lombard Street**  
**London**  
**EC3V 9BQ**

#### **Auditor**

**Welbeck Associates**  
**Chartered Accountants**  
**30 Percy Street**  
**London**  
**W1T 2DB**

## **Leed Resources PLC**

### **Chairman's statement**

for the year ended 30 June 2013

During the period under review, the Directors continued to seek reverse or substantial investment opportunities which would bring enhanced value to shareholders and have seen a range of proposed transactions. One in particular looked attractive and we finalised and entered into heads of terms. However the incoming party later sought to alter the terms in a way which we did not think was justified or in the interests of shareholders. It was therefore not possible to reach a final agreement.

Since then we have reviewed other transactions but have not found one to date that has passed the tests for a successful reverse transaction in present market conditions. The past year has been a difficult one for the resources sector and there are a number of good resource companies and projects that are struggling to raise capital in the market. The market has become wary of pure exploration plays, as we are, and the task has been to find a project that can be funded to a point where definitive extra value has been created, given the level of resources that we have, together with those that the incoming party and its advisers could bring to bear. We have been unwilling over the period in question to finance projects or entertain reverses where substantial additional funds would be required in the future and where there was not reasonable clarity as to how or whether this funding could be obtained. Given the greater difficulty in raising funds in the resource sector over the past year, we felt that this would be imprudent and would leave the Company as a hostage to fortune.

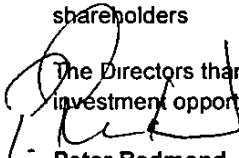
Having said that, we therefore continue to believe that Leed is in a strong position to deliver value through a transaction in the period ahead, but it needs to continue to approach projects with a critical eye and to ensure that any transaction is completed on terms that reflect the current market situation.

Manas Coal LLC ("Manas"), where as you will be aware, we have recently announced a decision to make a full impairment provision, unfortunately exemplifies the issue I raised above – the problem of providing funds to a company or project which is dependent on sizeable further future fundraising. When we made the investment, exploration projects were more readily financeable than they are now and coal prices were better. Our investment was made on the basis that the principal UK-based shareholders/promoters would raise sufficient funds to prove up the resource, produce a viable development plan and then bring the project to AIM or another quoted market. In the event, despite a series of false starts, they have brought in only minimal additional funding. While the dispute over part of the licence area – a dispute which was not apparent at all at the time when we made the investment – was a good reason for holding back on further investment and development for a period, this eventually resulted in the licence being put altogether into jeopardy. The loss of the licence has been averted at least in the short term but the fact remains that Manas has not taken the project forward due to lack of funding, it has not been able to engage on-the-ground mining expertise in Kyrgyzstan and now it appears that the other principal stakeholders are in serious disagreement.

We made efforts during the summer and autumn to bring all stakeholders together to provide further finance but to little effect. Leed was certainly not able to finance it alone – it was a financial investment by Leed in the first place and we do not have either the financial or the personnel resource to fund and manage a development of this scale in Central Asia.

This is obviously very disappointing but the Directors felt that a full provision was necessary given the continuing uncertainty surrounding the project and, in particular on the financing front. We will continue to work with Manas and seek ways by which the project can be progressed and hopefully bring back some value for Leed shareholders.

The Directors thank the shareholders for their continuing support as we continue to review reverse transaction or investment opportunities that we believe will bring long term sustainable value enhancement.

  
**Peter Redmond**  
Chairman

19 December 2013

## **Leed Resources PLC**

### **Report of the directors**

for the year ended 30 June 2013

The Directors of Leed Resources PLC ("Leed", "the Company") present to shareholders this report and the audited financial statements for the year ended 30 June 2013. The year ended 30 June 2012 is also presented for comparative purposes. The Company is quoted on the AIM market of the London Stock Exchange ("AIM") and trades under the symbol LDP.

#### **Principal activity**

The principal activity of the Company is investment in the natural resources industry.

#### **Investing policy**

Leed is an investing company quoted on AIM, focused on opportunities in the natural resources sector, with an emphasis mainly but not exclusively on the oil and gas sector. In line with this policy, the proposed investments to be made by the Company may be either quoted or unquoted, made by direct acquisition or through farm-ins, may be in companies, partnerships, joint ventures, or direct interests in natural resource projects. Target investments will generally be involved in projects in the exploration and/or development stage. The Company's equity interest in a proposed investment may range from a minority position to 100 per cent ownership. The Directors will initially focus on projects located in Africa but will also consider investments in other geographical regions. It is likely that the Company's financial resources will be invested in a small number of projects or potentially in just one investment which may be deemed to be a reverse takeover under the AIM Rules. The Directors have not, however, excluded the possibility of building a broader portfolio of investment assets. The Company intends to deliver shareholder returns principally through capital growth rather than capital distribution via dividends.

#### **Business and operational review**

A review of the Company's business during the period, together with details of its future plans, is set out in the Chairman's Statement.

#### **Financial review**

The Company recorded a loss after taxation of £1,339,000 for the period ended 30 June 2013, as compared to the restated loss of £372,000 for the prior year.

