CHINA FOOD COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the eighteen months to 31st December 2018.

Company number: 06077223

Company number: 06077223

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors:	John McLean, OBE	Executive Chairman
	Raphael Tham Wai Mun (resigned 3 June 2019)	Non-executive Director
	Clifford Halvorsen	Non-executive Director
Company Secretary:	Nigel Cartwright	
Company Number:	06077223	
Registered Office:	82 St John Street London EC1M 4JN	
Principal Banks:	National Westminster Bank PLC City of London Office PO Box 12258 1 Princes Street London EC2R 8PA	
Auditors:	Grant Thornton UK LLP 5 Benham Road Southampton Science Park Chilworth SO16 7QJ	
Website:	www.chinafoodcompany.com	

China Food Company Plc

Chairman's Statement and Strategic Report

China Food Company Plc ("CFC", the "Group" or the "Company")
Condiments business ("Fortune Food" or "Condiments")
Animal Feed business ("Feed")

INTRODUCTION

Shareholders will be aware that the Company has gone through some very difficult times following the guarantee disclosures in December 2013, which resulted in the loss of our new management team, a collapse in our Chinese operations and the delisting of the Company from AIM. During 2014 and 2015, it was a fight for survival, which was achieved but, owing to the lack of working capital and the requirement to pay for raw materials and other supplies up front, the recovery potential was limited without an injection of further funds. The Company's board ("Board") explored a number of alternative funding solutions but, because of the unexecuted bank agreements, it proved to be impossible to raise funds. As a result, the Chinese operations continued to survive solely with the support of, and funding from, the Group's employees, together with the manufacturing margin and working capital loan from CFC's major customer.

This arrangement worked well in 2016 but, in order to maintain market share and sales, further funds were required which were not forthcoming with the current ownership structure. Accordingly, discussions took place in early 2017 for CFC to partially divest itself of Full Fortune Holdings Limited ("FFS"), the Group's Singapore-based intermediate holding company, whilst retaining a minority equity interest in FFS. These discussions progressed well initially but reached an impasse over the future buy-out of the remaining equity and also the associated controls which would have needed to be put in place. Accordingly, in June 2017, an agreement was reached for the disposal of the entire share capital of FFS for consideration totalling £4.8 million, payable over three years until June 2020. The purchaser of FFS is Feng Bo ("Pamela/Pam"), the Company's previous Chief Executive Officer (and the wife of Mr. Fu Guo Ping ("Mr. Fu")), who has been instrumental in saving the Group and with whom your Board has been working closely at all times. The key terms of the sale agreement are set out below.

DISPOSAL AGREEMENT

1. *China Food Company plc ("CFC") granted to Pam an option to purchase 100% of the issued shares in FFS for a consideration of £100 in cash.*
2. *The option may only be exercised by Pam, if Pam makes a loan of £4,799,900 to FFS to repay FFS's creditors. The said loan shall be made by Pam to FFS in the following tranches:-*
    1. *£250,000 on the signing of the option by June 2017;*
    2. *£500,000 by 31st December 2017;*
    3. *£1,250,000 by 30th June 2018;*
    4. *£1,500,000 by 31st December 2018; and*
    5. *£1,299,900 by 30th June 2020.*
3. *The sale and purchase agreement for the sale of the shares duly signed undated by CFC and Pam, together with the share certificates of FFS, together with the instrument of transfer in respect of 100% of the issued shares in FFS, will be held by Straits Law Practice LLC ("SLP") (the Company's Singapore lawyers) in escrow.*
4. *The loan instalments referred to in paragraph 2 above will be made by Pam to SLP accompanied by remittance instructions to make payments to the relevant creditor(s) of FFS.*
5. *Upon receipt of the relevant loan instalment and the remittance instructions, SLP shall give written notification to CFC and to seek written confirmation on the remittance instructions.*

6. *Upon receipt of written notification from CFC of the remittance instructions, SLP shall make the relevant remittances. All banking charges, if any, shall be deducted accordingly.*
7. *Upon receipt of the final loan instalment of £1,299,900 by 30th June 2020 and the sum of £100, being the purchase consideration for the FFS shares, SLP shall release the sale and purchase agreements to the parties and the share certificates of FFS together with the instrument of transfer in respect of 100% of the issued shares in FFS to Pam.*
8. *If SLP does not receive any of the loan instalment payments from Pam within the stipulated time or receive written confirmation from CFC on the remittance instructions, SLP shall duly inform both parties of the same and shall be under no obligation to act until written instructions are received from both parties.*
9. *No warranties will be given by CFC in respect of the shares in FFS or in FFS save as to title of FFS shareholding.*
10. *Pam will provide funds to FFS to pay to CFC a management/consultant fee of £5,000 per month commencing from February 2017 until a sum of £3.5 million, representing the aggregate of the first 4 loan instalments have been paid. For the avoidance of doubt, once £3.5 million has been paid by Pam pursuant to para 2, the said management/consultant fee of £5,000 per month shall cease to be payable*

