

Registered number: 07475530

Cathay Investments 2 Limited

Directors' Report, Strategic Report and Audited Consolidated Financial Statements

for the Year Ended 31 December 2018



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	Springfield House Springfield Road Horsham West Sussex RH12 2RG
Statutory auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

Cathay Investments 2 Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Fair review of the business

2018 has seen a consolidation of the business and operations of the group following the acquisitions and reorganisations which took place in 2017. The focus for the year has been on improving operational efficiency and the directors are pleased with the results which show an improved EBITDA. This has come from the restructuring of Amethyst warehouses in 2017 and the creation of the superhub facility. For 2019 we look to build on this foundation and continue to improve links between the different businesses in the group.

The group made a profit before tax for the year of £1,311,556 (2017: loss before tax £1,396,850). The statement of financial position shows total assets of £28,047,441 (As at 31 December 2017: £25,547,188), total liabilities of £20,657,896 (As at 31 December 2017: £19,044,393) and net assets of £7,389,545 (As at 31 December 2017: £6,502,795).

Following the year end the company acquired 100% of the share capital of Warehouse One Distribution Limited. Warehouse One Distribution Limited is a provider of third party logistics services. Further details relating to the acquisition will be provided when the purchase price allocation has been finalised.

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

	Unit	2018	2017
EBITDA [1]	£	3,899,023	1,494,689
Cash generated from operations	£	3,249,931	5,993,291

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 improvement in profitability shows the results of the warehouse reorganisation in subsidiary companies which has increased operating efficiency in 2018.

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 **26 SEP 2019** and signed on its behalf by:



B Chaing
Director

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the consolidated financial statements for the year ended 31 December 2018.

Directors of the group

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

B Chaing
K Johnson
D Nicholas
G Thwaites
M Chaing
S Chaing

Principal activities

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

The principal activities of the group are:

- import and distribution of toys, costumes, stationery and seasonal products,
- warehousing and logistics services,
- freight forwarding, associated logistics and distribution including e-fulfilment; and
- design, manufacture and distribution of greeting cards.

Dividends

The directors recommend that no dividend be paid (2017: £nil).

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 shareholders' funds, directors' loans and bank debt. The group is exposed to risk through having loan repayment obligations as described in note 19. There are no significant repayments falling due immediately and the group monitors its cash flow and loan maturities carefully to manage these risks.

Cash flow interest rate risk

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

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.

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2018

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

Following the year end the company acquired 100% of the share capital of Warehouse One Distribution Limited. Warehouse One Distribution Limited is a provider of third party logistics services. Further details relating to the acquisition will be provided when the purchase price allocation has been finalised. 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 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, 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.

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.

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2018

Disclosure of information to the auditor

The directors confirm that:

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

Approved by the Board on **26 SEP 2019** and signed on its behalf by:



B Chaing
Director

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

Opinion

We have audited the financial statements of Cathay Investments 2 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 and of the group's profit and the parent company's loss 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



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Marc Summers BSc (Hons) FCA (Senior Statutory Auditor)

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: **26 SEP 2019**

Cathay Investments 2 Limited

Consolidated Income Statement for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Revenue	5	45,098,360	43,913,884
Cost of sales		(21,437,228)	(22,880,866)
Gross profit		23,661,132	21,033,018
Distribution costs		(5,791,068)	(5,275,682)
Administrative expenses		(16,307,739)	(16,934,390)
Operating profit/(loss)	6	1,562,325	(1,177,054)
Finance income		26,986	8,478
Finance costs		(277,755)	(228,274)
Net finance costs	7	(250,769)	(219,796)
Profit/(loss) before tax		1,311,556	(1,396,850)
Tax expense	10	(424,806)	(179,298)
Profit/(loss) for the year		886,750	(1,576,148)
Profit/(loss) attributable to:			
Owners of the company		839,373	(1,588,965)
Non-controlling interests		47,377	12,817
		886,750	(1,576,148)

The above results were derived from continuing operations.

