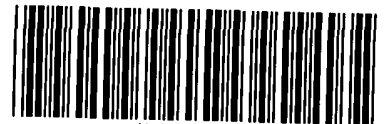


Registration number: 07475530

Cathay Investments 2 Limited

Directors' Report, Strategic Report and Audited Consolidated Financial Statements
for the Year Ended 31 December 2016

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Cathay Investments 2 Limited

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Cathay Investments 2 Limited

Company Information

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

Cathay Investments 2 Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Fair review of the business

The directors are happy with the performance of the business in the period. During the year the group reorganised its warehousing base combining operations for its toys and stationery businesses into one location and vacating a warehouse in its third party distribution business following the expiry of a notice period from one of its customers.

The reorganisation of the group's toys and stationery business combined the customer facing activities of Williams of Swansea Limited into Perkins Group Services Limited, and has centralised the warehousing in one location. This has allowed the group to dispose of some surplus freehold property to realise cash and repay part of its debt. Some exceptional costs were incurred in relation to the restructuring as disclosed in note 7.

On 30 December 2016 the group entered into new facilities with HSBC to facilitate the acquisition of 2 further companies following the year end. No amounts were drawn under these new facilities at the year end. The group acquired The Original Poster Company Limited, a producer and distributor of greetings cards, and PNC Global Logistics Limited (together with its subsidiary PNC Global Logistics UK Limited), a provider of freight forwarding and third party warehousing, in January 2017.

The group made a profit before tax for the period of £251,772 (Year ended 31 December 2015: £7,465,056). The statement of financial position shows total assets of £21,119,754 (As at 31 December 2015: £23,896,133), total liabilities of £12,997,466 (As at 31 December 2015: £16,458,931) and net assets of £8,122,288 (As at 31 December 2015: £7,437,202).

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

	Unit	2016	2015
Adjusted EBITDA [1]	£	2,369,359	3,283,499
Cash generated from operations	£	2,262,016	1,349,141

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

[1] - Adjusted EBITDA = Earnings before interest, tax, depreciation and amortisation adjusted to remove negative goodwill on acquisition and exceptional items

The reduction in profitability has been caused by challenges arising from the warehouse reorganisations in the subsidiary companies.

Cathay Investments 2 Limited

Strategic Report for the Year Ended 31 December 2016

Principal risks and uncertainties

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

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

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

Approved by the Board on 28 June 2017 and signed on its behalf by:



.....
B Chaing
Director

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2016

The directors present their report and the consolidated financial statements for the year ended 31 December 2016.

Directors

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

B Chaing

K Johnson

D Nicholas (appointed 26 April 2016)

G Thwaites (appointed 1 May 2016)

The following directors were appointed after the year end:

M Chaing (appointed 13 April 2017)

S Chaing (appointed 13 April 2017)

Principal activities

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

The principal activities of the group are the:

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

Dividends

The directors recommend that no dividend be paid.

Financial instruments

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

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

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

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

Price risk

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

Foreign currency risk

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

Credit risk

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

Liquidity risk

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

Cashflow interest rate risk

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

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2016

Employment of disabled persons

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

Employee involvement

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

Environmental matters

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

Future developments

The group acquired The Original Poster Company Limited, a producer and distributor of greetings cards, and PNC Global Logistics Limited (together with its subsidiary PNC Global Logistics UK Limited), a provider of freight forwarding and third party warehousing, in January 2017. Other than in respect of the foregoing the directors are not aware of any likely major changes in the group's activities in the next year and there have been no other events since the year end affecting the group that require disclosure in the financial statements.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the group's performance, business model and strategy and is fair, balanced and understandable.

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

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2016


To the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the Strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to the auditor

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

Approved by the Board on 28 June 2017 and signed on its behalf by:


.....
B Chaing
Director

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

We have audited the financial statements of Cathay Investments 2 Limited for the year ended 31 December 2016, which comprise the group and parent company statements of financial position, the group statement of comprehensive income, the group and parent company statements of cash flow, the group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

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

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

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Marc Summers

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 30/06/17

Cathay Investments 2 Limited

Consolidated Income Statement for the Year Ended 31 December 2016

	Note	2016 £	2015 £
Revenue	5	39,041,829	38,985,743
Cost of sales		<u>(17,703,257)</u>	<u>(18,407,418)</u>
Gross profit		21,338,572	20,578,325
Distribution costs		(6,032,008)	(4,611,965)
Administrative expenses		(14,937,443)	(14,064,337)
Other operating income	6	<u>-</u>	<u>5,680,662</u>
Operating profit	7	<u>369,121</u>	<u>7,582,685</u>
Finance income		2,038	43
Finance costs		<u>(119,387)</u>	<u>(117,672)</u>
Net finance costs	8	<u>(117,349)</u>	<u>(117,629)</u>
Profit before tax		251,772	7,465,056
Tax credit	11	<u>430,512</u>	<u>94,791</u>
Profit for the year		<u><u>682,284</u></u>	<u><u>7,559,847</u></u>
Profit attributable to:			
Owners of the company		<u><u>682,284</u></u>	<u><u>7,559,847</u></u>

The above results were derived from continuing operations.

