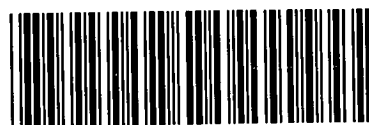


REGISTERED NUMBER: 05059077 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2021
for
Vatukoula Gold Mines Limited

Shinewing Wilson Accountancy Limited
Chartered Certified Accountants
and Statutory Auditors
9 St Clare Street
London
EC3N 1LQ

THURSDAY



ABDKRS5A
A38 29/09/2022 #160
COMPANIES HOUSE

Vatukoula Gold Mines Limited

Contents of the Financial Statements
for the Year Ended 31 December 2021

	Page
Company Information	1
Strategic Report	2
Report of the Directors	5
Statement of Directors' Responsibilities	7
Report of the Independent Auditors	8
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14
Detailed Profit and Loss Account	23

Vatukoula Gold Mines Limited

Company Information
for the Year Ended 31 December 2021

DIRECTORS:

Yingbin He
Debao Mao
Yuhua Zhu
Y Zheng
C Wang

SECRETARY:

Laytons Secretaries Limited

REGISTERED OFFICE:

c/o Laytons LLP
3rd Floor, Pinners Hall
105-108 Old Broad Street
London
EC2N 1ER

REGISTERED NUMBER:

05059077 (England and Wales)

AUDITORS:

Shinewing Wilson Accountancy Limited
Chartered Certified Accountants
and Statutory Auditors
9 St Clare Street
London
EC3N 1LQ

The directors present their strategic report for the year ended 31 December 2021.

REVIEW OF BUSINESS

Subsequent to the delisting from AIM in 2014 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.

RESULTS AND PERFORMANCE

The profit before taxation for the financial year is £0.96million (2020: loss of £1.21million), mainly due to foreign exchange gains (2020: loss due to irrecoverable loans and investment written off).

The financial position of the Company at year end is net liabilities of £47.30million (2020: £48.26million)

The Company is currently in the process of restructuring in order to maximise the existing and future benefits from its investment. The immediate parent Zhongrun International Mining Co. Ltd continues to finance the Company and its subsidiaries. As at 31 December 2021, the amount due to this immediate parent was in the sum of £47.25million (2020: £48.20million).

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

FUTURE DEVELOPMENT

The Company is continuously looking for new investment opportunities.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The main risks and uncertainties are as follows:

Liquidity risk

The Company actively manages its working finance to ensure the Company has sufficient funds for current operations. As referred to in note 2 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.

Financing risk

The Company's activities expose it primarily to the financial risks of continuation of investment and the associated funding, from its parent company directly or indirectly. Short-term financing risk is managed by close liaison with the parent company to ensure that loan facility to the Company and its subsidiaries is available and supported in a timely matter.

Interest rate cash flow risk

Interest bearing assets earn interest at a fixed rate at 4.75% p.a., the Company does not have any variable rate debt and debt interest payable is at a fixed rate of 4.75%, therefore it is not exposed to interest rate cash flow risk on its debt.

Foreign exchange risk

The Company operates in the United Kingdom, borrows a large loan in US dollar from its immediate parent, and exposes to foreign exchange risk. The board is aware the situation and monitors this risk on a regular basis. The Company's profitability may increase or decrease if the change in costs or income due to the exchange rate fluctuates from that originally expected, therefore, the management ensures to have a robust foreign exchange strategy along with associated policies and procedures in place to deal with this. However, the directors do not currently consider it's necessary to enter into forward exchange contracts.

Ukraine conflict

Following the outbreak of the conflict in Ukraine, the Company has acknowledged energy risks. As such, the Company and its subsidiaries work with their consultants to ensure the appropriate actions are taken by the operating subsidiaries to minimise the impact to the businesses.

SECTION 172(1) STATEMENT

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after 1 January 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duties to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. The board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, which is reported for the first time, explains how the directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employees' interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance, and the level of information disclosed is consistent with the size and the complexity of the business.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

a) The likely consequences of any decision in the long term

The Company's operations and investment plans for the year could include, but not be limited to, new investments, acquisition opportunities and strategic partnerships. This is prepared by the Company's senior leadership team and approved by the board of the immediate and ultimate parent companies and is aligned with the long-term plans for the Company within the context of the overall group strategy.

b) The interests of the Company's employees

The directors recognise that the employees are fundamental and core to our business and delivery of our strategic ambitions, although the Company currently has no employees except directors due to the process of restructuring. The company may likely recruit employees after the completion of its restructuring. The business is committed to promoting fairness and equality in the workplace which it demonstrates through a number of policies, including: Equal Opportunities Policy; Flexible Working Policy; Parental Leave Policy; and Maternity, Paternity and Adoption Policies.

c) The need to foster the company's business relationships with suppliers, customers and others.

