

# **London Asia Capital plc**

**Annual Report 2012**

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# Chairman's Statement

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## Dear Shareholder

It has been a while since I reported to you but that does not denote any lack of activity on the part of your Directors.

During the course of last summer, proposals were put in place to try and reach an accord regarding the division between shareholders. I personally went to some lengths to meet our Far Eastern investors as well as meeting Mr Chen in China to discuss our Chinese asset. The meetings were positive but have not yet resulted in a solution to the Company's position due to the following:

1. The lack of a positive response from the Far East in the autumn of last year; and
2. Takeover Panel issues which would need to be resolved.

In the meantime, we have tried to find different solutions along the lines that we adopted last summer that would enable all shareholders to be fairly treated. I will be meeting with our main shareholder in the Far East to try and ascertain a process that might be sensible for shareholders.

I am conscious that Sir Jeremy Hanley and I have been appointed for some two years now and a resolution has not yet been achieved for the benefit of all shareholders. However, the position between the different shareholders is stable and the relationship that has been built over the last two years in the Far East is currently an open one with good dialogue. The Company, however, cannot continue indefinitely on this path and if there isn't a clear way forward this year for shareholders to consider then I am sure your Board will look at other options open to them to provide increased value for shareholders in the longer term.

We say farewell to Toby Parker and Francesco Gardin, who are not standing for re-election and we thank them for all their hard work and efforts and wish them well in the future. CV's for your new Board Members are included in the Financial Statements attached.

Thank you for your continued support and I look forward to seeing you at the Annual General Meeting.

**David Buchler**  
Chairman  
5 July 2013

# Financial Review

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2012 was a year of continued action on asset recovery together with ongoing litigation for the Group both in attempting to recover debts due to the group in the Far East, as detailed in the legal proceedings note, and in seeking to reach agreement with the Chinese on the realisation of our investment in Zhongying in mainland China. The legal fees relating to these activities were circa £0.2 million (2011: £0.5 million).

The Group returned a post tax profit of £0.3m for the year resulting from a significant reduction in overheads, unrealised gains on the Bank Mayapada and MyEg shareholdings offset by the realised £1.12 million losses arising on the disposal of the Asia Power shares.

It is important to note that, in addition to the parent company's own costs, all costs relating to subsidiary companies are paid for by the parent company and charged to its own Income Statement as an expense. It is the intention of the board that these costs are recharged back to the subsidiaries in the current year.

As a direct consequence of the investigative work performed over the last four years, the Company has now been able to terminate all but one of the consultancy agreements entered into with your Directors and their service companies. As a result, the outflow of monies in 2012 was substantially less than that previously incurred, and the board continues to work towards the orderly realisation of the assets so as to ensure fair value is returned to shareholders as soon as is possible.

In order to align the interests of the Directors with shareholders in achieving this goal, the fees payable to DB Consultants Ltd (representing the services of the Company associated with David Buchler and Sir Jeremy Hanley) will only be paid on the occurrence of certain events, including the realisation of assets.

## Trading performance

Income before tax for the year is reported at £0.4 million (2011: loss £1.0 million) under IFRS. Basic earnings per share were 0.003 pence (2011: loss 0.42 pence).

Table 1 on page 5 provides an analysis of our reported revenue:

During the year we received no dividend from Asia Power (2011: £193,567), but did receive the cash settlement of dividends paid by Bank Mayapada of £35,678 (2011: nil).

## Balance sheet position

Our balance sheet position is increased with net assets of £18.02 million (2011: £17.69 million), equal to 7.9 pence per share (2011: 7.7 pence per share). This change is explained in the Financial Review above. Table 2 provides an analysis of the Group's net asset position.

We have continued to adopt a conservative approach in determining the fair values of unlisted investments. Where necessary, we have impaired certain investments and reflected others at cost. We have however not re-translated our investment in Zhongying at the prevailing exchange rate as at the year end. In view of the current relations and impending litigation with the other shareholders and the previous management of the Company, your Directors are not able to express an opinion as to whether this represents the true value of its shareholding. This matter has been more fully detailed in the note on Investments.

Cash and listed investments comprise £8.5 million (2011: £8.3 million) which represents 47% of our net assets.