Cathay Investments 2 Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2016

	2016 £	2015 £
Profit for the year	<u>682,284</u>	<u>7,559,847</u>
Total comprehensive income for the year	<u>682,284</u>	<u>7,559,847</u>
Total comprehensive income attributable to:		
Owners of the company	<u>682,284</u>	<u>7,559,847</u>

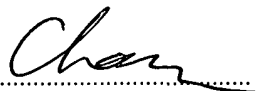
Cathay Investments 2 Limited

(Registration number: 07475530)

Consolidated Statement of Financial Position as at 31 December 2016

	Note	2016 £	2015 £
Non-current assets			
Property, plant and equipment	12	2,416,447	3,542,824
Intangible assets	13	2,225,600	3,231,200
Deferred tax assets	11	<u>1,244,146</u>	<u>1,067,015</u>
		<u>5,886,193</u>	<u>7,841,039</u>
Current assets			
Inventories	15	3,321,024	3,275,397
Trade and other receivables	16	11,309,332	12,105,306
Cash and cash equivalents	17	<u>603,205</u>	<u>674,391</u>
		<u>15,233,561</u>	<u>16,055,094</u>
Total assets		<u>21,119,754</u>	<u>23,896,133</u>
Equity			
Share capital	18	14,802	12,000
Retained earnings		<u>8,107,486</u>	<u>7,425,202</u>
Equity attributable to owners of the company		<u>8,122,288</u>	<u>7,437,202</u>
Non-current liabilities			
Loans and borrowings	20	2,929,604	3,478,165
Provisions	23	1,172,000	1,485,000
Deferred tax liabilities	11	<u>347,749</u>	<u>589,651</u>
		<u>4,449,353</u>	<u>5,552,816</u>
Current liabilities			
Trade and other payables	24	6,986,374	7,223,178
Loans and borrowings	20	1,561,739	3,659,621
Corporation tax liability		<u>-</u>	<u>23,316</u>
		<u>8,548,113</u>	<u>10,906,115</u>
Total liabilities		<u>12,997,466</u>	<u>16,458,931</u>
Total equity and liabilities		<u>21,119,754</u>	<u>23,896,133</u>

Approved by the Board and authorised for issue on 28 June 2017 and signed on its behalf by:



B Chaing
Director

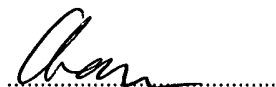
Cathay Investments 2 Limited

(Registration number: 07475530)

Company Statement of Financial Position as at 31 December 2016

	Note	2016 £	2015 £
Non-current assets			
Investments	14	5,615,501	5,615,501
Current assets			
Trade and other receivables	16	2,388,410	758,961
Cash and cash equivalents	17	25,815	48,597
		<u>2,414,225</u>	<u>807,558</u>
Total assets		<u>8,029,726</u>	<u>6,423,059</u>
Equity			
Share capital	18	14,802	12,000
Retained earnings		<u>(323,983)</u>	<u>(290,674)</u>
Total equity		<u>(309,181)</u>	<u>(278,674)</u>
Non-current liabilities			
Loans and borrowings	20	1,863,300	1,863,300
Current liabilities			
Trade and other payables	24	5,071,159	1,438,184
Loans and borrowings	20	<u>1,404,448</u>	<u>3,400,249</u>
		<u>6,475,607</u>	<u>4,838,433</u>
Total liabilities		<u>8,338,907</u>	<u>6,701,733</u>
Total equity and liabilities		<u>8,029,726</u>	<u>6,423,059</u>

Approved by the Board and authorised for issue on 28 June 2017 and signed on its behalf by:



B Chaing
Director

Cathay Investments 2 Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

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

	Share capital £	Retained earnings £	Total £
At 1 January 2016	12,000	7,425,202	7,437,202
Profit for the year	-	682,284	682,284
Total comprehensive income	-	682,284	682,284
New share capital subscribed	2,802	-	2,802
At 31 December 2016	14,802	8,107,486	8,122,288