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, local and national government, regulators and other associated stakeholders. In its relationship with our major suppliers - professional service providers, the Company strives to maintain a reputation for fairness and high standard communications.

d) The impact of the Company's operations on the community and the environment

The Company is a holding company and has chosen to invest in mining business. Threat of climate change and the depletion of resources has grown, so sustainability issues have become a major issue in the communities and environment. It is the view of directors of the Company to be responsible investor and operator.

e) The desirability of the Company maintaining a reputation for high standards of business conduct

The greatest value of a company is its image and brand. By maintaining a reputation for high standards of business conduct, the Company can be more effective in preventing fraud, corruption, losing businesses and customers, and costly legal expenses. The directors monitor compliance with relevant governance standards and assure that the Company acts in a way that promotes high standards of business conduct.

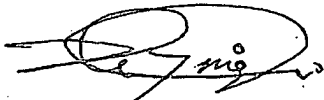
f) The need to act fairly as between members of the Company

The directors, in carrying out their role, must use their own skill and judgment and have regard to the likely long-term consequences of their decisions, in order to prioritise the long-term success of the Company. The interests of controlling shareholder and minority shareholders may not align, particularly in case of connected party transactions. However, it is the duties of directors to ensure fair dealings that benefit all shareholders equally, to act in good faith and to exercise their powers diligently.

ON BEHALF OF THE BOARD:

Vatukoula Gold Mines Limited

Strategic Report
for the Year Ended 31 December 2021



.....
Yingbin He - Director

Date: Sept. 28, 2022

Vatukoula Gold Mines Limited

Report of the Directors
for the Year Ended 31 December 2021

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an investment holding company for its subsidiaries undertakings.

DIVIDENDS

The directors do not recommend the payment of a dividend (2020: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

Yingbin He
Debao Mao
Yuhua Zhu

Other changes in directors holding office are as follows:

Y Zheng and C Wang were appointed as directors after 31 December 2021 but prior to the date of this report.

Zhenchuan Li ceased to be a director after 31 December 2021 but prior to the date of this report.

POLITICAL DONATIONS AND EXPENDITURE

The Company made no charitable or political donations during the year (2020: £nil).

ENGAGEMENT WITH EMPLOYEES

The Company has no employees except directors.

However, the Company's policy always encourages to employ, develop and promote of disabled persons. If members of staff become disabled, the Company continues their employment, either in the same or an alternative position, with appropriate retraining being given where necessary. Also, employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major part in maintaining its effective management.

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.

STREAMLINED ENERGY AND CARBON REPORTING

The Company is exempt from the Streamlined Energy and Carbon Reporting (SECR) regulations as energy use is less than 40,000 MWh over the reporting period.

DISCLOSURE IN THE STRATEGIC REPORT

The Company has chosen in accordance with Companies Act 2006, s. 4.14C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors' report. It has done so in respect of review of the business, future developments and risk management.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

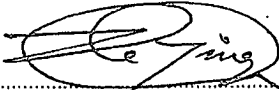
Vatukoula Gold Mines Limited

Report of the Directors
for the Year Ended 31 December 2021

AUDITORS

The auditors, Shinewing Wilson Accountancy Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
Yingbin He - Director

Date: Sept 28, 2022

Vatukoula Gold Mines Limited

Statement of Directors' Responsibilities
for the Year Ended 31 December 2021

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Qualified opinion

We have audited the financial statements of Vatukoula Gold Mines Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Qualified 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 Auditors' 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, 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 qualified opinion.

