London Asia Capital plc

Annual Report 2014

Contents

Strategic Report

Principal activity

The principal activity of the Group is that of an investment group focusing on China and other Asian markets.

The focus of the Group has been to maximise shareholder value by realising assets, resolve disputes where possible and find a way of realising our investment in Zhongying.

Developments in the year

The Group disposed of all its shareholdings in Bank Mayapada and MyEg during 2014.

The Group made a post-tax loss of £2.3m for the year (2013: £0.6m), 40% of which results from realised losses on the Bank Mayapada and MyEg shares.

We realised a cash return of £1,070,523 and £3,158,520, net of expenses, for Bank Mayapada and MyEg respectively that in turn realised reported losses of £840,226 and £75,925.

Trading performance

Loss before tax for the year is reported at £2.3 million (2013: £0.6 million). Basic earnings per share were 0.82 pence loss (2013: 0.23 pence).

Table 1 provides an analysis of our reported revenue.

During the year we received the cash settlement of dividends paid by MyEg of £15,516 (2013: £30,743 from Bank Mayapada).

Table 1: Analysis of reported revenue and other income

	2014 £'000	2013 £'000
Fee income	**–**	–
Miscellaneous income	**–**	3
Dividends	**16**	31
Total Income	**16**	34
Revenue by division:		
Advisory	**–**	–
Others	**1**	–
Investment	**15**	34
	16	34

Financial position

Our statement of financial position is decreased with net assets of £15.3 million (2013: £17.4 million). This is equal to 6.7 pence per share (2013: 7.6 pence per share). Table 2 provides an analysis of the Group's net asset position.

As in previous years, our investment in Zhongying has been shown on the statement of financial position at cost. Due to the continuing difficulty in obtaining information from the company, the directors are unable to confirm whether this investment is realisable and whether the amount shown represents fair value.

Cash and listed investments comprise £5.9 million (2013: £7.8 million) which represents 39% of our stated net assets.

Table 2: Analysis of the Group's net asset position

	2014	2013
	£'000	£'000
Unlisted investments	**12,509**	12,509
Cash	**5,925**	2,702
Listed investments	**–**	5,145
Other net liabilities	**(3,145)**	(2,991)
	15,289	17,365

Included in 'other net liabilities' in 2014 is £3.1 million (2013: £3.0 million), representing the unpaid share subscription of 30 million RMB due to Zhongying Changjiang International Investment Guarantee Co Limited ("Zhongying").

Key performance indicators

The Board examines a number of Key Performance Indicators in evaluating the performance of the business. The most important of these are:

	2014	2013
Revenue diminution	**(53)%**	(5)%
Net asset decrease	**(12)%**	(2)%

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historic results. The Board monitors risks on an on-going basis and implements appropriate procedures and processes to try and mitigate the adverse consequences of such risks.

The business faces three principal risks:

- the volatility of international markets, particularly in the Far East;
- the exposure to international currency fluctuations; and
- the uncertainty surrounding investments in China.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

This statutory strategic report was approved by the board of directors and was signed on their behalf by:

Fenton Higgins
Company Secretary
2 June 2015

Report of the Directors

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

Please refer to the Strategic Report on pages 3 to 4 for the activities and likely future developments of the company and a discussion of the risks and uncertainties.

Results and dividends

The Group recorded a loss after tax of £2.3 million (2013: £0.6m).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: £nil).

Directors

The following directors have held office during the year and their beneficial and non-beneficial interests in the ordinary share capital of the company at 31 December 2013 and 31 December 2014 are shown below:

	2014	2013
David Buchler	**–**	–
The Rt. Hon Sir Jeremy Hanley (resigned on 31 December 2014)	**–**	–
Fenton Higgins	**–**	–
Peter Hewitt (resigned 31 May 2015)	**–**	–
Stanley Simmonds	**–**	–

Brief biographies of each of the Directors appear on page 10.

Substantial shareholdings

At 31 December 2014 the following interests exceed a 3% interest in the issued share capital of the Company. See table below.