As at 30 June 2013 the Company held approximately £1,767,000 in cash and £32,000 in quoted investments.

#### **Investment in Manas Coal LLC ("Manas")**

In 2011 the Company made an investment amounting to £957,000 for a shareholding in Manas Coal LLC ("Manas") which holds a coal exploration licence at Kok Kiya in the Kyrgyz Republic. The purpose of the investment was in part to finance a scoping study which would be a precursor to a larger exploration and work programme. The study was commenced and preliminary results received by the Company. However, during 2012, Manas was not able to complete its programme, having not raised the additional resources as required. In August 2012, Manas was notified that another party held a licence over part of the Kok Kiya licence area in conflict with Manas, a licence for that area having apparently been granted to more than one party. Manas was, however, confident that the full licence area would be returned to it in due course and that in any event the remaining area contained a sizeable and viable coal resource. Leed was subsequently informed that plans for the financing of Manas were advancing in conjunction with a further transaction which would result in the project being quoted on the AIM Market. In November 2012, the Manas licence at Kok Kiya expired but Manas was successful in obtaining a renewal of the licence area not under dispute to November 2015.

While Manas has pursued its claim for the restoration of the full licence area through the Kyrgyz courts, it has been unable to obtain a favourable judgment through a number of hearings. Meanwhile work on the remaining area has remained on hold pending resolution of the licence dispute. Manas has not carried out any exploration or other work on the remaining licence area.

The Board of Leed has become concerned at the apparent lack of further progress. The financing of Manas and the AIM quotation referred to above has not proceeded and, although Manas has maintained a local presence and continues to believe that the legal rectification of the licence dispute remains in due course, likely, there has evidently been little other activity and the minimum expenditure obligations set out under the licence terms have not been met. It has become difficult recently to obtain reliable management or financial information and there appears now to be little dialogue between the principal stakeholders. When the investment was considered at the time of Leed's Report and Accounts for the year ended 30 June 2012, the Directors relied on Manas' opinion that the full licence area would be restored to Manas and that the remaining area in any case had a valuable and viable coal resource. It was also assumed that, in those circumstances, resources would be made available to Manas to enable it to move the project forward.

## Leed Resources PLC

### Report of the directors

for the year ended 30 June 2013

#### Investment in Manas Coal LLC (continued)

The Board of Leed has held a number of discussions with the management and shareholders of Manas in the recent past with a view to their securing additional funding for the project and bringing about renewed cooperation and momentum, but these discussions have to date had no result. Leed has been informed that Manas does not currently have sufficient resources to carry out its work programme or maintain an effective local operating team, nor does it have immediate prospects of funding. The project has always been dependent on raising further finance to carry out an exploration and development programme. In view of the lack of progress or significant funding over the past twelve months, the Board of Leed has given careful consideration to its investment and has come to the conclusion at this time that it should make a full provision for impairment against the investment in Manas in Leed's forthcoming results and accounts for the year ended 30 June 2013. The Board will keep the matter under review in the event that further resources in the future become available to Manas.

It remains the case that there is likely to be a significant coal resource within the licence area now held by Manas, but the inability of Manas to take matters forward or to bring to bear even the minimum expenditure obligations under the licence leaves the Board

#### Key performance indicators

The Company's chief measurements of performance are the net asset value per share, share price and market capitalisation

	2013	2012
Net asset value – fully diluted per share	0.13p	0.08p
Closing share price	0.15p	0.24p
Market capitalisation	£4,658,000	£6,406,000
Net Asset Value	£1,760,000	£2,184,000

#### Principal risks and uncertainties

The principal risks facing the Company are set out in note 4

#### Going Concern

As explained in Note 2.1, day to day working capital requirements and investment objectives are met by existing cash resources and the issue of equity. At 30 June 2013 the Company had cash balances of £1,767,000 and easily realisable investments of £32,000. The Company's forecasts and projections, taking into account reasonably possible changes in the level of overhead costs, show that the Company should be able to operate within its available cash resources.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

## Leed Resources PLC

### Report of the directors

for the year ended 30 June 2013

#### Substantial interests

The Company has been informed of the following shareholdings that represent 3% or more of the issued Ordinary Shares of 0.1 pence each of the Company as at 21 November 2013

Shareholder	Number of ordinary shares	Percentage of ordinary share capital
Lynchwood Nominees Limited	724,302,282	23.33%
Barclayshare Nominees Limited	408,299,583	13.15%
TD Direct Investing Nominees (Europe) Limited	383,917,424	12.36%
HSDL Nominees Limited	352,080,551	11.34%
Investor Nominees Limited	168,722,179	5.43%
HSBC Client Holdings Nominee (UK) Limited	141,228,288	4.55%

The Company has also been informed that Uhuru Investments Limited has a beneficial interest in 481,000,000 shares (15.49%) and that Casop Holdings has a beneficial interest in 243,089,694 shares (7.83%). These beneficial interests are included in the above shareholdings.

#### Post year end events

There have been no material events since the year end.