On or before the signing of the option, the parties shall procure the following:-

a) *Pam will resign as a director of CFC;*
b) *Raphael Tham will resign as a director of FFS;*
c) *Fuss Feed will be sold to Pam by FFS for £1 with the condition that if Pam sells Fuss Feed within a period of 2 years for an amount of £1 million or more, Pam shall pay to CFC an amount equal to 50% of the sale proceeds;*
d) *Mr Fu/Main World will waive their right to any amounts due to them by CFC;*
e) *Mr Fu/Main World will provide an irrevocable undertaking to vote either/both their shareholdings/loan notes in CFC in favour of the transaction.*

DISPOSAL UPDATE

As at the date of this report, the Company has received £3,050,000 from FFS, which is £450,000 short of the contracted payments. As shareholders and loan-note holders will be aware from the Company website updates, discussions have been had with Pamela and a revised timing has been agreed for the outstanding balance of £450,000 to be paid by 31st December 2019. Pamela stated that the reason for the delayed payment was poor trading.

During the period, the Company's Singapore subsidiary, FFS has satisfied all its operational creditors and has completed its regulatory filings.

During the 18 month period to 31st December 2018, the Company received £2,120,000 (excluding management fees) of which £1,460,000 has been distributed to loan-note holders. As noted in the accounts, at the period end, the Company had £304,000 held as cash, with the balance, amounting to £486,000, having been accounted for by covering deal expenses, payment of creditors, loan settlements and ongoing expenses (including accounting, legal, insurance, audit and travel) together with £100,000 paid to Lam Soon in full and final settlement of their unsecured shareholder loan of £670,000 together with accrued interest.

ACCOUNTS AND OTHER REGULATORY MATTERS

Because of the significant issues encountered in China, CFC had been unable to prepare consolidated accounts, since there had been no flow of management information, as the management team were focused entirely on survival. Accordingly, the accounts which have been produced are those solely for the CFC parent company and, as a result of the issues in China, all of the parent company's investments in its subsidiaries have been written off. On 12th April 2019, the Company released an update on its ongoing discussions with Companies House concerning the outstanding fines of £45,000, which had been levied on the Company following the late filing of the annual accounts. As noted in the release, Companies House accepted our arguments and the £45,000 fine was withdrawn.

FINANCIAL

The accounts presented are those of the Company only. In view of the circumstances and lack of financial information, it has not been possible to prepare consolidated accounts for the group. The Company accounts reflect a prudent approach to the recognition of assets and liabilities. Investments have been written down to zero and no value attributed to the monies arising from the transaction agreed in June 2017, due to the structure of this transaction and inherent uncertainty. Liabilities include all known creditors in full and they do not reflect Mr. Fu/Main World's loan waiver or liability reductions arising from further creditor negotiations. The Directors believe this cautious approach is sensible and will reflect progress in future accounting periods as milestones are reached and negotiations resolved.

SUBSEQUENT EVENTS

In February 2019, the Company received a part payment of the 4th tranche of £800,000 from Pamela and subsequently on 6 March 2019 commenced the next distribution to the loan-note holders of £900,000 (after reserving for creditor payments, professional fees and contingencies). Additionally, on 12th April, following the *positive outcome of the Companies House negotiations, a further £50,000 was distributed to loan-note holders.* Based on the terms outlined above and upon receipt of the outstanding amount from Pamela of £1,750,000, it is anticipated that the loan-note holders will receive approximately 70% of their principal. As the loan-note holders will not receive their full repayment both as to principal and interest, I sincerely regret that the ordinary shareholders will not receive any value for their shares.

On14th March 2019, following discussions with over 50% of the principal loan-note holders, agreement was reached for the loan-note holders to forgive the historic interest and waive any rights to future interest, the result of which will be a significant improvement in the balance sheet. Additionally, the loan-note holders agreed to resolve to forgive any unpaid loan-note principal 28 days prior to any winding up or closure of the Company. The decision to wind up/close the Company will be taken by a unanimous decision of both the loan-note committee (Percipient and Amati) together with Clifford Halvorsen, my fellow director of the Company, and myself.

CONCLUSION

The 18 month period has seen considerable progress in resolving the outstanding issues facing the Company and I would like to thank our loan-note holders, our accounting personnel both in Singapore and UK, our suppliers and Clifford for all their help and support.