Cathay Investments 2 Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2016

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

	Share capital £	Retained earnings £	Total £
At 1 January 2016	12,000	(290,674)	(278,674)
Loss for the year	-	(33,309)	(33,309)
Total comprehensive income	-	(33,309)	(33,309)
New share capital subscribed	2,802	-	2,802
At 31 December 2016	14,802	(323,983)	(309,181)

Cathay Investments 2 Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit for the year		682,284	7,559,847
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	7	1,721,107	1,381,476
(Profit)/loss on disposal of property, plant and equipment	7	(28,755)	4,538
Finance income	8	(2,038)	(43)
Finance costs	8	119,387	117,672
Release of negative goodwill to income	6	-	(5,680,662)
Tax credit	11	(430,512)	(94,791)
		2,061,473	3,288,037
Working capital adjustments:			
(Increase)/decrease in inventories	15	(45,627)	172,127
Decrease/(increase) in trade and other receivables	16	795,974	(4,572,767)
(Decrease)/increase in trade and other payables	24	(236,804)	2,330,744
(Decrease)/increase in provisions	23	(313,000)	131,000
Cash generated from operations		2,262,016	1,349,141
Taxes paid		(11,837)	(7,866)
Net cash flow from operating activities		2,250,179	1,341,275
Cash flows from investing activities			
Interest received	8	2,038	43
Acquisitions of property, plant and equipment	12	(379,427)	(2,067,522)
Proceeds from sale of property, plant and equipment		819,052	6,306
Acquisition of investments in subsidiary undertakings		-	(3,532,505)
Net cash flows from investing activities		441,663	(5,593,678)
Cash flows from financing activities			
Interest paid	8	(119,387)	(117,672)
Value of new loans obtained during the year		-	1,863,864
Repayment of loans and borrowings		(642,298)	(300,000)
Issue of shares	18	2,802	-
Repayment of capital element of finance leases and HP contracts		(8,344)	(10,707)
Proceeds from other borrowing drawdowns		-	3,200,000
Repayment of other borrowing		(1,995,801)	-
Net cash flows from financing activities		(2,763,028)	4,635,485
Net (decrease)/increase in cash and cash equivalents		(71,186)	383,082
Cash and cash equivalents at 1 January		674,391	291,309
Cash and cash equivalents at 31 December		603,205	674,391

The notes on pages 17 to 45 form an integral part of these financial statements.

Cathay Investments 2 Limited

Company Statement of Cash Flows for the Year Ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Loss for the year		(33,309)	(190,499)
Adjustments to cash flows from non-cash items:			
Finance income		<u>(631)</u>	<u>(43)</u>
		(33,940)	(190,542)
Working capital adjustments:			
Increase in trade and other receivables	16	(1,629,449)	(304,530)
Increase in trade and other payables	24	<u>3,632,975</u>	<u>1,386,976</u>
Net cash flow from operating activities		<u>1,969,586</u>	<u>891,904</u>
Cash flows from investing activities			
Interest received		631	43
Acquisition of subsidiaries		<u>-</u>	<u>(4,045,501)</u>
Net cash flows from investing activities		<u>631</u>	<u>(4,045,458)</u>
Cash flows from financing activities			
Issue of shares	18	2,802	-
Proceeds from other borrowing draw downs		-	3,200,000
Repayment of other borrowing	20	<u>(1,995,801)</u>	<u>-</u>
Net cash flows from financing activities		<u>(1,992,999)</u>	<u>3,200,000</u>
Net (decrease)/increase in cash and cash equivalents		(22,782)	46,446
Cash and cash equivalents at 1 January		<u>48,597</u>	<u>2,151</u>
Cash and cash equivalents at 31 December		<u><u>25,815</u></u>	<u><u>48,597</u></u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

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

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

The address of its registered office is:

A2 Yeoman Gate
Yeoman Way
Worthing
West Sussex
BN13 3QZ

The principal place of business is:

Office 37
Airport House
Purley Way
Croydon
CR0 0XZ

These financial statements were authorised for issue by the Board on 28 June 2017.

2 Adoption of new and revised standards

New standards, interpretations and amendments effective

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

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

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

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

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

New standards, interpretations and amendments not yet effective

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

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

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

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

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

IFRS 16 'Leases'; effective 1 January 2019

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Adoption of new and revised standards (continued)

Annual Improvements (2014-2016); effective 1 January 2017/2018

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

None of the other standards, interpretations and amendments which are effective for periods beginning after 1 January 2017 and which have not been adopted early, are expected to have a material effect on the financial statements.