#### Other matters

##### Financial instruments

The Company's financial instruments at 30 June 2013 include cash balances, trade receivables and payables. Financial risk management is more fully discussed in Note 4 "Financial risk management" of the financial statements.

##### Employees

Employees' performance is aligned to Company goals through an annual performance review process that is carried out with all employees and through an incentive bonus programme administered by the Board that is tied in part to the Company's performance. No performance bonuses were paid to executives or management during the financial year ended 30 June 2013.

##### Dividends

The Company does not have plans to pay dividends at this time.

##### Donations

The Company encourages and supports its management and employees in supporting and giving of their time to local charitable and other non-profit organisations. The Company made charitable contributions of £nil in the year ended 30 June 2013 and £nil in the year ended 30 June 2012.

##### Supplier payment policy

It is the Company's payment policy to pay its suppliers in conformance with industry norms. Trade payables are paid in a timely manner within contractual terms, which is generally 30 to 45 days from the date an invoice is received.

# Leed Resources PLC

## Report of the directors

for the year ended 30 June 2013

### Directors

The Directors of the Company during the year are set out below

#### Director

Ian Shaun Gibbs	
Peter Redmond	
Jinesh Patel	(appointed 16 May 2013)
Nicholas Lee	(resigned 18 January 2013)

At 30 June 2013 the interest of the Directors in Company shares was

Director holdings	Ordinary Shares of 0.1 pence	Share options	Stock Appreciation Rights ("SARs") vested and unvested
Ian Gibbs*	20,070,638	120,756,913	62,755
Peter Redmond	7,500,000	120,756,913	-
Jinesh Patel	-	103,505,926	

\*The shares and options attributed to Ian Gibbs are owned by Bromius Capital Limited, a company in which he has an interest as a director and shareholder

Details of the options are contained in Note 20 "*Share-based payments – Directors and employees*"

Additional information regarding director compensation is contained in Note 18 "*Employees, directors and auditor remuneration*" of the consolidated financial statements within this report

### Directors Indemnities

The Company has qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report

### Statement of Directors' responsibilities for the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 ("IFRS") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether the financial statements comply with IFRS as adopted by the European Union, 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 which 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information on Leed's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions



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## **Leed Resources PLC**

### **Report of the directors**

for the year ended 30 June 2013

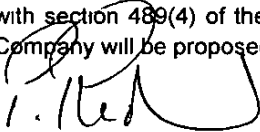
#### **Disclosure of information to auditor**

At the date of making this report each of the Company's Directors, who are identified above in this report, confirm the following

- so far as each Director is aware, there is no relevant information needed by the Company's auditor in connection with preparing their report of which the Company's auditor is unaware, and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information

#### **Auditor**

Welbeck Associates has expressed a willingness to continue in office as auditor of the Company. In accordance with section 489(4) of the Companies Act 2006, a resolution to reappoint Welbeck Associates as auditor of the Company will be proposed at the next Annual General Meeting of the Company



**Peter Redmond**  
**Chairman**

19 December 2013

## Report of the independent auditor

to the members of Leed Resources PLC

Registered number 06034226

We have audited the financial statements of Leed Resources PLC for the year ended 30 June 2013 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and 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 auditors

As explained more fully in the Statement of Directors' responsibilities for the financial statements, set out on page 6, 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 ("APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the Company's loss for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

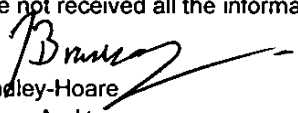
### Opinion on other matter prescribed by the Companies Act 2006

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

### 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, 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

  
Jonathan Bradley-Hoare  
Senior Statutory Auditor  
for and on behalf of Welbeck Associates  
Chartered Accountants and Statutory Auditor,

30 Percy Street  
London  
W1T 2DB

19 December 2013

## Leed Resources PLC

### Statement of comprehensive income

for the year ended 30 June 2013

		2013	2012
			(restated)
	Note	£000	£000
<b>Continuing operations</b>			
Net gain/(loss) on investments	6	4	(4)
Investment income	7	3	2
<b>Total income</b>		<b>7</b>	<b>(2)</b>
Administrative expenses	9	(378)	(306)
Share based payment expense		(11)	(19)
Impairment of investment		(957)	—
<b>Operating loss</b>		<b>(1,339)</b>	<b>(327)</b>
Finance costs	8	—	(45)
<b>Loss before taxation</b>		<b>(1,339)</b>	<b>(372)</b>
Taxation	10	—	—
<b>Loss for the year and total comprehensive income</b>		<b>(1,339)</b>	<b>(372)</b>
<b>Loss per share (pence)</b>	11		
<b>From continuing and total operations:</b>			
Basic and fully diluted		(0 05)	(0 01)