Name of holder	**Number of shares**	**% of issued share capital**
Simply Stockbroking Nominees Limited	70,211,986	30.59
NUTRACO Nominees Limited	15,425,000	6.72
Vidacos Nominees Limited	8,698,129	3.79
Harewood Nominees Limited	10,750,000	4.68
Barclayshare Nominees	10,480,912	4.57
TD Direct Investing Nominees (Europe) Limited	7,865,275	3.43
Rock (Nominees) Limited	7,654,004	3.33
Hargreaves Landsdown (Nominees) Limited	13,840,268	6.03

Included within the shares held by Simply Stockbroking Nominees Limited is the 29.9% holding of Richpoint Group Overseas Limited.

Directors' confirmation

Each of the persons who are directors at the date of the approval of this report confirms that:

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

The directors' report was approved by the board of directors and were signed on their behalf by:

Fenton Higgins
Company Secretary
2 June 2015

Company Number: 03784771

Directors Responsibilities Statement

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 IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

Independent Auditors' Report to the Members of London Asia Capital plc

We have audited the group and parent company financial statements of London Asia Capital plc for the year ended 31 December 2014 which are set out on pages 12 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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. Because of the matters described in the Basis for disclaimer opinion paragraph, however, we are not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinion.

Scope of the audit of the financial statements

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

Basis for disclaimer of opinion on financial statements

The group has suffered a breakdown in its systems of corporate governance and internal control over financial reporting, and for this reason we continue to be unable to obtain sufficient appropriate audit evidence to provide reasonable assurance over:

- the classification, ownership and valuation of unlisted investments;
- the group structure, inter group balances and control of subsidiaries; and
- any assets or liabilities which may arise from the litigation set out in note 21.

Disclaimer of opinion on financial statements

Because of the significance to the financial statements of the combined effect of the matters referred to in the Basis for Disclaimer of Opinion on Financial Statements paragraph we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Opinion on other matters prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion 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.

Matters on which we are required to report by exception

Arising from the limitations on our work described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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:

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

Mark Ayres
Senior Statutory Auditor

For and on behalf of Moore Stephens LLP,
Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

2 June 2015

Directors' Background, Directors and Advisors

David Buchler – aged 63

David is a Chartered Accountant and has some 35 years of experience in the field of corporate turnaround. He was a partner at Arthur Andersen prior to becoming a founding partner of Buchler Phillips, the UK's leading financial recovery and restructuring specialist, which was acquired by the Kroll Inc. Company in 1999, the world's leading risk mitigation firm. Until 2003, he was Chairman of Kroll for Europe and Africa. He is a former President of R3, the association of business recovery and turnaround professionals, as well as a member of the Institute for Turnaround, Treasurer of INSOL International, Trustee of Syracuse University and until 2006, Vice-Chairman of Tottenham Hotspur Football Club. He has been a Director of a number of public companies and is currently a Director of the English National Opera.

The Rt Hon Sir Jeremy Hanley KCMG – aged 69

A Chartered Accountant, Sir Jeremy has carried on a wide-ranging commercial life since retiring from politics in 1997. Previously he was Member of Parliament for Richmond & Barnes from 1983-97, and a Government Minister for over 7 years. His posts included: Cabinet Minister without Portfolio whilst Chairman of the Conservative Party, Minister of State for Foreign Affairs (responsible for Hong Kong and the Middle East), Minister of State for the Armed Forces at the Ministry of Defence and Under-Secretary of State for Northern Ireland as Minister for Health & Social Services, Minister for Agriculture and for Education and Political Development. He qualified as an FCA (1969), FCCA (1980) and FCIS(1980) and was Senior Lecturer in Law with the Financial Training Co. for 21 years, becoming Deputy Chairman.

He now serves on the Boards and Audit Committees of a number of quoted and unquoted companies, including currently Willis Group Holdings Inc., Willis limited and Langbar International plc, after working with Credit Lyonnais, CSS Stellar (and PFD) Ltd, Nymex Ltd, Blue Hackle Ltd and Gtech Inc. He was with the ITE Group plc for 10 years, and served on the Board of International Advisers for Talal abu-Ghazaleh from 2005/2006. He is a consultant on trade in the Middle East and Asia and has led 17 high level trade missions to 8 countries since 1997. In 2012 he was awarded Honorary Membership of the 48 Club in recognition of his work in promoting trade between China and the United Kingdom.