John McLean OBE
Chairman
24th June 2019

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of China Food Company Plc ("China Food" or the "Company") for the eighteen months ended 31December 2018.

Share capital

There were no new shares issued during the year. The total number of shares in issue, both at the period end and at 30 June 2017, was 71,446,972.

Directors

The following directors served the company during the year:

John McLean, OBE	(Executive Chairman)
Raphael Tham Wai Mun (Resigned 3 June 2019)	(Executive Director)
Clifford Halvorsen	(Non-executive Director)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and profit or loss of the company and group for that period. The directors have elected to prepare the parent company financial statements in accordance with IFRSs. As more fully described in the Strategic Report and Note 3.1, Basis of Preparation, the Directors have not been able to prepare Group financial statements due to the significant difficulties encountered obtaining financial information. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group and parent company financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditor

In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the board

John McLean
Chairman
24th June 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA FOOD COMPANY PLC

Adverse opinion

We have audited the financial statements of China Food Company Plc (the 'parent company') for the eighteen month period ended 31 December 2018, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity 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, because of the significance of the matter described in the basis for adverse opinion section of our report, the group financial statements:

- do not give a true and fair view of the state of the group's affairs as at 31 December 2018 and of the group's profit or loss for the period then ended; and
- have not been properly prepared in accordance with IFRSs as adopted by the European Union;
- have not been prepared in accordance with the requirements of the Companies Act 2006.

In our opinion, except for the effects of the matter described in the basis for adverse opinion section of our report, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2018 and of its loss for the period 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 adverse opinion

As more fully explained in note 3.1 to the financial statements, the parent company has prepared individual accounts and has not consolidated the financial information of any of its subsidiary undertakings. In our opinion, the parent company is required to prepare group accounts in accordance with section 399 of the Companies Act 2006 and to consolidate the financial information of its subsidiary undertakings. Had group accounts been prepared, many elements in the financial statements would be materially affected. The effects on the financial statements of the failure to consolidate has not been determined. Our opinion on the parent company's financial statements is also qualified for this matter as failure to consolidate all subsidiaries is a departure from the requirements of IFRSs as adopted by the European Union and the Companies Act 2006. In addition, the directors' report and strategic report do not consider the effects of the failure to consolidate the subsidiaries.

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 group and the parent 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 adverse opinion on the group financial statements and our qualified opinion on the parent company financial statements.

Emphasis of matter – basis of preparation of the financial statements

We draw your attention to note 3.1 to the financial statements which describes the basis of preparation of the financial statements. As described in note 3.1, the company is not considered to be a going concern and the financial statements have been prepared on a break-up basis. 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 and financial statements, 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.

As described in the basis for adverse opinion section of our report, the parent company has prepared individual accounts and has not consolidated the financial information of any of its subsidiary undertakings. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the annual report affected by the failure to consolidate the financial information of any of the subsidiary undertakings.

Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for adverse opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the strategic report and the directors' report have not been prepared in accordance with applicable legal requirements.

Except for the effects of the matter described in the basis for adverse opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matter on which we are required to report under the Companies Act 2006

As a result of the matters described in the basis for adverse opinion section of our report, in the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have identified material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

In respect solely of the matter described in the basis for adverse opinion section of our report:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities as 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, 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 group's and the parent 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 group or the parent 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 on the Financial Reporting Council's website at: 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.

Grant Thornton UK LLP

Norman Armstrong BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
Date: 25 June 2019

INCOME STATEMENT
FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

	Notes	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
<u>Continuing operations</u>			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating income	4	3,346	35
Administrative costs		(174)	(213)
Operating result		3,172	(178)
Finance costs	5	(4,647)	(3,059)
Loss before taxation for continuing operations	6	(1,475)	(3,237)
Taxation	7		-
Loss after taxation for continuing operations		(1,475)	(3,237)
Loss for the year attributable to equity holders of the parent		(1,475)	(3,237)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2016 £'000
Loss for the year	(1,475)	(3,237)
Other comprehensive income		
Exchange differences on translating foreign operations	-	-
Other comprehensive result, net of tax	(1,475)	(3,237)
Total comprehensive result for the year attributable to equity holders of the parent	(1,475)	(3,237)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018.