## Leed Resources PLC

### Statement of changes in equity for the year ended 30 June 2013

	Share capital	Share premium	Option & warrant reserve	Retained earnings (restated)	Total
	£000	£000	£000	£000	£000
<b>Total owners equity at 30 June 2011</b>	<b>36,235</b>	<b>76,633</b>	<b>3,686</b>	<b>(114,224)</b>	<b>2,330</b>
Transactions with owners					
- Share capital issued	167	—	—	—	167
- Issue of warrants	—	—	40	—	40
- Share-based payments	—	—	19	—	19
Total transactions with owners	167	—	59	—	226
Comprehensive loss for the year	—	—	—	(372)	(372)
Total comprehensive loss for the year	—	—	—	(372)	(372)
<b>Total owners' equity at 30 June 2012</b>	<b>36,402</b>	<b>76,633</b>	<b>3,745</b>	<b>(114,596)</b>	<b>2,184</b>
Transactions with owners					
- Share capital issued	436	523	—	—	959
- Share issue costs	—	(55)	—	—	(55)
- Share-based payments	—	—	11	—	11
Total transactions with owners	436	468	11	—	915
Comprehensive loss for the year	—	—	—	(1,339)	(1,339)
Total comprehensive loss for the year	—	—	—	(1,339)	(1,339)
<b>Total owners' equity at 30 June 2013</b>	<b>36,838</b>	<b>77,101</b>	<b>3,756</b>	<b>(115,935)</b>	<b>1,760</b>

## Leed Resources PLC

### Statement of Financial Position for the year ended 30 June 2013

		2013	2012 (restated)
	Note	£000	£000
<b>Assets</b>			
<b>Non-current assets</b>			
Available for sale investments	12	32	1,503
		32	1,503
<b>Current assets</b>			
Trade and other receivables	13	21	68
Cash and cash equivalents	14	1,767	668
		1,788	736
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	60	55
		60	55
<b>Net current assets</b>		1,728	681
<b>Net assets</b>		1,760	2,184
<b>Owners' equity</b>			
Share Capital	17	36,838	36,402
Share premium	17	77,101	76,633
Other reserves		3,756	3,745
Retained earnings		(115,935)	(114,596)
<b>Total owners' equity</b>		1,760	2,184

The financial statements and related notes were authorised and approved by the Board of Directors and were signed on 19 December 2013 on its behalf by



Peter Redmond, Chairman

Company number: 06034226

## Leed Resources PLC

### Statement of Cash Flows

for the year ended 30 June 2013

	Note	2013 £000	2012 (restated) £000
<b>Loss before taxation</b>		<b>(1,339)</b>	<b>(372)</b>
Adjustments for			
Net (loss)/gain on disposal of shares		28	(37)
Unrealised gain/(loss) on investments		(32)	41
Impairment of investment		957	—
Investment income		(3)	(2)
Finance expense		—	45
Share-based payments		11	19
<b>Changes in working capital</b>			
Decrease/(increase) in trade and other receivables		47	405
Increase/(decrease) in payables		5	(22)
<b>Net cash flows from operating activities</b>		<b>(326)</b>	<b>77</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		—	(1,424)
Disposal of investments		518	124
Interest received		3	2
<b>Net cash (used in)/cash from investing activities</b>		<b>521</b>	<b>(1,298)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Shares		959	—
Share issue costs		(55)	—
Interest and other financing costs paid		—	(45)
<b>Net cash (used in)/from financing activities</b>		<b>904</b>	<b>(45)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>1,099</b>	<b>(1,266)</b>
Exchange differences in cash and cash equivalents		—	—
Cash and cash equivalents at beginning of period		668	1,934
Cash and cash equivalents at end of period	14	1,767	668

# Leed Resources PLC

## Notes to the financial statements

for the year ended 30 June 2013

### 1 General information

Leed Resources PLC is a publicly quoted company registered in the United Kingdom. The address of its registered office is CityPoint, One Ropemaker Street, London, EC2Y 9AW.

### 2 Significant accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with EU adopted International Financial Reporting Standards ("IFRS"), and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. All accounting standards and interpretations issued by the International Accounting Standards Board and IFRIC effective for the periods covered by these financial statements have been applied.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions and for management to exercise its judgement in the process of applying the Company's accounting policies. Critical judgements and key estimates and assumptions are disclosed in Note 3 "*Critical accounting judgements and key sources of estimation uncertainty*" below.

#### Change of accounting policy

The Company has early adopted "Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27)" issued by the International Accounting Standards Board in October 2012. The effect of this accounting policy change is that the Company's investments which previously were all classified and designated as available for sale are classified as held for trading and designated as at fair value through profit or loss. As a result the income statement for 2012 has been restated to include unrealised fair value gains on investments in the income statement rather than in other comprehensive income, and the statement of financial position has been restated to include the unrealised fair value gains in retained earnings rather than in the investment reserve.

The impact of the change of accounting policy has been retrospectively applied in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements:

	2012 £000
<b>As of and for the year ended 30 June 2012</b>	
Net loss on investments	(41)
Net increase in loss for the year from continuing operations	(41)
Net increase in investment reserve	41
Net increase in retained losses	(41)

#### Going concern

As at the financial year end the Company had net cash resources of £1,767,000. The Directors have prepared cash flow forecasts through to 31 December 2014 which assume that any investment activity is only undertaken when it can be financed from existing cash resources. The expenses of the Company's continuing operations relate entirely to maintaining its status as a quoted company listed on the AIM market and researching suitable investment opportunities and the cash flow forecasts demonstrate that the Company is able to meet these liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

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## **Leed Resources PLC**

### **Notes to the financial statements** for the year ended 30 June 2013

#### **2.2 Statement of compliance**

The financial statements comply with IFRS as adopted by the European Union. At the date of authorisation of these financial statements there are no new standards and interpretations with an effective date after the date of these financial statements and which have not been early adopted which would have a material effect on the Company's financial statements.