Subsequent to the year end, the Company has been selling shares in Bank Mayapada to third party buyers on the Indonesian stock exchange. The Company is obliged, under the IFRS reporting standards, to value its investments at fair value at the balance sheet date. The price achieved in these post balance sheet date sales is at a substantial discount to the value as reported in these accounts.

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**Table 1: Analysis of reported revenue and Other Income**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Fee income	–	–
Dividends	<b>36</b>	194
Total Income	<b>36</b>	194
Revenue by division:		
Advisory	–	–
Investment	<b>36</b>	194
	<b>36</b>	194

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**Other Income**

Litigation recovery proceeds of nil (2011:£741,000) were recognised in the year.

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

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Unlisted investments	<b>12,509</b>	12,509
Cash	<b>3,455</b>	2,955
Listed investments	<b>5,045</b>	5,371
Other net liabilities	<b>(2,988)</b>	(3,145)
	<b>18,021</b>	17,690

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Included in 'Other net liabilities' in 2012 is £3.0 million (2011: £3.1 million), representing the unpaid share subscription of 30 million RMB due to Zhongying Changjiang International Investment Guarantee Co Limited ("Zhongying").

# Report of the Directors

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The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

## Principal activities

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

## Income for the year

The net income for the year amounted to £0.3m (2011: loss £1.0m). Details of movement in reserves are set out in the statement of changes in equity on page 18.

## Business review

A review of the business and a description of the main trends and factors likely to affect the future development, performance and position of the Group can be found in the Financial Review on page 4.

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

	2012	2011
Revenue (diminution)/increase	(81)%	28%
Net asset increase/(decrease)	2%	(5)%

## Payments to suppliers

The Company's policy for the year ended 31 December 2012 is for all suppliers to fix terms of payment when agreeing the terms of each business transaction and to abide by the agreed terms of payment. The Group's trade creditors at the year end all relate to administrative overheads and represented 30 days of annual expenses.

## 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 ongoing basis and implements appropriate procedures and processes to try and mitigate the adverse consequences of such risks.

The business faces two principal risks. Firstly, as an investment group focusing on China and other Asian markets, our success is influenced by economic, legal, political and social conditions in Asia as well as the state of international capital markets.

Secondly, we are very dependent on our people and so could suffer significantly from the loss or conduct of certain key individuals. The retention of these individuals is highly important to the business as is their integrity.

Due to the nature of these risks and the size of the Company, the Company has been unable to mitigate them.

## Results and dividends

The Group recorded a profit after tax of £0.3 million (2011: loss £1.0 million). Further information on the result for the year is included within the Financial Review.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011: £nil).

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## Annual General Meeting

The Annual General Meeting will take place on 31 July 2013.

## 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 2011 and 31 December 2012 are shown below:

	2012	2011
Toby Parker	1,277,613	1,277,613
Francesco Gardin	–	–
David Buchler	–	–
The Rt. Hon Sir Jeremy Hanley	–	–

Brief biographies of each of the Directors appear on pages 12 and 13.

On 10 June 2013 Fenton Higgins, Peter Hewitt and Stanley Simmonds were appointed Directors. On 1 July 2013 Toby Parker agreed to retire as a Director at the forthcoming Annual General Meeting. On 3 July 2013 Francesco Gardin agreed to retire as a Director at the forthcoming Annual General Meeting.

## Substantial shareholdings

At 11 April 2013 notification had been received of the following interests who 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
Pershing Nominees Limited	87,484,492	38.11
NUTRACO Nominees Limited	15,425,000	6.72
Harewood Nominees Limited	10,750,000	4.68
Barclayshare Nominees	10,482,211	4.57
TD Waterhouse Nominees (Europe) Limited	7,549,934	3.30

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

## Own shares held by subsidiary

In late 2009, the Company was made aware that 9,276,398 shares in London Asia Capital plc were held by certain subsidiaries. 9,191,398 shares were sold in 2010, full details of which are in note 14. 85,000 shares are held by the Company both at the year end and the date of this report.

## Statement of Directors responsibilities

The Directors are responsible for preparing the 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

## Report of the Directors (continued)

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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.

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

### **Directors' and Officers' Liability Insurance**

The Company has maintained Directors' and Officers' insurance as permitted by the Companies Act 2006.