The balance sheet as at 31 December 2021, includes an investment in subsidiaries amount to £464,857 and this investment is fully impaired at year end. We were unable to obtain full information of all subsidiaries within the limited time of audit, to verify the investment valuation and its impairment losses. As a result of this, we could not satisfy ourselves as to whether the nil amount of investment was free from material misstatement. Any adjustments that might have been found necessary in respect of the this balance would have a significant impact on the financial position of the company as at 31 December 2021 and its profit and loss for the year.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, the company had net current liabilities of £0.05million and net liabilities of £47.30million respectively at the balance sheet date. The company fully depends on its ultimate parent's support. As stated in note 2, these events or conditions, 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.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern. For example, the current Covid 19 situation is not clear. It is difficult to evaluate all of the potential impacts on the Company's investment.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors 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 this gives rise to a material misstatement in the financial statements themselves. 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the investment in subsidiaries and its fully impairment as at 31 December 2021. We have concluded that where the other information refers to this balance, it may be materially misstated for the same reason.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors. Except for the matter described in the basis for qualified opinion section of our report, in 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 Report of the Directors.

Arsing solely from the limitation on the scope of our work relating to the investment in subsidiaries, referred to the above:

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

Except for the possible effects of the matter described above 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:

- 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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 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.

Report of the Independent Auditors to the Members of
Vatukoula Gold Mines Limited

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

Discussions with and enquiries of management and those charged with governance were held with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law and Tax legislation.
- Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements include environmental regulations, health and safety legislation.

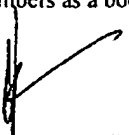
Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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 Report of the Auditors.

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 a Report of the Auditors 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.



Julie Zhuge Wilson (Senior Statutory Auditor)
for and on behalf of Shinewing Wilson Accountancy Limited
Chartered Certified Accountants
and Statutory Auditors
9 St Clare Street
London
EC3N 1LQ

Date: 28 Sept 2022

Vatukoula Gold Mines Limited

Statement of Comprehensive Income
for the Year Ended 31 December 2021

	Notes	31.12.21 £'000	31.12.20 £'000
TURNOVER		-	-
Administrative expenses		(479)	1,531
OPERATING PROFIT/(LOSS)		479	(1,531)
Interest receivable and similar income	5	4,368	4,683
		4,847	3,152
Interest payable and similar expenses	6	3,889	4,357
PROFIT/(LOSS) BEFORE TAXATION	7	958	(1,205)
Tax on profit/(loss)	8	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		958	(1,205)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		958	(1,205)


The notes form part of these financial statements

Vatukoula Gold Mines Limited (Registered number: 05059077)

Balance Sheet
31 December 2021

	Notes	£'000	31.12.21 £'000	£'000	31.12.20 £'000
CREDITORS					
Amounts falling due within one year	11		48		55
NET CURRENT LIABILITIES			<u>(48)</u>		<u>(55)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(48)		(55)
CREDITORS					
Amounts falling due after more than one year	12		47,249		48,200
NET LIABILITIES			<u>(47,297)</u>		<u>(48,255)</u>
CAPITAL AND RESERVES					
Called up share capital	13		17,263		17,263
Share premium	14		94,830		94,830
Retained earnings	14		(159,390)		(160,348)
SHAREHOLDERS' FUNDS			<u>(47,297)</u>		<u>(48,255)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28/09/2022 and were signed on its behalf by:



Yingbin He Director

Vatukoula Gold Mines Limited

Statement of Changes in Equity
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2020	17,263	(162,236)	94,830	3,093	(47,050)
Changes in equity					
Total comprehensive loss	-	1,888	-	(3,093)	(1,205)
Balance at 31 December 2020	<u>17,263</u>	<u>(160,348)</u>	<u>94,830</u>	<u>-</u>	<u>(48,255)</u>
Changes in equity					
Total comprehensive income	-	958	-	-	958
Balance at 31 December 2021	<u><u>17,263</u></u>	<u><u>(159,390)</u></u>	<u><u>94,830</u></u>	<u><u>-</u></u>	<u><u>(47,297)</u></u>

The notes form part of these financial statements

1. **STATUTORY INFORMATION**

Vatukoula Gold Mines Limited is a private company, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **ACCOUNTING POLICIES**

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company chose to adopt FRS 101 having previously applied IFRS, has already applied for the recognition and measurement requirements of IFRS. As such, although it's a first-time adopter of FRS 101, is not considered to be adopting IFRS for the first time. Therefore, the company transitioned to FRS 101 from 1 January 2021 gave no material effect on the accounts. However, FRS 101 accounts need to comply with additional requirements of UK company law, which many of these are already covered by IFRS disclosure requirements. The company's shareholders were notified of, and did not object the transition.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Preparation of financial statements as an individual company

The Company continues to take exception under section 401 of the Companies Act in preparing consolidated accounts for the Group, as Zhongrun International Mining Co. Ltd continues to hold approximately 79.5% of the enlarged share capital of the Company, and Zhongrun Resources Investment Corporation ("Zhongrun") continues as the ultimate controlling entity. 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.

