Company Registration Number 3740688

STELLAR RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

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CHAIRMAN'S STATEMENT

I am pleased to present the Chairman's report for the year ended 31 December 2013.

Overview

Stellar Resources Plc has a strong balance sheet with current assets including cash as at 31 December 2013 amounting to £2,645,000 and looks forward to participating in the exciting new Horse Hill-1 well in July-August this year and also being part of the re-opening of the famous Clogau Gold Mine in northern Wales.

Investment in Horse Hill Development Limited:
(10% interest in HHDL – increased from 7.5% to 10% in June 2014)

The Company announced in February 2014 that it had entered into a Binding Heads of Agreement ("HOA") to buy a 7.5% equity interest in Horse Hill Development Ltd ("HHDL"), a special purpose company, which hold the rights to a 65% participating interest and operatorship, in licence PEDL 137 onshore at Horse Hill Wood, in the UK Weald Basin in Surrey ("Horse Hill Prospect").

HHDL has an exclusive farm-in agreement with Magellan Petroleum (UK) Limited, a subsidiary of NASDAQ-listed Magellan Petroleum Corporation ("Magellan"), which currently owns 100% of the 99.29 square kilometres (24,525 acre) Exploration and Development Licence No. 137 ("PEDL 137"). Under the agreement HHDL can earn a direct 65% participating interest and operatorship in the licence, under certain contractual conditions, through the spudding of the proposed Horse Hill-1 exploration well by the end of August 2014. The depth of Horse Hill-1 well has been set to 8,512 feet to test conventional stacked oil and gas targets.

The participants in the Horse Hill-1 well are HHDL (as operator) with a 65% working interest and Magellan Petroleum Corporation with a 35% interest.

The Horse Hill-1 well is planned to test a number of conventional stacked oil targets at the proven productive Portland sandstone, Corallian sandstone and Great Oolite limestone levels. Prospective recoverable resources totalling a mean 87 million barrels ("mmbbls") have been estimated; with an additional mean 164 billion cubic feet ("bcf") of recoverable prospective resources proposed within the deeper Triassic gas play.

Angus Energy Limited ("Angus Energy"), as operator of the Horse Hill Prospect in the Weald Basin, has commenced site construction at Horse Hill in June 2014 and have advised that the proposed Horse Hill-1 well is on schedule for a spud date in July 2014.

Investment in Gold Mines of Wales:
(49.9% interest in GMOW)

In January 2014, the Crown Mineral Agent formally approved a 12 month extension of the exclusive Option Agreement between the Crown Estates and Gold Mines of Wales (Operations) Ltd ("GMOW"). Stellar owns 49.9% of GMOW.

GMOW currently holds an exploration licence covering an area of 120km² which contains the entire Dolgellau Gold Belt, including the historic Clogau Gold mine. The licence contains the historic Clogau St David's Gold mine, renowned as being the source of royal gold.

GMOW is continuing the work of re-opening the extensive underground workings and assessing the best method of potentially commencing trial mining operations in the district.

Some of the underground areas opened up during 2013, as previously announced, have the potential to form the basis for a phased re-start of commercial mining operations at these mines and we will be working closely with our partners and local authorities on how best to achieve this.

The team in Wales continue to gradually re-open the underground workings at the old Clogau Gold Mine. High grade gold samples, as previously reported, from Clogau provide encouragement that the potential still exists to define new high grade gold mineralistion.

GMOW have purchased a fully integrated 2 tonne per hour gold processing plant for the Clogau St David's Gold enable the commencement of small scale pilot processing of gold ore previously exposed and stockpiled from the recently rehabilitated underground workings of the Clogau Mine and to more accurately assess and correlate underground sampling programmes with actual gold recoveries.

Other Investments:
In January 2014, Stellar acquired an initial 20% shareholding in Boletus Resources Limited ("Boletus"), a special purpose company for developing the Bengkulu Coal Project, by paying $400,000 towards the start-up costs of the Indonesian operations. Stellar has the right, but not the obligation, to acquire a further 5% of Boletus by funding another $500,000 and a further 4% of Boletus by funding another $400,000.

Boletus has signed commercial terms to develop the high quality coal at the Bengkulu Coal Project on the Indonesian Island of Sumatra.