### **Donations**

The Company made no charitable or political donations during the year.

### **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.

### **Financial Risk Management Objectives**

The Company's financial risk management objectives can be found in note 18 of the financial statements.



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## **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.

### **Fenton Higgins**

Company Secretary

5 July 2013

Company Number: 3784771

# Independent Auditors' Report

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## Independent Auditors' Report to the Shareholders of London Asia Capital plc

We have audited the group and parent company financial statements (the "financial statements") of London Asia Capital plc for the year ended 31 December 2012 which are set out on pages 14 to 33. 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 of 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or in-consistencies we consider the implications for our report.

## 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 and MyEG Services Berhad;
- the group structure, inter group balances and control of subsidiaries;
- any assets or liabilities which may arise from the litigation set out in note 20.

## 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.

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## **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 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.

### **Geoffrey Woodhouse**

Senior Statutory Auditor

For and on behalf of Moore Stephens LLP,  
Statutory Auditor

150 Aldersgate Street  
London  
EC1A 4AB  
8 July 2013

## Directors' background, Directors and Advisors

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### **David Buchler** – aged 61

David was a partner at Arthur Andersen before becoming Chairman of Kroll for Europe & Africa. Recently, he has founded his own consultancy business, DB Consultants, which concentrates on the turnaround market. He has acted in over 1,000 assignments with different companies during the course of his 35-year career. His appointments have included cases on behalf of major banks, lawyers, accountants, the Courts and the Department of Trade and Industry. His investigation work has enabled him to lead inquiries into some of the largest and most complex expert witness and fraud cases, both in the UK and worldwide. More recently he has led a number of due diligence and corporate turnaround assignments.

### **Toby Parker** – aged 58

Toby Parker is retiring as a Director in July 2013.

### **Professor Francesco Gardin** – aged 58

Professor Gardin is retiring as a Director in July 2013.

### **The Rt Hon Sir Jeremy Hanley KCMG** – aged 67

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; he is a director and chairman of the Audit Committee of the Arab British Chamber of Commerce. 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 60

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 70

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.

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## **Fenton Higgins – aged 60**

Fenton is a founding partner of chartered accountants, Higgins Fairbairn & Co. He oversees all aspects of the practice management and advises clients on most aspects of running a business and strategic planning. Clients are typically proprietor managed businesses but there are major exceptions to this: UK office of one of China's largest corporations, Opera Gallery Group (international art group with 12 galleries throughout the world), Worshipful Company of Musicians, Belvoir Lettings plc. Fenton is currently 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.

## **Directors**

David Buchler (Executive Chairman)  
Toby Parker (Finance Director), retiring  
Francesco Gardin (Non-Executive Director), retiring  
The Rt Hon Sir Jeremy Hanley KCMG (Non-Executive Director)  
Peter Hewitt  
Stanley Simmonds  
Fenton Higgins

## **Company Registration Number**

3784771

## **Company 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 2012

	Notes	2012 £'000	2011 £'000
<b>Revenue</b>	3	<b>36</b>	194
Administrative expenses		<b>(830)</b>	(1,026)
<b>Operating loss</b>		<b>(794)</b>	(832)
Other income	3	–	742
Realised losses on sale of investments		<b>(1,125)</b>	–
Unrealised gains/(losses) on revaluation of investments		<b>2,548</b>	(730)
Foreign exchange losses		<b>(227)</b>	(154)
<b>Income/(Loss) before taxation</b>	5	<b>402</b>	(974)
Taxation	6	<b>(60)</b>	–
<b>Income/(Loss) for the year</b>		<b>342</b>	(974)
Attributable to:			
Equity holders of the parent		<b>6</b>	(966)
Non-controlling interest		<b>336</b>	(8)
		<b>342</b>	(974)
<b>Earnings per share</b>	9	<b>Pence</b>	<b>Pence</b>
Basic		<b>0.003</b>	(0.42)
Diluted		<b>0.003</b>	(0.42)

All amounts are from continuing operations.