#### **2.3 Taxation**

The tax expense represents the sum of tax currently payable and deferred tax.

##### **Current tax**

Tax currently payable is based on taxable profit for the year and is calculated using tax rates enacted or substantively enacted at the statement of financial position date. Taxable profit differs from accounting profit either because items are taxable or deductible in periods different to those in which they are recognised in the accounts or because they are never taxable or deductible.

#### **2.4 Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of each transaction. Foreign currency monetary assets and liabilities are retranslated using the exchange rates at the statement of financial position date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the original transaction.

In the Company financial statements, the net assets of the Company are translated into its presentation currency at the rate of exchange at the statement of financial position date. Income and expense items are translated at the date of the transaction. The resulting exchange differences are recognised in equity and included in translation reserve.

#### **2.5 Financial instruments**

The Company classifies its financial assets, or their component parts, on initial recognition into two categories: a financial asset at fair value through profit or loss, or loans and receivables. Financial liabilities are classified as either a financial liability at fair value through profit or loss, or as another financial liability. Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. The particular recognition and measurement methods adopted for trade and other receivables, bank and cash, trade and other payables, borrowings and derivatives are disclosed below.



## **Leed Resources PLC**

### **Notes to the financial statements**

for the year ended 30 June 2013

#### ***Available for sale investments***

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs

All investments are designated upon initial recognition as held at fair value through profit or loss. Fair value is defined as the price at which an orderly transaction would take place between market participants at the reporting date and is therefore an estimate and as such requires the use of judgement. Where possible fair value is based upon observable market prices, such as listed equity markets or reported merger and acquisition transactions. Alternative bases of valuation may include contracted proceeds or best estimate thereof, implied valuation from further investment and long-term cash flows discounted at a rate which is tested against market data. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on investments". Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

The Company determines the fair value of its Investments based on the following hierarchy

**LEVEL 1** – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an on-going basis.

**LEVEL 2** – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data including recent arm's length market transactions, and comparisons to the current fair value of similar instruments, but where this is not feasible, inputs such as liquidity risk, credit risk and volatility are used.

**LEVEL 3** – Valuations in this level are those with inputs that are not based on observable market data.

#### ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand and cash at bank, these financial instruments are classified with loans and receivables.

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

Trade and other receivables are measured initially at fair value and subsequently at amortised cost using the effective interest rate method. These financial instruments are categorised with loans and receivables. The receivables do not carry interest, the carrying value of the receivables, as presented, is reduced by appropriate allowances for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of these receivables. The amount of the provision is the difference between the carrying value and the present value of estimated future cash flows, discounted using the effective interest rate method. Impairment losses are recognised in profit and loss.

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

Trade and other payables are measured initially at fair value and subsequently at amortised cost using the effective interest rate method. These financial instruments are categorised with other financial liabilities.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recorded at the amount of proceeds received, net of direct issue costs.

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## **Leed Resources PLC**

### **Notes to the financial statements**

for the year ended 30 June 2013

#### ***Fair value determination***

The Company establishes fair value by utilising valuation techniques, including the use of information from recent arm's length market transactions between knowledgeable willing parties, if available, reference to the current fair value of similar instruments, and discounted cash flow analysis. The valuation technique used incorporates factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

#### **2.6 Finance costs**

Borrowing and finance charges, including any premiums payable on settlement or redemption and direct issue costs, are generally recognised in profit and loss as incurred.

#### **2.7 Share-based payments**

The Company has issued Stock Appreciation Rights ("SARs") of the Company's stock as additional compensation to its Directors, executives, management and other employees with the offset being a share-based cost credit to equity. The Company has the choice of settling these amounts with cash or by issuing stock. The share-based payments are accounted for as equity-settled share-based payments as it is expected the amounts will be settled by the issuance of Company stock. Equity settled share-based payments are measured at fair value at the date of grant as determined by an independent appraiser with assumptions that the Directors consider as reasonable. The fair value is expensed on a straight-line basis over the vesting period, which is based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Replacement options are treated as a modification of the original options. If the fair value of the modified instruments is more than the fair value of the old instruments the incremental amount is recognised over the remaining vesting period in a manner similar to the original amount. If the modification occurs after the vesting period, the incremental amount is recognised immediately. If the fair value of the modified instruments is less than the fair value of the old instruments, the original fair value of the equity instruments granted is expensed as if the modification never occurred.

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

There were no key assumptions concerning the future or key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

### **4 Financial risk management**

The Company's business activities expose it to a variety of potential financial risks that include price risk, liquidity risk and interest rate risk.