Since the time of the original investment in Boletus, the domestic price of coal globally and domestically in Indonesia has fallen significantly, so much so that the board have decided not to make any further investments in Boletus at this time and remain a minority investor in this special purpose company. This decision may change in the future should the coal prices improve back to the levels of earlier this year.

In the meantime, Boletus are still reviewing their options with the lease owner of the Bengkulu Coal Project to ascertain if a commercially viable coal operation is indeed possible.

Financial Results
Group operating loss was £391,000 (2012 - £240,000 loss). The net loss after tax was £478,000 (2012: £125,000).

Current assets including cash at 31 December 2013 amounted to £2,645,000 (2012: £315,000).

Outlook

Your Board is confident that the investments made by the Company since it changed its investment strategy are both encouraging and potentially very rewarding. We will look to realise this potential over the future years in addition to continuing to review further investment opportunities.

The directors would like to take this opportunity to thank our shareholders, staff and consultants for their continued support.

David Lenigas
Executive Chairman
27 June 2014

Glossary:

Prospective Resources	those quantities of petroleum which are estimated, at a given date, to be potentially recoverable from undiscovered accumulations
oil-in-place/OIP	the volume of oil estimated to be in place
gas-in-place/GIP	the volume of gas estimated to be in place

COMPANY INFORMATION

Directors	D Lenigas D Strang E McDermott
Secretary	D Strang
Registered Office:	Suite 3B, 38 Jermyn Street, London, SW1Y 6DN
Company Registration Number:	03740688
Country of Incorporation:	United Kingdom
Nominated Adviser and Broker	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
Auditor	Chapman Davis LLP 2 Chapel Court London SE1 1HH
Bankers	Bank of Scotland, Threadneedle Street, London, EC2R 8AH,
Solicitors	Kerman & Co LLP, 200 The Strand London WC2R 0ER
Registrars	Share Registrars Limited Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL

INFORMATION ON THE BOARD OF DIRECTORS

David Lenigas, Executive Chairman

Mr Lenigas is currently the Executive Chairman of Leni Gas & Oil plc; Solo Oil plc and holds directorships either as an executive director and non-executive director on numerous other public and private companies. He has a Bachelor of Applied Science (Mining Engineering) from Curtin University's Kalgoorlie School of Mines. Mr Lenigas has extensive operational and corporate experience in managing companies within the oil and gas, gold, coal and other natural resources sectors. Mr Lenigas is the Chairman of both the Audit and Remuneration committees.

Donald Strang, Executive Director

Mr. Strang is a member of the Australian Institute of Chartered Accountants and has been in business over 20 years, holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. Mr. Strang has considerable corporate and international expertise and over the past decade has focussed on mining and exploration activities. He is currently an executive director of Polemos plc and AfriAg plc and other AIM listed companies.

Edward McDermott, Non Executive Director

Mr McDermott is currently managing director of GMOW’s UK operating company and business development manager of Exchange Minerals Ltd. He was previously an executive director at AIM quoted Noricom Gold Ltd and business development manager at Leni Gas and Oil Plc and Vatakoula Gold Mines plc. He holds a Bachelor of Science Degree from the University of Bristol.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2013.

Principal Activities

Stellar Resources plc is an investing company with a focus on minerals exploration.

Results

The results for the year are set out on page 11 and are stated in UK sterling. The Company made an operating loss on continuing operations of £0.391 million (2012 - loss of £0.240 million). The Directors do not recommend payment of a dividend (2012 - Nil).

The loss on operations after taxation amounted to £0.478 million (2012 - loss of £0.125 million).

Review of the Business

A review of the business for the year is set out in the Chairman's Statement.

Key Performance Indicators

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

Future Developments

Future Developments are outlined in the Outlook section of the Chairman's Statement.

Going Concern

The Directors have prepared cash flow forecasts and budgets that show that, for a period of at least twelve months from the date of signing these Financial Statements, the Company expects to have sufficient resources to continue its business. Accordingly, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis.

Events After the Reporting Period
Events After the Reporting Period are outlined in Note 19 to the Financial Statements.

Directors
Details of Directors are set out on pages 3 and 4. Details of Directors' interests in share options and warrants are set out in note 15 to the Financial Statements.

