

Registration number:
07475530

CATHAY INVESTMENTS 2 LIMITED
DIRECTORS' REPORT, STRATEGIC REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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CATHAY INVESTMENTS 2 LIMITED
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CATHAY INVESTMENTS 2 LIMITED
COMPANY INFORMATION

Directors

B Chaing
K Johnson

Registered office

A2 Yeoman Gate
Yeoman Way
Worthing
West Sussex
BN13 3QZ

Auditor

Spofforths LLP
Springfield House
Springfield Road
Horsham
West Sussex
RH12 2RG

CATHAY INVESTMENTS 2 LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the consolidated financial statements for the year ended 31 December 2014.

Principal activity

The principal activity of the company is that of a holding company. The principal activity of the group is the import and distribution of toys, costumes, stationery and seasonal products.

During the year the company changed its name from Apex DC Properties Limited to Cathay Investments 2 Limited.

Directors of the company

The directors who held office during the year and since the year end were as follows:

B Chaing

K Johnson

K Johnson was appointed 13 January 2015.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for that period. In preparing these financial statements, the directors are required to:

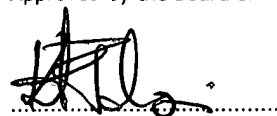
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

Approved by the Board on 29/9/15 and signed on its behalf by:



K Johnson
Director

CATHAY INVESTMENTS 2 LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report for the year ended 31 December 2014.

Fair review of the business

On the 28 July 2014 the company made its first acquisitions in Perkins Group Services Limited, Humatt Limited and Buttons Bear and Friends Limited, all distributors of toys and stationery.

On 31 December 2014, the trade and assets of Humatt Limited, and its subsidiary Buttons Bear and Friends Limited, were transferred to Perkins Group Services Limited.

The directors are satisfied with the results of the group for its first period of trading. The loss for the year, after taxation, amounted to £119,623 (2013: £nil). The loss for the year has arisen due to the reorganisation and rationalisation of the subsidiaries activities post acquisition. The group expects to return to profitability in the current financial year.

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

	Unit	2014	2013
Turnover	£	4,174,039	-
Margins	%	32	-
EBITDA	£	(104,153)	-

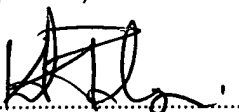
The group also monitors free cashflow.

Principal risks and uncertainties

The directors consider that the group has a strong management team and robust processes in place to protect itself against financial losses. The key risks identified by the directors are economic conditions, the economic cycle and maintenance of key customer relationships.

The group's financial risk management policies are designed to reduce the risk of liquidity and credit risk exposure. The group's principal financial instruments comprise cash at bank, bank loans, trade receivables and payables and balances with group companies. The group manages its cash flow to ensure it has sufficient funds to meet its liabilities as they fall due for payment, whilst at the same time operating within agreed bank facilities. Trade receivables are monitored on an on-going basis and at the year end there are no significant concentrations of credit risk in the group.

Approved by the Board on 29/9/15 and signed on its behalf by:



K Johnson
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 2014, set out on pages 6 to 24 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 2), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CATHAY INVESTMENTS 2 LIMITED**

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.

Other matters

The comparatives for the year ended 31 December 2013 were unaudited.

Spofforths LLP

G Hunt BA FCA (Senior Statutory Auditor)

For and on behalf of Spofforths LLP, Statutory Auditor

Springfield House
Springfield Road
Horsham
West Sussex
RH12 2RG

Date: *29 September 2015*

CATHAY INVESTMENTS 2 LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	£	2014 £	2013 £
Turnover				
Acquisitions			4,174,039	-
Group turnover			4,174,039	-
Cost of sales	3		(2,842,136)	-
Gross profit			1,331,903	-
Distribution costs	3		(602,443)	-
Administrative expenses	3		(853,357)	-
Operating profit/(loss)	4			
Continuing operations		(3,801)		-
Acquisitions		(120,096)		-
			(123,897)	-
Group operating loss			(123,897)	-
Interest payable and similar charges	8		(4,893)	-
Loss on ordinary activities before taxation			(128,790)	-
Tax on (loss)/profit on ordinary activities	9		9,167	-
Loss for the financial year attributable to members of the parent company	20		(119,623)	-

The group has no recognised gains or losses for the year other than the results above.

The comparative figures are unaudited.

