

Company Registration No. 05059077

Vatukoula Gold Mines plc.
Report and Financial Statements
For the year ended 31 December 2018

Strategic Report	1
Board of Directors	2
Directors' Report	3
FINANCIAL STATEMENTS	
Independent Auditor's Report	7
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Shareholders' Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Corporate Information	30

The directors present their strategic and financial report on the company for the year ended 31 December 2018.

The Company continues under section 401 of the Companies Act to take exception in preparing consolidated accounts for the Group, as Zhongrun International Mining Co. Ltd (“Zhongrun”) continued to hold approximately 79.5% of the enlarged share capital of the Company and continues as the ultimate controlling entity, and Zhongrun’s accounts continue to be prepared under Chinese GAAP, and have been filed along with the Company accounts at Companies House in accordance with the Companies Act 2006.

Review of the business

Subsequent to the delisting the Company in 2014 from AIM and the restructuring, in particular the Company divesting management control of its operations to the subsidiaries that own the assets, the role of the Company has continued as an investment holding Company for its subsidiary undertakings.

The principle activity of its subsidiaries continues to be exploration, development, and exploitation of gold mineral properties in Fiji. Operating for over 75 years, the mine has produced in excess of seven million ounces of gold. The Company acquired the mine in 2008 and aims to reach a sustainable and profitable production level.

Results and performance

The results of the Company for the year, as set out on page 8, show an underlying operating loss of £1.11 million for 12 months (2017: Loss of £0.81 million). The main driver for this variance was the unrealised foreign exchange losses on loans to our wholly owned subsidiary. In the current year, the costs have been controlled with the main expenditure being on insurance and professional fees.

The net loss before taxation increased from £7.06 million (12 months 31 Dec 2017) to £10.22 million for the current 12 month period. Despite the continuing losses the Directors believe in the long term the Company’s investment in the Vatukoula Gold Mine will provide a return to its shareholders and will be able to repay all loan amounts, the subsidiary will still require further investment from the Company to achieve this goal which in turn will require the Company to continue to be funded by Zhongrun in order to fund their investment. Therefore given the uncertainty of obtaining this finance the Directors continue to believe it is prudent to impair all group loan values to zero.

The Company continues to be financed by Zhongrun during the year, with the balance owing at 31 December 2018 of £42.89million. (At 31 December 2017 £28.99million)

Business environment

The Company is an investment holding company for its subsidiary undertakings and as such if it is to see a return from this investment it will be required to make further investments into the subsidiaries. Access to capital remains limited in the UK, however the directors have finance obligations from the parent company to reach its long term production targets and provide value to shareholders.

Board of Directors

Yingbin Ian He, Executive Chairman, age 57

Mr. Yingbin Ian He has over 30 years of experience in mining industry. Mr. He was appointed as a Non-Executive Director of the Company in February 2013 and Non-Executive Chairman in April 2013. He has been a Director of China Gold International Resources since 2000, and SouthGobi Resources Limited since 2017, both of which are dual listed on the Toronto Stock Exchange and Hong Kong Stock Exchange. Mr He obtained his PhD degree in mineral process engineering from the University of British Columbia in Vancouver, Canada.

Zhanchuan LI, Non-Executive Director, age 61

Mr Zhanchuan Li was the General Manager and a Director of Zhongrun Resources Investment Corp. between 2013 and July 2019. Prior to that, Mr. Li joined Shandong Gold Industrial Corporation in 1998, serving at the company's subsidiary Xinyi Jewelry Co. as Deputy Chairman. Mr. Li served with Shandong Gold consecutively as General Manager of mining development division in 2005, and General Manager in 2009 and Chairman in 2012 of resources development division.

Debao Mao, Non-Executive Director, age 55

Mr. Mao joined China Rail Resources Group Ltd. in 2007 as Chief Geologist. In December 2010, Mr. Mao was promoted to the position of Deputy General Manager. Prior to that, Mr. Mao worked at Tianjin Geological Research Institute between 1990 and 2007, consecutively as deputy research scientist in 1995 and research scientist in 2000. Mr. Mao obtained his PhD degree in geology from China University of Geoscience (Beijing) in 2002.

Yuhua Zhu, Non-Executive Director, age 44

Mrs. Zhu joined Jiangsu Haijian International Economic and Technological Cooperation Group in 1998 as an engineer, responsible for project cost control. She was promoted to the position of Executive Manager in 2017 and was appointed as a Non-Executive Director of the Company in February 2019.

Lingquan Kong, Executive Director, age 34

Mr. Kong was appointed as an Executive Director of the Company in February 2019 and resigned in July 2019. Mr. Kong joined the Company in February 2014, and worked consecutively as Mine Manager, Deputy General Manager, and General Manager. Prior to that, Mr. Kong worked as Mine Manager at Guilaizhuang Gold Mine of Shandong Industrial Gold Corporation between 2010 and 2014. Mr. Kong obtained his Master of Engineering degree in mining engineering from Northeastern University in Shenyang, China.