## Leed Resources PLC

### Notes to the financial statements

for the year ended 30 June 2013

#### 4.1 Liquidity risk

The Company's objective has been to maintain cash and cash equivalents to meet its liquidity requirements for a minimum of 30 days

The Company finances its operations through a combination of equity funds and cash generated from operations

At 30 June 2013 the Company was not exposed to liquidity risk as substantially all its assets were in cash and cash equivalents

#### 4.2 Interest rate risk

At 30 June 2013 the Company was not exposed to interest rate risk as it had no borrowings

#### 4.3 Capital maintenance

The Board of Directors' policy with regards to capital maintenance includes an objective to maintain a strong capital base to sustain future development of the business, while maximising shareholder value. The Board of Directors directs and monitors the allocation of cash resources against investments to maximise the return on asset value within the Company. Day to day working capital requirements and medium-term funding requirements are managed through use of internally generated funds. Periodically, the Board of Directors will consider raising additional equity when the Company has access to opportunities, which in the opinion of the Board of Directors will increase shareholder value if acted upon. The Board of Directors' also determines the timing and level of dividends to ordinary shareholders with the objective of maximising shareholder value.

#### 4.4 Fair value estimation

The fair values of cash and cash equivalents, receivables, payables and borrowings with a maturity of less than one year are assumed to approximate their book values

### 5 Segmental information

There is one continuing class of business, being the investment in the natural resources sector

Given that there is only one continuing class of business, operating within the UK, no further segmental information has been provided

### 6 Net gain/(loss) on investments

	2013 £000	2012 £000
Net realised losses on disposal of investments	(28)	37
Unrealised gains/losses on investments		
Losses/(gains) at beginning of year	41	—
(Losses)/gains at end of year	(9)	(41)
Net gains/(losses) on investments	4	(4)

### 7 Investment income

The Company's interest income on bank and other deposits during the years ended 30 June 2013 and 2012, respectively, were as follows

	2013 £000	2012 £000
Interest income on bank and other deposits	3	2

## Leed Resources PLC

### Notes to the financial statements

for the year ended 30 June 2013

#### 8 Finance costs

The Company's finance costs during the years ended 30 June 2013 and 2012, respectively, were as follows

	2013	2012
	£000	£000
Bank loan release fee (see note below)	—	45
	—	45

Note – The bank fee in 2012 was paid for the release of the Company from its guarantee and all other obligations in respect of the loan from UniCredit Bank AG to the Company's US operating subsidiary Leed Petroleum LLC

#### 9 Loss for the period

Selected items comprising the loss for the years ended 30 June 2013 and 2012, respectively are as follows

	2013	2012
	£000	£000
<b>Included in administrative expenses</b>		
Employee benefits expense (Note 18)	137	115
Professional fees and outside consultants	196	186
Insurance	6	5
	339	306

#### 10 Taxation

A summary of taxation charges, and components thereof, incurred during the years ended 30 June 2013 and 2012, respectively, are set out in the tables below

	2013	2012
	£000	(Restated) £000
<b>Taxation for period</b>		
Deferred tax		
Continuing operations	—	—
	—	—
<b>Taxation components</b>		
Loss on ordinary activities before tax		
– Continuing operations	(1,339)	(372)
<b>Tax effects</b>		
Loss on ordinary activities multiplied by rate of corporation tax of 20% (2012 25.5%) in the UK	(268)	(95)
Expenses not deductible for tax purposes	9	—
Unutilised tax losses carried forward	259	95
<b>Total tax</b>	—	—

## Leed Resources PLC

### Notes to the financial statements

for the year ended 30 June 2013

#### 11 Loss per Ordinary Share

A recap of loss per ordinary share and weighted average shares outstanding for the years ended 30 June 2013 and 2012, respectively, follows

Loss	2013	2012 (restated)
Loss attributable to Ordinary Shareholders from continuing operations	(£1,339,000)	(£372,000)
Total loss attributable to Ordinary Shareholders	(£1,339,000)	(£372,000)

#### Weighted average shares outstanding

Weighted average number of shares for the period	2,970,378,263	2,589,578,329
Effect of share options in issue	—	—
Weighted average number of shares for the period for diluted loss per share	2,970,378,263	2,589,578,329

#### 12 Investments

The Company operates as an investment company in the natural resources industry

	2013 £000	2012 £000
<b>Investments at fair value brought forward</b>	<b>1,503</b>	<b>—</b>
Cost of share purchases	—	1,631
Proceeds of share disposals	(518)	(124)
Net (loss)/gain on disposal of shares	(28)	37
Unrealised gain/(loss) on investments	32	(41)
Impairment of investment	(957)	—
<b>Investments at fair value carried forward</b>	<b>32</b>	<b>1,503</b>
Categorised as		
LEVEL 1	32	546
LEVEL 3	—	957
	<b>32</b>	<b>1,503</b>

LEVEL 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an on-going basis.

LEVEL 3 – Valuations in this level are those with inputs that are not based on observable market data.