The notes on pages 19 to 33 form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Loss

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	2012 £'000	2011 £'000
Income/(Loss) for the year	6	(966)
Exchange differences on translation of foreign operations	(11)	24
<b>Total comprehensive loss for year attributable to shareholders</b>	<b>(5)</b>	<b>(942)</b>

# Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 £'000 Group	2011 £'000 Group	2012 £'000 Company	2011 £'000 Company
Investment in subsidiaries	10	–	–	84	84
Investments	11	17,554	17,880	16,499	12,509
Trade and other receivables	12	211	157	1,989	2,523
Cash and cash equivalents		3,455	2,955	1,292	755
		21,220	20,992	19,864	15,871
Trade and other payables	13	(3,199)	(3,302)	(8,563)	(4,109)
		18,021	17,690	11,301	11,762
<b>Capital and Reserves</b>					
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	296	307	–	–
Retained loss	16	(26,698)	(26,704)	(32,332)	(31,871)
<b>Equity attributable to equity holders of the parent</b>		<b>17,231</b>	<b>17,236</b>	<b>11,301</b>	<b>11,762</b>
<b>Non-controlling interest</b>		<b>790</b>	<b>454</b>	<b>–</b>	<b>–</b>
		18,021	17,690	11,301	11,762

The financial statements were approved by the Board and authorised for issue on 5 July 2013.

**David Buchler**

Chairman

The notes on pages 19 to 33 form an integral part of these financial statements.



# Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 £'000 Group	2011 £'000 Group	2012 £'000 Company	2011 £'000 Company
Net cash (used in)/from operating activities	19	(935)	(512)	537	(689)
<b>Investing activities</b>					
Proceeds on disposal of investments		1,435	-	-	-
Net cash from investing activities		1,435	-	-	-
<b>Financing activities</b>					
Net cash from financing activities		-	-	-	-
Net (decrease)/increase in cash and cash equivalents		500	(512)	537	(689)
Cash and cash equivalents at beginning of year		2,955	3,467	755	1,444
<b>Cash and cash equivalents at end of year</b>		<b>3,455</b>	<b>2,955</b>	<b>1,292</b>	<b>755</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

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	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Account £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2012	11,475	10,828	21,330	307	(26,704)	17,236
Total comprehensive loss for the year	–	–	–	(11)	6	(5)
<b>Balance at 31 December 2012</b>	<b>11,475</b>	<b>10,828</b>	<b>21,330</b>	<b>296</b>	<b>(26,698)</b>	<b>17,231</b>
Balance at 1 January 2011	11,475	10,828	21,330	283	(25,738)	18,178
Total comprehensive loss for the year	–	–	–	24	(966)	(942)
Balance at 31 December 2011	11,475	10,828	21,330	307	(26,704)	17,236

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# Notes to the Financial Statements

For the year ended 31 December 2012

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## **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 13. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 6 to 9. 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 7 Financial Instruments: Disclosures***

The standard has been amended to address the disclosures surrounding the offsetting of financial assets and liabilities and will affect the disclosure of derivative financial instruments.

The standard is effective for accounting periods beginning on or after 1 January 2013.

### ***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, with changes in the liabilities' credit risk recognised in other comprehensive income.

The standard is effective for accounting periods beginning on or after 1 January 2013.

### ***IFRS 10 Consolidated Financial Statements***

The standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The new standard provides extensive guidance on applying the principle of control, which then governs the consolidation of an entity. The Group has begun a process of evaluating the full extent of the impact that the standard will have on its financial statements.

The standard is effective for accounting periods beginning on or after 1 January 2014.

### ***IFRS 12 Disclosure of Interests in Other Entities***

The standard requires disclosure of information on the nature of, and risks associated with, interests in other entities; and the effects of those interests on the primary financial statements. The disclosures required relate to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The standard is effective for accounting periods beginning on or after 1 January 2014.

### ***IFRS 13 Fair Value Measurement***

The standard outlines a single framework for measuring fair value and the required disclosure thereof when required or permitted by other International Financial Reporting Standards. The standard is unlikely to impact the fair value measurement of assets and liabilities that are currently recognised at fair value, however there will be greater disclosure given.

The standard is effective for accounting periods beginning on or after 1 January 2013.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2012

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## 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.

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## **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.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2012

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## **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**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Dividends	<b>36</b>	194
	<b>36</b>	194

## **Other Income**

Litigation recovery proceeds of £741,000 were recognised in the year to December 2011 following agreement reached between LAC and Huang He Securities Limited.