	Notes	As at 31 December 2018 £'000	As at 30 June 2017 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	16	-	-
Current assets			
Trade and other receivables	8	14	2
VAT recoverable		7	4
Advance to a subsidiary		-	-
Amount due from a subsidiary			-
Cash and cash equivalents	9	304	1
Total current assets		325	7
Total assets		325	7
LIABILITIES			
Current liabilities			
Trade and other payables	10	(2,368)	(2,926)
Current portion of convertible loan notes	11	(13,513)	(9,159)
Current portion of Shareholders' loan	12	(784)	(1,539)
Amount due to director's		-	-
Total current liabilities		(16,665)	(13,624)
Net current assets/(liabilities)		(16,665)	(13,624)
Total assets less current liabilities		(16,340)	(13,617)
Non-current liabilities			
Convertible loan notes	11	(3,930)	(5,189)
Shareholder's loan	12	(657)	(646)
		(4,587)	(5,835)
Net liabilities		(20,927)	(19,452)
EQUITY			
Share capital	13	2,858	2,858
Share premium	14	5,331	5,331
Shares to be issued reserve		-	-
Merger relief reserve		-	-
Convertible loan notes - equity	11	569	569
Accumulated losses		(29,685)	(28,210)
		(20,927)	(19,452)

These financial statements were approved by the directors on 24th June 2019 and signed on their behalf by:

John McLean
Chairman

STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

	Notes	Eighteen months ended 31 December 2018	Year ended 30 June 2017
		£'000	£'000
Cash flows from operating activities			
Loss before taxation		(1,475)	(3,237)
Adjustments for:			
Employee share options			-
Finance costs		4,647	3,059
Debt waiver		(1,136)	-
Impairment of investments		-	-
Operating loss before working capital changes		2,036	(178)
Changes in working capital:			
Trade and other receivables		(20)	-
Trade and other payables		(2,474)	179
Cash generated/(used) in operations		(2,494)	1
Interest received			-
Net cash generated/(used) in operating activities		(458)	1
Cash flows from investing activities			
Advance to subsidiary		-	-
Proceeds from subsidiary		2,120	-
Net cash generated/(outflow) from investing activities		2,120	-
Cash flows from financing activities			
Repayment of loan notes		(1,259)	-
Settlement of shareholder loan		(100)	
Interest paid		-	-
Net cash (outflow)/generated from financing activities		(1,359)	-
Net increase/(decrease) in cash and cash equivalents		303	1
Effect of foreign exchange rate changes			-
Cash and cash equivalents at beginning of year		1	-
Cash and cash equivalents at end of year		304	1

STATEMENT OF CHANGES IN EQUITY
FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

	Share capital £'000	Share premium £'000	Shares to be issued reserve £'000	Merger relief reserve £'000	Convertible loan notes - equity £'000	Accumulated losses £'000	Total equity attributable to owners of the parent £'000
As at 1 July 2016	2,858	5,331	-	-	569	(24,973)	(16,215)
Employee share options cancelled	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-
Convertible loan notes - equity	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	(3,237)	(3,237)
As at 30 June 2017	2,858	5,331			569	(28,210)	(19,452)
As at 1 July 2017	2,858	5,331			569	(28,210)	(19,452)
Employee share options granted	-	-			-	-	
Convertible loan notes - equity	-	-	-	-	-	-	-
Transactions with owners	-	-			-	-	
Loss for the year	-	-	-	-	-	(1,475)	(1,475)
As at 31 December 2018	2,858	5,331			569	(29,685)	(20,927)

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

1. General Information

The principal activity of China Food Company Plc ("China Food" or the "Company") is that of a holding company and cost centre for the wider group. The Group's main operations are in the People's Republic of China (the "PRC").

China Food, a public limited company, is the Group's ultimate parent company. It is incorporated and domiciled in the United Kingdom. The address of China Food's registered office is 82 St John Street, London.

The financial statements comprise only the results for the UK entity due to the restrictions described in the Strategic Report and Audit Report in relation to the absence of information for management and audit purposes from the company's subsidiaries. Consistent accounting policies are applied for like transactions and events in similar circumstances.

2. Changes in accounting policies

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

During the year the company has adopted the following standards:

- IFRS 9 Financial instruments (effective 1 January 2018)
- IFRS 15 Revenue recognition (effective 1 January 2018)

There were no changes required to the reported results as a result of the implementation of these standards.

The following is a list of newly issued standards but not yet effective:

- IFRS 16 Leases (effective 1 January 2019)

The company has not yet assessed the impact of these standards not yet in effect.

3. Summary of significant accounting policies

The principal accounting policies of the company are set out below.

3.1 Basis of preparation

The parent company has prepared individual accounts and has not consolidated the financial information of any of its subsidiary undertakings due to the restrictions described in the Strategic Report and Audit Report in relation to the absence of information for management and audit purposes from the company's subsidiaries. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial statements have been prepared on a break-up basis. Assets are stated at the lower of cost or net realizable value and liabilities are stated at their expected settlement amounts.