Going concern

The Company has a net current liability of 0.05million (2020: 0.06million) and net liability of £47.30million (2020: £48.26million) at the year ended 31 December 2021, and fully relies on its ultimate parent's financial support. The directors considered available funding facilities, and concluded that the Company has sufficient resource for next 12 months from the date of signing these financial statements. The financial statements are therefore prepared on a going concern basis, without reflecting the material uncertainty existence that may cast significant doubt on the company's ability to continue as a going concern.

2. **ACCOUNTING POLICIES - continued**

Financial instruments

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The Company's financial liabilities include trade payables, other payables and derivative financial instruments.

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

All borrowings and overdrafts are recorded at the amount of the proceeds received, net of direct issue costs. Finance charges are charged to the income statement on an accruals basis using the effective interest rate method.

Other Financial liabilities

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit and loss included within "finance costs" or "finance income".

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

2. **ACCOUNTING POLICIES - continued**

Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Interest income

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.

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.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Impairment of investment in subsidiaries

The company is an investment holding company and due to the nature of its operations, the critical accounting estimates and judgements relate to the carrying value of its investments and the assumptions used in supporting the value of the investment.

The carrying value of subsidiaries is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment exists when the carrying value of subsidiaries exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from internal budgets and do not include significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounting cash flow model as well as the expected future cash inflows. Main assumptions involved current market quotations from technical suppliers and independent professional consultants who are well established in this industry. The directors perform impairment reviews on the carrying value of investments, this involves judgement and involves the use of estimates and assumptions, particularly in relation to future forecasts and events. As the result of the impairment review, the investment is fully impaired, see Note 9 in the notes to the financial statements.

4. **EMPLOYEES AND DIRECTORS**

	31.12.21	31.12.20
	£'000	£'000
Wages and salaries	21	21
	<u>21</u>	<u>21</u>

The average number of employees during the year was as follows:

	31.12.21	31.12.20
Directors	4	4
	<u>4</u>	<u>4</u>

	31.12.21	31.12.20
	£	£
Directors' remuneration	21,000	21,000
	<u>21,000</u>	<u>21,000</u>

5. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	31.12.21	31.12.20
	£'000	£'000
Loan interest receivables	4,368	4,683
	<u>4,368</u>	<u>4,683</u>

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.21	31.12.20
	£'000	£'000
Loan interest payables	3,889	4,357
	<u>3,889</u>	<u>4,357</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2021

7. **PROFIT/(LOSS) BEFORE TAXATION**

The profit before taxation (2020 - loss before taxation) is stated after charging/(crediting):

	31.12.21	31.12.20
	£'000	£'000
Auditors' remuneration	7	7
Other non- audit services	9	9
Foreign exchange differences	(521)	1,445
	<u> </u>	<u> </u>

8. **TAXATION**

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2021 nor for the year ended 31 December 2020.

Factors affecting the tax expense

The tax assessed for the year is lower (2020 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.21	31.12.20
	£'000	£'000
Profit/(loss) before income tax	958	(1,205)
	<u> </u>	<u> </u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	182	(229)
Effects of:		
Deferred tax not recognised	-	229
Utilised against previous trading losses	(182)	-
	<u> </u>	<u> </u>
Tax expense	-	-
	<u> </u>	<u> </u>

The Company has an unrecognised deferred tax asset of £3.52million (2020: £3.69 million). This has not been recognised in the financial statements due to uncertainty over the future income streams required from the potential asset to be recovered.

The rate of corporation tax throughout the year was 19%. The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Vatukoula Gold Mines Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2021

9. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2021 and 31 December 2021	465
PROVISIONS	
At 1 January 2021 and 31 December 2021	465
NET BOOK VALUE	
At 31 December 2021	-
At 31 December 2020	-

The company's investments at the Balance Sheet date in the share capital of companies include the following:

River Diamonds UK Ltd *

Registered office: England & Wales

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Viso Gero International Inc **

Registered office: British Virgin Islands

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Vatukoula Gold Pty Limited ***

Registered office: Australia

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Vatukoula Finance Pty Ltd ***

Registered office: Australia

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Vatukoula Australia Pty Ltd ***

Registered office: Australia

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Vatukoula Gold Mines Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2021

9. **INVESTMENTS - continued**

Vatukoula Gold Mines Pte Limited *****

Registered office: Fiji

Nature of business: Gold Mine

	%		
Class of shares:	holding		
Ordinary	100.00	31.12.21	31.12.20
		£'000	£'000
Aggregate capital and reserves		31,170	23,776
Loss for the year		<u>(7,941)</u>	<u>(9,901)</u>

Koula Mining Company Limited ****

Registered office: Fiji

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary	100.00		

Jubilee Mining Company Limited ****

Registered office: Fiji

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary	100.00		

* This subsidiary was dissolved on 31 August 2021.