3 Accounting policies

Statement of compliance

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

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

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

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

Going concern

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2016.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £33,309 (2015 - loss of £190,499).

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

3 Accounting policies (continued)

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

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

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

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

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

Revenue recognition

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

The group recognises revenue when:

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

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

Revenue from the rendering of services is recognised in accordance with the terms of client contracts. Recognition is following provision of the service depending on the terms of the contract.

Foreign currency transactions and balances

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

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

Tax

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

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

3 Accounting policies (continued)

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

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

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

Property, plant and equipment

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

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

Depreciation

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

Depreciation is charged so as to write off the cost of assets less their estimated residual values over their estimated useful lives, as follows:

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

Business combinations

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

3 Accounting policies (continued)

Goodwill

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

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

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

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

Intangible assets

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

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

Amortisation

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

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

Asset class	Amortisation method and rate
Contractual customer relationships	25% per annum straight line

Investments

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

Cash and cash equivalents

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

Trade and other receivables

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

3 Accounting policies (continued)

Inventories

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

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

An allowance is recorded for obsolescence.

Trade and other payables

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

Borrowings

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

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

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

Provisions

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

Leases

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

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

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

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

3 Accounting policies (continued)

Impairment of non-financial assets

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

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

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

Share capital

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

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

Defined contribution pension obligation

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

Financial assets and liabilities

Classification

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

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

Recognition and measurement

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

Impairment

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

4 Critical accounting judgements and key sources of estimation uncertainty

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

Deferred tax assets

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

Provisions

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

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

Impairment of property, plant and equipment and intangible assets

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

Goodwill and intangible assets

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

Inventory valuation

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

5 Revenue

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

	2016 £	2015 £
Sale of goods	13,250,016	14,253,602
Rendering of services	25,791,813	24,732,141
	<u>39,041,829</u>	<u>38,985,743</u>

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

	2016 £	2015 £
Import and distribution of toys, costumes, stationery and seasonal products	10,825,689	12,677,994
Warehousing and logistics services	28,216,140	26,307,749
	<u>39,041,829</u>	<u>38,985,743</u>

6 Other operating income

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

	2016 £	2015 £
Negative goodwill	-	5,680,662
	<u>-</u>	<u>5,680,662</u>

7 Operating profit

Arrived at after charging/(crediting):

	2016 £	2015 £
Depreciation expense	715,507	585,372
Amortisation expense	1,005,600	796,104
Foreign exchange gains	(26,354)	(126,717)
(Profit)/loss on disposal of property, plant and equipment	(28,755)	4,538
Operating lease rentals	3,091,583	2,919,139
Exceptional item - redundancy costs	239,228	-
Exceptional item - moving & exceptional costs due to merger	22,089	-
Exceptional item - legal and professional fees	<u>17,814</u>	<u>-</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

8 Net finance costs

	2016 £	2015 £
Finance income		
Interest income on bank deposits	2,038	43
Finance costs		
Interest on bank overdrafts and borrowings	(118,035)	(73,804)
Other finance costs	<u>(1,352)</u>	<u>(43,868)</u>
Total finance costs	<u>(119,387)</u>	<u>(117,672)</u>
Net finance costs	<u><u>(117,349)</u></u>	<u><u>(117,629)</u></u>

9 Staff costs

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

	2016 £	2015 £
Wages and salaries	6,515,845	5,991,881
Social security costs	570,007	517,675
Pension and other post-employment benefit costs	267,021	307,491
Redundancy costs	176,552	448,986
	<u>7,529,425</u>	<u>7,266,033</u>

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

	2016 No.	2015 No.
Administration and support	64	79
Sales	23	17
Marketing	1	2
Distribution	181	226
Management	<u>9</u>	<u>4</u>
	<u>278</u>	<u>328</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

10 Auditor's remuneration

	2016 £	2015 £
Audit of these financial statements	12,000	5,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	48,000	36,625
	<u>60,000</u>	<u>41,625</u>
Other fees to auditors		
Taxation compliance services	<u>6,500</u>	<u>6,000</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

11 Tax

Tax charge/(receipt) in the income statement:

	2016 £	2015 £
Current taxation		
UK corporation tax	-	28,223
UK corporation tax adjustment to prior periods	(11,479)	(6,830)
	(11,479)	21,393
Deferred taxation		
Arising from origination and reversal of temporary differences	(419,033)	(116,184)
Tax receipt in the income statement	(430,512)	(94,791)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20%).