Peter Hewitt JP – aged 62

A Chartered Fellow of the Chartered Securities Institute, Peter has over 35 years in property, stockbroking, company management and corporate finance. He has been chairman or director of 9 public companies and is currently chairman of Proven Planned Exit PLC and non-executive director of Puma VII VCT PLC, both listed venture capital trusts, and a number of other companies. Peter is an elected Alderman in the City of London and chairs the City's £20m Social Investment Fund.

Stanley Simmonds – aged 72

A Chartered Accountant, Stanley has over 45 years' experience of executive management including being Managing Director of Skincraft (UK) Ltd, Bond Street Music Ltd and Talking Books Ltd. Since 2006 Stanley business activities have been focussed on investment management and property development. He is a trustee of various community based charities.

Fenton Higgins – aged 62

Fenton is a founding partner of Chartered Accountants, Higgins Fairbairn & Co. He provides strategic planning to clients and advises them on many commercial and compliance aspects of running a business. Clients range from proprietor managed businesses to multinationals which include the UK subsidiary of one of China's largest corporations, Opera Gallery Group (international art group with 12 galleries throughout the world), Worshipful Company of Musicians. Fenton is also a partner of Chartered Financial Planners, Higgins Fairbairn Advisory; a governor of Woodhouse College, a six form college with 1,300 students, and he holds various non-executive Directorships.

Paul Bobroff – aged 63

Paul has over 30 years experience of managing businesses. He was Managing Director of Markheath PLC for 20 years having founded the company and then taking it public where it specialised in property and corporate investment. He was also Chairman of Tottenham Hotspur PLC for 7 years during which time the Club became the first football club to float on the Stock Exchange.

He has been Managing Director of a diversified investment group for many years and since 2013 has been an integral member of the management of London Asia Capital PLC with particular involvement in the realisation of assets and the recovery of funds.

Directors

David Buchler (Executive Chairman)
The Rt Hon Sir Jeremy Hanley KCMG (Non-Executive Director) – resigned on 31 December 2014
Peter Hewitt (Non-Executive Director) – resigned 31 May 2015
Stanley Simmonds (Non-Executive Director)
Fenton Higgins (Non-Executive Director)
Paul Bobroff (Managing Director) – appointed 27 May 2015

Company Registration Number

03784771

Secretary and Registered Office

Fenton Higgins
6 Grosvenor Street
London W1K 4PZ

Registrars

London Asia Capital plc
6 Grosvenor Street
London W1K 4PZ

Auditors

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

Principal Bankers

HSBC Bank
Poultry & Princes Street Branch
27-32 Poultry
London EC2P 2BX

Consolidated Statement of Financial Performance

for the Year Ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	3	**16**	34
Administrative expenses		**(1,180)**	(797)
Non recurring costs		**–**	(302)
Operating loss		**(1,164)**	(1,065)
Realised losses on sale of investments		**(916)**	(637)
Unrealised gains on revaluation of investments		**–**	1,779
Foreign exchange losses		**(203)**	(666)
Loss before taxation	5	**(2,283)**	(589)
Taxation	6	**–**	(5)
Loss for the year		**(2,283)**	(594)
Attributable to:			
Equity holders of the parent		**(1,877)**	(519)
Non-controlling interest		**(406)**	(75)
		(2,283)	(594)
Earnings per share	9	**Pence**	Pence
Basic		**(0.82)**	(0.23)
Diluted		**(0.82)**	(0.23)

All amounts are from continuing operations.

The notes on pages 17 to 29 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Loss

	2014 £'000	2013 £'000
Losses for the year	**(1,877)**	(519)
Exchange differences on translation of foreign operations	**207**	(62)
Total comprehensive losses for year attributable to shareholders	**(1,670)**	(581)