The company income statement reports a loss for the year of £1.5 million (2017: loss £3.2 million) and the statement of financial position shows net liabilities as at 31 December 2018 of £20.9 million (2017: net liabilities £19.5 million).

The circumstances which give rise to the Company's performance are fully explained in the Strategic Report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

3.1 Basis of preparation (continued)

In June 2017, and with the agreement of the majority of loan note holders, as more fully explained in the Strategic report, the Directors agreed to dispose of the Group's Singapore based intermediate holding company Full Fortune Holdings Limited ("FFS") to Feng Bo, the CEO for consideration equal to £4.8 million payable in installments over 3 years to 2020. Upon receipt of the final installment, the Directors will confirm transfer of 100% of the issued shares in FFS to Feng Bo thus completing sale of all the Company's subsidiary interests. The proceeds of sale will be used to bring the Company's accounts and other regulatory matters up to date and, insofar as is possible, repay outstanding loan note holders the balance of proceeds.

Accordingly, the company is not considered to be a going concern. The financial statements have been prepared on a break up basis, which includes, where appropriate, writing down the company's assets to net realisable value and provision being made for contractual commitments and liabilities at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the company except the extent that such costs were committed at the balance sheet date.

3.2 Presentation of financial statements

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (Revised 2007). The Company has elected to present the 'Statement of comprehensive income' in two statements: the 'Income statement' and a 'Statement of comprehensive income'.

3.3 Subsidiary undertakings

As at 30 June 2017, China Food had the following subsidiaries:

Name of subsidiary	Date and place of establishment	Percentage of equity attributable to China Food	Principal activities
Full Fortune Holdings Pte Ltd	26 May 2005 Singapore	100%	Holding company
<u>Held by Full Fortune</u>			
Fuss Feed (Weifang) Co., Ltd ("Fuss Feed") 富氏饲料(潍坊)有限公司	28 November 1994 PRC	100%	Manufacture and sale of animal feed
Fortune Food (China) Co., Ltd ("Fortune Food") 富氏食品（中国）有限公司	24 June 2005 PRC	100%	Manufacture and sales of condiments
<u>Held by Fuss Feed</u>			
Shandong Fu-Rich Co., Ltd ("Fu-Rich") 山东富氏味业有限公司	7 August 2001 PRC	100%	Manufacture and sale of condiments

As at 31 December 2018, China Food had the following subsidiaries:

Name of subsidiary	Date and place of establishment	Percentage of equity attributable to China Food	Principal activities
Full Fortune Holdings Pte Ltd	26 May 2005 Singapore	100%	Holding company
<u>Held by Full Fortune</u>			
Fortune Food (China) Co., Ltd ("Fortune Food") 富氏食品（中国）有限公司	24 June 2005 PRC	100%	Manufacture and sales of condiments

During the year Fuss Feed (Weifang) Co., Ltd was sold for £1

NOTES TO THE FINANCIAL STATEMENTS
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3.3 Subsidiary undertakings (continued)

Investments

Investments in subsidiary companies are stated at cost, less provisions for diminution in carrying value.

3.4 Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with IFRS require the use of estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. As disclosed more fully in the Chairman's Statement and Strategic Report judgement and estimation has been applied in deeming the recoverable amount of the Company's investments and in the presentation of its liabilities. Investments have been written down to zero and no value attributable to the monies arising from the transaction agreed in June 2017 due to the structure of this transaction and inherent uncertainty. Liabilities include all known creditors in full, they do reflect Lam Soon's loan waiver which has been agreed and recognised in the year, but do not recognise any liability reductions arising from any further creditor negotiations. As at the balance sheet date, £2.4million has been received from Pamela to Full Fortune Holdings Pte Ltd. Subsequent to the year end Mr. Fu/Main World have waived their rights to repayment and agreement has been reached with the majority of the Company's creditors. The Director's believe this cautious approach is sensible and will reflect progress in future accounting periods as milestones are reached.

3.5 Functional and foreign currency

Certain of the Directors are based in the UK and remunerated through this Company. The UK head office has responsibility for corporate functions such as fund raising, treasury and company secretarial. The company incurs costs in respect of these activities which are denominated in GBP, and are sufficiently significant for the Directors to be satisfied that the Company operates as an entity in its own right as envisaged under IAS 21. In turn it levies a management fee to its subsidiaries in respect of services performed. As such the Directors conclude that the functional currency of the Company is GBP.

Transactions in foreign currencies are measured in the respective functional currencies of China Food and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

3.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement as 'impairment losses'.

