

Vatukoula Gold Mines plc.
Report and Financial Statements
For the 16 months ended 31 December 2014

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The directors present their strategic report on the group for the 16 months ended 31 December 2014.

The Company has previously prepared group consolidated accounts to reflect its wholly owned subsidiaries operating and financial performance. However during the year, Zhongrun International Mining Co. Ltd (“Zhongrun”) increased its total holding to approximately 66% of the enlarged share capital of the Company and became the ultimate controlling entity and as Zhongrun’s accounts were prepared under Chinese GAAP, the Company under section 401 of the Companies Act has taken exception to preparing consolidated accounts for the Group.

Review of the business

At the end of May 2014 the Company announced proposed cancellation of the admission of the Company's ordinary shares of 5p each ("Shares") to trading on AIM ("Cancellation" or "Delisting"). The Delisting was approved at a general meeting held 23 June 2014 with the last day of dealings in Shares on AIM occurring on the 30 June 2014.

The Directors had reviewed the benefit of the Shares continuing to be traded on AIM and after having completed this review, which included consultation with the Company's advisers and its major shareholders, the Directors agreed that it was in the best interests of the Company and its Shareholders as a whole if the admission of the Shares to trading on AIM was cancelled.

In particular the Directors identified that the ability to raise capital more easily as an important factor in its views. The continued depressed gold price has led to significant falls in the values of quoted gold mining companies. The stock market tends to operate on a short term investment horizon which has little basis in the underlying fundamentals. The susceptibility of the share price to the wider general equity market conditions is not to the benefit of the business and in particular hampers the Company's ability to raise funds. Therefore by delisting the Company’s shares from AIM, the Directors believe that the Company will be able to raise further funds based on a longer term investment horizon and at a higher market valuation.

In addition there are significant costs associated with maintaining a quotation on AIM, including fees payable to the London Stock Exchange, nominated adviser fees, shareholder communication time and costs, and other costs of running a London office as well as other professional fees. Cancellation will, accordingly, reduce the recurring administrative costs.

Subsequent to the delisting the Company has undergone restructuring, in particular the Company has divested management control of its operations to the subsidiaries that own the assets. Therefore the role Company has become an investment holding Company for its subsidiary undertakings.

The principle activity of its subsidiaries continues to be exploration, discovery, and development of gold mining operations. The Company’s subsidiary is primarily focused on its operations on the Pacific Island of Viti Levu, Fiji and the ownership of the Vatukoula Gold Mine. The Vatukoula Gold Mine is the longest producing gold mine 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. The mine currently has 4.1 million ounces of Mineral Resources and 750,000 ounces of Mineral Reserves.

Results and performance

The results of the Company for the year, as set out on page 11, show an underlying operating loss of £3.2 million for 16 months (2013: Loss of £1.3 million for 12 months). The main drivers for this variance were the additional 4 months of administrative costs, redundancy costs, unrealised foreign exchange losses on loans and a provision against management charges to our wholly owned subsidiary. Since the year end cost have reduced substantially and we envisage that the once these costs cutting measure have been fully implemented the administrative costs should be no more than £0.3 million per annum.

The net loss before taxation increased from £35.8 million (12 months 31 Aug 2013) to £75.7 million for the current 16 month period. This increase was primarily driven by a non-cash impairment charge against our loan to Vatukoula Gold Mines Ltd the owner of the Vatukoula Gold mine and an impairment of our investment in subsidiary companies. This impairment was carried out on the basis that although 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 the loan amounts, the subsidiary will still require further investment from the Company to achieve this goal which in turn will require the Company to issue further debt or equity to fund this investment. Therefore given the uncertainty of obtaining this finance the Directors believe it prudent to impair these values to zero.

During the 16 month reporting period our net operating income prior to changes in working capital was (£1.6 million) compared to (£1.3 million) for the 12 months to 31 August 2013. The variance was due to the longer reporting period. We lent £21.5 million to our subsidiaries which was financed via the issue of shares which raised £13 million and proceeds from borrowings of £10.7 million. Cash at the end of the period was £0.06 million.

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 require to make further investments into the it subsidiaries. Access to capital remains limited in the UK however the directors have subsequent to the year-end secured some 20.5 million euros in debt finance, however the Directors believe that the Vatukoula Gold Mine will require a further US\$30 million to reach its long term production targets and provide value to shareholders.