** This subsidiary was re-instated in prior year and remained dormant.

*** These subsidiaries were re-instated during the year and remained dormant.

**** These subsidiaries were re-instated during the year due to group restructure and remained dormant.

***** This subsidiary was re-instated during the year due to group restructure.

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 at year end. The balance has been impaired during the period by £nil (2020: £nil). The impairment was calculated based on the expected return from the subsidiary over the period that it is expected to make distributable profits.

10. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.21	31.12.20
	£'000	£'000
Unpaid share capital	500	500
Provision for bad debts	<u>(500)</u>	<u>(500)</u>

The Company previously funded its subsidiary Vatukoula Gold Mine Limited to support its operations in Fiji. During the year, additional loan from the Company is £nil (2020: £433,329). At year end, the outstanding loan of £110million (2020: £109million) is repayable on demand in US dollar. As a result of retranslating as at the balance sheet date, a realised foreign exchange gain of £1.14million (2020: loss of £4.25 million) has been realised in the profit and loss account. The loan charges interest at 4.75% with effect from 1 July 2019, please refer to Note 5 interest received during the year. However, the loan balance has been fully impaired as at the balance sheet date on the basis of the Fiji subsidiaries' cash flow and trading position.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2021

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.21	31.12.20
	£'000	£'000
Accrued expenses	48	55
	<u>48</u>	<u>55</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.21	31.12.20
	£'000	£'000
Amounts owed to group undertakings	47,249	48,200
	<u>47,249</u>	<u>48,200</u>

The Company is funded by its immediate parent Zhongrun International Mining Co. Ltd. Included in the amount owed to group undertakings is the outstanding loan due to Zhongrun, bearing an interest charge at 4.75% per annum with effect from 1 July 2019, please refer to Note 6 interest payable during the year. This loan is repayable when the Company has sufficient cash flow.

13. CALLED UP SHARE CAPITAL

Allotted and issued:				
Number:	Class:	Nominal value:	31.12.21	31.12.20
			£	£
345,255,339	Ordinary shares	0.01	3,452,554	3,452,554
345,255,339	Deferred shares	0.04	13,810,214	13,810,214
			<u>17,262,768</u>	<u>17,262,768</u>

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

14. RESERVES

	Retained earnings	Share premium	Totals
	£'000	£'000	£'000
At 1 January 2021	(160,348)	94,830	(65,518)
Profit for the year	958		958
	<u>(159,390)</u>	<u>94,830</u>	<u>(64,560)</u>

15. ULTIMATE PARENT COMPANY

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.

16. COMMITMENTS AND CONTINGENCIES

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2021.

17. RELATED PARTY DISCLOSURES

Apart from notes 10 and 12 disclosed the transactions with its fellow subsidiary and immediate parent, the Company deems key management personnel to be both the executive and non-executive directors. Only remuneration was paid to one director Mr Yingbin Ian He during the year ended 31 December 2021 and 2020, details were disclosed in note 4.

Vatukoula Gold Mines Limited

Detailed Profit and Loss Account
for the Year Ended 31 December 2021

	31.12.21		31.12.20	
	£'000	£'000	£'000	£'000
Income		-		-
Other income				
Loan interest receivables		4,368		4,683
		<u>4,368</u>		<u>4,683</u>
Expenditure				
Directors' fees	21		21	
Computer costs	-		1	
Legal fees	5		48	
Auditors' remuneration	7		7	
Auditors' remuneration for non audit work	9		9	
Foreign exchange losses	(521)		1,445	
		<u>(479)</u>	<u>1,445</u>	1,531
		4,847		3,152
Finance costs				
Loan interest payables		3,889		4,357
NET PROFIT/(LOSS)		<u>958</u>		<u>(1,205)</u>

This page does not form part of the statutory financial statements