Cathay Investments 2 Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018 £	2017 £
Profit/(loss) for the year	886,750	(1,576,148)
Total comprehensive income for the year	<u>886,750</u>	<u>(1,576,148)</u>
Total comprehensive income attributable to:		
Owners of the company	839,373	(1,588,965)
Non-controlling interests	<u>47,377</u>	<u>12,817</u>
	<u>886,750</u>	<u>(1,576,148)</u>

Cathay Investments 2 Limited

(Registration number: 07475530)

Consolidated Statement of Financial Position as at 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment	11	5,951,983	6,045,333
Intangible assets	12	3,029,061	4,179,841
Deferred tax assets	10	276,043	839,289
		<u>9,257,087</u>	<u>11,064,463</u>
Current assets			
Inventories	14	1,513,702	1,931,755
Trade and other receivables	15	12,536,490	10,511,704
Cash and cash equivalents	16	4,740,162	2,039,266
		<u>18,790,354</u>	<u>14,482,725</u>
Total assets		<u>28,047,441</u>	<u>25,547,188</u>
Equity			
Share capital	17	14,802	14,802
Retained earnings		7,357,894	6,518,521
Equity attributable to owners of the company		<u>7,372,696</u>	<u>6,533,323</u>
Non-controlling interests		16,849	(30,528)
Total equity		<u>7,389,545</u>	<u>6,502,795</u>
Non-current liabilities			
Loans and borrowings	19	6,330,209	7,254,023
Provisions	22	1,438,664	1,080,959
Deferred tax liabilities	10	-	209,870
		<u>7,768,873</u>	<u>8,544,852</u>
Current liabilities			
Trade and other payables	23	11,123,330	8,933,140
Loans and borrowings	19	1,691,163	1,343,853
Corporation tax liability		74,530	222,548
		<u>12,889,023</u>	<u>10,499,541</u>
Total liabilities		<u>20,657,896</u>	<u>19,044,393</u>
Total equity and liabilities		<u>28,047,441</u>	<u>25,547,188</u>

26 SEP 2019

Approved by the Board on and signed on its behalf by:



B Chaing
Director

The notes on pages 16 to 40 form an integral part of these financial statements.

Cathay Investments 2 Limited

(Registration number: 07475530)

Company Statement of Financial Position as at 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Investments	13	9,701,530	9,698,565
Deferred tax assets	10	8,060	-
		<u>9,709,590</u>	<u>9,698,565</u>
Current assets			
Trade and other receivables	15	1,285,677	1,406,647
Cash and cash equivalents	16	208,410	1,322,337
		<u>1,494,087</u>	<u>2,728,984</u>
Total assets		<u>11,203,677</u>	<u>12,427,549</u>
Equity			
Share capital	17	14,802	14,802
Retained earnings		4,112,641	4,380,979
Total equity		<u>4,127,443</u>	<u>4,395,781</u>
Non-current liabilities			
Loans and borrowings	19	5,412,957	6,289,656
Current liabilities			
Trade and other payables	23	47,902	531,863
Loans and borrowings	19	1,615,375	1,210,249
		<u>1,663,277</u>	<u>1,742,112</u>
Total liabilities		<u>7,076,234</u>	<u>8,031,768</u>
Total equity and liabilities		<u>11,203,677</u>	<u>12,427,549</u>

26 SEP 2019

Approved by the Board on and signed on its behalf by:



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B Chaing
Director

Cathay Investments 2 Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Retained earnings £	Total £	Non- controlling interests £	Total £
At 1 January 2017	14,802	8,107,486	8,122,288	-	8,122,288
(Loss)/profit for the year	-	(1,588,965)	(1,588,965)	12,817	(1,576,148)
Total comprehensive income	-	(1,588,965)	(1,588,965)	12,817	(1,576,148)
Acquisition of subsidiaries	-	-	-	(43,345)	(43,345)
At 31 December 2017	14,802	6,518,521	6,533,323	(30,528)	6,502,795

	Share capital £	Retained earnings £	Total £	Non- controlling interests £	Total £
At 1 January 2018	14,802	6,518,521	6,533,323	(30,528)	6,502,795
Profit for the year	-	839,373	839,373	47,377	886,750
Total comprehensive income	-	839,373	839,373	47,377	886,750
At 31 December 2018	14,802	7,357,894	7,372,696	16,849	7,389,545

Cathay Investments 2 Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Retained earnings £	Total £
At 1 January 2017	14,802	(323,983)	(309,181)
Profit for the year	-	4,704,962	4,704,962
Total comprehensive income	-	4,704,962	4,704,962
At 31 December 2017	14,802	4,380,979	4,395,781

	Share capital £	Retained earnings £	Total £
At 1 January 2018	14,802	4,380,979	4,395,781
Loss for the year	-	(268,338)	(268,338)
Total comprehensive income	-	(268,338)	(268,338)
At 31 December 2018	14,802	4,112,641	4,127,443