NOTES TO THE FINANCIAL STATEMENTS
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3.7 Financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. All financial assets of the Company are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less impairment losses. Any change in their value is recognised in the income statement.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

3.9 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

3.10 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

3.11 Financial liabilities

Financial liabilities include trade and other payables, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

Convertible loan notes

Convertible loan notes issued by the Company are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

3.11 Financial liabilities (continued)

Recognition and derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

3.12 Equity

The share capital represents the nominal value of the issued share capital of China Food Company Plc. Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

The merger reserve represents the combined paid-up registered capital of the subsidiaries of Full Fortune less the payment made by Fuss Feed for the acquisition of Fu-Rich. It arises as a result of adopting the pooling of interest-type accounting method.

The shares to be issued reserve represents equity-settled share-based payments until such share options are exercised or cancelled.

3.13 Share-based payments

All share-based payment arrangements are recognised in the financial statements in the period in which the associated goods or services are provided.

The Company operates equity-settled share-based remuneration plans for its employees. None of the plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to "Shares to be issued reserve". If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values at the date the services are provided by reference to the fair value of the services provided.

3.14 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

NOTES TO THE FINANCIAL STATEMENTS
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3.15 Taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(b) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the years when the liability is settled or the asset realised.

3.15 Taxes (continued)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4. Other operating income

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Loan waiver received in the year	1,136	-
Previously impaired amounts received from subsidiaries	2,120	-
Management fee income	90	35
	3,346	35

5. Finance costs

Finance costs include all interest-related expenses. The following amounts have been included in the income statement line for the reporting years presented:

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Interest expense on shareholders' loan	237	293
Interest expense on convertible loan	4,353	2,612
Loss on foreign currency financial liabilities	57	154
Finance costs	4,647	3,059

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6. Loss before tax

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Auditors' remuneration:		
Payable to the company's auditors:		
- audit of the financial statements	15	10

Average number of persons employed by the Company (including executive directors) during the year:

	Eighteen months ended 31 December 2018	Year ended 30 June 2017
Administration	2	2
	2	2

7. Income tax

The major components of income tax expense are as follows:

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Current income tax	-	-
Deferred income tax	-	-
Income tax expense recognised in the income statement	-	-

China Food is subject to a United Kingdom Tax rate of 19% (2017: 19.75%).

A reconciliation of the continuing operations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates is as follows:

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Accounting (loss)/profit before tax	(1,475)	(3,237)
Tax at the domestic rates applicable to profits / losses in the countries concerned (see above)	(280)	(639)
Adjustments:		
- Non-deductible expenses	-	-
- Unrelieved tax losses	280	639
Income tax expense recognised in the income statement	-	-

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8. Trade and other receivables

	As at 31 December 2018 £'000	As at 30 June 2017 £'000
Other receivables	22	2
Prepayments	-	-
	22	2

9. Cash and bank balances

	As at 31 December 2018 £'000	As at 30 June 2017 £'000
	304	1

10. Trade and other payables

	As at 31December 2018 £'000	As at 30 June 2017 £'000
Other payables	769	1,047
Accrued expenses	1,599	1,879
	2,368	2,926

11. Convertible loan notes

The convertible loan notes C (Notes C) were issued on 23 June 2010 and 11 March 2011. The Notes C were convertible into ordinary shares of the Company at any time between the date of issue of the notes and the final redemption dates of 15 of June 2012. The loan notes were convertible at £0.50 per share. The effective interest rate used to calculate the interest charged to the income statement was 10%.

On 14 June 2012, the Company announced that, following approval by the majority of Note C holders, it has been agreed that the Note C has been rolled into the Note A. These terms have been amended to reflect those of the Notes A that carry a coupon of 10% per annum and are convertible at 32 pence per ordinary share. The modification is not deemed to be significant.

On 2 November 2012, the Company announced that, following approval by the majority of A, B & C Loan Note holders, the terms of the A, B & C Loan Notes ("Loan Notes") have been amended as detailed below.

The Loan Notes were initially extended to 31 January 2013 to accommodate the delay in Korean regulatory approvals required to consummate the disposal of the Fuss Feed subsidiary ("Disposal") announced in July 2012.