## Leed Resources PLC

### Notes to the financial statements for the year ended 30 June 2013

#### 13 Trade and other receivables

The Directors consider that the carrying amount of trade and other receivables approximates their fair value

	2013	2012
	£000	£000
<b>Trade and other receivables</b>		
Other receivables	6	51
Prepayments	15	17
	<b>21</b>	<b>68</b>

Other receivables represent the primary exposure to credit risk at the statement of financial position date. The amounts due in respect of these receivables have been received by the Company at the date of signing these accounts. At each statement of financial position date presented there are no material amounts that are past due.

#### 14 Cash and cash equivalents

The Directors consider that the carrying amount of cash and cash equivalents represents their fair value

	2013	2012
	£000	£000
Cash at banks	1,613	—
Amounts held in third party client accounts	154	668
	<b>1,767</b>	<b>668</b>

#### 15. Trade and other payables

The Directors consider that the carrying amount of trade and other payables approximates to their fair value and is generally payable within 30 to 45 days of the relevant period end

	2013	2012
	£000	£000
<b>Trade and other payables</b>		
Trade payables	11	23
Tax and social security	—	2
Accruals and deferred income	49	30
	<b>60</b>	<b>55</b>

## Leed Resources PLC

### Notes to the financial statements for the year ended 30 June 2013

#### 16 Financial instruments

A summary of financial assets and liabilities by category at 30 June 2013 and 2012, respectively, follows

	2013 £000	2012 £000
<b>Financial instruments measured at fair value</b>		
Available for sale investments	32	1,503
Loans and receivables		
Trade and other receivables	6	51
Cash and cash equivalents	1,767	668
	<b>1,805</b>	<b>2,222</b>
<b>Financial liabilities at fair value</b>		
Other financial liabilities		
Trade and other payables	11	25
	<b>11</b>	<b>25</b>

#### 17 Share capital

The share capital is as follows

	Number of shares	Nominal value £000	Share premium £000
<b>Issued and fully paid</b>			
At 30 June 2012			
Ordinary shares of 0 1 pence each	2,669,268,675	2,669	
Deferred shares of 49 9 pence each	67,602,008	33,733	
At 30 June 2012		36,402	76,633
Share issues			
Ordinary shares of 0 1 pence each	435,909,090	436	523
Share issue expenses		—	(55)
		36,838	77,101
At 30 June 2013			
Ordinary shares of 0 1 pence each	3,105,177,765	3,105	
Deferred shares of 49 9 pence each	67,602,008	33,733	
		36,838	77,101

The deferred shares have restricted rights such that they have no economic value

On 18 October 2012, the Company issued 227,272,727 ordinary shares of 0 1p each for cash at 0 22p per share, raising £500,000 before expenses

On 24 October 2012, the Company issued 208,636,363 ordinary shares of 0 1p each for cash at 0 22p per share, raising £459,000 before expenses

## Leed Resources PLC

### Notes to the financial statements

for the year ended 30 June 2013

#### 17. Share capital (continued)

##### Warrants

The warrants outstanding are summarised as follows

Warrants	Weighted average exercise price for the year ended 30 June 2013 pence	Number of shares to be issued in respect of exercise price for the year ended 30 June 2013	Weighted average exercise price for the year ended 30 June 2012 pence	Number of shares to be issued in respect of exercise price for the year ended 30 June 2012
Outstanding, beginning of period	0.15	166,666,667	—	—
Granted during the period	—	—	0.15	166,666,667
Outstanding, end of period	0.15	166,666,667	0.15	166,666,667
Exercisable, end of period	0.15	166,666,667	0.15	166,666,667

#### 18 Employees, Directors and Auditor Remuneration

A summary of total employee and director costs follows

	2013 £000	2012 £000
<b>Employee and Director costs</b>		
Wages, salaries, fees and bonuses	123	96
Social security costs	3	—
	126	96
Share-based payments	11	19
	137	115

The average number of personnel was as follows

Average number of personnel	2013	2012
Average number of Directors and employees	3	3

##### Key management (part of Employee and Director costs above)

The key management of the Company are the directors (in accordance with IAS 24 "Related Party Disclosures")

Key Management Costs	2013 £000	2012 £000
Wages, salaries, fees and bonuses	123	96
Social security costs	3	—
	126	96
Share-based payments	11	19
	137	115

##### Companies Act and AIM disclosures (part of Employee and Directors cost)

Payments to Directors are recapped below

Director costs	2013 £000	2012 £000
Fees, salaries and bonuses	126	96
	126	96



## Leed Resources PLC

### Notes to the financial statements

for the year ended 30 June 2013

#### 18 Employees, Directors and Auditor Remuneration (continued)

##### Total Compensation by Director during the year ended 30 June 2013

	Peter Redmond Executive Chairman £000	Ian Shaun Gibbs Non-Executive Director £000	Jinesh Patel Non-Executive Director £000	Nicholas Lee Non-Executive Director £000	2013 Total £000
Wages, salaries, fees and bonuses	60	26	5	32	123
	60	26	5	32	123

The remuneration for Peter Redmond includes £36,000 fees paid to Catalyst Consultants Limited, a company of which he is a director and shareholder