Cathay Investments 2 Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit/(loss) for the year		886,750	(1,576,148)
Adjustments to cash flows from non-cash items:			
Depreciation, amortisation and impairment	6	1,799,077	1,701,278
(Profit)/loss on disposal of property, plant and equipment	6	(354)	90,940
Negative goodwill on acquisition of subsidiaries	6	-	(120,688)
Finance income	7	(26,986)	(8,478)
Finance costs	7	277,755	228,274
Tax expense	10	424,806	179,298
		<u>3,361,048</u>	<u>494,476</u>
Working capital adjustments:			
Decrease in inventories	14	418,053	1,720,702
(Increase)/decrease in trade and other receivables	15	(2,024,786)	4,468,389
Increase/(decrease) in trade and other payables	23	784,535	(813,142)
Increase/(decrease) in provisions	22	357,705	(91,041)
Increase in deferred tax	10	353,376	213,907
Cash generated from operations		<u>3,249,931</u>	<u>5,993,291</u>
Income taxes paid		<u>(572,824)</u>	<u>(235,230)</u>
Net cash flow from operating activities		<u>2,677,107</u>	<u>5,758,061</u>
Cash flows from investing activities			
Interest received	7	26,986	8,478
Acquisitions of property, plant and equipment	11	(557,898)	(4,056,954)
Proceeds from sale of property, plant and equipment		3,305	1,158,506
Acquisition of subsidiaries		-	(4,011,827)
Net cash flows from investing activities		<u>(527,607)</u>	<u>(6,901,797)</u>
Cash flow from financing activities			
Interest paid	7	(277,755)	(228,274)
Value of new loans obtained during the year	19	49,715	4,697,655
Repayment of loans and borrowings	19	(92,616)	(854,846)
Repayment of capital element of finance leases and HP contracts	19	(12,314)	(2,029)
Repayment of other borrowing	19	(521,289)	(194,199)
Increase/(decrease) in invoice discounting facility	23	1,405,655	(838,510)
Net cash flows from financing activities		<u>551,396</u>	<u>2,579,797</u>
Net increase in cash and cash equivalents		<u>2,700,896</u>	<u>1,436,061</u>
Cash and cash equivalents at 1 January	16	<u>2,039,266</u>	<u>603,205</u>
Cash and cash equivalents at 31 December	16	<u><u>4,740,162</u></u>	<u><u>2,039,266</u></u>

The notes on pages 16 to 40 form an integral part of these financial statements.

Cathay Investments 2 Limited

Company Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
(Loss)/profit for the year	3	(268,338)	4,704,962
Adjustments to cash flows from non-cash items:			
Finance income		(20,476)	(5,229,869)
Finance costs		144,273	117,233
Tax credit		(8,060)	-
		<u>(152,601)</u>	<u>(407,674)</u>
Working capital adjustments:			
Decrease in trade and other receivables	15	120,970	981,763
(Decrease)/increase in trade and other payables	23	<u>(483,961)</u>	<u>685,704</u>
Net cash flow from operating activities		<u>(515,592)</u>	<u>1,259,793</u>
Cash flows from investing activities			
Interest received		20,476	4,869
Acquisition of subsidiaries	13	<u>(2,965)</u>	<u>(4,083,064)</u>
Net cash flows from investing activities		<u>17,511</u>	<u>(4,078,195)</u>
Cash flow from financing activities			
Interest paid		(144,273)	(117,233)
Proceeds from bank borrowing drawdowns	19	49,716	4,426,356
Repayment of other borrowings	19	<u>(521,289)</u>	<u>(194,199)</u>
Net cash flows from financing activities		<u>(615,846)</u>	<u>4,114,924</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,113,927)</u>	<u>1,296,522</u>
Cash and cash equivalents at 1 January	16	<u>1,322,337</u>	<u>25,815</u>
Cash and cash equivalents at 31 December	16	<u><u>208,410</u></u>	<u><u>1,322,337</u></u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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:

Springfield House
Springfield Road
Horsham
West Sussex
RH12 2RG

The principal place of business is:

Office 37
Airport House
Purley Way
Croydon
CR0 0XZ

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:

- IFRS 9 'Financial instruments' (2014); effective 1 January 2018
- IFRS 15 'Revenue from contracts with customers'; effective 1 January 2018
- IFRIC 22 'Foreign currency transactions and advance consideration'; effective 1 January 2018

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:

- IFRS 16 'Leases'; effective 1 January 2019
- IFRIC 23 'Uncertainty over income tax treatments'; effective 1 January 2019
- Annual Improvements (2015 - 2017); effective 1 January 2019

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. In respect of IFRS16 Leases (IASB effective 1 January 2019) the group has performed an initial assessment of the impact of IFRS16, but has not yet performed a detailed impact assessment. The group will be required to recognise a right-of-use asset and a lease liability for future lease commitments (excluding low value leases and leases less than 12 months) on the balance sheet. Within the income statement IFRS16 replaces straight line operating lease rental charges with depreciation of the right-of-use assets and an interest charge on these liabilities. The options available upon adoption of IFRS16 are modified retrospective and full retrospective. The group plans to use the modified retrospective approach which will result in an adjustment to the opening balance of Retained earnings with no restatement of comparatives. A review of the full financial impact of the standard is in progress with initial calculations indicating that the right-of-use asset and corresponding lease liability balance to be recognised will be in the region of £40,310,912. For current operating lease information see note 20.