On 6 September 2013, CFC raised £850,000, on 15 October 2013, a further £78,000 was raised and on 24 October 2014 a further £39,000 were issued in loan notes. Up until 31 December 2015, the repayment date of the loan notes had been extended following discussions with loan note holders and were subsequently extended to 30 September 2016. Given the various discussions taking place as to the disposals formal loan note extensions were suspended until a financial outcome appeared more certain. Following the agreement to sell Full Fortune Holdings in June 2017, there have been no formal loan note extensions, however the Board continues to work with the major loan note holders for their approval of all the key actions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

11. Convertible loan notes (continued)

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

	Notes A&B			Notes C			Total
	Gross amount	Transaction costs	Net amount	Gross amount	Transaction costs	Net amount	Net amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liability component at 30 June 2014			3,144			1,463	4,607
New loan notes issued	1,102	(57)	1,045	-	-	-	1,045
	1,102	(57)	4,189	-	-	1,463	5,652
Adjustment to terms of old loan notes			334			(175)	159
Interest charged			1,314			456	1,770
Liability component at 30 June 2014			5,837			1,744	7,581
Interest charged			1,221			675	1,896
Liability component at 30 June 2015			7,058			2,419	9,477
Interest charged			1,458			801	2,259
Liability component at 30 June 2016			8,516			3,220	11,736
Interest charged			1,689			923	2,612
Liability component at 30 June 2017			10,205			4,143	14,348
Repayment of principal			(885)			(374)	(1,259)
Interest charged			2,805			1,549	4,354
Liability component at 31 December 2018			12,125			5,318	17,443

	Notes A&B			Notes C			Total
	Gross amount	Transaction costs	Net amount	Gross amount	Transaction costs	Net amount	Net amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity component at 31 December 2012	(127)	(8)	(119)	(44)	(3)	(41)	(160)
New loan notes issued	(291)	(6)	(285)				(285)
	(418)	(14)	(404)	(44)	(3)	(41)	(445)
Adjustment to terms of old loan notes	(78)	-	(78)	(46)	-	(46)	(124)
Equity component at 30 June 2014, 2015 2016,2017 and 2018			(482)			(87)	(569)

The liability component is further analysed as follows:

	As at 31 December 2018	As at 30 June 2017
	£'000	£'000
Current	13,513	9,159
Non-current	3,930	5,189
	17,443	14,348

NOTES TO THE FINANCIAL STATEMENTS
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12. Shareholders' loans

	As at 31 December 2018 £'000	As at 30 June 2017 £'000
Current	784	1,539
Non-current	657	646
	1,441	2,185

The loan from two shareholders is denominated in USD. It is unsecured and bears interest from 10% to 12.5% per annum.

During the year an agreement was made with Lam Soon under which a payment of £100,000 was made in full and final settlement of their unsecured loan balance, resulting in a £1,136,000 credit to the Income Statement.

This waiver is further analysed as follows:

Waiver of principle	£670,000
Waiver of interest outstanding	£466,000
	£1,136,000

13. Share capital

	No. of shares	£'000
Authorised		
As at 30 June 2017 and 31 December 2018 - Ordinary shares of 4p each	100,000,000	4,000
Issued, called up and fully paid		
As at 30 June 2017 and 31 December 2018 - Ordinary shares of 4p each	71,446,972	2,858

14. Share premium

	As at 31 December 2018 £'000	As at 30 June 2017 £'000
As at 1 July	5,331	5,331
As at 31 December	5,331	5,331

15. Employee remuneration

Remuneration of the Directors is disclosed in note 19.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

16. Investments in subsidiaries

	As at 31 December 2018 £'000	As at 30 June 2017 £'000
Equity investment	-	-
Advance to a subsidiary	-	-
As at end of the year	-	-

Please refer to note 3.3 for details of the subsidiary companies of the Company.

As more fully described in the Chairman's Statement and Strategic Report, in June 2017 agreement was reached to sell the Company's interest in Full Fortune Holdings Limited. Under the terms of the agreement staged payments will be made over the period from July 2017 to June 2020 as loans and on completion of the final installment due June 2020, shares in Full Fortune Holdings Limited may be transferred for consideration of £100. To December 2018 loan installments totaling £2.25million have been received from Pamela to Full Fortune Holdings Pte Ltd and £2.12million loaned to the Company by Full Fortune Holdings Pte Ltd; however in view of the structure of this transaction and uncertainty over the expected recoverable value, nil value has been ascribed to the investments in subsidiaries.

17. Capital commitments

As at the balance sheet date, there were no known material capital commitments.

18. Related party disclosures

(a) In addition to related party information disclosed elsewhere in the financial statements, the following significant related party transactions took place during the year on terms agreed between the parties:

	Eighteen months ended 31 December 2018 £'000	Year ended 30June 2017 £'000
Directors		
Convertible loan interest	251	153
Directors loan	-	-
Dividend	-	-
Main World Investments Limited[(1)]		
Convertible loan interest	709	404
Convertible loan as at year end	2,191	1,571
Shareholder loan interest	237	521
Shareholder loan as at year end	1,408	1,141
Lam Soon Realty (Pte) Ltd[(2)]		
Convertible loan interest	600	364
Convertible loan as at year end	1,921	1,909
Shareholder loan interest	-	770
Waiver of shareholder loan	1,136	-
Shareholder loan as at year end	-	770
Sorbic International PLC[(3)]		
Service fee receivable	-	-

(1) Main World Investments Limited is one of the substantial shareholders of the Company.
(2) Lam Soon Realty (Pte) Ltd is one of the substantial shareholders of the Company.
(3) One of the directors of the Company is also the director of Sorbic International PLC.