CATHAY INVESTMENTS 2 LIMITED


(REGISTRATION NUMBER: 07475530)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

			2014		2013
	Note	£	£	£	£
Fixed assets					
Intangible fixed assets	10		18,674		-
Tangible fixed assets	11		162,484		-
Current assets					
Stocks	14	1,642,568		-	
Debtors	15	1,497,615		10,000	
Cash at bank and in hand		291,309		-	
		<u>3,431,492</u>		<u>10,000</u>	
Creditors: Amounts falling due within one year	16	<u>(1,826,393)</u>		<u>-</u>	
Net current assets			<u>1,605,099</u>		<u>10,000</u>
Total assets less current liabilities			<u>1,786,257</u>		<u>10,000</u>
Creditors: Amounts falling due after more than one year	17		(1,873,162)		-
Provisions for liabilities	18		<u>(20,718)</u>		<u>-</u>
Net (liabilities)/assets			<u>(107,623)</u>		<u>10,000</u>
Capital and reserves					
Called up share capital	19	12,000		10,000	
Profit and loss account	20	<u>(119,623)</u>		<u>-</u>	
Shareholders' (deficit)/funds	21		<u>(107,623)</u>		<u>10,000</u>

The comparative figures are unaudited.

Approved by the Board and authorised for issue on 29/9/15 and signed on its behalf by:



K Johnson
Director

CATHAY INVESTMENTS 2 LIMITED
(REGISTRATION NUMBER: 07475530)
BALANCE SHEET AT 31 DECEMBER 2014

	Note	2014 £	2013 £
Fixed assets			
Investments	12	1,666,374	-
Current assets			
Debtors	15	454,431	10,000
Cash at bank		2,151	-
		456,582	10,000
Creditors: Amounts falling due within one year	16	(251,457)	-
Net current assets		205,125	10,000
Total assets less current liabilities		1,871,499	10,000
Creditors: Amounts falling due after more than one year	17	(1,863,300)	-
Net assets		8,199	10,000
Capital and reserves			
Called up share capital	19	12,000	10,000
Profit and loss account	20	(3,801)	-
Shareholders' funds	21	8,199	10,000

The comparative figures are unaudited.

Approved by the Board and authorised for issue on 29/9/15 and signed on its behalf by:


K Johnson
Director

CATHAY INVESTMENTS 2 LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

Reconciliation of operating loss/profit to net cash flow from operating activities

	2014 £	2013 £
Operating loss	(123,897)	-
Depreciation, amortisation and impairment charges	21,086	-
Loss on disposal of fixed assets	24,308	-
Decrease in stocks	364,628	-
Increase in debtors	(226,143)	-
Decrease in creditors	(194,481)	-
Decrease in provisions	(89,188)	-
Net cash outflow from operating activities	<u>(223,687)</u>	<u>-</u>

Cash flow statement

	2014 £	2013 £
Net cash outflow from operating activities	<u>(223,687)</u>	<u>-</u>
Returns on investments and servicing of finance		
Interest paid	<u>(4,893)</u>	<u>-</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(199)	-
Sale of tangible fixed assets	<u>(17,936)</u>	<u>-</u>
	(18,135)	-
Acquisitions and disposals		
Acquisition of investments in subsidiary undertakings	<u>(1,456,530)</u>	<u>-</u>
Net cash outflow before management of liquid resources and financing	<u>(1,703,245)</u>	<u>-</u>
Financing		
Value of new loans obtained during the period	300,000	-
Repayment of loans and borrowings	(164,264)	-
Issue of shares	1,865,300	-
Repayment of capital element of finance leases and HP contracts	<u>(6,482)</u>	<u>-</u>
	<u>1,994,554</u>	<u>-</u>
Increase in cash	<u><u>291,309</u></u>	<u><u>-</u></u>

CATHAY INVESTMENTS 2 LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

Reconciliation of net cash flow to movement in net debt

	Note	2014 £	2013 £
Increase in cash		291,309	-
Cash inflow from increase in loans		(300,000)	-
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		6,482	-
Cash inflow from increase in other debt		<u>(1,863,300)</u>	<u>-</u>
Change in net debt resulting from cash flows		<u>(1,865,509)</u>	<u>-</u>
Movement in net debt		(1,865,509)	-
Net funds/(debt) at 1 January		<u>-</u>	<u>-</u>
Net debt at 31 December		<u><u>(1,865,509)</u></u>	<u><u>-</u></u>

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2014. Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the group profit and loss account and statement of cashflows include the results and cashflows of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the financial year was £3,801 (2013 - £nil).