Board of Directors

Yingbin Ian He, Non-Executive Chairman, age 51

Mr. Yingbin Ian He has 30 years of experience in mining industry. Mr He obtained his PhD degree in mineral process engineering from the University of British Columbia in Canada. He is currently a director of Zhongrun Resources Investment Corp. which is listed on the Shenzhen Stock Exchange and China Gold International Resources, which is dual listed on the Toronto Stock Exchange and Hong Kong Stock Exchange.

D K Paxton, Chief Executive Officer (CEO), age 58 (**resigned 11 April 2014**)

Mr Paxton is a professional engineer with over 36 years' experience in the mining industry, starting with mine production at Gold Fields of South Africa, and then time at their head office and culminating with 24 years as a mining analyst. As a mining analyst he has worked for a number of Canadian and UK stockbrokers.

Yeung Ng, Non-Executive Director, age 33

Mr Yeung Ng has been Chief Financial Officer of Zhongrun International Mining Co. Ltd since 2011. He holds a Bachelor of Commerce (Information Systems and International Business) from the University of New South Wales, and graduated from the University of Sydney with a Master's degree in Professional Accounting. Mr Ng had 6 years of experience in the finance and accounting profession in Australia before joining the Hong Kong based company in 2011, and thereafter has been actively involved in overseas corporate acquisitions, valuations, and due diligence.

J A MacPherson, Non-executive Director, age 71 (**resigned 14 April 2014**)

Mr MacPherson is a Director of and founding chairman of Canadian Zinc Corporation. He has been active in public markets, corporate finance and corporate development for over 30 years. During this time he has led the strategic development of several successful ventures, primarily in the fields of mining and oil and gas. Throughout his career he has served as director of many private and public corporations listed on the Toronto, AMEX and London Stock Exchanges.

Fengwen Zheng, Non-Executive Director, age 47 (**resigned 3 July 2014**)

Mr Fengwen Zheng is currently the Chairman of Shandong Shengji Investment Co. Ltd. and Director of Huibang Investment Corp. Mr Zheng is instrumental in setting the business strategies of these companies and in guiding implementation of their corporate development plans. He has over 20 years of experiences in financing, investment, and corporate management. Mr Zheng obtained a BA degree in language art from Shandong University, and an EMBA degree from Fudan University.

Mr Wei Li, Non-Executive Director, age 44 (**resigned 3 July 2014**)

Mr Li joined China National Oil and Gas Exploration and Development Corporation in 1998 as a Senior Engineer in the Project Administration Department and was responsible for management and control of two projects in Kazakhstan. In 2000 he joined Greater Nile Petroleum Operating Company ("GNPOC") as Deputy Manager in the Planning Department where he advised management on policies, plans and decisions pertaining to GNPOC's operations. In 2009 he was appointed President of DRK Energy Limited, an oilfield services provider to the global market.

Mr Yongan Lu, Non-Executive Director, age 43 (**resigned 3 July 2014**)

Mr Lu joined China Shandong International Economic & Technical Cooperation Corp., ("CSI") in 1991. He has served in numerous positions within the Company, including: General Manager of the Nepal Office of CSI, Deputy Manager of Economic Aid & Engineering Department of CSI, General Manager of Tanzania Branch of CSI. He is currently Manager of Mineral Resources of CSI.

Zhenchuan LI, Non-Executive Director, age 56 (**appointed 27 May 2014**)

Mr Zhenchuan Li joined Shandong Gold Industrial Corporation as a Manager in 1998. Later in 1998 he moved on to Shandong Gold Xinyi Jewelry Co., as Deputy Chairman of the Board. In 2005 he was appointed as General Manager of Shandong Gold Group Mining Development Co., Ltd, before moving on to become General Manager of Gold Resources Development Co., Ltd in 2009. In 2012 he was appointed as Chairman of Shandong Gold Mineral Resources Group Co., Ltd. From 2013 he has been a Director and General Manager of Zhongrun Resources Investment Corp.

Mr Lei Sun, Non-Executive Director, (**appointed 3 July 2014**)

Since 1999, Mr. Sun joined China Shandong International Economic and Technical Cooperation Group, Ltd. He has been working as a project manager and general manager of East Timor Branch Company. Since 2005, he has been working as the general manager of Sudan Branch Company. Since 2010, he has been working as the Deputy General Manager of China Shandong International Economic and Technical Cooperation Group, Ltd

Qinghua Cao, Non-Executive Director, (**appointed 3 July 2014**)

Mr Cao is currently the Business Manager of Investment and Development department of China Shandong International Economic and Technical Cooperation Group, Ltd.