The differences are reconciled below:

	2016 £	2015 £
Profit before tax	251,772	7,465,056
Corporation tax at standard rate	50,354	1,493,011
Increase/(decrease) in current tax from adjustment for prior periods	20,314	(6,830)
Increase/(decrease) from effect of capital allowances depreciation	47,467	32,500
Increase/(decrease) from effect of different UK tax rates on some earnings	-	(109)
Decrease/(increase) from effect of revenues exempt from taxation	-	(1,136,132)
Increase/(decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	11,719	222,184
Increase/(decrease) arising from group relief tax reconciliation	11,442	(198)
Deferred tax expense/(credit) from unrecognised tax loss or credit	(554,187)	(741,325)
Increase/(decrease) in current tax from unrecognised temporary difference from a prior period	-	(1,919)
Deferred tax expense/(credit) relating to changes in tax rates or laws	(28,471)	173,341
Other tax effects for reconciliation between accounting profit and tax expense/(income)	10,850	(129,314)
Total tax credit	(430,512)	(94,791)

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

11 Tax (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £	Net deferred tax £
2016			
Accelerated tax depreciation	236,611	(34,761)	201,850
Tax losses carry-forwards	998,205	-	998,205
Other items	9,330	(312,988)	(303,658)
	<u>1,244,146</u>	<u>(347,749)</u>	<u>896,397</u>

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

Deferred tax movement during the year:

	At 1 January 2016 £	Recognised in income statement £	At 31 December 2016 £
Accelerated tax depreciation	256,891	(55,041)	201,850
Tax losses carry-forwards	758,186	240,019	998,205
Other items	(537,713)	234,055	(303,658)
Net tax assets/(liabilities)	<u>477,364</u>	<u>419,033</u>	<u>896,397</u>

Deferred tax movement during the prior year:

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

12 Property, plant and equipment

Group

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2015	95,404	1,120,400	89,730	1,305,534
Additions	1,962,205	105,317	-	2,067,522
Acquired through business combinations	2,251,669	9,169,290	-	11,420,959
Disposals	-	(6,926)	(18,000)	(24,926)
At 31 December 2015	4,309,278	10,388,081	71,730	14,769,089
At 1 January 2016	4,309,278	10,388,081	71,730	14,769,089
Additions	106,961	272,466	-	379,427
Disposals	(881,049)	(1,916,718)	(9,594)	(2,807,361)
At 31 December 2016	3,535,190	8,743,829	62,136	12,341,155
Depreciation				
At 1 January 2015	95,404	999,297	48,349	1,143,050
Charge for year	169,153	403,648	12,571	585,372
Eliminated on disposal	-	-	(14,078)	(14,078)
Depreciation on assets acquired	1,498,637	8,013,284	-	9,511,921
At 31 December 2015	1,763,194	9,416,229	46,842	11,226,265
At 1 January 2016	1,763,194	9,416,229	46,842	11,226,265
Charge for the year	173,957	532,562	8,988	715,507
Eliminated on disposal	(95,158)	(1,916,717)	(5,189)	(2,017,064)
At 31 December 2016	1,841,993	8,032,074	50,641	9,924,708
Carrying amount				
At 31 December 2016	1,693,197	711,755	11,495	2,416,447
At 31 December 2015	2,546,084	971,852	24,888	3,542,824
At 1 January 2015	-	121,103	41,381	162,484

Included within the net book value of land and buildings above is £1,198,419 (2015 - £1,983,545) in respect of freehold land and buildings and £494,778 (2015 - £562,539) in respect of short leasehold land and buildings.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

12 Property, plant and equipment (continued)

Assets held under finance leases and hire purchase contracts

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

	2016 £	2015 £
Motor vehicles	<u>18,088</u>	<u>27,930</u>

Pledged as security

Land and buildings with a carrying amount of £1,693,197 (2015 - £2,546,084) have been pledged as security for the group's other bank borrowings.