The Fees in respect of Ian Gibbs were paid to Bromius Capital Limited, a company of which he is a director and shareholder

The remuneration for Nicholas Lee includes £15,000 fees paid to ACL Capital Limited, a company of which he is a director and shareholder

#### SARS

All outstanding SARS applicable to Directors were issued during 2007. A summary of SARS awards applicable to directors is set out below, with numbers of shares and exercise prices adjusted for the share reorganisation in June 2011

	Weighted average exercise price for the year ended 30 June 2013 pence	Number of shares to be issued in respect of exercise price for the year ended 30 June 2013	Weighted average exercise price for the year ended 30 June 2012 pence	Number of shares to be issued in respect of exercise price for the year ended 30 June 2012
<b>SARs - Directors</b>				
Outstanding, beginning of period	470 00	62,755	470 00	62,755
Granted, forfeited, exercised, or expired during the period	—	—	—	—
Outstanding, end of period	470 00	62,755	470 00	62,755
Exercisable, end of period	470 00	62,755	470 00	62,755

The SARS referenced in the above table were issued on August 6, 2007 and contain vesting provisions of one-third per year and a ten year life. The SARS outstanding and exercisable at 30 June 2013 were all granted to Ian Shaun Gibbs

Note 20 "Share-based payments – Directors and employees" provides details of the incentive schemes, during the period, there were no sales of shares under the incentive schemes

There were no other undertakings with the Directors

## Leed Resources PLC

### Notes to the financial statements

for the year ended 30 June 2013

#### 18 Employees, Directors and Auditor Remuneration (continued)

##### *Auditor's remuneration*

A summary of the remuneration paid to the Company's auditor follows

	2013 £000	2012 £000
<b>Services by the Company's Auditor</b>		
Fees payable to the Company's auditor for the audit of the annual financial statements	12	12
Fees payable to the Company's auditor and its associates for other services		
– Other services including taxation	2	—
	2	—

#### 19 Related party transactions

##### *Identity of related parties*

The Company has a continuing related party relationship with its Directors

##### *Other related party transactions*

Key management and director compensation is disclosed in Note 18 "Employees, Directors and Auditor Remuneration"

#### 20 Share-based payments - Directors and employees

The Company currently operates one approved option scheme. Under the scheme, the Company granted options on 25 June 2013 to directors as follows

**Ian Shaun Gibbs	70,704,871
Peter Redmond	45,678,851
Jinesh Patel	103,505,926
	<u>219,889,648</u>

\*\*The options shown against Ian Gibbs were granted to Bromius Capital Limited, a company in which he has an interest as a director and shareholder

Each option entitles the holder to subscribe for new shares in the Company at an exercise price of 0.175 pence per new share on or before 24 June 2023. The Options will vest on the date the Company completes a transaction following the date of the grant of the options with a value of 20% or more of the Company's net assets, calculated as at 30 June 2012, and will then need to be exercised within three years following vesting.

A summary of options outstanding at the year end is as follows

Share options	Weighted average exercise price for the year ended 30 June 2013 pence	Number of shares to be issued in respect of exercise price for the year ended 30 June 2013	Weighted average exercise price for the year ended 30 June 2012 pence	Number of shares to be issued in respect of exercise price for the year ended 30 June 2012
Outstanding, beginning of period	0.400p	125,130,104	—	—
Granted during the period	0.175p	219,889,648	0.400p	125,130,104
Forfeited during the period	—	—	—	—
Outstanding, end of period	0.257p	345,019,752	0.400p	125,130,104
Exercisable, end of period	0.400p	125,130,104	0.400p	125,130,104

## Leed Resources PLC

### Notes to the financial statements

for the year ended 30 June 2013

#### 20 Share-based payments - Directors and employees (continued)

The weighted average fair value of the options granted during the year was determined using the Black-Scholes option pricing model and was 0.06075p per option. The significant inputs to the model were as follows:

Grant date share price	0.16p
Exercise share price	0.175p
No. of share options	219,889,648
Risk free rate	2.0%
Expected volatility	50%
Option life	10 years
Calculated fair value per share	0.06075p

The total share-based payment expense in respect of the options granted in the year is £134,000, of which £11,000 has been recognised in the income statement for the year ended 30 June 2013. The share-based payment expense was £19,000 for the year ended 30 June 2012.

#### 21 Capital management policies and procedures

The Board of Directors' capital management goals and objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by the effective management of the Company's assets.

The Board of Directors directs and monitors the allocation of cash resources against projects to maximise the return on asset value within the Company. Day to day working capital requirements and investment objectives are met by existing cash resources and the issue of equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may pay dividends to shareholders, return capital to shareholders, buy back shares, issue new shares or sell assets, all of which may be subject to approvals from the Company's shareholders.

Capital pertaining to the Company for the reporting periods under review is summarised as follows:

Capital components	30 June 2013 £000	30 June 2012 £000
Total owners' equity	1,760	2,184
Cash and cash equivalents	(1,767)	(668)
	(7)	1,516

#### 22 Post year end events

There have been no material events since the year end.