Directors' Report

The directors are pleased to present this year's annual report together with the Company's financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is that of a holding Company for its subsidiary undertakings, which are set out in Note 8 of the financial statements.

Results and dividends

The loss on ordinary activities of the Company for the year ended 31 December 2018 after taxation was £10.22 million (year ended 31 December 2017: loss of £7.06 million).

The directors do not recommend the payment of a dividend (2017: nil).

Business review and Key performance indicators (KPI's)

A review of the current and future development of the Company's business is given in the strategic report section of this report on page 1.

Due to the current status of the Company, the Board has not identified any performance indicators as key.

The Strategic Report sets out a review of the development and performance of VGM's business for the year ended 31 December 2018 and the future developments. The Strategic Report is set out on page 1 of this annual report. All information detailed in these pages is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Events after the end of the reporting period

At the date these financial statements were approved, being 20 August 2019, the directors were not aware of any significant events after the end of the reporting period other than those set out in Note 17 of the financial statements.

Future developments

A review of our future developments is given in the Strategic Report on page 1.

Financial risk management

The Company's operations expose it to financial risks that include liquidity risk, interest rate and foreign exchange risk. The Company does not use derivative financial instruments to manage any of these risks nor is hedge accounting applied.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The Company's finance department implements the policies set by the board of directors. Further details of the Company's exposure to risks arising from financial instruments held are provided in note 14.

Liquidity risk

The Company actively manages its working finance to ensure the Company has sufficient funds for current operations. As referred to in Note 3 of the financial statements, it is for this reason that the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Interest rate cash flow risk

Interest bearing assets are only cash balances that earn interest at a floating rate. The Company does not have any variable rate debt and therefore it is not exposed to interest rate cash flow risk on its debt.

Foreign exchange risk

The Company operates in the United Kingdom, however its subsidiaries operate in Fiji and Brazil. The board has assessed its exposure foreign exchange risk, the details of which are provided in note 14. This situation is monitored on a regular basis, and as such the directors do not currently consider it necessary to enter into forward exchange contracts.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company has credit risk management policies in place and exposures to credit risk are monitored on an ongoing basis. Management generally adopts conservative strategies and a tight control on credit policy.

Directors' insurance

The Company has taken out an insurance policy to indemnify the directors and officers of the Company against liability when acting for the Company.

Directors

The following directors have held office during the period:

Yingbin Ian He	
Zhenchuan Li	
Lingquan Kong	(appointed 11 February 2019, resigned in 1 July 2019)
Debao Mao	(appointed 11 February 2019)
Yuhua Zhu	(appointed 11 February 2019)
Yeung Ng	(resigned 27 August 2018)
Lei Sun	(resigned 11 February 2019)
Qinghua Cao	(resigned 11 February 2019)

Directors' interests

No director has held or currently holds any options over ordinary shares.

Corporate Governance

As the Company has delisted from AIM, compliance with the FRC formal Corporate Governance requirements are not mandatory. Therefore the Company has not adopted any formal FRC corporate Governance requirements, but the directors recognise the good principles that are set out within the FRC's regulatory guidance and hence have chosen to follow some of principles which are relevant to the Company, the directors believe that the Company applies the Main Principles insofar as is practicable and appropriate for a public company of its size

Political and charitable donations

The Company made no charitable or political donations during the year (2017: £nil).

Policy on payment of creditors

The Company seeks to maintain good terms with all of its trading partners. It does not follow any specific code or standard on payment practice. However, it is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers, to ensure that the suppliers are made aware of those terms and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end payables is therefore not meaningful.

Related Party Transactions

Details of related party transactions during the year are set out at note 15 to the financial statements.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review section of this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition note 14 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and details of its financial instruments and its exposure to credit and liquidity risk.

In assessing the Company's going concern the Directors have taken into account the above factors, including the financial position of the Company and in particular its cash position, and the Company's capital expenditure and financing plans.

The Directors note the losses that the Company has made for the Year Ended 31 December 2018. The Directors have prepared cash flow forecasts for the period ending 30 June 2020 which take account of the current cost and operational structure of the Company.

The Company's forecasts and projections, show that the Company should be able to operate using its current financing facilities, and support from the ultimate parent company, Zhongrun. The cost structure of the Company itself, comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future at least for a period of twelve months from the approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors note the Net Liability position in the Statement of Financial Position, and the liquidity of the Company has been addressed by way of a guarantee of financing from Zhongrun, without this guarantee from Zhongrun, the Company would be considered insolvent and not able to continue as a going concern.

Zhongrun have confirmed in writing to the Company that it remains willing and able continue to support the Company as becomes required.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Chapman Davis LLP be re-appointed will be put to the forthcoming Annual General Meeting.