None of the other standards, interpretations and amendments which are effective for periods beginning after 31 December 2018 and which have not been adopted early are expected to have a material effect on the financial statements.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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 2018.

One of the subsidiary undertakings has a reporting date of 30 December 2018. This is not deemed to be materially different to the Cathay Investments 2 Limited reporting date.

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 £268,338 (2017 - profit of £4,704,962).

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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Accounting policies (continued)

Revenue

Revenue arises mainly from the provision of third party logistics services (including warehousing and freight forwarding) and the sale of toys, stationery and greetings cards.

To determine whether to recognise revenue, the group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The group often enters into transactions involving a range of the group's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other payables in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

For third party logistics services, performance obligations are satisfied and revenue is recognised on the basis of activity performed by the group in the supply of the service. For the sale of toys, stationery and greetings cards revenue is recognised when the risks and rewards of ownership of the goods have transferred to the buyer which is usually at the point the customer has signed for delivery of the goods.

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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Accounting policies (continued)

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 the reporting period.

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 and the company 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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Accounting policies (continued)

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.

Goodwill

Goodwill comprises goodwill arising on consolidation and goodwill arising at 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 to 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% - 50% 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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Accounting policies (continued)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using either 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 and the company 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 2018

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 have the characteristics of a liability and 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

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Accounting policies (continued)

Financial assets and liabilities (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are reported in profit or loss and are included within finance costs or finance income.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

Provision for dilapidations

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.

Provision for bad debts

The directors have reviewed the ageing of the trade debtors at the year end and the level of recovery following the year end. The provision is based on historical experience of recovery and the ageing of debts as well as specific knowledge of the solvency ability to pay of the group's customers at the reporting date and the level of coverage provided by the group's credit insurance.

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 2018

5 Revenue

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

	2018	2017
	£	£
Revenue from contracts with customers	44,940,581	43,850,884
Other revenue	157,777	63,000
	<u>45,098,358</u>	<u>43,913,884</u>

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market, major product and service lines and timing of revenue recognition:

	2018	2017
	£	£
Primary geographical markets		
UK	43,776,959	42,747,330
Europe	179,467	190,866
Rest of world	984,155	912,688
	<u>44,940,581</u>	<u>43,850,884</u>

Major products and service lines

Third party logistics	34,511,675	32,187,366
Toys, stationery and greetings cards	10,428,906	11,663,518
	<u>44,940,581</u>	<u>43,850,884</u>

Timing of revenue recognition

Products transferred at a point in time	10,449,617	11,676,768
Services transferred over time	34,490,964	32,174,116
	<u>44,940,581</u>	<u>43,850,884</u>

6 Operating profit/(loss)

Arrived at after charging/(crediting):

	2018	2017
	£	£
Depreciation expense	478,967	550,498
Amortisation expense	1,150,780	1,150,780
Impairment of freehold land and buildings	169,330	-
Foreign exchange (gains)/losses	(18,927)	173,693
(Profit)/loss on disposal of property, plant and equipment	(354)	90,940
Operating lease rentals	2,642,444	2,773,717
Exceptional item - profit on disposal of building	-	(168,160)
Exceptional item - redundancy costs	108,143	168,696
Exceptional item - bad debt	-	197,052
Exceptional item - warehouse and premises reorganisation	179,784	656,830
Exceptional item - other costs	182,447	40,396
Exceptional item - acquisition costs	-	196,339
Exceptional item - negative goodwill on acquisition of subsidiary	-	(120,688)
Exceptional item - aborted transaction and other legal costs	67,247	-
	<u>67,247</u>	<u>-</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Net finance costs

	2018 £	2017 £
Finance income		
Interest income on bank deposits	8,672	8,478
Other finance income	18,314	-
	<u>26,986</u>	<u>8,478</u>
Finance costs		
Interest on bank overdrafts and borrowings	(211,240)	(228,274)
Interest on other financing liabilities	(66,515)	-
	<u>(277,755)</u>	<u>(228,274)</u>
Net finance costs	<u>(250,769)</u>	<u>(219,796)</u>

8 Staff costs

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

	2018 £	2017 £
Wages and salaries	6,847,722	6,838,997
Social security costs	633,831	656,332
Pension and other post-employment benefit costs	195,346	214,941
Redundancy and payment in lieu	30,421	168,696
	<u>7,707,320</u>	<u>7,878,966</u>

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

	2018 No.	2017 No.
Administration and support	63	83
Sales	14	16
Marketing	1	1
Distribution	175	147
Management	14	15
	<u>267</u>	<u>262</u>

Directors' remuneration is borne by Cathay Investments Limited - a related party due to common control.