Substantial Shareholding
As at 27 June 2014, the Company had been notified of the following substantial shareholdings in the ordinary share capital, over 3%;

	Number of ordinary shares	%
Portmann Finances SA	157,000,000	21.32
JIM Nominees Limited	135,987,993	18.46
Beaufort Nominees Limited	40,070,433	5.44
Brewin Nominees (Channel Islands) Limited	39,793,293	5.40
Ferlim Nominees Limited	36,500,000	4.96
Redmayne (Nominees) Limited	32,800,000	4.45
JM Finn Nominees Limited	24,375,000	3.31

REPORT OF THE DIRECTORS

Corporate Governance

Audit and Remuneration Committees have been established and in each case comprise Donald Strang and David Lenigas.

The role of the Remuneration Committee is to review the performance of the executive Directors and to set the scale and structure of their remuneration, including bonus arrangements. The Remuneration Committee also administers and establishes performance targets for the Companys employee share schemes and executive incentive schemes for key management. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, and receives and reviews reports from management and the Company's auditors on the internal control systems in use throughout the Company and its accounting policies.

Suppliers' Payment Policy

It is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Company does not have a standard or code dealing specifically with the payment of suppliers.

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.

Charitable Contributions

During the year the Company made charitable donations amounting to Nil (2012- Nil).

Directors' Indemnities

In accordance with the Companies (Audit Investigations and Community Enterprise) Act 2004, which came into force on 6 April 2005, the Company has indemnified the Directors against liability to third parties, and undertaken to pay Directors' legal costs as incurred, provided that they are reimbursed to the Company if the individual is convicted.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company involve the ability to raise funding in order to finance the acquisition and exploitation of mining opportunities and the exposure to fluctuating commodity prices.

In addition, the amount and quality of minerals available and the related costs of extraction and production represent a significant risk to the Company.

Financial risk management objectives and policies

The Company's principal financial instruments are available for sale assets, trade receivables, trade payables and cash at bank. The main purpose of these financial instruments are to fund the Company's operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Company's financial instruments is liquidity risk. The board reviews and agrees policies for managing this risk and this is summarised below.

REPORT OF THE DIRECTORS

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern' and note 19 to the financial statements.

International Financial Reporting Standards

The Company’s financial statements for the year ended 31 December 2013 are the first statements that comply with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The Company’s financial statements prior to and including 31 December 2012 had been prepared in accordance with Generally Accepted Accounting Principles in the United Kingdom (UK GAAP).

The transition to reporting under IFRS required the restatement of the Company’s balance sheet at 31 December 2012. Reconciliations of the restated balance sheet along with information relating to the reporting changes under IFRS are detailed in note 20 to the Financial Statements.

Auditors

Chapman Davis LLP, offer themselves for re-appointment as auditor in accordance with Section 489 of the Companies Act 2006

Annual General Meeting

Notice of the forthcoming Annual General Meeting will be enclosed separately.

By Order of the Board

David Lenigas
Executive Chairman
27 June 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements under IFRS as adopted by the EU and applicable law. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the Financial Statements; 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 which 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. 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.

In so far as each of the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

REPORT OF THE AUDITOR

Report of the Independent Auditor to the Members of Stellar Resources plc

We have audited the Financial Statements of Stellar Resources plc for the year ended 31 December 2013 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on 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 2013 and of the Company's loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

REPORT OF THE AUDITOR (continued)

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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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.

Keith Fulton (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
27 June 2014

INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
Revenue	2	3	-
Cost of sales		-	-
Gross profit		3	-
Share based payments		(130)	(46)
Other administrative costs		(264)	(194)
Total administrative costs		(394)	(240)
Operating loss	2, 3	(391)	(240)
Loan to subsidiary written-off	5	-	218
Finance costs	6	-	-
Share of loss of associate	9	(87)	(103)
Loss before tax		(478)	(125)
Taxation	7	-	-
Net loss for the year attributable to owners of parent company		(478)	(125)
Loss per Share			
Basic and diluted loss per share (pence)	8	(0.26)	(0.15)

STATEMENT OF COMPREHENSIVE INCOME	**£000**	**£000**
Loss for the Year	(478)	(125)
Gain/(loss) on currency translation	-	-
Total Comprehensive Income for the year attributable to the owners of the parent company	(478)	(125)

The Accounting Policies and Notes on pages 15 to 32 form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