There were no litigation recoveries in 2012 as a moratorium, on the litigation in Hong Kong, has been put in place pending resolution to the realisation of value in the Zhongying investment.

#### Note 4 Business and geographical segments

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

The Board of Directors reviews 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 2012

	China	Singapore	Hong Kong	Malaysia	Indonesia	United Kingdom	Total
Revenue	–	–	–	–	36	–	36
Assets by location of asset	12,509	–	110	1,055	3,990	3,556	21,220
Liabilities by location of liability	3,022	–	6	–	–	172	3,201
Unrealised gains on revaluation of investments	–	–	–	200	2,348	–	2,548
Realised loss on disposal of investments	–	(1,125)	–	–	–	–	(1,125)

##### Year ended 31 December 2011

	China	Singapore	Hong Kong	Malaysia	Indonesia	United Kingdom	Total
Revenue	–	194	–	–	–	–	194
Assets by location of asset	13,364	2,560	109	–	1,954	3,005	20,992
Liabilities by location of liability	3,061	–	6	–	–	235	3,302
Unrealised gains on revaluation of investments	–	(514)	–	–	(216)	–	(730)

#### Note 5 Income before taxation

	2012 £'000	2011 £'000
Income/(Loss) before taxation has been arrived at after charging):		
Net foreign exchange losses	227	154
Auditors' remuneration	64	76

The analysis of auditors' remuneration is as follows:

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	33	33
Tax Fees	15	10
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	–	15
Fees payable to auditors of other subsidiaries of the Company	16	18
<b>Total audit fees</b>	<b>64</b>	<b>76</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2012

## Note 6 Taxation

	2012 £'000	2011 £'000
Current tax charge	60	–
Current tax reconciliation		
Income/(Loss) before taxation	402	(974)
Current tax at 24% (2011: 26%)	96	(253)
Other disallowed items	(69)	–
Overseas taxation	60	–
Results of subsidiaries not subject to taxation at 24%	(206)	(4)
Tax losses carried forward	179	257
<b>Current tax charge</b>	<b>60</b>	<b>–</b>

The Group has not recognised deferred tax assets of £1,813,000 (2011: £1,709,000) 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

	2012 £'000	2011 £'000
Wages and salaries	191	258
Pension costs	23	30
Social security costs	2	1

Staff costs include the following emoluments in respect of the qualifying service of Directors of the Company:

<b>Directors' emoluments</b>	<b>214</b>	<b>289</b>
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The highest paid director received emoluments of £168,000 (2011: £137,250). Directors' fees include an amount of nil (2011: £7,500) relating to termination fees paid to two directors in accordance with terms of those contracts.

<b>Employees</b>	2012 Number	2011 Number
The average number of persons employed by the Group, including directors, during the year was:	4	5

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.

As at the date of this report, there are no employees other than the Directors.

## 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 loss after taxation amounted to £0.46m (2011: profit £0.2m) has been included in the financial statements of the holding Company.



## Note 9 Earnings per share

	2012 £'000	2011 £'000
<b>Earnings</b>		
Income/(Losses) for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	6	(966)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	229,508,590	229,508,590
Effect of dilutive potential ordinary shares:		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	229,508,590	229,508,590
<b>Earnings per share</b>		
Basic (pence)	0.003	(0.42)
Diluted (pence)	0.003	(0.42)

## 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 (Hong Kong) Limited	China	Consolidation	80%

Analysis of movement during the year:

	Company 2012 £'000	Company 2011 £'000
Balance at beginning and end of year	84	84
<b>Balance at end of year</b>	<b>84</b>	<b>84</b>

The following companies have not been consolidated on the basis that the Group cannot establish whether they have control over their financial and operating policies and have been accounted for at fair value through profit and loss in accordance with the accounting policy for investments set out in note 2 to the financial statements. Full impairment has been made to reduce the fair value to nil to reflect this uncertainty.