Directors' responsibilities in the preparation of financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing the financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, comparable, understandable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departure disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to conclude the impact of particular transactions, other events and condition of the entities' financial position and financial performance; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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 also responsible for the maintenance and integrity of the Company's website on the internet. However, information is accessible in many different countries where legislation governing preparation and documentation of financial statements may differ from that applicable in the United Kingdom.

Disclosure of information to auditors

Each of the directors in office at the date of approval of the annual report confirms that so far as they are aware there is no relevant audit information of which the Company's auditor is unaware and that each director has taken all the steps which they ought to have taken as directors in order to make themselves aware of that information

Yinghin Ian He
Director
20 August 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VATUKOULA GOLD MINES PLC

OPINION

We have audited the financial statements of Vatukoula Gold Mines Plc (the 'Company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the Company's losses for the year then ended;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the financial statements, which indicates that the Company incurred a net loss of £10,217,000 during the year ended 31 December 2018 and, as of that date, the Company's current liabilities exceeded its current assets by £29,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) or ISA IAASB will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

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

Keith Fulton
(Senior Statutory Auditor)
For and on behalf of Chapman Davis LLP, Statutory Auditor
London
Chapman Davis LLP is a limited liability partnership registered in England and Wales (with registered number OC306037).

Date: 20 August 2019

Vatukoula Gold Mines plc.
Statement of Comprehensive Income
For the period ended 31 December 2018

	Notes	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Turnover		-	-
Gross profit		-	-
Operating expenses			
Administrative expenses		(88)	(76)
Foreign exchange (loss)/gain		(1,021)	(733)
Underlying operating (loss)		(1,109)	(809)
Impairment charge	8,9	(10,733)	(3,309)
Operating (loss)	4	(11,842)	(4,118)
Interest receivable and other income	6	1,866	-
Interest payable and similar charges	6	(241)	(2,942)
(Loss) before taxation		(10,217)	(7,060)
Taxation	7	-	-
(Loss) for the period attributable to equity holders of the Company		(10,217)	(7,060)
Other comprehensive income			
Currency translation gain/(loss)		8,139	(101)
Other comprehensive income net of taxation		8,139	(101)
Total comprehensive (loss) attributable to equity holders of the Company		(2,078)	(7,161)

All activities relate to continuing operations.

The notes form an integral part of these financial statements.

	Notes	31 Dec 2018 £'000	31 Dec 2017 £'000
Assets			
Non-current assets			
Trade and other receivables	9	-	-
Investment in subsidiary companies	8	-	-
Total non-current assets		-	-
Current assets			
Trade and other receivables	9	8	17
Cash and cash equivalents	10	-	-
Total current assets		8	17
Total Assets		8	17
Equity & Liabilities			
Current liabilities			
Trade and other payables	12	37	37
Total Current Liabilities		37	37
Non-current Liabilities			
Borrowings	13	42,894	40,825
Total Non-current liabilities		42,894	40,825
Total Liabilities		42,931	40,862
Shareholders' Equity			
Share capital	11	17,213	17,213
Share premium account	11	94,711	94,711
Share based payment reserve		-	-
Foreign currency reserve		4,849	(3,290)
Accumulated losses		(159,696)	(149,479)
Total shareholders' equity		(42,923)	(40,845)
Total liabilities and shareholders' equity		8	17

Approved by the Board and authorised for issue on 20 August 2019 and signed on behalf of the Board of Directors by:

Yingbin Ian He
Director
20 August 2019

The notes form an integral part of these financial statements.

Vatukoula Gold Mines plc.
Statement of Changes in Shareholders' Equity
As at 31 December 2018

	Ordinary share capital	Share premium	Share based payment reserve	Foreign currency reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	17,213	94,711	98	(3,189)	(142,517)	(33,684)
Loss for the year	-	-	-	-	(7,060)	(7,060)
Currency translation loss	-	-	-	(101)	-	(101)
Total comprehensive income	-	-	-	(101)	(7,060)	(7,161)
Issue of shares	-	-	-	-	-	-
Share options expired	-	-	(98)	-	98	-
Balance at 31 December 2017	17,213	94,711	-	(3,290)	(149,479)	(40,845)

	Ordinary share capital	Share premium	Share based payment reserve	Foreign currency reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	17,213	94,711	-	(3,290)	(149,479)	(40,845)
Loss for the year	-	-	-	-	(10,217)	(10,217)
Currency translation loss	-	-	-	8,139	-	8,139
Total comprehensive income	-	-	-	8,139	(10,217)	(2,078)
Issue of shares	-	-	-	-	-	-
Share options expired	-	-	-	-	-	-
Balance at 31 December 2018	17,213	94,711	-	4,849	(159,696)	(42,923)

Share premium: The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of new ordinary share capital.

Share based payment reserve: The share-based payment reserve represents cumulative amounts charged to the Statement of Comprehensive Income in respect of share based payment arrangements, where it has not yet been settled by means of an award of shares.