Directors' Report

The directors are pleased to present this year's annual report together with the Company's financial statements for the 16 months ended 31 December 2014.

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 16 months ended 31 December 2014 after taxation was 75.7 million (31 August 2013: loss of £35.8 million).

The directors do not recommend the payment of a dividend (2013: 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 pages 1 to 2.

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 16 months ended 31 December 2014 and the future developments. The Strategic Report is set out on pages 1 to 2 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.

Corporate Governance Statement

The corporate governance statement set out on pages 8 to 9 is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Post balance sheet events

At the date these financial statements were approved, being 26 June 2015, the directors were not aware of any significant post balance sheet events other than those set out in Note 18 of the financial statements.

Future developments

A review of our future developments is given in the Strategic Report on pages 1 to 2.

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 15.

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 15. 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:

Y I He	
D K Paxton	(resigned 11 April 2014)
Y Ng	
J A MacPherson	(resigned 14 April 2014)
F Zheng	(resigned 3 July 2014)
W Li	(resigned 3 July 2014)
Y Lu	(resigned 3 July 2014)
Z. Li	(appointed 27 May 2014)
L Sun	(appointed 3 July 2014)
Q Cao	(appointed 3 July 2014)

Directors' interests

The only Directors whom hold options over ordinary shares are as follows:

	Number of Options	
	31 December 2014 or at date of resignation	31 August 2013
D K Paxton (resigned 11 April 2014)	1,000,000	1,000,000
J A MacPherson (resigned 14 April 2014)	400,000	400,000

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

Political and charitable donations

The Company made no charitable or political donations during the year (2013: 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 16 to the financial statements.

Going concern

The Company's forecasts and projections, taking account of reasonable possible changes in gold price, mining costs and the concentration of the gold in the ore delivered to the mill show that the Company should be able to operate using its current cash position and financing facilities.

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

Subsequent to the year end the Company received a new loan of Euro20.5million from Zhongrun.

Zhongrun have informed 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
26 June 2015

Corporate Governance Statement

Compliance with UK Corporate Governance Code

The directors recognise the value of the Combined Code on Corporate Governance that was issued in September 2012 by the Financial Reporting Council. As the Company has delisted from AIM, compliance with the Combined Code is not required. Therefore the Company has not adopted the Combined Code 2012, but the directors recognise the good principles that are set out within the Code 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.

Outlined below is a summary of how the Company follows the Main Principles set out in the UK Corporate Governance Code.

Board of Directors

The board of directors comprises one executive director, and four non-executive directors, one of whom is the Chairman. The directors are of the opinion that the board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The board maintains regular contact with its advisers and public relations consultants in order to ensure that the board develops an understanding of the views of major shareholders about the Company.

Board Meetings

In addition to ad hoc meetings arranged to discuss particular transactions and events and the AGM, the full board met thirteen times during the year ending 31 December 2014. The board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the executive directors who are charged with consulting the board on all significant financial and operational matters. Consequently decisions are made promptly and following consultation amongst the directors concerned where necessary and appropriate.

All necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the Company's expense, as and when required.

The participation of both private and institutional investors at the Annual General Meeting is welcomed by the board.

Internal controls

The directors acknowledge their responsibility for the Company's systems of internal control, which are designed to safeguard the assets of the Company and ensure the reliability of financial information for both internal use and external publication. Overall control is ensured by a regular detailed reporting system covering both technical progress of a project and the state of the Company's financial affairs. The board has put in place procedures for identifying, evaluating and managing any significant risks that face the Company.

Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

Committees

Each of the following committees has its own terms of reference.

Audit Committee

The Audit Committee comprises three non-executive directors, Z. Li, Yeung Ng and Yinbing Ian He. Its terms of reference indicate at least two regular meetings per year. Given the board changes during the year and the various directors induction required, the audit committee met once during the year. The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

Remuneration Committee

The Remuneration Committee comprises three non-executive directors, L. Sun, Yeung Ng, and Y Ian He. It plans to meet at least twice in each year. The Remuneration Committee did not meet during the year.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the board a framework for the remuneration of the chairman, the executive directors and the senior management of the Company. The principal objective of the Committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-executive fees are considered and agreed by the board as a whole.