9 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	18,500	18,500
Audit of the financial statements of subsidiaries of the company pursuant to legislation	84,500	78,500
	<u>103,000</u>	<u>97,000</u>
Other fees to auditors		
Taxation compliance services	<u>16,000</u>	<u>15,500</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Tax

Tax charge/(receipt) in the income statement:

	2018 £	2017 £
Current taxation		
UK corporation tax	68,587	-
UK corporation tax adjustment to prior periods	2,843	-
Total current income tax	71,430	-
Deferred taxation		
Arising from origination and reversal of temporary differences	365,159	(196,174)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(11,783)	375,472
Total deferred taxation	353,376	179,298
Tax expense in the income statement	424,806	179,298

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Profit/(loss) before tax	1,311,556	(1,396,850)
Corporation tax at standard rate	249,196	(268,843)
Increase in current tax from adjustment for prior periods	2,843	374,802
Increase/(decrease) from effect of capital allowances depreciation	74,973	(16,984)
Decrease from effect of revenues exempt from taxation	-	(481,077)
Increase from effect of expenses not deductible in determining taxable profit	36,651	607,109
Decrease arising from group relief	(138,398)	-
Deferred tax expense from unrecognised tax loss or credit	222,686	-
Deferred tax (credit)/expense relating to changes in tax rates of laws	(11,362)	33,660
Other tax effects for reconciliation between accounting profit and tax expense	-	(69,369)
Decrease in deferred tax from adjustment for prior periods	(11,783)	-
Total tax charge	424,806	179,298

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £	Net deferred tax £
2018			
Accelerated tax depreciation	189,756	-	189,756
Other items	70,808	-	70,808
Tax losses carry-forwards	15,479	-	15,479
	276,043	-	276,043
2017			
Accelerated tax depreciation	323,669	(39,808)	283,861
Tax losses carry-forwards	512,235	-	512,235
Other items	3,385	(170,062)	(166,677)
	839,289	(209,870)	629,419

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Tax (continued)

Deferred tax movement during the year:

	At 1 January 2018 £	Recognised in income £	At 31 December 2018 £
Accelerated tax depreciation	283,861	(94,105)	189,756
Tax losses carry-forwards	512,235	(496,756)	15,479
Other items	(166,677)	237,485	70,808
Net tax assets/(liabilities)	<u>629,419</u>	<u>(353,376)</u>	<u>276,043</u>

Deferred tax movement during the prior year:

	At 1 January 2017 £	Recognised in income £	Arising from acquisition of subsidiaries £	At 31 December 2017 £
Accelerated tax depreciation	201,850	169,691	(87,680)	283,861
Tax losses carry-forwards	998,205	(485,970)	-	512,235
Other items	(303,658)	136,981	-	(166,677)
Net tax assets/(liabilities)	<u>896,397</u>	<u>(179,298)</u>	<u>(87,680)</u>	<u>629,419</u>

Company

Deferred tax assets and liabilities

	Asset £	Liability £	Net deferred tax £
2018			
Tax losses carry-forwards	<u>8,060</u>	<u>-</u>	<u>8,060</u>

Deferred tax movement during the year:

	At 1 January 2018 £	Recognised in income £	At 31 December 2018 £
Tax losses carry-forwards	<u>-</u>	<u>8,060</u>	<u>8,060</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Property, plant and equipment Group

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost of valuation				
At 1 January 2017	3,535,190	8,743,829	62,136	12,341,155
Additions	3,857,383	211,885	-	4,069,268
Acquired through business combinations	1,207,500	972,558	-	2,180,058
Disposals	(1,302,904)	(480,301)	(25,800)	(1,809,005)
At 31 December 2017	7,297,169	9,447,971	36,336	16,781,476
At 1 January 2018	7,297,169	9,447,971	36,336	16,781,476
Additions	306,706	251,192	-	557,898
Disposals	-	-	(10,336)	(10,336)
At 31 December 2018	7,603,875	9,699,163	26,000	17,329,038
Depreciation and impairment losses				
At 1 January 2017	1,841,993	8,032,074	50,641	9,924,708
Charge for the year	220,742	326,219	3,537	550,498
Eliminated on disposals	(185,404)	(345,701)	(28,454)	(559,559)
Depreciation on assets acquired	82,500	737,996	-	820,496
At 31 December 2017	1,959,831	8,750,588	25,724	10,736,143
At 1 January 2018	1,959,831	8,750,588	25,724	10,736,143
Charge for the year	226,723	249,296	2,948	478,967
Impairment	169,330	-	-	169,330
Eliminated on disposals	-	-	(7,385)	(7,385)
At 31 December 2018	2,355,884	8,999,884	21,287	11,377,055
Carrying amount				
At 31 December 2018	5,247,991	699,279	4,713	5,951,983
At 31 December 2017	5,337,338	697,383	10,612	6,045,333
At 1 January 2017	1,693,197	711,755	11,495	2,416,447