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18. Related party disclosures (continued)

(b) Compensation of key management personnel (as recognised in the consolidated income statement)

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Short-term employee benefits	90	165
Post-employment benefits	-	-
Share-based payments	-	-
Total compensation to key management personnel	90	165
Comprised amounts payable to:		
Directors	90	165
Other key management personnel of the Company	-	-
	90	165

(c) Convertible loan notes

As at 31 December 2018, outstanding convertible loan notes owed to the directors were as follows:

	Eighteen months ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Principal	440	440
Interest accrued	720	404
	1,160	804

(d) Ultimate controlling party

China Food is a public limited company with no single controlling party.

19. Directors' remuneration

Remuneration paid to or receivable by Directors of China Food in respect of qualifying services was as follows:

	Eighteen months ended 31 December 2018 £'000	Year Ended 30 June 2017 £'000
Aggregate fees and emoluments	90	165
Pension scheme contributions	-	-
Share-based payment	-	-
	90	165

There are no directors to whom retirement benefits are accruing under money purchase pension schemes.

20. Risk management objectives and policies

China Food is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk, credit and liquidity risk and certain other price risks, which result from both its operating and investing activities. The Company's risk management is coordinated at its headquarters, in close co-operation with the Board of directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets.

China Food does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below. See also note 20.5 for a summary of the Company's financial assets and liabilities by category.

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20.1 Foreign currency sensitivity

Most of the Company's transactions are denominated in GBP except for an advance to a subsidiary and a shareholder loan which are denominated in USD.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

	As at 31 December 2018 £'000	As at 30 June 2017 £'000
Financial assets	-	
Financial liabilities	(784)	(1,539)
Short-term exposure	(784)	(1,539)
Financial liabilities	(657)	(646)
Long-term exposure	(657)	(646)

20.2 Interest rate sensitivity

The Company is not exposed to changes in market interest rate as the Company estimated a reasonably possible change in interest rates of +0.00% and -0.00% (2015 +0.00%/-0.00%), with effect from the beginning of the year.

20.3 Credit risk analysis

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	As at 31 December 2018 £'000	As at 30 June 2017 £'000
Trade and other receivables	22	2
Advance to a subsidiary	-	-
Amount due from a subsidiary	-	-
Cash and cash equivalents	-	-
	22	2

In respect of trade and other receivables, China Food is not exposed to any significant credit risk exposure. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS TO 31 DECEMBER 2018

20.4 Liquidity risk analysis

As at 31 December 2018, the Company's liabilities have contractual maturities which are summarised below:

	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£'000	£'000	£'000	£'000
Trade and other payables	2,368			
Convertible loan notes	13,513	726	3,204	-
Shareholders' loan	784		657	-
	16,665	726	3,861	-

This compares to the maturity of the Company's financial liabilities in the previous reporting year as follows:

	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£'000	£'000	£'000	£'000
Trade and other payables	2,926			-
Convertible loan notes	8,433	726	5,189	-
Shareholders' loan	1,539		646	-
	12,898	726	5,822	-

20.5 Summary of financial assets and liabilities by category

The carrying amounts of the Company's financial assets and liabilities as recognised at the balance sheet date are considered to approximate to their carrying values. These assets and liabilities may also be categorised as follows:

	Loan and receivables
	£'000
2018	
Current:	
Trade and other receivables	22
Cash and cash equivalents	304
Total for category	326
2017	
Current:	
Trade and other receivables	2
Cash and cash equivalents	1
Total for category	3

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20.5 Summary of financial assets and liabilities by category (continued)

	Financial liabilities measured at amortised cost £'000
2018	
Non-current:	
Borrowings	4,587
Current:	
Borrowings	14,297
Trade and other payables	2,368
Total for category	21,252
2017	
Non-current:	
Borrowings	5,835
Current:	
Borrowings	10,698
Trade and other payables	2,926
Total for category	19,459

21. Dividend

No dividend was declared in respect of the eighteen months ended 31 December 2018 (2017: £Nil).

22. Post balance sheet events

A summary of the events occurring since 31st December 2018 is included in the Chairman's Statement and Strategic Report and has been updated to June 2019.