Independent auditor's report to the members of Vatukoula Gold Mines plc.

We have audited the financial statements of Vatukoula Gold Mines plc. for the 16 months ended 31 December 2014 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. 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.

Respective responsibilities of directors and auditor

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 Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the Company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Keith Fulton (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP
Chartered Accountants and Statutory Auditor
2 Chapel Court
London SE1 1HH
Date: 26 June 2015

Vatukoula Gold Mines plc.
Statement of Comprehensive Income
For the period ended 31 December 2014

	Notes	16 months 31 Dec 2014 £'000	12 months 31 Aug 2013 £'000
Turnover		480	360
Gross profit		480	360
Operating expenses			
Administrative expenses		(2,024)	(1,658)
Foreign exchange loss		(686)	(3)
Provision for Bad Debts	9	(930)	-
Underlying operating loss		(3,160)	(1,301)
Impairment charge	8,9	(77,106)	(36,852)
Share based payments expense	11	(5)	(28)
Operating loss	4	(80,271)	(38,181)
Interest receivable and other income	6	5,179	2,471
Interest payable and similar charges	6	(570)	(48)
Loss before taxation		(75,662)	(35,758)
Taxation	7	-	-
Loss for the period attributable to equity holders of the Company		(75,662)	(35,758)

All activities relate to continuing operations.

There are no other gains or losses other than the retained losses for the periods.

The notes form an integral part of these financial statements.

	Notes	31 Dec 2014 £'000	31 Aug 2013 £'000
Assets			
Non-current assets			
Trade and other receivables	9	-	34,970
Investment in subsidiary companies	8	-	15,556
Total non-current assets		-	50,526
Current assets			
Trade and other receivables	9	53	816
Cash and cash equivalents	10	64	30
Total current assets		117	846
Total Assets		117	51,372
Current liabilities			
Trade and other payables	12	212	491
Convertible loan	14	-	347
Total Current Liabilities		212	838
Non-current Liabilities			
Borrowings	13	11,940	-
Total Non-current liabilities		11,940	-
Total Liabilities		12,152	838
Shareholders' Equity			
Share capital	11	17,213	7,768
Share premium account	11	94,711	91,139
Other reserves		1,867	3,067
Accumulated losses		(125,826)	(51,440)
Total shareholders' equity		(12,035)	50,534
Total liabilities and shareholders' equity		117	51,372

Approved by the Board and authorised for issue on 26 June 2015 and signed on behalf of the Board of Directors by:

Yingbin Ian He
Director
26 June 2015

The notes form an integral part of these financial statements.

Vatukoula Gold Mines plc.
Statement of Changes in Shareholders' Equity
As at 31 December 2014

	Ordinary share capital	Share premium	Share based payment reserve	Equity component of convertible loan note	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2013	7,768	91,139	3,022	45	(51,440)	50,534
Loss for the year	-	-	-	-	(75,662)	(75,662)
Total comprehensive income	-	-	-	-	(75,662)	(75,662)
Issue of shares	9,445	3,572	-	-	-	13,017
Share option expired	-	-	(1,231)	-	1,231	-
Convertible loan settled	-	-	-	(45)	45	-
Share based payments	-	-	76	-	-	76
Balance at 31 December 2014	17,213	94,711	1,867	-	(125,826)	(12,035)

	Ordinary share capital	Share premium	Share based payment reserve	Equity component of convertible loan note	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2012	4,828	81,659	2,837	45	(15,682)	73,687
Loss for the year	-	-	-	-	(35,758)	(35,758)
Total comprehensive income	-	-	-	-	(35,758)	(35,758)
Issue of shares	2,940	9,480	-	-	-	12,420
Share based payments	-	-	185	-	-	185
Balance at 31 August 2013	7,768	91,139	3,022	45	(51,440)	50,534

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.

Equity component of convertible loan note: The equity component of the convertible loan notes represents the remaining equity component of convertible notes which has not yet been converted in shares.