Included within the net book value of land and buildings above is £1,006,857 (2017 - £1,187,303) in respect of freehold land and buildings and £4,241,134 (2017 - £4,150,035) in respect of short leasehold land and buildings.

Pledged as security

Freehold land and buildings with a carrying amount of £1,006,857 (2017 - £1,187,303) have been pledged as security for the group's other bank borrowings.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Intangible assets Group

	Goodwill £	Contractual customer relationships £	Total £
Cost of valuation			
At 1 January 2017	4,904	4,022,400	4,027,304
Acquired through business combinations	2,814,661	290,360	3,105,021
At 31 December 2017	2,819,565	4,312,760	7,132,325
At 1 January 2018	2,819,565	4,312,760	7,132,325
At 31 December 2018	2,819,565	4,312,760	7,132,325
Amortisation			
At 1 January 2017	-	1,801,704	1,801,704
Amortisation charge	-	1,150,780	1,150,780
At 31 December 2017	-	2,952,484	2,952,484
At 1 January 2018	-	2,952,484	2,952,484
Amortisation charge	-	1,150,780	1,150,780
At 31 December 2018	-	4,103,264	4,103,264
Carrying amount			
At 31 December 2018	2,819,565	209,496	3,029,061
At 31 December 2017	2,819,565	1,360,276	4,179,841
At 1 January 2017	4,904	2,220,696	2,225,600

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Investments

Details of the company subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
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%
The Original Poster Company Limited*	Producer and distributor of greeting cards	England and Wales	100%	100%
PNC Global Logistics Limited*	Holding company	England and Wales	90%	90%
PNC Global Logistics UK Limited	Freight forwarding	England and Wales	90%	90%

* indicates direct investment of the company

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 2018 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)

Humatt Limited (Registration number: 03268911)

Buttons Bear and Friends Limited (Registration number: 01433838)

Summary of the company's investments

	2018	2017
	£	£
Investments in subsidiaries	<u>9,701,530</u>	<u>9,698,565</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Investments (continued)

Subsidiaries

Cost or valuation

At 1 January 2017	5,615,501
Additions	4,083,064
At 31 December 2017	9,698,565
At 1 January 2018	9,698,565
Additions	2,965
At 31 December 2018	9,701,530
Carrying amount	
At 31 December 2018	9,701,530
At 31 December 2017	9,698,565
At 1 January 2017	5,615,501

14 Inventories

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Finished goods and goods for resale	1,513,702	1,931,755	-	-

The cost of group inventories recognised as an expense in the year amounted to £11,967,520 (2017 - £9,246,572). This is included within cost of sales.

15 Trade and other receivables

		Group		Company	
	Note	2018	2017	2018	2017
		£	£	£	£
Trade receivables		9,383,264	8,610,832	-	-
Receivables from related parties	27	1,365,068	818,139	1,285,335	1,221,245
Other prepayments		1,712,442	808,945	-	-
Other receivables		75,716	273,788	342	185,402
		12,536,490	10,511,704	1,285,677	1,406,647

Details of non-current trade and other receivables

Group

£40,536 (2017 - £65,712) of trade receivables is classified as non-current. This balance relates to trade receivables under agreed long term payment plans.

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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cash at bank	<u>4,740,162</u>	<u>2,039,266</u>	<u>208,410</u>	<u>1,322,337</u>

17 Share capital

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	12,000	12,000	12,000	12,000
Ordinary shares of £3 each	<u>934</u>	<u>2,802</u>	<u>934</u>	<u>2,802</u>
	<u>12,934</u>	<u>14,802</u>	<u>12,934</u>	<u>14,802</u>

Rights, preferences and restrictions

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

18 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 2018

19 Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Non-current loans and borrowings				
Bank borrowings	5,393,324	5,390,723	4,476,072	4,426,356
Redeemable preference shares	936,885	1,863,300	936,885	1,863,300
	<u>6,330,209</u>	<u>7,254,023</u>	<u>5,412,957</u>	<u>6,289,656</u>
	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current loans and borrowings				
Bank borrowings	75,788	121,290	-	-
Redeemable preference shares	926,415	-	926,415	-
Finance lease liabilities	-	12,314	-	-
Other borrowings	688,960	1,210,249	688,960	1,210,249
	<u>1,691,163</u>	<u>1,343,853</u>	<u>1,615,375</u>	<u>1,210,249</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 £732,568 (2017 - £784,470).