Consolidated Statement of Financial Position
as at 31 December 2014

	Note	2014 £'000 Group	2013 £'000 Group	2014 £'000 Company	2013 £'000 Company
Investment in subsidiaries	10	**–**	–	**84**	84
Investments	11	**12,509**	17,654	**12,509**	14,420
Trade and other receivables	12	**118**	296	**333**	1,592
Cash and cash equivalents		**5,925**	2,702	**5,918**	2,695
		18,552	20,652	**18,844**	18,791
Trade and other payables	13	**(3,263)**	(3,287)	**(6,850)**	(8,377)
		15,289	17,365	**11,994**	10,414
Capital and reserves					
Share capital	14	**11,475**	11,475	**11,475**	11,475
Share premium account	14	**21,330**	21,330	**21,330**	21,330
Capital redemption reserve	14	**10,828**	10,828	**10,828**	10,828
Translation reserve	15	**441**	234	**–**	–
Retained loss	16	**(28,871)**	(26,994)	**(31,639)**	(33,219)
Equity attributable to equity holders of the parent		**15,203**	16,873	**11,994**	10,414
Non-controlling interest		**86**	492	**–**	–
		15,289	17,365	**11,994**	10,414

The financial statements were approved by the Board and authorised for issue on 2 June 2015.

David Buchler
Director

Fenton Higgins
Director

The notes on pages 17 to 29 form an integral part of these financial statements.

Statement of Cash Flows
as at 31 December 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Net cash (used in)/from operating activities	20	**(1,006)**	(1,251)	**2,152**	905
Investing activities					
Proceeds on disposal of investments		**4,229**	498	**1,071**	498
Net cash from investing activities		**4,229**	498	**1,071**	498
Financing activities					
Net cash from financing activities		**–**	–	**–**	–
Net increase/(decrease) in cash and cash equivalents		**3,223**	(753)	**3,233**	1,403
Cash and cash equivalents at beginning of year		**2,702**	3,455	**2,695**	1,292
Cash and cash equivalents at end of year		**5,925**	2,702	**5,918**	2,695

Consolidated Statement of Changes in Equity
as at 31 December 2014

	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Account £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2014	11,475	10,828	21,330	234	(26,994)	16,873
Total comprehensive loss for the year	–	–	–	207	(1,877)	(1,670)
Balance at 31 December 2014	**11,475**	**10,828**	**21,330**	**441**	**(28,871)**	**15,203**
Balance at 1 January 2013 as previously reported	11,475	10,828	21,330	296	(26,698)	17,231
Prior year adjustment (note 17)	–	–	–	–	223	223
Total comprehensive loss for the year	–	–	–	(62)	(519)	(581)
Balance at 31 December 2013	11,475	10,828	21,330	234	(26,994)	16,873

Notes to the Financial Statements
for the Year Ended 31 December 2014

Note 1 General information

London Asia Capital plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 11. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 4. These financial statements are presented in pounds sterling, rounded to the nearest thousand.

At the date of the statement of financial position the following Standards and Interpretations, which are applicable to the Group, were in issue but not yet effective:

IFRS 9 Financial Instruments

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and de-recognition of financial assets. In the future there will only be two categories of financial assets; those at fair value through profit and loss and those measured at amortised cost.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit and loss, for example derivative financial instruments.

IFRS 9 has not yet been endorsed by the European Union and no date has been set for its implementation, though it is included on the current European Financial Reporting Advisory Group IFRS endorsement status report.

Note 2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and their share of changes in equity since the date of the combination. Losses applicable to them in excess of their interest in the subsidiary's equity are allocated to non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, net of transaction costs except for those financial assets classified as assets at fair value through profit and loss which are initially measured at fair value.

Quoted investments in active markets are classified as assets at fair value through profit and loss and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in net profit or loss for the period.

Unquoted investments where fair value cannot be reliably measured using valuation techniques are stated at cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and comprises dividends and interest received on investments (all net of discounts, VAT and other sales related taxes) and are accounted for on a receivables basis.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

Assets and liabilities of subsidiary undertakings are translated at the rates of exchange ruling on the balance sheet date. Exchange differences arising on the translation of foreign equity investments are taken to reserves except to the extent that they are offset by corresponding differences arising on the translation of related borrowings.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the 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 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 future taxable profits will be available against which the asset can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is 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 asset 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 to the income statement, except when it relates to items charged or credited directly to equity, in which case it is recognised in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial instruments are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand 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 and have an original maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets, other than those assets at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Note 3 Revenue

	2014	2013
	£'000	£'000
Dividends	**16**	31
Miscellaneous income	**–**	3
	16	34

Note 4 Business and geographical segments

For management purposes, the Group is currently organised as one operating division – investment activities.