13 Intangible assets

Group

	Goodwill £	Contractual customer relationships £	Total £
Cost or valuation			
At 1 January 2015	4,904	-	4,904
Acquired through business combinations	<u>-</u>	<u>4,022,400</u>	<u>4,022,400</u>
At 31 December 2015	<u>4,904</u>	<u>4,022,400</u>	<u>4,027,304</u>
At 1 January 2016	<u>4,904</u>	<u>4,022,400</u>	<u>4,027,304</u>
At 31 December 2016	<u>4,904</u>	<u>4,022,400</u>	<u>4,027,304</u>
Amortisation			
At 1 January 2015	-	-	-
Amortisation charge	<u>-</u>	<u>796,104</u>	<u>796,104</u>
At 31 December 2015	<u>-</u>	<u>796,104</u>	<u>796,104</u>
At 1 January 2016	<u>-</u>	<u>796,104</u>	<u>796,104</u>
Amortisation charge	<u>-</u>	<u>1,005,600</u>	<u>1,005,600</u>
At 31 December 2016	<u>-</u>	<u>1,801,704</u>	<u>1,801,704</u>
Carrying amount			
At 31 December 2016	<u>4,904</u>	<u>2,220,696</u>	<u>2,225,600</u>
At 31 December 2015	<u>4,904</u>	<u>3,226,296</u>	<u>3,231,200</u>
At 1 January 2015	<u>4,904</u>	<u>-</u>	<u>4,904</u>

Individually material intangible assets

Customer contracts acquired on the acquisition of Amethyst Group Limited

The carrying amount of this asset is £2,220,696 (2015 - £3,226,296). The remaining useful economic life of this asset is 2.5 years.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

14 Investments

Company subsidiaries

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2016	2015
Perkins Group Services Limited*	Import and distribution of toys, stationery and seasonal products	England and Wales	100%	100%
Humatt Limited*	Dormant	England and Wales	100%	100%
Buttons Bear and Friends Limited	Dormant	England and Wales	100%	100%
Williams of Swansea Limited*	Import and distribution of toys, stationery and seasonal products	England and Wales	100%	100%
Amethyst Group Limited*	Provision of warehousing and logistics services	England and Wales	100%	100%
Cathay Investments 2 Properties Limited*	Letting its own property to group companies	England and Wales	100%	100%

* indicates direct investment of the company

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

14 Investments (continued)

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

For the year ended 31 December 2016 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

Cathay Investments 2 Properties Limited (Registration number: 09622202)

Williams of Swansea Limited (Registration number: 03579111)

Summary of the company investments

	2016 £	2015 £
Investments in subsidiaries	<u>5,615,501</u>	<u>5,615,501</u>

Subsidiaries	£
Cost or valuation	
At 1 January 2015	1,570,000
Additions	<u>4,045,501</u>
At 31 December 2015	<u>5,615,501</u>
At 1 January 2016	<u>5,615,501</u>
At 31 December 2016	<u>5,615,501</u>
Carrying amount	
At 31 December 2016	<u>5,615,501</u>
At 31 December 2015	<u>5,615,501</u>
At 1 January 2015	<u>1,570,000</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

15 Inventories

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Finished goods and goods for resale	<u>3,321,024</u>	<u>3,275,397</u>	<u>-</u>	<u>-</u>

The cost of group inventories recognised as an expense in the year amounted to £10,064,105 (2015 - £9,057,020). This is included within cost of sales.

16 Trade and other receivables

		Group		Company	
	Notes	2016	2015	2016	2015
		£	£	£	£
Trade receivables		7,908,124	9,495,528	1,788	42,000
Receivables from related parties	28	2,291,358	-	2,291,358	713,949
Other prepayments		1,047,067	1,014,005	95,264	3,012
Other receivables		<u>62,783</u>	<u>1,595,773</u>	<u>-</u>	<u>-</u>
		<u>11,309,332</u>	<u>12,105,306</u>	<u>2,388,410</u>	<u>758,961</u>

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

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

17 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Cash at bank	<u>603,205</u>	<u>674,391</u>	<u>25,815</u>	<u>48,597</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

18 Share capital

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
Ordinary shares of £1 each	12,000	12,000	12,000	12,000
Ordinary shares of £3 each	934	2,802	-	-
	<u>12,934</u>	<u>14,802</u>	<u>12,000</u>	<u>12,000</u>

New shares allotted

During the year 934 ordinary shares of £3 each having an aggregate nominal value of £2,802 were allotted for an aggregate cash consideration of £2,802.

Rights, preferences and restrictions

Each ordinary share of £1 is entitled to one vote. Each ordinary share of £3 is entitled to three votes.

19 Reserves

Group

Share capital

Represents the nominal value of shares that have been issued.

Retained earnings

Includes all current and prior period retained profits and losses.

Company

Share capital

Represents the nominal value of shares that have been issued.