Foreign currency reserve: The reserve represents the unrealised currency gains or (losses) on translation of balances at the year end.

Accumulated losses: The accumulated losses represent profits and losses retained in previous and current period.

The notes form an integral part of these financial statements

Vatukoula Gold Mines plc.
Statement of Cash Flows
For the period ended 31 December 2018

	Notes	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Cash flows from operating activities			
Operating loss for the year:		(11,842)	(4,118)
Adjustments for:			
Impairment		10,733	3,309
Foreign exchange loss		1,021	733
Provision for bad debts			
Net operating income before changes in working capital		(88)	(76)
Decrease in receivables	9	9	10
(Decrease) accounts payable	12	-	(7)
Net cash used in operating activities		(79)	(73)
Cash flows from investing activities			
Interest received		-	-
Net cash used in investing activities		-	-
Cash flows before financing		(79)	(73)
Cash flows from financing activities			
Interest paid		-	-
Net Proceeds from borrowings		79	73
Net cash provided by financing activities		79	73
Net (decrease)/increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year	10	-	-
Cash and cash equivalents at the end of the year	10	-	-

The notes on pages 46 to 86 form an integral part of these financial statements

1. General information

Vatukoula Gold Mines plc. is registered in England and Wales under number 5059077. The Company is governed by its articles of association and the principal statute governing the Company is the Companies Act 2006. The Company's registered office is situated at Level 5, 2 More London Riverside, London, SE1 2AR.

The Company delisted from AIM on 1 July 2014, and its ordinary shares are no longer listed on any stock market.

The nature of the Company's operations and principal activities are set out in the Directors' Report on page 3.

The financial statements of Vatukoula Gold Mines Plc for the year ended 31 December 2018 were authorised for issue by the Board on 20 August 2019 and the balance sheets signed on the Board's behalf by Yingbin Ian He.

2. Basis of preparation

The financial statements of Vatukoula Gold Mines plc. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Pounds Sterling (GBP) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The principal accounting policies adopted by the Company in the preparation of the financial statements are set out below.

The Board has reviewed the accounting policies set out in the financial statements and considers them to be most appropriate to the Company's business.

Statement of Compliance with IFRS

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and interpretations) as adopted by the European Union.

New standards, amendments and interpretations adopted by the Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2018 are not material to the Company.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.
- IFRS 17 in respect of Insurance Contracts will be effective for accounting periods beginning on or after 1 January 2021.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Summary of significant accounting policies

(a) Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review section of this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition note 14 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and details of its financial instruments and its exposure to credit and liquidity risk.

In assessing the Company's going concern the Directors have taken into account the above factors, including the financial position of the Company and in particular its cash position, and the Company's capital expenditure and financing plans.

The Directors note the losses that the Company has made for the Year Ended 31 December 2018. The Directors have prepared cash flow forecasts for the period ending 30 June 2020 which take account of the current cost and operational structure of the Company.

The Company's forecasts and projections, show that the Company should be able to operate using its current financing facilities, and a guarantee of support from the ultimate parent company, Zhongrun. The cost structure of the Company itself, comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future at least for a period of twelve months from the approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors note the Net Liability position of £42,923,000 in the Statement of Financial Position, and the liquidity of the Company has been addressed by way of a guarantee of financing from Zhongrun, without this guarantee from Zhongrun, the Company would be considered insolvent and not able to continue as a going concern.

Zhongrun have confirmed in writing to the Company that it remains willing and able continue to support the Company as will be required.

3. Summary of significant accounting policies (continued)

(b) Significant accounting judgements, estimates and assumptions

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) *Provisions and Contingent Liabilities (note 16)*

Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Several of these factors are a source of estimation uncertainty.

Estimates and Assumptions

The preparation of financial statements requires the application of estimates and assumptions on future events, which affects assets and liabilities at the reporting date and income and expenditure for the period. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(ii) Share-based payment transactions (see note 11)

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. The Black-Scholes model is particularly sensitive to expected volatility. Therefore any change in the methodology of the calculation of volatility will impact the amount expensed as share based payments on the statement of comprehensive income.

The value expensed in the statement of comprehensive income is £nil (2017: £nil).

(vi) Allowance for doubtful debts – current trade & other receivables (see note 9)

Each receivable balance is assessed to determine recoverability. Provisions are made for those debtors where evidence indicates that recoverability is doubtful. Amounts are written off when they are deemed irrecoverable. Any changes to estimates made in relation to debtors' recoverability may result in materially different amounts being reported by the Company's financial statements. In particular any changes will affect trade and other receivable as well as the statement of comprehensive income.

The carrying value at the reporting date of the provision for doubtful debts is £1,887,000 (2017: £1,887,000).