Turnover

Turnover represents amounts chargeable, net of discounts and value added tax, in respect of the sale of goods and services to customers.

Goodwill

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

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through sale or depreciation.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of an asset as follows:

Asset class

Goodwill

Amortisation method and rate

5 years straight line

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Depreciation

Depreciation is provided on tangible fixed assets, so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Leasehold buildings	10% per annum straight line
Fixtures and fittings	10-25% per annum straight line and 25% per annum reducing balance
Motor vehicles	25% per annum reducing balance

Fixed asset investments

Investments are included at cost less amounts written off.

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Pensions

The group operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Provisions

A provision is recognised on the balance sheet when the group has a present legal or constructive obligation as a result of a past events, it is probable that an outflow of economic benefits will be required to settle that obligation and the amount can be reliably estimated.

2 Going concern

The financial statements have been prepared on a going concern basis. The group is dependent on the support of its director and bankers to enable it to continue trading and meet its liabilities as they fall due for payment. If this assumption proves to be inappropriate, then adjustments may have to be made to adjust the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and reclassify fixed assets as current assets.

3 Cost of sales and operating expenses

The total figures for continuing operations in the year ending 31 December 2014 includes the following amounts relating to acquisitions:

	£
Cost of sales	2,842,136
Distribution costs	602,443
Administrative expenses	<u>849,556</u>

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2014 £	2013 £
Operating leases - other assets	114,802	-
Foreign currency gains	(20,144)	-
Loss on sale of tangible fixed assets	24,308	-
Depreciation of owned assets	15,304	-
Depreciation of assets held under finance lease and hire purchase contracts	4,530	-
Amortisation	1,252	-
Auditor's remuneration	<u>18,625</u>	<u>-</u>

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

5 Auditor's remuneration

	2014	2013
	£	£
Audit of the financial statements	16,900	-
Fees payable to the group's auditor for other services:		
Other services	1,725	-
	<u>18,625</u>	<u>-</u>

£2,800 (2013 - £nil) of the fee for auditing the financial statements relates to the company.

6 Exceptional items

	2014	2013
	£	£
Exceptional item - redundancy costs	<u>57,414</u>	<u>-</u>

The exceptional item represents the redundancy costs of certain staff members in Perkins Group Services Limited during the year.

7 Particulars of employees

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

	2014	2013
	No.	No.
Administration and support	20	-
Sales	7	-
Distribution	25	-
Management	6	-
	<u>58</u>	<u>-</u>

The aggregate payroll costs were as follows:

	2014	2013
	£	£
Wages and salaries	503,549	-
Social security costs	48,723	-
Staff pensions	10,217	-
	<u>562,489</u>	<u>-</u>

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8 Interest payable and similar charges

	2014 £	2013 £
Interest on bank borrowings	3,505	-
Other interest payable	<u>1,388</u>	<u>-</u>
Group interest payable and similar charges	<u><u>4,893</u></u>	<u><u>-</u></u>

9 Taxation

Tax on (loss)/profit on ordinary activities

	2014 £	2013 £
Current tax		
Corporation tax credit	<u>(9,167)</u>	<u>-</u>

Factors affecting current tax charge for the year

Tax on (loss)/profit on ordinary activities for the year is higher than (2013 - the same as) the standard rate of corporation tax in the UK of 20% (2013 - 20%).

The differences are reconciled below:

	2014 £
Loss on ordinary activities before taxation	<u>(128,790)</u>
Corporation tax at standard rate	(25,758)
Other differences	<u>16,591</u>
Total current tax	<u><u>(9,167)</u></u>

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

10 Intangible fixed assets

Group

	Goodwill £
Cost	
Assets acquired	27,083
Goodwill arising on consolidation	<u>15,022</u>
At 31 December 2014	<u>42,105</u>
Amortisation	
Amortisation on assets acquired	22,179
Charge for the year	<u>1,252</u>
At 31 December 2014	<u>23,431</u>
Net book value	
At 31 December 2014	<u><u>18,674</u></u>

11 Tangible fixed assets

Group

	Leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
Assets acquired	159,832	1,129,142	98,730	1,387,704
Additions	-	199	-	199
Disposals	<u>(64,428)</u>	<u>(8,941)</u>	<u>(9,000)</u>	<u>(82,369)</u>
At 31 December 2014	<u>95,404</u>	<u>1,120,400</u>	<u>89,730</u>	<u>1,305,534</u>
Depreciation				
Depreciation on assets acquired	158,305	997,640	43,268	1,199,213
Charge for the year	2,792	10,344	6,698	19,834
Eliminated on disposals	<u>(65,693)</u>	<u>(8,687)</u>	<u>(1,617)</u>	<u>(75,997)</u>
At 31 December 2014	<u>95,404</u>	<u>999,297</u>	<u>48,349</u>	<u>1,143,050</u>
Net book value				
At 31 December 2014	<u><u>-</u></u>	<u><u>121,103</u></u>	<u><u>41,381</u></u>	<u><u>162,484</u></u>

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Leased assets

Included within the net book value of tangible fixed assets is £39,201 (2013 - £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £4,530 (2013 - £nil).