Retained earnings

Includes all current and prior period retained profits and losses.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

20 Loans and borrowings

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Non-current loans and borrowings				
Bank borrowings	1,066,304	1,613,490	-	-
Finance lease liabilities	-	1,375	-	-
Redeemable preference shares	<u>1,863,300</u>	<u>1,863,300</u>	<u>1,863,300</u>	<u>1,863,300</u>
	<u>2,929,604</u>	<u>3,478,165</u>	<u>1,863,300</u>	<u>1,863,300</u>

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Current loans and borrowings				
Bank borrowings	155,262	250,374	-	-
Finance lease liabilities	2,029	8,998	-	-
Other borrowings	<u>1,404,448</u>	<u>3,400,249</u>	<u>1,404,448</u>	<u>3,400,249</u>
	<u>1,561,739</u>	<u>3,659,621</u>	<u>1,404,448</u>	<u>3,400,249</u>

Group

Bank borrowings

The first HSBC Bank PLC loan is denominated in sterling with a nominal interest rate of 2.2% above the Bank of England Base Rate, and with the final instalment due by 30 September 2030. The carrying amount at year end is £837,444 (2015 - £1,509,247).

The second HSBC Bank PLC loan is denominated in sterling with a nominal interest rate of 2.2% above the Bank of England Base Rate, and with the final instalment due by 31 August 2020. The carrying amount at year end is £298,380 (2015 - £313,507).

The third HSBC Bank PLC loan is denominated in US dollars with a nominal interest rate of 2.5% above HSBC's relevant currency base rate, and with the final instalment due by 7 February 2017. The carrying amount at year end is £85,742 (2015 - £Nil).

On 30 December 2016 the group, together with its related company Cathay Investments Limited, entered into facility agreements with HSBC Bank Limited comprising a multicurrency term loan facility of €6,000,000 and a multicurrency revolving credit facility of €22,500,000. No amounts were drawn under these facilities at the year end.

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

Redeemable preference shares

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

The redeemable preference shares carry a 0% coupon rate.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

20 Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities of £2,029 (2015: £10,373) are secured over the assets under finance lease.

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

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

21 Obligations under leases and hire purchase contracts

Group

Operating leases

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

	2016 £	2015 £
Within one year	2,510,940	3,160,863
In two to five years inclusive	4,632,940	7,966,088
In over five years	<u>7,786,530</u>	<u>7,639,250</u>
	<u>14,930,410</u>	<u>18,766,201</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £3,091,583 (2015 - £2,919,139).

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

22 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £267,021 (2015 - £307,491).

23 Other provisions

Group

	Dilapidations provision £	Total £
At 1 January 2016	1,485,000	1,485,000
Provisions used	<u>(313,000)</u>	<u>(313,000)</u>
At 31 December 2016	<u>1,172,000</u>	<u>1,172,000</u>
Non-current liabilities	<u>1,172,000</u>	<u>1,172,000</u>

Dilapidations with amounts of £382,000 (2015: £520,000) expected to fall due within one year and £790,000 (2015: £965,000) expected to fall due after more than one year.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

24 Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade payables	3,677,335	4,868,175	78,048	21,678
Accrued expenses	996,447	710,308	2,000	2,000
Amounts due to related parties	-	-	4,991,111	1,413,297
Social security and other taxes	947,474	511,798	-	505
Other payables	1,365,118	1,132,897	-	704
	<u>6,986,374</u>	<u>7,223,178</u>	<u>5,071,159</u>	<u>1,438,184</u>

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

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

25 Contingent liabilities

Company

The company has given cross guarantees to the group's bankers in respect of borrowings by certain group companies. The amount guaranteed is £7,417,533 (2015: £2,400,540).

26 Financial instruments

Categories of financial instruments

The group and the company held the following financial assets:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade and other receivables	10,262,265	11,091,301	2,293,146	755,949
Cash and cash equivalents	603,205	674,391	25,815	48,597
	<u>10,865,470</u>	<u>11,765,692</u>	<u>2,318,961</u>	<u>804,546</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

26 Financial instruments (continued)

The group and company held the following financial liabilities:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade and other payables	6,986,374	7,223,178	5,071,159	1,438,184
Bank borrowings	1,221,566	1,863,864	-	-
Finance lease liabilities	2,029	10,373	-	-
Redeemable preference shares	1,863,300	1,863,300	1,863,300	1,863,300
Other borrowings	1,404,448	3,400,249	1,404,448	3,400,249
	<u>11,477,717</u>	<u>14,360,964</u>	<u>8,338,907</u>	<u>6,701,733</u>

27 Financial risk management and impairment of financial assets

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

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

Market risk

Interest rate risk

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

Sensitivity analysis

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

Based on bank borrowings at 31 December 2016 if interest rates were 0.25% higher (or lower) and all other variables were held constant, the group's net profit would decrease (or increase) by £3,000.