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 2014

	Notes	16 months 31 Dec 2014 £'000	12 months 31 Aug 2013 £'000
Cash flows from operating activities			
Operating loss for the year:		(80,271)	(38,181)
Adjustments for:			
Share based payments expense	11	5	27
Impairment		77,106	36,852
Foreign exchange loss (unrealised)		665	-
Provision for bad debts		930	-
Net operating income before changes in working capital		(1,565)	(1,302)
(Increase) in receivables	9	(21,498)	(11,640)
(Decrease)/increase accounts payable	12	(279)	298
Net cash used in operating activities		(23,342)	(12,644)
Cash flows from investing activities			
Interest received		-	2
Net cash used in investing activities		-	2
Cash flows before financing		(23,342)	(12,642)
Cash flows from financing activities			
Proceeds from issuance of shares	11	13,017	12,420
Costs of issue of shares		-	-
Interest paid		(30)	(18)
Proceeds from borrowings		10,739	-
Repayment of convertible loan note		(350)	-
Net cash provided by financing activities		23,376	12,402
Net increase/(decrease) in cash and cash equivalents		34	(240)
Cash and cash equivalents at beginning of the year	10	30	270
Cash and cash equivalents at the end of the year	10	64	30

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 4.

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 accounting standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the Company:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Company has applied the amendment and there has been no significant impact on the Company financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Company.

2. Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

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 15 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, the current gold price and market expectation for the same over the medium term, and the Company's capital expenditure and financing plans.

The Company's forecasts and projections, taking account of reasonable possible changes in gold price, mining costs and the concentration of the gold in the ore delivered to the mill show that the Company should be able to operate using its current cash position and financing facilities.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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 subsequent to the year end the Company received a new loan of Euro20.5million from Zhongrun.

Zhongrun have informed the Company that it remains willing and able continue to support the Company as becomes 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 17)*

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 £5,000 (2013: £28,000).

(vi) Allowance for doubtful debts (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 £1,430,000 (2013: £500,000).

(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 £480,000 (2013 - £360,000). The non-current assets of the segment is £nil (2013 - £50,526,000).

(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.

(o) Leased assets

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

(p) Employee benefits

a. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss as the related service is provided.

b. Long-term employee benefits

Obligations in respect of long-term employee benefits such as long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

c. Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic probability of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be measured reliably. Benefits falling due in more than 12 months of the reporting date are discounted to their present value.

4. Operating loss

	31 Dec 2014 £'000	31 Aug 2013 £'000
Operating (loss) is stated after charging:		
– Auditors' remuneration		
Audit-related assurance services - Current year	10	86
Taxation compliance services	8	12
– Share based payments expense granted by the Company	5	28
– Bad debt provision	930	-
– Foreign exchange loss	686	3

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5. Employees

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

	31 Dec 2014 Number	31 Aug 2013 Number
Office and management	8	8
Employment costs:	2014 £'000	2013 £'000
Wages and salaries (excluding directors')	598	188
Social security	-	-
Share based payments expense	5	28
	603	216
Directors' remuneration:	2014 £'000	2013 £'000
Y I He †	47	12
D K Paxton *	445	170
Y Ng ††	12	12
J A MacPherson	16	24
F Zheng †††	(12)	12
W Li ††††	(4)	4
Y Lu †††††	(4)	4
I C Orr-Ewing **	-	110
K C Morzaria *****	-	117
J F Kearney ****	-	18
J I Stalker ***	-	9
	500	492

* D K Paxton resigned as a director on 11th April 2014.

** I C Orr-Ewing resigned chairman and director on 22nd May 2013.

*** J I Stalker resigned as a director on 3rd January 2013.

**** J F Kearney resigned as a director on 21st June 2013.

***** K C Morzaria resigned as a director on 21st June 2013.

***** J A MacPherson resigned as a director on 14th April 2014.

† Y I He was appointed as a director on 25th February 2013.

†† Y Ng was appointed as a director on 25th February 2013.

††† F Zheng was appointed as a director on 25th February 2013, and resigned on 3rd July 2014

†††† W Lei was appointed as a director on 21st June 2013, and resigned on 3rd July 2014

††††† Y Lu was appointed as a director on 21st June 2013, and resigned on 3rd July 2014

Directors' remuneration in 2014 and 2013 solely consisted of salaries, and as at 31 December 2014 (2013: nil) there were no directors accruing benefits under a money pension scheme. No options were granted to directors during the year (2013: nil), and no options (2013: Nil) were exercised by the directors.