12 Investments held as fixed assets

Company

	2014	2013
	£	£
Shares in group undertakings and participating interests	<u>1,666,374</u>	<u>-</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings
	£
Cost	
Additions	<u>1,666,374</u>
At 31 December 2014	<u>1,666,374</u>
Net book value	
At 31 December 2014	<u>1,666,374</u>

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Perkins Group Services Limited	Ordinary	100%	Distributor and wholesaler
Humatt Limited	Ordinary	100%	Wholesaler
Buttons Bear and Friends Limited	Ordinary	100%	Wholesaler
Pick A Toy Limited	Ordinary	100%	Dormant
Easter Island Company Limited	Ordinary	100%	Dormant

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

For the year ending 31 December 2014 the subsidiary Buttons Bear and Friends Limited (Registration number: 821020) has taken the exemption from audit under section 479A of the Companies Act 2006.

13 Acquisitions

Analysis of the acquisition of Perkins Group Services Limited and Humatt Limited

On 28 July 2014 the group acquired 50,000 (100%) ordinary shares of Perkins Group Services Limited and 100 (100%) ordinary shares of Humatt Limited.

Through the acquisition of the above companies the group also acquired 100% of the ordinary shares of Buttons Bear and Friends Limited, Pick A Toy Limited and Easter Island Company Limited.

	Book value	Revaluation	Fair value	Accounting	Other	Fair value
	£	adjustment	adjustment	policy	adjustment	£
	£	£	£	adjustment	£	£
Fixed assets	199,523	-	-	-	-	199,523
Fixed asset investments	50,100	-	-	-	8,474	58,574
Stocks	2,007,196	-	-	-	-	2,007,196
Debtors	1,209,520	-	-	-	-	1,209,520
Cash	196,604	-	-	-	-	196,604
Creditors	(1,882,597)	-	-	-	-	(1,882,597)
Loans and finance leases	(27,562)	-	-	-	-	(27,562)
Provisions	(109,906)	-	-	-	-	(109,906)
	<u>1,642,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,474</u>	<u>1,651,352</u>
Goodwill arising on acquisition						15,022
						<u>1,666,374</u>
Discharged by:						
Cash						<u>1,666,374</u>

CATHAY INVESTMENTS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

14 Stock

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Finished goods	<u>1,642,568</u>	<u>-</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	769,727	-	-	-
Amounts owed by group undertakings	-	-	243,000	-
Other debtors	355,701	10,000	211,431	10,000
Prepayments and accrued income	<u>372,187</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,497,615</u>	<u>10,000</u>	<u>454,431</u>	<u>10,000</u>

Group debtors includes £40,395 (2013 - £nil) receivable after more than one year.

This can be analysed as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Other debtors	<u>40,395</u>	<u>-</u>	<u>-</u>	<u>-</u>

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16 Creditors: Amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	951,378	-	49,208	-
Bank loans	300,000	-	-	-
Obligations under finance lease and hire purchase contracts	11,218	-	-	-
Corporation tax	5,309	-	-	-
Other taxes and social security	120,745	-	-	-
Other creditors	6,381	-	-	-
Director's current account	200,249	-	200,249	-
Accruals and deferred income	231,113	-	2,000	-
	<u>1,826,393</u>	<u>-</u>	<u>251,457</u>	<u>-</u>

Creditors amounts falling due within one year includes the following liabilities, on which security has been given by the group/company:

Group

	2014	2013
	£	£
Bank loans	300,000	-
Obligations under finance lease and hire purchase contracts	11,218	-
	<u>311,218</u>	<u>-</u>

Bank loans of £300,000 (2013 - £nil) are secured over all the assets of the company and group companies.