Name	Place of incorporation	Cost 2012 £'000	Fair value 2012 £'000
Beijing Biaoqi Culture Limited	China	236	-
Beijing Biaoqi Advert Limited	China	19	-
		<u>255</u>	<u>-</u>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2012

## Note 11 Investments

	<b>Group</b> <b>2012</b> <b>£'000</b>	Group 2011 £'000	<b>Company</b> <b>2012</b> <b>£'000</b>	Company 2011 £'000
Analysis of movement during the year:				
Opening balance	<b>17,880</b>	18,552	<b>12,509</b>	12,509
Disposals	<b>(2,560)</b>	–	<b>5,072</b>	–
Intra Group Transfer	–	–	<b>3,374</b>	–
Unrealised profit/(loss) on revaluation of investments	<b>2,548</b>	(730)	<b>821</b>	–
Foreign exchange (losses)/gains	<b>(314)</b>	58	<b>(205)</b>	–
<b>Closing balance</b>	<b>17,554</b>	17,880	16,499	12,509

### Quoted Investments

Financial and general information on the quoted investments held by the group are available on the following web links:

- Bank Mayapada: [http:// Bank Mayapada.com](http://BankMayapada.com)
- MyEg Services Berhad: <http://myeg.listedcompany.com>

### Unquoted Investments

Every unquoted investment held by the Group has been stated at nil value as at 31 December 2012 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 £3.0 million. The 2005 investment of 170 million RMB is equivalent to £16.66 million at the year end. 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.

Zhongying 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 Zhongying, 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 creditors).

It has been well documented in the past that there is no open market in the shares of Zhongying but the board is now in active dialogue with the 80% shareholder in Zhongying to try and find a mutually acceptable way forward. The Company's shareholding in Zhongying remains on the balance sheet at cost. In light of the above the Directors feel unable to express a view as to current value of the shareholding although they are able to report on the information they have found in the public domain.

- If the cost of investment of 170 million RMB was valued at the year end exchange rate, the value of this investment would be £16.66 million being an increase of £4.15 million.
- In late 2010, a 25% shareholding in Zhongying, was transferred from a Wuhan Kaidi Electric Power Co. Ltd, a Shenzhen quoted company, to Wuhan Kaidi Holdings Investment Ltd, a company chaired by Mr Yilong Chen and the 80% shareholder in Zhongying, at a price of

400 million RMB, which implies a market value of the company of 1.6 billion RMB which could infer a value of your Company's shareholding of £39 million.

- The Report & Accounts as at 31 December 2011 showed a net loss of 17 million RMB (2010: profit 261 million RMB) and shareholders funds of 1,397 million RMB (2010: 1,414 million RMB). On an equity accounting basis, 20% of this is 279 million RMB, equivalent to £27.4 million at the year end.
- Kaidi Holdings Limited has pledged 35% of Zhongying as a guarantee for the issue of 10-year Debentures with a value of 1,000 million RMB (£ 99.8 million) indicating that, on the same basis, the LAC 20% stake would be valued at £57 million, equivalent to an additional 12.5 pence per LAC share.

## Note 12 Trade and other receivables

	<b>Group</b> <b>2012</b> <b>£'000</b>	Group 2011 £'000	<b>Company</b> <b>2012</b> <b>£'000</b>	Company 2011 £'000
Other debtors	211	157	211	157
Amounts due from subsidiary companies	–	–	<b>1,778</b>	2,366
	<b>211</b>	157	<b>1,989</b>	<b>2,523</b>

## Note 13 Trade and other payables

	<b>Group</b> <b>2012</b> <b>£'000</b>	Group 2011 £'000	<b>Company</b> <b>2012</b> <b>£'000</b>	Company 2011 £'000
Amounts due to subsidiary companies	–	–	5,405	825
Accruals and deferred income	178	242	159	224
Other creditors	3,021	3,060	2,999	3,060
	<b>3,199</b>	<b>3,302</b>	<b>8,563</b>	<b>4,109</b>

Included within other creditors in 2012 is an amount of £2.99 million (2011: £3.06 million) which represents the total 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 14 Share capital and share premium

	<b>2012</b> <b>£'000</b>	2011 £'000
Allotted, issued and fully paid		
229,508,590 Ordinary shares of 5p each (2011: 229,508,590)	<b>11,475</b>	11,475
Share premium	<b>21,330</b>	21,330
Shares gifted back and cancelled in 2009	<b>10,828</b>	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. The company still holds a total of 85,000 shares for which no buyer has been found.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2012