Vatukoula Gold Mines plc.
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6. Interest receivable/payable and similar charges

Interest receivable and other income:	31 Dec 2014 £'000	31 Aug 2013 £'000
Bank interest	6	3
Unwinding of discount on loans to subsidiaries	5,173	2,468
	5,179	2,471
Interest payable and similar charges:	2014 £'000	2013 £'000
Interest and bank charges	546	-
Interest on convertible loan notes	24	48
	570	48

7. Taxation

	31 Dec 2014 £'000	31 Aug 2013 £'000
Current taxation	-	-
Factors affecting tax charge:		
Loss before tax	(75,661)	(35,758)
Tax at 21.5% (2013: 23.25%)	(16,267)	(8,314)
Effects of:		
- Non deductible expenses	2	14
- Tax losses for which no deferred income tax was recognised	16,265	8,300
	-	-

The Finance Act 2013 & 2014, which have both been substantively enacted, have reduced the main corporation tax rate to 23% from 1 April 2013, 21% from 1 April 2014 and 20% from 1 April 2015. This reduction has been taken into account when calculating deferred tax assets and liabilities. The changes are not expected to have a material cash impact on the company.

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

Vatukoula Gold Mines plc.
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8. Investment in subsidiary companies

	31 Dec 2014 £'000	31 Aug 2013 £'000
Cost		
As at 1 September	54,218	51,305
Transfers from Property, plant and equipment	-	-
Additions in the year: Share based payments to subsidiary companies	71	158
Additions in the year: Equity capital contribution	3,547	2,755
Balance as at 31 December	57,836	54,218
Impairment		
As at 1 September	38,662	1,810
Charge for the year	19,174	36,852
Balance as at 31 December	57,836	38,662
Net book value		
Balance as at 31 December	-	15,556

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
Panguma Diamonds Ltd	Sierra Leone	Dormant	100
São Carlos Mineração Limitada *	Brazil	Exploration	100

* The investment in this entity is held by River Diamonds UK Ltd, a 100% owned subsidiary of the Company.

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

The directors have assessed that the investment in subsidiaries is impaired as at 31 December 2014, as a result of a significant decrease in forecast gold prices. The balance has been impaired during the period by £19,174,000 (2013: £36,852,000). The impairment was calculated based on the expected return from the subsidiary over the period that it is expected to make distributable profits.

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Notes to the Financial Statements
For the period ended 31 December 2014

9. Trade and other receivables

	31 Dec 2014 £'000	31 Aug 2013 £'000
Current		
Trade receivables	-	-
Amounts owed by group undertakings	930	720
Other receivables	507	548
	1,437	1,268
Less: Provision for doubtful debts	(1,430)	(500)
Prepayments	46	48
Less: Provision for doubtful debts	-	-
Total Current	53	816
Non Current		
Amounts owed by group undertakings	57,933	34,970
Less: Provision for Impairment	(57,933)	-
Total Non Current	-	34,970

The following table provides an analysis of current trade and other receivables that were past due as at 31 December 2014, but not provided for, followed by those past due and impaired.

	31 Dec 2014 £'000	31 Aug 2013 £'000
Current trade and other receivables		
Not impaired		
Due 0-31 days	3	768
Past due 32-62 days	-	-
Past due 63 – 92 days	-	-
Past due more than 93 days	4	-
	7	768
Impaired		
Due 0-31 days	930	-
Past due more than 93 days	500	500
Provision for doubtful debts	(1,430)	(500)
	-	-
	7	768

The credit quality of the Company's customer is monitored on an ongoing basis and receivables are assessed for impairment where indicators of such impairment exist.

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 significant decrease in forecasted gold prices, and the expected return from subsidiaries over the period not being in positions with distributable profits or cash flows.

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10. Cash and cash equivalents

	31 Dec 2014 £'000	31 Aug 2013 £'000
Cash at bank and in hand	64	30

11. Share capital

(a) Share capital

	31 Dec 2014 £'000	31 Aug 2013 £'000
Allotted, issued and fully paid		
344,255,339 ordinary shares of 5p each		
(31 Aug 2013: 155,358,339 ordinary shares of 5p each)	17,213	7,768

(b) Share issues during the year

	Date	Issue value per Share £	Par value per Share £	Share premium per Share £	Shares	Share Capital £	Share premium £	Value of shares issued for cash £
Shares issued for cash								
Issue for cash	21/10/2013	0.07	0.05	0.02	90,000,000	4,500,000	1,701,000	6,201,000
Issue for cash	08/11/2013	0.07	0.05	0.02	98,897,000	4,944,850	1,869,153	6,814,003
					188,897,000	9,444,850	3,570,153	13,015,003