ASSETS	Notes	2013 £000	2013 £000	2012 £000	2012 £000
Non-Current Assets					
Investment in Associate	9	440		527	
			440		527
Current Assets					
Trade and other receivables	10	1,060		264	
Cash and cash equivalents	11	1,585		51	
			2,645		315
Total Assets			3,085		842
LIABILITIES					
Current Liabilities					
Trade and other payables	12	(92)		(95)	
Total Liabilities			(92)		(95)
Net Assets			2,993		747
EQUITY					
Equity Attributable to Equity Holders of the Parent					
Share capital	15	15,185		15,121	
Share premium account		31,367		28,837	
Share based payment reserve		130		46	
Retained earnings		(43,689)		(43,257)	
Total Equity			2,993		747

These Financial Statements were approved by the Board of Directors and authorised for issue on 27 June 2014.

David Lenigas
Executive Chairman

The Accounting Policies and Notes on pages 15 to 32 form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER 2013

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total attributable to owners of parent £000
Balance at 1 January 2013	15,121	28,837	46	(43,257)	747
Loss for the year	-	-	-	(478)	(478)
Other comprehensive income:					
Transfer to income statement	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(478)
Net proceeds from share issue	64	2,530	-	-	2,594
Share options cancelled	-	-	(46)	46	-
Share based payments	-	-	130	-	130
Transactions with owners of the company	64	2,530	84	46	2,724
Balance at 31 December 2013	15,185	31,367	130	(43,689)	2,993

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total attributable to owners of parent £000
Balance at 1 January 2012	14,899	28,578	-	(43,132)	345
Loss for the year	-	-	-	(125)	(125)
Other comprehensive income:					
Transfer to income statement	-	-	-	-	
Total comprehensive income for the year	-	-	-	(125)	(125)
Net proceeds from share issue	222	259	-	-	481
Share based payments	-	-	46	-	46
Transactions with owners of the company	222	259	46	-	527
Balance at 31 December 2012	15,121	28,837	46	(43,257)	747

STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2013

	2013 £000	2013 £000	2012 £000	2012 £000
Cash Flows from Operating Activities				
Operating Loss		(391)		(240)
Adjustments for:				
Share based payment charge	130		46	
Change in trade and other receivables	(671)		(59)	
Change in trade and other payables	(3)		(172)	
Taxation (paid)	-		(100)	
		(544)		(285)
Net Cash used in Operating Activities		(935)		(525)
Cash Flows from Investing Activities				
Loan advanced to associate	(125)		(125)	
Proceeds from disposal of available for sale investment	-		107	
Net Cash used in Investing Activities		(125)		(18)
Cash Flows from Financing Activities				
Proceeds from share issue	2,594		481	
Net Cash in generated from Financing Activities		2,594		481
Net Change in Cash and Cash Equivalents		1,534		(62)
Exchange loss on cash and cash equivalents		-		-
Cash and Cash Equivalents at beginning of period		51		113
Cash and Cash Equivalents at end of period		1,585		51

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1. Accounting Policies

Basis of Preparation

Stellar Resources Plc is a company incorporated in the United Kingdom. The Company's shares are listed on the AIM market of the London Stock Exchange

The Financial Statements are for the year ended 31 December 2013 and have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 27 June 2014 and signed on their behalf by Mr David Lenigas.

The accounting policies have been applied consistently throughout the preparation of these Financial Statements, and the financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated

First – time adoption

The Company has adopted IFRS from 1 January 2012, being the date of the transition.

This is the first year in which the Company has prepared its financial statements under IFRS and the comparatives have been restated from UK Generally Accepted Accounting Practice (GAAP) to comply with IFRS.

The details of exemptions and changes to accounting policies have been fully described in Note 20 to the Financial Statements.

Adoption of new or amended IFRS

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.

IFRS 13 Fair Value Measurement
The Group has applied IFRS13 for the first time in the current year. IFRS13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS13 includes extensive disclosure requirements.

IFRS13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS13 has not had any impact on the amounts recognised in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. Accounting Policies (continued)

Adoption of new or amended IFRS (continued)

Amendments to IAS1 Presentation of Financial Statements
(as part of the Annual Improvements to IFRSs 2009; 2011 Cycle issued in May 2012)
The Annual Improvements to IFRSs 2009; 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

This has no impact for the 2013 financial statements.