17 Creditors: Amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Redeemable preference shares	1,863,300	-	1,863,300	-
Obligations under finance lease and hire purchase contracts	9,862	-	-	-
	<u>1,873,162</u>	<u>-</u>	<u>1,863,300</u>	<u>-</u>

Creditors amounts falling due after more than one year includes the following liabilities, on which security has been given by the group/company:

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Group

	2014	2013
	£	£
Obligations under finance lease and hire purchase contracts	<u>9,862</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts

Amounts repayable:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
In one year or less on demand	11,218	-	-	-
Between one and two years	<u>9,862</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>21,080</u>	<u>-</u>	<u>-</u>	<u>-</u>

18 Provisions

Group

	Deferred tax	Other	Total
	£	provision	£
At 1 January 2014	<u>-</u>	<u>-</u>	<u>-</u>
Provision transferred in on acquisition of subsidiaries	20,718	89,188	109,906
Credited to the profit and loss account	<u>-</u>	<u>(89,188)</u>	<u>(89,188)</u>
	20,718	-	20,718
At 31 December 2014	<u>20,718</u>	<u>-</u>	<u>20,718</u>

Other provisions transferred in on the acquisition of Perkins Group Services Limited consist of relocation costs and a stock provision.

Analysis of deferred tax

	2014	2013
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	<u>20,718</u>	<u>-</u>

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19 Share capital

Allotted, called up and fully paid shares

	2014		2013	
	No.	£	No.	£
Ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	<u>10,000</u>	<u>10,000</u>

New shares allotted

During the year 2,000 Ordinary shares of £1 each, having an aggregate nominal value of £2,000, were allotted for an aggregate consideration of £2,000.

During the year 1,863,300 redeemable preference shares of £1 each, having an aggregate nominal value of £1,863,300, were allotted for an aggregate consideration of £1,863,300.

The holders 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 and included within creditors falling due after more than one year in the balance sheet.

The redeemable preference shares carry a 0% coupon rate.

20 Reserves

Group

	Profit and loss account £	Total £
Loss for the year	<u>(119,623)</u>	<u>(119,623)</u>
At 31 December 2014	<u>(119,623)</u>	<u>(119,623)</u>

Company

	Profit and loss account £	Total £
Loss for the year	<u>(3,801)</u>	<u>(3,801)</u>
At 31 December 2014	<u>(3,801)</u>	<u>(3,801)</u>

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21 Reconciliation of movement in shareholders' funds

Group

	2014 £	2013 £
Loss attributable to the members of the group	(119,623)	-
New share capital subscribed	<u>2,000</u>	<u>-</u>
Net reduction to shareholders' funds	(117,623)	-
Shareholders' funds at 1 January	<u>10,000</u>	<u>10,000</u>
Shareholders' (deficit)/funds at 31 December	<u><u>(107,623)</u></u>	<u><u>10,000</u></u>

Company

	2014 £	2013 £
Loss attributable to the members of the company	(3,801)	-
New share capital subscribed	<u>2,000</u>	<u>-</u>
Net reduction to shareholders' funds	(1,801)	-
Shareholders' funds at 1 January	<u>10,000</u>	<u>10,000</u>
Shareholders' funds at 31 December	<u><u>8,199</u></u>	<u><u>10,000</u></u>

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 £10,217 (2013 - £nil).

23 Contingent liabilities

The company has given cross guarantees to the groups bankers in respect of borrowings by certain group companies. The amount guaranteed is £124,909 (2013 - £nil).

The company has also given a cross guarantee in support of a group VAT registration. The amount guaranteed is £4,839 (2013 - £nil).

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24 Commitments

Operating lease commitments

Group

As at 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2014 £	2013 £
Land and buildings		
Over five years	225,000	-
Other		
Within one year	14,119	-
Within two and five years	24,465	-
	38,584	-

25 Related party transactions

Other related party transactions

During the year the company made the following related party transactions:

Cathay Investments Limited

(Common control)

Cathay Investments Limited recharged costs of £48,008 to Cathay Investments 2 Limited. During the year the group was recharged management expenses of £26,570 (2013 - £nil) by Cathay Investments Limited. At the balance sheet date the amount due to Cathay Investments Limited was £54,692 (2013 - £nil).

B Chaing

(Director)

During the year the director provided a loan of £200,249 to the group. B Chaing has provided a personal guarantee of £200,000 in respect of the group's bank loan. At the balance sheet date the amount due to B Chaing was £200,249 (2013 - £nil).

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

26 Control

The company is controlled by B Chaing and members of his close family, who control the company as a result of controlling, directly or indirectly, 100% of the issued share capital of the company.