Vatukoula Gold Mines plc.
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11. Share capital (continued)

(c) Warrants and options

During the year ended 31 December 2014 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 £0.50	Number of options £0.70	Number of options £0.88	Number of options £0.90	Number of options £0.95	Number of options £0.97	Number of warrants and options £1.00	Number of options £1.39	Number of options £1.75	Total
Balance at 1 September 2013	1.1	863,000	360,000	235,000	400,000	365,000	700,000	4,200,000	484,112	800,000	8,407,112
Granted during the period	-	-	-	-	-	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	0.9	(863,000)	(180,000)	-	-	-	(200,000)	(3,100,000)	-	-	(4,343,000)
Balance at 31 December 2014	1.2	-	180,000	235,000	400,000	365,000	500,000	1,100,000	484,112	800,000	4,064,112

Exercise price	Average exercise price per share	Number of options £0.50	Number of options £0.70	Number of options £0.88	Number of options £0.90	Number of options £0.95	Number of options £0.97	Number of warrants and options £1.00	Number of options £1.39	Number of options £1.75	Total
Balance at 1 September 2012	1.1	863,000	360,000	235,000	400,000	365,000	700,000	4,200,000	484,112	800,000	8,407,112
Granted during the period	-	-	-	-	-	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 August 2013	1.1	863,000	360,000	235,000	400,000	365,000	700,000	4,200,000	484,112	800,000	8,407,112

Vatukoula Gold Mines plc.
Notes to the Financial Statements
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11. Share capital (continued)

(c) Warrants and options (continued)

No share options were issued during the current year (2013: nil).

The following main conditions apply to all options and warrants currently on issue and outstanding as at 31 December 2014:

Management options vest over 3 years from date of grant, however should the grantee resign or be dismissed prior to the first anniversary of his or her employment the options will cease. Directors' options vest immediately and there are no performance conditions associated with the options.

Warrants were granted to professional advisors in lieu of services. All the warrants vested immediately on grant.

The total share-based payment expense in the year for the Company was £5,000 (2013: £28,000), and 4,064,112 (2013: 7,772,408) options are exercisable at the year end. 4,343,000 options were forfeited during the year (2013: Nil).

The weighted average remaining contractual life of the 4.1 million options outstanding at the balance sheet date is 0.7 years (2013: 1.5 years). The weighted average share price during the period is not applicable as the Company de-listed from AIM on 1 July 2014, (2013: £0.21) per share.

The share option scheme and the warrants on issue is an equity settled plan and fair value is measured at the grant date of the option.

12. Trade and other payables

	31 Dec 2014 £'000	31 Aug 2013 £'000
Trade payables	164	340
Accruals and other payables	48	151
	212	491

13. Borrowings

	31 Dec 2014 £'000	31 Aug 2013 £'000
Opening Balance	-	-
Drawdown on facility	10,739	-
Interest charged	536	-
Foreign exchange differences	665	-
	11,940	-

Zhongrun International Mining Co. Ltd USD loan

The loan is repayable in 12 quarterly instalments commencing on 15 April 2017. Interest is being charged at the rate of 13% per annum.

14. Convertible loans

- (i) On 26 June 2009, the Company issued a fully redeemable convertible loan note for £485,000. The loan was repayable in cash, 5 years after the date of grant. The loan note carried a coupon rate of 11% per annum. The loan note carried the option to convert into ordinary shares at £0.50, equating to 970,000 shares in Vatukoula Gold Mines plc. During the year no convertible loan notes were converted to ordinary shares (2013: None). The full balance was repaid during the year.

The net proceeds from the issue of the convertible loans have been split between the liability element and an equity component as follows:

	31 Dec 2014 £'000	31 Aug 2013 £'000
Nominal value	-	392
Equity component	-	(45)
	-	347

- (ii) The movement in the liability component of the convertible loan note is as follows:

	31 Dec 2014 £'000	31 Aug 2013 £'000
Balance at 1 September	347	317
Repaid on maturity	(330)	-
Unwind discounted present value of liability	-	12
Principal interest	20	36
Interest paid	(37)	(18)
Balance at end of the period	-	347

The unconverted equity component of the loans, was transferred to retained earnings in a reserve transfer on full settlement of the loans.