(d) Revenue recognition

Revenue is recognised when persuasive evidence exists that all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Finance revenue

Interest revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

3. Summary of significant accounting policies (continued)

(e) Turnover and Segmental Analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. Other than the segment information below, there is currently considered to be no useful disclosure of any other segmental information.

The Company is operating as a single UK based segment with a single primary activity act as a corporate administrative holding company. The revenue from this segment, generated from management services in the UK, was £nil (2017 - £nil). The non-current assets of the segment is £nil (2017 - £nil).

(f) The Company's investments in subsidiaries

The Company recognises its investments in subsidiaries at cost, less any provision for impairment. Differences arising from changes in fair values of intercompany loans receivable at below market rates of interest are treated as an increase in the investment in the subsidiary.

(g) Foreign currency

The financial statements are presented in Pounds Sterling ("£"), which is the Company's functional and presentation currency.

All differences arising on translation are included in the profit or loss except for exchange differences arising on non-monetary assets and liabilities where the changes in fair values are recognised directly in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Company's contractual rights to future cash flows from the financial asset expire or when the Company transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

a. Trade and other receivables and other assets

Trade and other receivables and other assets are measured at 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 the statement of comprehensive income when there is objective evidence that the asset is impaired.

b. Cash and cash equivalents

For purposes of the statement of financial position and statement of cash flows, the Company considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less, all of which are available for use by the Company unless otherwise stated.

3. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

c. Investments

Investments included as financial assets are valued at fair value and are held as available for sale. When available for sale assets are considered to be impaired, cumulative gains or losses previously recognised in equity are reclassified to the profit or loss in the period.

d. 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 Company after deducting all of its liabilities. The Company's financial liabilities include trade and other payables, bank loans, other borrowings, convertible loans and obligations under finance leases. All financial liabilities, are recognised initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

e. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

f. Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

g. Trade payables, provisions and other payables

Trade payables are not interest-bearing and are stated at cost. Other payables which are interest-bearing are measured at fair value. Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are measured at fair value. Provision has been made in the financial statements for benefits accruing in respect of sick leave, annual leave, and long service leave.

h. Compound financial instruments

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(i) Financing costs and interest income

Financing costs comprise interest payable on borrowings and interest income which is calculated using the effective interest rate method.

(j) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates.

3. Summary of significant accounting policies (continued)

(k) Share Capital

Ordinary shares are recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly relating to the issue of shares are accounted for as a deduction from share premium, otherwise they are charged to the Statement of Comprehensive Income.

(l) Taxation

Tax on profit or loss for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(m) Share-based payments

The Company operates a share option scheme for granting share options, for the purpose of providing incentives and rewards to eligible employees of the Company. The cost of share options granted is measured by reference to the fair value at the date at which they are granted.

Non-market performance and service conditions are included in the assumptions about the number of options expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimate, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

4. Operating loss

	31 Dec 2018 £'000	31 Dec 2017 £'000
Operating (loss) is stated after charging:		
– Auditors' remuneration		
Audit-related assurance services - Current year	6	6
Taxation compliance services	-	-
– Foreign exchange loss	1,021	733

5. Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	31 Dec 2018 Number	31 Dec 2017 Number
Office and management	5	5
Employment costs:	2018 £'000	2017 £'000
Wages and salaries (excluding directors')	-	-
Social security	-	-
Share based payments expense	-	-
	-	-
Directors' remuneration:	2018 £'000	2017 £'000
Yingbin Ian He	-	5
	-	-

There was no Directors remuneration paid, nor accrued for during 2018. Directors' remuneration in 2017 solely consisted of salaries, and as at 31 December 2018 (2017: nil) there were no directors accruing benefits under a money pension scheme. No options were granted to directors during the year (2017: nil), and no options (2017: Nil) were exercised by the directors.

Vatukoula Gold Mines plc.
Notes to the Financial Statements
For the period ended 31 December 2018

6. Interest receivable/payable and similar charges

Interest receivable and other income:	31 Dec 2018 £'000	31 Dec 2017 £'000
Bank interest	-	-
Interest on loans to subsidiaries	1,866	-
	1,866	-
Interest payable and similar charges:	2018 £'000	2017 £'000
Loan interest and bank charges	241	2,942
	241	2,942

7. Taxation

	31 Dec 2018 £'000	31 Dec 2017 £'000
Current taxation	-	-
Factors affecting tax charge:		
Loss before tax	(10,217)	(7,060)
Tax at 19% (2017: 19%)	(1,941)	(1,341)
Effects of:		
- Non deductible expenses	-	-
- Tax losses for which no deferred income tax was recognised	1,941	1,341
	-	-

The Company has tax benefits in respect of tax losses which have not been recognised as a deferred tax asset.