The Board of directors review the Group's internal reporting in order to assess performance and allocated resources. Operating segments have been identified by location of principal assets (in £'000):

Year ended 31 December 2014

	China	**Mauritius**	**Hong Kong**	**Malaysia**	**Indonesia**	**United Kingdom**	**Total**
Revenue	–	–	–	16	–	–	16
Assets by location of asset	12,509	2	110	–	–	5,931	18,552
Liabilities by location of liability	3,123	8	6	–	–	126	3,263
Realised losses on sale of investments	–	–	–	(76)	(840)	–	(916)

Year ended 31 December 2013

	China	**Mauritius**	**Hong Kong**	**Malaysia**	**Indonesia**	**United Kingdom**	**Total**
Revenue	–	–	–	–	34	–	34
Assets by location of asset	12,509	–	110	3,234	1,911	2,888	20,652
Liabilities by location of liability	2,997	–	6	–	–	284	3,287
Unrealised gains/(losses) on revaluation of investments	–	–	–	2,231	(452)	–	1,779
Realised losses on sale of investments	–	–	–	–	(637)	–	(637)

Note 5 Loss before taxation

	2014 £'000	2013 £'000
Loss before taxation has been arrived at after charging:		
Net foreign exchange losses	**203**	666
Auditors' remuneration	**28**	33

The analysis of auditors' remuneration is as follows:

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**25**	25
Tax compliance	**3**	3
Other accounting services	**–**	5
Total audit fees	**28**	33

Note 6 Taxation

	2014 £'000	2013 £'000
Current tax charge	**–**	5
Current tax reconciliation		
Losses before taxation	**(2,283)**	(589)
Current tax at 21.5% (2013: 23.25%)	**(491)**	(137)
Other disallowed items	**268**	270
Overseas taxation	**–**	5
Results of subsidiaries not subject to taxation at 21.5% (2013: 23.25%)	**540**	(424)
Tax losses used in the period	**(548)**	(62)
Tax losses carried forward	**231**	353
Current tax charge	**–**	5

The Group has not recognised deferred tax assets of £1,420,000 (2013: £1,639,000) in respect of losses on the grounds that recoverability of the assets is considered uncertain in the foreseeable future based on expected profitability.

Note 7 Staff costs

	2014 £'000	2013 £'000
Wages and salaries	**510**	229
Loss of office	**18**	177
Pension costs	**–**	15
Social security costs	**61**	27
Total staff costs	**589**	448

Staff costs include the following emoluments in respect of the qualifying service of directors of the company:

Directors' emoluments	**242**	314

The highest paid director received emoluments of £130,500 (2013: £155,000).

Directors' emoluments of £18,000 (2013: 176,500) related to compensation for loss of office for one director (2013: two directors).

Employees	**2014 Number**	2013 Number
The average number of persons employed by the Group, including directors, during the year was:	**8**	6

The Directors are of the opinion that the key management of the Group comprises the Board of Directors who have the authority and responsibility for planning, directing and controlling the activities of the Group.

Note 8 Holding company results

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. Net profit after taxation amounted to £1.58m (2013: £2.42m loss) has been included in the financial statements of the holding company.

Note 9 Earnings per share

	2014 £'000	2013 £'000
Earnings		
Loss for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**(1,877)**	(519)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**229,508,582**	229,508,582
Effect of dilutive potential ordinary shares:		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**229,508,582**	229,508,582
Earnings per share		
Basic (pence)	**(0.82)**	(0.23)
Diluted (pence)	**(0.82)**	(0.23)

Note 10 Investment in subsidiaries

The principal subsidiaries comprise:

Name	**Place of incorporation**	**Method used to account for investments**	**Proportion of voting power and ownership interest**
London Asia Capital (S) Pte Ltd	Singapore	Consolidation	100%
London Asia Investments Limited	Hong Kong	Consolidation	80%
London Asia Capital Limited	Mauritius	Consolidation	90%
Huang He Securities Limited	Hong Kong	Consolidation	99.7%
London Asia Limited	Hong Kong	Consolidation	99.98%

Analysis of movement during the year:

	Company 2014 £'000	Company 2013 £'000
Balance at beginning and end of year	**84**	84
Balance at end of year	**84**	84