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 £260,475 (2017 - £278,927).

On 30 December 2016 the group, together with its related company Cathay Investments Limited, entered into facility agreements with HSBC Bank PLC comprising a multicurrency term loan facility of €6,000,000 and a multicurrency revolving credit facility of €22,500,000. The amount drawn under these facilities during the year was £nil (2017 - £4,981,421). The carrying amount at the year end is £4,476,072 (2017 - £4,426,356).

Redeemable preference shares

The holder of the redeemable preference shares has the right to redeem such shares at par. On 1 April 2019 redeemable preference shares totalling £926,415 were redeemed by the holders and accordingly, these are presented as a liability within current loans and borrowings in the statement of financial position. The holders of the remaining redeemable preference shares have confirmed their intentions to hold the shares for more than one year. Accordingly, these 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.

Finance lease liabilities

Finance lease liabilities of £nil (2017 - £12,314) 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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

20 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:

	2018 £	2017 £
Within one year	2,975,795	2,160,096
In two to five years inclusive	12,731,118	9,091,941
In over five years	24,603,999	17,870,000
	<u>40,310,912</u>	<u>29,122,037</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,642,444 (2017 - £2,773,717).

21 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charged for the year represents contributions payable by the group to the scheme and amounted to £195,346 (2017 - £214,941).

Contributions totalling £31,262 (2017 - £41,504) were payable to the scheme at the end of the year and are included in creditors.

22 Other provisions

Group

	Rates provision £	Dilapidations provision £	Total £
At 1 January 2018	200,000	880,959	1,080,959
Additional provisions	612,000	-	612,000
Provisions used	-	(254,295)	(254,295)
At 31 December 2018	<u>812,000</u>	<u>626,664</u>	<u>1,438,664</u>
Non-current liabilities	<u>-</u>	<u>517,000</u>	<u>517,000</u>

Provisions with amounts of £921,664 (2017 - £404,000) expected to fall due within one year and £517,000 (2017 - £676,959) expected to fall due after more than one year.

23 Trade and other payables

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Trade payables	3,393,194	4,540,416	4,384	-
Accrued expenses	2,738,945	973,650	-	-
Amounts due to related parties	-	4,780	34,863	479,313
Social security and other taxes	796,407	397,576	-	-
Other payables	4,194,784	3,016,718	8,655	52,550
	<u>11,123,330</u>	<u>8,933,140</u>	<u>47,902</u>	<u>531,863</u>

Included within the other payables balance is an amount of £2,634,819 (2017 - £1,229,164) in respect of the group's invoice discounting facility. This amount is secured by fixed and floating charges over the group's assets.

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

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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

24 Contingent liabilities

Company

The company has given cross guarantees to the groups bankers in respect of borrowings by certain group companies. The amount guaranteed is £25,813,942 (2017 - £26,394,723).

25 Financial instruments

Categories of financial instruments

The group and the company held the following financial assets:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade and other receivables	10,824,048	9,702,759	1,285,677	1,406,647
Cash and cash equivalents	4,740,162	2,039,266	208,410	1,322,337
	<u>15,564,210</u>	<u>11,742,025</u>	<u>1,494,087</u>	<u>2,728,984</u>

The group and the company held the following financial liabilities:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade and other payables	11,123,330	8,933,140	47,902	531,863
Bank borrowings	5,469,112	5,512,013	4,476,072	4,426,356
Finance lease liabilities	-	12,314	-	-
Other borrowings	688,960	1,210,249	688,960	1,210,249
Redeemable preference shares	1,863,300	1,863,300	1,863,300	1,863,300
	<u>19,144,702</u>	<u>17,531,016</u>	<u>7,076,234</u>	<u>8,031,768</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

26 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 2018 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 £13,673.

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 to deal only with creditworthy counterparties. The group benefits from credit insurance on some of its trade receivables.

The group and the company is not exposed to any significant credit risk exposure to any single counterparty or any company of 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.