Vatukoula Gold Mines plc.
Notes to the Financial Statements
For the period ended 31 December 2018

8. Investment in subsidiary companies

	31 Dec 2018 £'000	31 Dec 2017 £'000
Cost		
As at 1 January	57,836	57,836
Additions in the year: Equity capital contribution	-	-
Balance as at 31 December	57,836	57,836
Impairment		
As at 1 January	57,836	57,836
Charge for the year	-	-
Balance as at 31 December	57,836	57,836
Net book value		
Balance as at 31 December	-	-

Details of the subsidiaries:

Name of business	Country of incorporation	Principal activities	% held
Viso Gero International Inc *	BVI	Holding company	100
Vatukoula Gold Pty Ltd	Australia	Holding company	100
Vatukoula Australia	Australia	Holding company	100
Vatukoula Finance Pty Ltd	Australia	Holding company	100
Koula Mining Company	Fiji	Dormant	100
Jubilee Mining Company	Fiji	Dormant	100
Vatukoula Gold Mine Ltd	Fiji	Mining	100
River Diamonds UK Ltd	England & Wales	Holding Company	100

* Viso Gero International Inc, was struck off during the year, the Company is currently in the process of re-instating the Subsidiary in the BVI, expected to be completed in the next 2 months.

** Panguma Diamonds Ltd, a previous 100% subsidiary incorporated in Serra leone was dissolved during the year.

*** Sao Carlos Ineracao Limitada, an investment in this entity was previously held by River Diamonds UK Ltd, a 100% owned subsidiary of the Company, but has now been dissolved during the year.

Investments in subsidiary companies are measured at cost, less accumulated provisions for impairments.

The directors have assessed that the investment in subsidiaries remain fully impaired as at 31 December 2018. The balance has been impaired during the period by £nil (2017: £nil). The impairment was calculated based on the expected return from the subsidiary over the period that it is expected to make distributable profits.

Vatukoula Gold Mines plc.
Notes to the Financial Statements
For the period ended 31 December 2018

9. Trade and other receivables

	31 Dec 2018 £'000	31 Dec 2017 £'000
Current		
Trade receivables	-	-
Amounts owed by group undertakings	1,387	1,387
Other receivables	500	500
	1,887	1,887
Less: Provision for doubtful debts	(1,887)	(1,887)
Prepayments	8	17
Less: Provision for doubtful debts	-	-
Total Current	8	17
Non Current		
Amounts owed by group undertakings	108,711	98,263
Less: Net Provision for Impairment	(108,711)	(98,263)
Total Non Current	-	-

The following table provides an analysis of current trade and other receivables that were past due as at 31 December 2018, but not provided for, followed by those past due and impaired.

	31 Dec 2018 £'000	31 Dec 2017 £'000
Current trade and other receivables		
Not impaired		
Due 0-31 days	-	-
Past due 32-62 days	-	-
Past due 63 – 92 days	-	-
Past due more than 93 days	-	-
	-	-
Impaired		
Due 0-31 days	-	-
Past due more than 93 days	1,887	1,887
Provision for doubtful debts	(1,887)	(1,887)
	-	-
	-	-

The movement in provision for doubtful debts has been debited to the Statement of Comprehensive Income.

The Company has fully provided for the loans due from subsidiaries on the basis of the expected return from subsidiaries over the period not being in positions with distributable profits or cash flows.

Vatukoula Gold Mines plc.
Notes to the Financial Statements
For the period ended 31 December 2018

10. Cash and cash equivalents

	31 Dec 2018 £'000	31 Dec 2017 £'000
Cash at bank and in hand	-	-

11. Share capital

(a) Share capital

	31 Dec 2018 £'000	31 Dec 2017 £'000
Allotted, issued and fully paid		
344,255,339 ordinary shares of 1p each	3,443	3,443
344,255,339 deferred shares of 4p each	13,770	13,770
	<u>17,213</u>	<u>17,213</u>

(31 December 2017: 344,255,339 ordinary shares of 1p each & 344,255,339 deferred shares of 4p each)

The Deferred shares carry no voting rights, and no rights to dividends.

(b) Share issues during the year

No Shares were issued during the years ended 31 December 2018 and 31 December 2017.

(c) Warrants and options

During the year ended 31 December 2017 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines plc.

Exercise price	Average exercise price per share	Number of options	Number of options	Number of options	Total
		£0.70	£0.97	£1.39	
Balance at 1 January 2017	0.7	180,000	-	-	180,000
Granted during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired during the period	0.7	(180,000)	-	-	(180,000)
Balance at 31 December 2017	-	-	-	-	-

During the year ended 31 December 2018, no share options were issued, and no share options are outstanding at the year end.

11. Share capital (continued)

(d) Warrants and options

During the year ended 31 December 2017 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines plc.

Exercise price	Average exercise price per share	Number of options	Number of options	Number of options	Total
		£0.70	£0.97	£1.39	
Balance at 1 January 2017	0.7	180,000	-	-	180,000
Granted during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired during the period	0.7	(180,000)	-	-	(180,000)
Balance at 31 December 2017	-	-	-	-	-

No share options were issued during the current year (2017: nil).