Note 11 Investments

	Group 2014 £'000	Group 2013 £'000	**Company 2014 £'000**	Company 2013 £'000
Analysis of movement during the year:				
Opening balance	**17,654**	17,554	**14,420**	16,499
Disposals	**(5,145)**	(1,135)	**(1,911)**	(1,135)
Unrealised profits/(losses) on revaluation of investments	**–**	1,779	**–**	(452)
Foreign exchange gains/(losses)	**–**	(544)	**–**	(492)
Closing balance	**12,509**	17,654	**12,509**	14,420

Unquoted Investments

Every unquoted investment held by the Group has been stated at nil value as at 31 December 2014 other than the investment in:

Zhongying Changjiang International Investment Guarantee Co. Limited ("Zhongying"), located in Wuhan, Hubei Province, China was established in 2005 under the terms of a Joint Venture Agreement ("JV") between Wuhan Kaidi Investment Holdings ("Kaidi") and others. LAC acquired in 2005, at a net cost of 170 million RMB (converted to circa £12.5 million at that date), 20% of Zhongying with a commitment to invest a further 30 million RMB which, expressed at the current exchange rate, amounts to £3.1 million. Implicit within the terms of the JV is the right for LAC to have two Directors on the board of Zhongying, the right to detailed financial information together with standard pre-emption provisions as regards share transfers.

The company is an approved foreign registered joint venture and has a range of investments from property, coal mines and other investments. Your Directors have had no board representation nor access to the financial information on the company, despite repeated requests for such information, and contrary to the terms of the JV. As a consequence, the 30 million RMB commitment referred to above has not been paid (although it has been accrued for in the accounts under other creditors).

The directors have been unable to independently substantiate any information in relation to Zhongying.

Note 12 Trade and other receivables

	Group 2014 £'000	Group 2013 £'000	**Company 2014 £'000**	Company 2013 £'000
Other debtors	**118**	296	**116**	294
Amounts due from subsidiary companies	**–**	–	**217**	1,298
	118	296	**333**	1,592

Note 13 Trade and other payables

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Amounts due to subsidiary companies	**–**	–	**3,454**	5,106
Accruals and deferred income	**119**	276	**102**	260
Other taxation and social security	**21**	13	**21**	13
Other creditors	**3,123**	2,998	**3,273**	2,998
	3,263	3,287	**6,850**	8,377

Included within other creditors in 2014 is an amount of £3.12 million (2013: £2.99 million) which represents the liability of 30m RMB payable to Zhongying as the final subscription for shares in that company in accordance with Share Subscription Agreement entered into by the Company in 2005. Note 21 contains further details.

Note 14 Share capital and share premium

	2014 £'000	2013 £'000
Allotted, issued and fully paid		
229,508,582 Ordinary shares of 5p each (2013: 229,508,582)	**11,475**	11,475
Share premium	**21,330**	21,330
Shares gifted back and cancelled in 2009	**10,828**	10,828

In late 2009, the company was made aware that 9,276,398 shares in London Asia Capital plc were held by certain subsidiaries. As it is unlawful for shares of the parent company to be held by a subsidiary, action was taken to dispose of these shares in open market trades and 9,191,398 shares were sold. A subsidiary of the company still holds a total of 85,000 shares for which no buyer has been found.

Note 15 Translation reserve

	Group 2014 £'000	Group 2013 £'000
Balance at beginning of year	**234**	296
Current year movement	**207**	(62)
Balance at end of year	**441**	234

Note 16 Retained loss

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Balance at beginning of year	**(26,994)**	(26,698)	**(33,219)**	(32,332)
Prior year adjustment	**–**	223	**–**	1,528
Net (loss)/profit	**(1,877)**	(519)	**1,580**	(2,415)
Balance at end of year	**(28,871)**	(26,994)	**(31,639)**	(33,219)

Note 17 Prior year adjustment

In the Company, a prior year adjustment of £1,528,000 increased the value of the London Asia Capital Mauritius related party receivable balance and reduced the retained loss of the company at 31 December 2012. The adjustment was due to additional information obtained with regards to the balance recoverability.