## Note 15 Translation reserve

	<b>Group 2012 £'000</b>	Group 2011 £'000
Balance at beginning of year	307	283
Current year movement	(11)	24
<b>Balance at end of year</b>	<b>296</b>	<b>307</b>

## Note 16 Retained loss

	<b>Group 2012 £'000</b>	Group 2011 £'000	<b>Company 2012 £'000</b>	Company 2011 £'000
Balance at beginning of year	(26,704)	(25,738)	(31,871)	(32,044)
Net profit/(loss)	6	(966)	(461)	173
<b>Balance at end of year</b>	<b>(26,698)</b>	<b>(26,704)</b>	<b>(32,332)</b>	<b>(31,871)</b>

## Note 17 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The following related party transactions with the Company's subsidiaries are included in the Company's financial statements:

<b>Related party</b>	<b>2012 Amount due £'000</b>	<b>2012 Amount owing £'000</b>
London Asia Investments (Hong Kong) Limited	–	4,580
London Asia Capital (S) Pte Limited	1,778	–
Huang He Securities Ltd	–	252
London Asia Capital Mauritius	–	1,770
	–	5,405

The transactions with subsidiaries during the year related to funding requirements and transfer of cash funds to parent company for centralisation of control of group activities and assets.

The Company entered into an agreement with I.F.M. Consultants Ltd in 2009, a company owned and controlled by T.J.C. Parker, a Director of the Company, for that company to provide certain consultancy services. During 2012, a supplementary agreement was entered into, the total amount paid to I.F.M. Consultants Ltd was £168,000 inclusive of a pension contribution of 20%. (2011: £126,000). Included within this amount was a fee of £30,000 as part of the set-up of a proposed Scheme of Arrangement. No arrangement was subsequently entered into.

During the year, the Company paid an amount of £22,000 to Francesco Gardin, a Director of the Company. Included within this amount was a fee of £10,000 as part of the set-up of a proposed scheme of Scheme of Arrangement. No arrangement was subsequently entered into.

The Company had entered into an agreement with Financial Fun Ltd in 2009, a company owned and controlled by D. Bailey, a previous Director of the Company, for that company to provide certain consultancy services. During the year to 31 December 2012, Financial Fun Ltd was paid £35,200 (2011: £108,000). This agreement was terminated in May 2012.

On 22 November 2011, the Company finalised a contract with DB Consultants Ltd, of which David Buchler is a director and Sir Jeremy Hanley is associated, for services to be provided and for which

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no fee will be paid other than on the occurrence of certain events, including the realisation of assets.

The Company paid a fee of £73,180 to DB Consultants Ltd, a company where D. Buchler is a director and shareholder, under the terms of the agreement referred to above, following the realisation of assets.

The Company paid a fee of £60,000 (2011: Nil) to Templewood Partnership Limited, a company where D Buchler is a director, for corporate finance advice and services relating to a proposed Scheme of Arrangement in 2012. This Scheme of Arrangement has not been able to be implemented to date.

The Company paid office accommodation and facility costs of £37,712 (2011: £10,000) to Parkstone Capital Limited, a company where D Buchler is a director, for the period 1 August 2011 to 30 June 2013.

The Company paid a fee of £15,241 (2011: Nil) to Parkstone Capital Limited, a company where D Buchler is a director, for the provision of company registration services.

Pursuant to an agreement made between the Company, Toby Parker and others on 1 July 2013 to reconcile the differences between them referred to in Mr Buchler's letters to shareholders of 11 and 20 June 2013, Toby Parker has agreed to resign as a Director of the Company at the forthcoming General Meeting.

Pursuant to an agreement made between the Company, Professor Francesco Gardin and others on 3 July 2013 to reconcile the differences between them referred to in Mr Buchler's letters to shareholders of 11 and 20 June 2013, Professor Gardin has agreed to resign as a director of the Company at or before the forthcoming General Meeting.

The above agreements provide for a total compensation for loss of office for services as directors of £78,500.

## **Note 18 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 2012 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 2012 and 2011, 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 2012 was £3.4m (2011: £3.0m).