The Company on the expiration of the options in 2017, ceased the operation of the share option scheme.

Vatukoula Gold Mines plc.
Notes to the Financial Statements
For the period ended 31 December 2018

12. Trade and other payables

	31 Dec 2018 £'000	31 Dec 2017 £'000
Trade payables	25	25
Accruals and other payables	12	12
	37	37

13. Borrowings

	31 Dec 2018 £'000	31 Dec 2017 £'000
Opening Balance	40,825	33,667
Drawdown on facility	12,877	4,684
Repayments made	(11,829)	(3,481)
Interest & fees charged	-	2,942
Foreign exchange differences	1,021	3,013
	42,894	40,825
Represented by:		
Loan due to parent company	42,894	28,996
Loan due to Bank of China	-	11,829
	42,894	40,825

Zhongrun International Mining Co. Ltd USD loan

The loan was repayable in 12 quarterly instalments commencing on 15 April 2017, however this has been extended for a further 36 months. Interest is being charged at the rate of 13% per annum. During the year, the Company repaid £nil of the loan from Zhongrun.

Bank of China, Term Euro Loan

The Company took a term loan of Euros 20,500,000 with the Bank of China in May 2015. The Loan is a 3 year term, with interest being charged at 1.8% per annum, payable quarterly, with the Capital to be settled in three annual instalments, the first being due on 16 March 2016, and two further instalments annually thereafter. Zhongrun, are to pay the loan instalments on the Company's behalf, and the first payment of Euro 3,075,000 was made by Zhongrun in March 2016, and a second payment of Euro 4,100,000 in March 2017.

Further loan repayments were made by Zhongrun on behalf of the Company in March and April 2018, including the final repayment, settling the loan as fully repaid.

Final interest and fees totalling £241,000 were incurred and charged directly to the income statement.

14. Financial instruments and risk management objectives and policies

The accounting policies for financial instruments have been applied to the line items below:

	31 Dec 2018 £'000	31 Dec 2017 £'000
Loans and receivables		
Trade and other receivables	8	17
Cash and cash equivalents	-	-
	8	17
	£'000	£'000
Financial liabilities measured at amortised cost		
Trade and other payables	37	37
Convertible loan notes	-	-
	37	37

Loans and receivables are measured using the amortised cost method. Available for sale financial instruments are initially recognised at fair value and subsequently remeasured to fair value at each year end, with any change in value recognised directly in equity, unless the instruments are unable to be reliably fair valued, in which case they are stated at cost. The carrying amounts of the Available for sale investments at 31 December 2018 is £nil (2017: £Nil).

The Company's activities expose it to a variety of financial risks; currency risk, interest rate risk, credit risk, liquidity risk and capital risk. The policies for managing these risks are regularly reviewed and agreed by the Board. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments should be undertaken.

(i) Currency rate risk

Loans between the company and its subsidiaries are made in the functional currency of the lending company. In all other respects, the policy for all Company is that they only trade in their principal operating currency, except in exceptional circumstances from time to time.

The Company's expenses are incurred in pound sterling respectively. The Company's exposure to Currency risk is in regards to loans between Subsidiary Companies and its Ultimate parent Company. The Company also has exposure to Euro rate changes as a result of its current Bank of China Term Loan originally denominated in Euro's, however the direct exposure has been transferred to Zhongrun, as the Company's parent is responsible for meeting the repayment instalments, and the Company itself will then only be exposed via its loan from the parent company.

For currency rate risk, the Company's exposure is considered to not be significant because as it does not hold any financial instruments denominated in foreign currencies, and there is no current repayments due within the next 12 months of any loan between a group company, and therefore quantitative information has not been provided.

14. Financial instruments and risk management objectives and policies (continued)

(ii) Interest rate risk

Interest rate exposure arises mainly from cash holdings. Contractual agreements entered into at floating rates expose the entity to cash flow risk whilst the fixed rate borrowings expose the entity to fair value risk.

The table below shows the Company's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

Class/categories	2018			2017		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Trade receivables	-	-	1,387	-	-	1,387
Other receivables	-	-	500	-	-	500
Cash and cash equivalents	-	-	-	-	-	-
Financial liabilities						
Trade payables	-	-	25	-	-	25
Accruals	-	-	12	-	-	12
Borrowings	-	42,894	-	-	40,825	-
Convertible loan notes	-	-	-	-	-	-

The fair value of all financial instruments is approximately equal to book value due to their short term nature and the fact that they bear interest at floating rates based on the local bank rate.

For interest rate risk, the Company's exposure is considered to not be significant as it only holds cash and cash equivalents at a floating rate and therefore quantitative information has not been provided.

(iii) Credit risk

Credit risk arises from trade receivables and cash and cash equivalents. The Company's maximum exposure to credit risk relating to its financial assets is given in Note 9.