Credit risk and impairment

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

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

27 Financial risk management and impairment of financial assets (continued)

Past due and impaired financial assets

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

Liquidity risk

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

Maturity analysis

	Within 1 year £	After 1 year £	Total £
2016			
Non-interest bearing borrowings	1,404,448	-	1,404,448
Bank borrowings	155,262	1,066,304	1,221,566
Redeemable preference shares	-	1,863,300	1,863,300
Finance lease liabilities (present value)	2,029	-	2,029
	<u>1,561,739</u>	<u>2,929,604</u>	<u>4,491,343</u>
	Within 1 year £	After 1 year £	Total £
2015			
Non-interest bearing borrowings	3,400,249	-	3,400,249
Bank borrowings	250,374	1,613,490	1,863,864
Redeemable preference shares	-	1,863,300	1,863,300
Finance lease liabilities (present value)	8,998	1,375	10,373
	<u>3,659,621</u>	<u>3,478,165</u>	<u>7,137,786</u>

Capital risk management

Capital components

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

27 Financial risk management and impairment of financial assets (continued)

Externally imposed capital requirements

The group and company have no externally imposed capital requirements.

Capital management

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

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

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Share capital	14,802	12,000	14,802	12,000
Retained earnings	8,107,486	7,425,202	(323,983)	(290,674)
Redeemable preference shares	1,863,300	1,863,300	1,863,300	1,863,300
Bank borrowings	1,221,566	1,863,864	-	-
	<u>11,207,154</u>	<u>11,164,366</u>	<u>1,554,119</u>	<u>1,584,626</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

28 Related party transactions

Key management personnel

B Chaing, director
K Johnson, director
D Nicholas, director
G Thwaites, director

Summary of transactions with key management

B Chaing continued to provide a loan to the group during the year and advanced the group £Nil (2015: £1,066,667) during the year.

At the year end the amount due to B Chaing was £538,582 (2015: £1,266,916).
The loan from B Chaing is interest free and repayable on demand.

Summary of transactions with entities with joint control or significant interest

Cathay Investments Limited and its subsidiary companies, related due to common control.
Cathay Investments Limited and subsidiary companies recharged costs of £385,739 (2015: £188,387) to the group.
During the year the group recharged costs of £35,801 (2015: £Nil) to Cathay Investments Limited and subsidiary companies

During the year the group made sales of £322,741 (2015: £137,556) to Cathay Investments Limited and its subsidiary companies.

The group provided a loan to Cathay Investments Limited and advanced to them £2,303,497 (2015: £Nil) during the year.

The group has given cross guarantees in respect of borrowings by Cathay Investments Limited and certain of its subsidiaries. The total amount of contingencies not included in the balance sheet is £5,340,042 (2015: £Nil).

At the year end the amount due from/(to) Cathay Investments Limited and its subsidiary companies was £2,318,258 (2015: (£33,852)).

Summary of transactions with other related parties

M Chaing, wife of B Chaing & 31% shareholder.
M Chaing advanced the group £Nil (2015: £1,066,667) during the year.
At the year end the amount due to M Chaing was £433,333 (2015: £1,066,667).
The loan from M Chaing is interest free and is repayable on demand.

S Chaing, son of B Chaing & 31% shareholder.
S Chaing advanced the group £Nil (2015: £1,066,667) during the year.
At the year end the amount due to S Chaing was £433,333 (2015: £1,066,667).
The loan from S Chaing is interest free and is repayable on demand.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

28 Related party transactions (continued)

Income and receivables from related parties

	Entities with joint control or significant influence £
2016	
Receipt of services	322,741
Settlement of liabilities	<u>35,801</u>
	<u>358,542</u>
Amounts receivable from related party	<u><u>2,318,258</u></u>

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

Expenditure with and payables to related parties

	Entities with joint control or significant influence £
2016	
Rendering of services	<u><u>385,739</u></u>

	Entities with joint control or significant influence £
2015	
Rendering of services	158,000
Recharged expenses	<u>30,387</u>
	<u>188,387</u>
Amounts payable to related party	<u><u>33,852</u></u>

Loans from related parties

	Key management £	Other related parties £
2016		
At start of period	1,266,916	2,133,334
Repaid	<u>(728,334)</u>	<u>(1,266,668)</u>
At end of period	<u><u>538,582</u></u>	<u><u>866,666</u></u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

28 Related party transactions (continued)

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