In the Group, a prior year adjustment of £223,000 increased the amount attributable to equity holders of the parent and reduced the amount attributable to non-controlling interests by the same amount. The adjustment was due to additional information obtained with regards to minority interests of the Group. The prior year adjustment had no impact on the profit for the year ended 31 December 2013 or the net assets of the Group as at 31 December 2013, but has increased the 2012 earnings per share from 0.003 pence to 0.10 pence.

Note 18 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not shown here.

The Company paid consultancy fees of £nil (2013: £60,083) to I.F.M.Consultants Limited, a company owned and controlled by T. Parker, an ex-director of the Company.

The Group paid a fee of £252,440 (2013: £63,185) to DB Consultants Ltd, a Company where D. Buchler is a director and shareholder, following the realisation of assets.

The Company paid fees to Higgins Fairbairn & Co. LLP in the sum of £116,000 for accounting, bookkeeping and investigative services (2013: £33,588). F. Higgins is a partner of Higgins Fairbairn & Co LLP.

The Company paid a fee of £60,000 (2013: £55,000) to Templewood Partners LLP, a company where D. Buchler is a director, for corporate finance advice and other related services.

The Company paid office rental costs of £87,000 (2013: £20,000 between 1 July 2013 to 31 December 2013) to Parkstone Capital Limited, a company where D. Buchler is a director.

The Company paid office support and IT services of £69,802 (2013: £nil) to Parkstone Capital Limited during the year.

The Company paid £18,000 (2013: £176,500) total compensation for loss of office and termination of consultancy agreements.

Note 19 Financial Instruments

The objective of the Company's policies is to manage the Company's financial risk, secure cost effective funding for the Company's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Company's financial assets and liabilities, on reported profitability and on the cash flows of the Company.

At 31 December 2014 the Company's financial instruments primarily comprise investments and cash and cash equivalents. Throughout the period under review, the Company has not traded in any other financial instruments. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit Risk

The risk of financial loss due to counterparty's failure to honour its obligations arises principally in connection with the investment of surplus cash.

Concentration of credit risk exists to the extent that at 31 December 2014 and 2013, current account and short term deposits were almost entirely held with one financial institution, HSBC. Maximum exposure to credit risk on cash and cash equivalents at 31 December 2014 was £5.9m (2013: £2.7m).

Interest Rate Risk

The Company is not exposed to cash flow interest rate risk as it has no borrowings. The Company finances its operations through a combination of shareholders' funds and reserves.

Sensitivity analysis

The following analyses illustrate the effect that specific changes could have had on our results in the 2014 financial year. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed in the following table, which therefore should not be considered a projection of likely future events and losses.

Foreign currency risk

Group companies have their local currency as their functional currency. The Group policy has the objective of reducing exposure to revaluation of monetary assets and liabilities. Under the policy, material outstanding foreign currency balances arising from transactions in currencies other than a company's functional currency are not hedged but foreign currency exposure is monitored regularly by the Board.

Unlisted investments and corresponding liabilities have not been included due to documented uncertainties with the groups' principal investment.

Year ended 31 December 2014

	Singapore $'000	US $'000
Net foreign currency monetary assets	2,454	3,789

	Weakening of GBP		Strengthening of GBP	
	10% £'000	20% £'000	10% £'000	20% £'000
Impact on equity gain/(loss)				
Singapore $	119	239	(119)	(239)
US $	244	488	(244)	(488)
Total	**363**	**727**	**(363)**	**(727)**

Financial Instruments hierarchy

The following table provides an analysis of financial instruments as at 31 December 2014 that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments at 31 December 2014				
Investments	–	–	12,509	12,509

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments at 31 December 2013				
Investments	5,145	–	12,509	17,654

No analysis of impact of changes in market prices on level 3 investments has been included due to documented uncertainties with the group's principal investment.

Fair value of financial instruments

No further disclosures have been made with regard to the fair value of financial instruments, as the Directors are of the opinion that there is no benefit to the reader of the financial statements considering the combined uncertainties connected with the Group's principal investments.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company has sufficient cash and cash equivalents to meet its financial liabilities.

Capital Management

The primary objectives of the Company's capital management are:

- to safeguard the Company's ability to continue as a going concern, so that it can provide returns to shareholders; and
- to enable the Company to respond quickly to changes in market conditions and to take advantage of opportunities.