14. Financial instruments and risk management objectives and policies (continued)

(iv) Liquidity risk

Responsibility for liquidity risk management rests with the board of directors, which has established appropriate liquidity risk frameworks for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching maturity profiles of financial assets and liabilities.

The following table details the Company's maturity profiles of its financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principle cash flows:

	2018		2017	
	Less than one year	More than one year	Less than one year	More than one year
	£'000	£'000	£'000	£'000
Financial Assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	8	-	17	-
	8	-	17	-
Financial Liabilities				
Borrowings	-	42,894	11,829	28,996
Trade and other payables	25	-	25	-
Convertible loan notes	-	-	-	-
	25	42,894	11,854	28,996

For liquidity risk, the Company's exposure is considered to not be significant as its only non-current financial liability is the loan note from its ultimate parent company, and no call on the loan note is due for over 12 months. The maturity profile information is provided within the Company's analysis above. The Term loan from the Bank of China, although with an initial settlement due in 2018, and has been settled by the parent company, as a loan due therefrom in April 2018.

(v) Capital risk

The Company's capital management objectives (defined as net debt plus equity) are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, while maintaining a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The Company manages its capital structure and makes adjustments to it, in light of changes to economic conditions and the strategic objectives of the Company. Given the nature of early stage mining operations, the Company has been predominantly funded by equity. However once the mining operations are at a sufficiently advanced stage the Company may fund further expansion via debt. The Company includes within net debt borrowings, convertible loans, trade and other payables, less cash and short term deposits.

	31 Dec 2018 £'000	31 Dec 2017 £'001
Borrowings	42,894	40,825
Convertible loan	-	-
Trade and other payables	37	37
Less: Cash and cash equivalents	-	-
Net debt	42,931	40,862
Equity	(42,923)	(40,845)
Net debt plus Equity	8	17

To maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the periods ending 31 December 2018 and 31 December 2017.

15. Related party transactions

Transactions and balances between related parties are set out below:

In order to fund the expansion of the operations at the Vatukoula Gold Mine, during the current year the Company has loaned an additional £728,000 (2017: £448,000) to the wholly owned Fijian subsidiary Vatukoula Gold Mines Ltd. The Company also accounted for the outstanding loan interest due from the subsidiary in regards to the loan of £1,866,000 (2017: £nil). The total loan balance as at 31 December 2018 is £108,711,000 (2017: £97,979,000). The loan is repayable in US\$, and as a result on translation at the year end, an unrealised foreign exchange gain of £8,139,000 has been charged through the foreign exchange reserve. The loan charges interest at 0.5% with effect from 1 September 2012 (2017: 0.5%) and is repayable on demand. No further fees for management services to the subsidiary are being charged, amounting to £nil (2017: £nil). Total fees outstanding for management services was £1,102,000 (2017: £1,102,000) as at 31 December. Management fees outstanding are repayable on demand and carry no interest. All amounts due from Vatukoula Gold Mines Ltd have been fully provided against.

The value of the loan to Viso Gero International Inc as at 31 December 2018 is £1,237,000 (2017: £1,237,000). The loan charges interest at 0.5% with effect from 1 September 2011 (2017: 0.5%) and is repayable in full on demand. The loan has been fully provided against.

During the current year, the Company has loaned no further amounts to River Diamonds (UK) Limited, a wholly owned subsidiary, of £nil (2017: £nil), of which River Diamonds (UK) Limited repaid £Nil (2017: £nil). The total balance as at 31 December 2018 is £118,000 (2017: £118,000). The Company has written off £Nil during the year ended 31 December 2018 (2017: £nil). The loan is interest free and does not have any fixed repayment period, but has been fully provided against.

The Company deems key management personnel to be both the executive and non-executive directors. No remuneration was paid to the directors during the year ended 31 December 2018 as disclosed in note 5.

16. Commitments and Contingencies

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2018.

17. Events after the end of the reporting period

On 11 February 2019, Cao, Quinghua & Sun, Lei resigned as Directors of the Company.

On 11 February 2019, Kong Lingquan, Mao Debao, & Zhu Yuhua were appointed Directors of the Company.

18. Ultimate Controlling Party

The ultimate controlling entity is Zhongrun Resources Investment Corporation a Chinese incorporated company listed on the Shenzhen Stock Exchange. The immediate parent company is Zhongrun International Mining Co. Ltd, who owns 79.5% of VGM's share capital. During the year ended 31 December 2018, Zhongrun International Mining Co. Ltd did not alter its total holding from 79.5% of the share capital of the Company.

Zhongrun Resources Investment Corporation, as stated is incorporated outside the EEA and in accordance with the exemptions stated in Section 401 of the Companies Act 2006, VGM is not required to produce, and publish consolidated accounts, and takes advantage of this exemption accordingly.

Vatukoula Gold Mines plc.
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