Impairment losses on financial assets recognised in profit or loss were as follows:

	2018 £	2017 £
Impairment loss on trade receivables	-	-

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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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

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 £
2018			
Non-interest bearing borrowings	688,960	-	688,960
Bank borrowings	75,788	5,393,324	5,469,112
Redeemable preference shares	926,415	936,885	1,863,300
Finance lease liabilities (present value)	-	-	-
	<u>1,691,163</u>	<u>6,330,209</u>	<u>8,021,372</u>
	Within 1 year £	After 1 year £	Total £
2017			
Non-interest bearing borrowings	1,210,249	-	1,210,249
Bank borrowings	121,290	5,390,723	5,512,013
Redeemable preference shares	-	1,863,300	1,863,300
Finance lease liabilities (present value)	12,314	-	12,314
	<u>1,343,853</u>	<u>7,254,023</u>	<u>8,597,876</u>

Capital risk management

Capital components

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

Externally imposed capital requirements

The group has 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	
	2018 £	2017 £	2018 £	2017 £
Share capital	14,802	14,802	14,802	14,802
Retained earnings	7,357,894	6,518,521	4,112,641	4,380,979
Non-controlling interests - Equity	16,849	(30,528)	-	-
Redeemable preference shares	1,863,300	1,863,300	1,863,300	1,863,300
Bank borrowings	<u>5,469,112</u>	<u>5,512,013</u>	<u>4,476,072</u>	<u>4,426,356</u>
	<u>14,721,957</u>	<u>13,878,108</u>	<u>10,466,815</u>	<u>10,685,437</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

27 Related party transactions

Key management personnel

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

Summary of transactions with key management

B Chaing has previously provided a loan to the group, this loan was repaid in full during the year. At the year end the amount due to B Chaing was £nil (2017 - £398,582). The loan from B Chaing is interest free and repayable on demand.

M Chaing continued to provide a loan to the group during the year. At the year end the amount due to M Chaing was £323,818 (2017 - £405,333). The loan from M Chaing is interest free and repayable on demand.

S Chaing continued to provide a loan to the group during the year. At the year end the amount due to S Chaing was £365,142 (2017 - £406,333). The loan from S 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

During the year, Cathay Investments Limited and subsidiary companies recharged costs of £91,721 (2017 - £19,243) to the group. During the year the group paid management expenses of £564,000 (2017 - £480,000) to Cathay Investments Limited and its subsidiary companies.

During the year, the group made sales of £829,891 (2017 - £613,145) to Cathay Investments Limited and its subsidiary companies.

During the year, the group continued to provide a loan to Cathay Investments Limited. The group advanced an amount of £529,971 to Cathay Investments Limited during the year. Cathay Investments Limited made loan repayments of £338 (2017 - £1,490,129) 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 £22,185,671 (2017 - £24,039,988).

At the year end the amount due from Cathay Investments Limited and its subsidiary companies is £1,365,068 (2017 - £813,359).

Income and receivables from related parties

	Entities with joint control or significant influence £
2018	
Receipt of services	829,891
Settlement of liabilities	338
Provision of loan	(529,971)
	<u>300,258</u>
Amounts receivable from related party	<u>1,365,068</u>
	Entities with joint control or significant influence £
2017	
Receipt of services	613,145
Settlement of liabilities	1,490,129
	<u>2,103,274</u>
Amounts receivable from related party	<u>818,139</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

27 Related party transactions (continued)

Expenditure with and payables to related parties

	Entities with joint control or significant influence £
2018	
Rendering of services	564,000
Purchase of property or other assets	91,721
	<u>655,721</u>
Amounts payable to related party	<u>-</u>

	Entities with joint control or significant influence £
2017	
Rendering of services	480,000
Purchase of property or other assets	19,243
	<u>499,243</u>
Amounts payable to related party	<u>4,780</u>

Loans from related parties

	Key management £
2018	
At start of period	1,210,248
Repaid	(521,288)
At end of period	<u>688,960</u>

	Key management £
2017	
At start of period	1,405,248
Repaid	(195,000)
At end of period	<u>1,210,248</u>

28 Controlling party

The company's immediate parent company is Chaing Equities Limited, incorporated in England and Wales.

The ultimate controlling party is B Chaing and members of his close family, who control, directly or indirectly, 100% of the share capital in Chaing Equities Limited.

The most senior entity producing publicly available consolidated financial statements is Chaing Equities Limited. These financial statements are available upon request from Springfield House, Springfield Road, Horsham, West Sussex, RH12 2RG.

29 Non-adjusting events after the financial period

On 19 September 2019 the company acquired 100% of the share capital of Warehouse One Distribution Limited.

Warehouse One Distribution Limited is a provider of third party logistics services. Further details relating to the acquisition will be provided when the purchase price allocation has been finalised.