Note 20 Notes to the cash flow statement

	Group Dec 2014 £'000	Group Dec 2013 £'000	**Company Dec 2014 £'000**	Company Dec 2013 £'000
(Loss)/profit for the year	**(2,283)**	(594)	**1,580**	(2,415)
Adjustments for:				
Unrealised (gains)/losses on revaluation of investments	**–**	(1,779)	**–**	452
Loss on disposal of investment	**916**	637	**840**	637
Operating cash flows before movements in working capital	**(1,367)**	(1,736)	**2,420**	(1,326)
Decrease/(increase) in trade and other receivables	**178**	(85)	**1,259**	1,925
Foreign exchange	**333**	482	**469**	492
(Decrease)/increase in trade and other payables	**(150)**	88	**(1,996)**	(186)
Net cash (used in)/from operating activities	**(1,006)**	(1,251)	**2,152**	905

Note 21 Legal proceedings, recoveries and disputes

1. London Asia Capital plc

London Asia Capital plc is pursuing an action against a former director of this company, Mr Simon Littlewood, and his wife, Josee Lai, in the High Court of Hong Kong. The claim arises from the share swaps in 2007. In those share swaps London Asia Capital Land Limited was issued with 21,505,376 ordinary shares of London Asia Capital plc at 12p each, in return for a 60% shareholding in London Asia Capital Land Limited. Simon Littlewood and Josee Lai failed to arrange the issue of that 60% shareholding as consideration, and failed to pay London Asia Capital Land Limited the premium of approximately £3,870,471 which is claimed.

The Defendants deny owing the company this money.

A writ has been filed at the court and was issued and served on 22 June 2010. Pending the outcome of on-going discussions, this matter has been put on hold with the sanction of the High Court of Hong Kong.

2. London Asia Limited ("LAL")

This company is pursuing a claim in the High Court of Hong Kong for unpaid share premium against Mr Koo Kok Wai, a former director, who subscribed for shares in LAL in August 2007. The defendant applied for 119,999 shares in the company for consideration of HK$1 per share paid-up and HK$499 as unpaid share. The directors have called for the unpaid share capital but the defendant has failed to pay the total sum of HK$59,879,501 (approximately £5,163,012) plus interest at a rate of 15 per cent per annum.

The Defendant alleges that he was provided with indemnities for holding the shares in LAL and has counterclaimed for, amongst other things, damages for breaches of those Indemnities.

A writ has been filed at the court in Hong Kong and was issued on 24 June 2010. Pending the outcome of on-going discussions, this matter has been put on hold with the sanction of the High Court of Hong Kong.

3. London Asia Capital (S) Pte Limited

Since the provision of accounting information it has become clear that former directors were party to the unauthorised withdrawal of SGD3.5m between 2005 and 2007. This sum was written off as irrecoverable but we are looking at the whole legality of what occurred and we will take whatever action we can to recover these funds.

4. Zhongying Changjiang Credit International Guarantee Company Limited

A letter was received on 11 June 2011 from a law firm representing Wuhan Kaidi Investment Holding Ltd, the 80% shareholder in Zhongying, advising the company of a breach notice before action as a possible precursor to the instigation of proceedings at the International Court of Arbitration in Beijing and that Wuhan Kaidi was seeking damages of US$100 million together with unpaid capital together with interest calculated at 55 million RMB.

The Company has instructed its lawyers in China to defend this claim and a letter has been sent advising Wuhan Kaidi that it will be defending this action and has given reasons to justify its defence to this claim. No further communication has been received by the company as regards the claim.

5. MyEg Services Berhad Dividends

Following the disposal or our shares in MyEg Services Berhad it became apparent that dividends had been paid to the custodians of our shares for the previous 7 years. These dividends were improperly retained by the custodians. We have instructed lawyers to recover these amounts.

6. Nourican $5,000,000 loan

The Company loaned Nourican Adriatic DOO US$5m in 2005. Following investigation and legal advice it is our view that this was a fraud perpetrated on the Company. it is clear that the loan proceeds were not used for their intended purpose, did not go into proper escrow with Raiffessenbank, were not repaid and have disappeared. Further action by our lawyers to seek to recover these funds is currently underway.