### **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.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2012

## Sensitivity analysis

The following analyses illustrate the effect that specific changes could have had on our results in the 2012 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 2012

	Hong Kong \$'000	Singapore \$'000	US \$'000	Indonesian Rupiah '000,000	Malaysian Ringgit'000	
Net foreign currency monetary assets	4,930	3,437	1,537	66,496	5,412	
			<b>Weakening of GBP</b>		<b>Strengthening of GBP</b>	
			<b>10%</b>	<b>20%</b>	<b>10%</b>	<b>20%</b>
			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Impact on equity gain/(loss)</b>						
Hong Kong \$		(39)	(79)	39	79	
Singapore \$		(174)	(348)	174	348	
US \$		(95)	(190)	95	190	
Indonesian Rupiah		(428)	(856)	428	856	
Malaysian Ringgit		(112)	(224)	112	224	
<b>Total</b>		<b>(849)</b>	<b>(1,697)</b>	<b>849</b>	<b>1,697</b>	

## Interest rate risk

The following table demonstrates the sensitivity of a reasonably possible change in interest rates with all other variables held constant, of the Group's portfolio before tax through the impact on cash balances. There is no other impact on the Group's equity.

	Increase in interest rates		Decrease in interest rates	
	1% £'000	2% £'000	1% £'000	2% £'000
<b>Impact on equity gain/(loss)</b>				
Hong Kong \$	4	8	(4)	(8)
Singapore \$	17	35	(17)	(35)
GBP	3	7	(3)	(7)
US \$	10	19	(10)	(19)
<b>Total</b>	<b>34</b>	<b>69</b>	<b>(34)</b>	<b>(69)</b>

The following table provides an analysis of financial instruments as at 31 December 2012 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
<b>Financial instruments at 31 December 2012</b>				
Investments	5,045	–	12,509	17,554
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial instruments at 31 December 2011</b>				
Investments	5,371	–	12,509	17,880

At 31 December 2012, if the market price of equities had fallen by 10% with all other variables held constant, unrealised gains would have been £504,500 lower (2011: £537,100). Conversely if the market price of equities had increased by 10% unrealised gains would have been £504,500 higher (2011: £537,100).

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.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2012

## 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 19 Notes to the cash flow statement

	<b>Group 2012 £'000</b>	Group 2011 £'000	<b>Company 2012 £'000</b>	Company 2011 £'000
<b>Profit/(Loss) for the year</b>	<b>367</b>	(974)	<b>(461)</b>	173
<b>Adjustments for:</b>				
Unrealised (gains)/losses on revaluation of investments	<b>(2,548)</b>	636	<b>(821)</b>	–
Loss on disposal of investment	<b>1,125</b>	–	–	–
<b>Operating cash flows before movements in working capital</b>	–	(338)	–	173
(Increase)/decrease in trade and other receivables	<b>(54)</b>	(55)	<b>(2,840)</b>	694
Foreign Exchange	<b>303</b>	60	<b>205</b>	–
(Decrease)/Increase in trade and other payables	<b>(128)</b>	(179)	<b>4,454</b>	(1,556)
<b>Net cash (used in)/from operating activities</b>	<b>(935)</b>	<b>(512)</b>	537	(800)

## Note 20 Legal proceedings

### 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 with both Richpoint Group Overseas Limited and Mr Chen of Zhongying, this matter has been put on hold with the sanction of the High Court of Hong Kong.



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## **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.

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 with both Richpoint Group Overseas Limited and Mr Chen of Zhongying, this matter has been put on hold with the sanction of the High Court of Hong Kong.

## **3. London Asia Capital (S) Pte Ltd**

As a result of Directors' investigations into the business of the Hong Kong companies, it has also become apparent that there have been a number of transactions processed through this Singapore company which have not properly been accounted for. Investigations into this matter are ongoing and may lead to litigation in due course.

## **4. MyEg Services Berhad**

The Company has initiated legal proceedings against Messrs John Tong and Fahmi, Solicitors in Kuala Lumpur to ensure that the shares that they hold in MyEg on behalf of the Company are transferred to a new custodian in order that a sale of these shares can take place.

## **5. 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 although this is a matter of discussion in the ongoing dialogue with Wuhan Kaidi Investment Holding Ltd.