15. Financial instruments and risk management objectives and policies

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

	31 Dec 2014 £'000	31 Aug 2013 £'000
Loans and receivables		
Trade and other receivables	53	35,786
Cash and cash equivalents	64	30
	117	35,816
	£'000	£'000
Financial liabilities measured at amortised cost		
Trade and other payables	164	340
Convertible loan notes	-	347
	164	687

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 2014 is £nil (2013: £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.

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.

15. 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	2014			2013		
	Floating rate £'000	Fixed rate £'000	Non- interest bearing £'000	Floating rate £'000	Fixed rate £'000	Non- interest bearing £'000
Financial assets						
Trade receivables	-	-	930	-	-	720
Other receivables	-	-	507	-	-	548
Cash and cash equivalents	64	-	-	30	-	-
Financial liabilities						
Trade payables	-	-	164	-	-	340
Accruals	-	-	49	-	-	151
Borrowings	-	11,940	-	-	-	-
Convertible loan notes	-	-	-	-	347	-

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.

Vatukoula Gold Mines plc.
Notes to the Financial Statements
For the period ended 31 December 2014

15. 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:

	2014		2013	
	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	64	-	30	-
Trade and other receivables	53	-	35,786	-
	117	-	35,816	-
Financial Liabilities				
Borrowings	-	11,940	-	-
Trade and other payables	164	-	340	-
Convertible loan notes	-	-	347	-
	164	11,940	687	-

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.

(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 2014 £'000	31 Aug 2013 £'001
Borrowings	11,940	-
Convertible loan	-	347
Trade and other payables	212	491
Less: Cash and cash equivalents	(64)	(30)
Net debt	12,088	808
Equity	(12,035)	50,534
Net debt plus Equity	53	51,342

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 year ending 31 August 2013 and 31 December 2014.

16. 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 £21,218,000 (2013: £11,537,000) to the wholly owned Fijian subsidiary Vatukoula Gold Mines Ltd. The total loan has been discounted to the net present value of the future cash flows by £7,548,000 (2013: £9,041,000), resulting in a total balance as at 31 December 2014 of £56,572,000 (2013: £33,868,000). The loan charges interest at 0.5% with effect from 1 September 2012 (2013: 0.5%) and is repayable in full on 31 August 2016. The Company has also charged fees for management services to the subsidiary during the year, amounting to £480,000 (2013: £360,000). Total fees outstanding for management services was £930,000 (2012: £720,000) as at 31 August. Management fees outstanding are repayable on demand and carry no interest.

The net present value of the loan to Viso Gero International Inc as at 31 December 2014 is £1,236,000 (2013: 1,102,000). The loan has been discounted to the net present value of the future cash flows by £156,000 (2013: £290,000). The loan charges interest at 0.5% with effect from 1 September 2011 (2013: 0.5%) and is repayable in full on 31 August 2016.

During the current year, the Company has loaned an additional amount to River Diamonds (UK) Limited, a wholly owned subsidiary, of £118,000 (2013: £39,600), of which River Diamonds (UK) Limited repaid £Nil (2013: £16,335). The total balance as at 31 December 2014 is £118,000 (2013: £Nil). The Company has written off £Nil during the year ended 31 December 2014 (2013: £23,265). The loan is interest free and does not have any fixed repayment period.

During the year, the Company paid consultancy fees in respect of director's fees of £Nil in (2013: £9,000) to Promaco Ltd, a company related to J I Stalker, director of Vatukoula Gold Mines plc. At the year-end £Nil was payable to Promaco Ltd (2013: £Nil).

The Company deems key management personnel to be both the executive and non-executive directors. Remuneration paid to the executive directors is disclosed in note 5.

17. Commitments and Contingencies

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2014.

18. Post balance sheet events

On 5 June 2015, the Company received further loan funding from Zhongrun of Euro20.5million.

19. 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 66% of VGM's share capital. During the year ended 31 December 2014, Zhongrun International Mining Co. Ltd increased its total holding to approximately 66% of the enlarged share capital of the Company. As a result and as approved at the General Meeting of 23 June 2014, the Company delisted from AIM effective 1 July 2014

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. There was no ultimate controlling party during the year end 31 August 2013.

Vatukoula Gold Mines plc.
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