Amendments to IFRS7 Disclosures
The Group has applied the amendments to IFRS7 Disclosures–Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Group does not have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS9	Financial Instruments
IFRS10	Consolidated Financial Statements
IFRS12	Joint Arrangements#
IAS27 (revised)	Investment Entities
IAS28 (revised)	Investments in Associates and Joint Ventures
IAS32 (revised)	Offsetting Financial Assets and Financial Liabilities
IAS36 (revised)	Recoverable Amount Disclosures for Non Financial Assets
IAS39 (revised)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC Interpretation21	Levies

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS9 will impact both the measurement and disclosures of Financial Instruments. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. Accounting Policies (continued)

Sources of Estimation and Key Judgements

The preparation of the Financial Statements requires the Company to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historic experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for services provided, excluding VAT and trade discounts. Revenue is credited to the Income Statement in the period it is deemed to be earned.

Finance Income and Costs

Finance income and costs are reported on an accruals basis.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. Accounting Policies (continued)

Financial Assets

Financial assets are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired, and are recognised when the Company becomes party to contractual arrangements. Both loans and receivables and available for sale financial assets are initially recorded at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade, most other receivables and cash and cash equivalents fall into this category of financial assets. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Company transfers substantially all the risks and rewards of ownership of the asset, or if the Company neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial Liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial liabilities initially recognised at fair value less transaction costs and thereafter carried at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. Accounting Policies (continued)

Share-Based Payments

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period; and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

In addition, in some circumstances, employees may provide services in advance of the grant date, and therefore the grant-date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the entity 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 original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Equity

Equity comprises the following:

- "Share capital" representing the nominal value of equity shares.
- "Share premium" representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Share based payment reserve” represents the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Company from time to time as part of the consideration paid.
- "Retained earnings" representing retained profits.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. Accounting Policies (continued)

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the Financial Statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the Translation reserve in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

The Company's functional currency and presentational currency is Sterling.

Going Concern

The company no longer has any significant trading businesses and is therefore deemed to be an investing company. It now has a low cost base and no borrowings. The Directors have prepared cash flow forecasts and budgets that show that for a period of at least twelve months from the date of these Financial Statements, the Company has sufficient resources to continue in business, and will seek to raise additional funds through a placing as conditions require for working capital or further investment opportunities. Accordingly, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

2. Segment Reporting

The Company is now operating as a single UK based segment with a single primary activity to invest in businesses so as to generate a return for the shareholders. The revenue from this segment, generated from management services in the UK, was £3,000 (2012 - nil). The non-current assets of the segment is £440,000 (2012 - £527,000).

3. Operating Activities and Auditor's Remuneration

	2013 £000	2012 £000
Included within results from operating activities are the following:		
Operating lease rentals - land and buildings	24	60
Auditor's remuneration:		
Audit services:		
- Company statutory audit	10	10
Non-audit services:		
- Taxation compliance	-	1

4. Information Regarding Directors and Employees

	2013 £000	2012 £000
Employment costs, including Directors, during the year:		
Wages and salaries	124	112
Share based payments	130	46
	254	158

Average number of persons, including executive Directors employed	**No.**	**No.**
Administration	3	2
	3	2

Directors' remuneration	**£000**	**£000**
Emoluments	254	158

	No.	**No.**
Number of Directors in money purchase pension schemes	-	-

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

4. Information Regarding Directors and Employees (continued)

Emoluments of the Individual Directors

2013	**Fees and salaries £000**	**Share based payments £000**	**Total £000**
D Lenigas	50	50	100
D Strang	50	50	100
E Mc.Dermott	24	30	54
	124	130	254

2012	**£000**	**£000**	**£000**
D Lenigas	36	26	62
D Strang	12	-	12
L Moore	25	-	25
C Wood	20	-	20
E Mc.Dermott	18	20	38
J A R Jakobi	-	-	-
J D Webber	-	-	-
S H Rhodes	-	-	-
	112	46	158

Directors' interest in share options is set out in note 16.

Key Management Personnel

The key management personnel are considered to be the Directors. There remuneration is included in note 4 above.

5. Loan to subsidiary written-off

	£000	**£000**
Loan to Hambric Sports Management LLC written-off	-	218

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

6. Finance Costs

	2013	2012
	£000	£000
Bank loans, overdrafts and other loans repayable within five years	-	-

7. Income Tax (Credit)/Expense

The relationship between the expected tax (credit)/expense based on the effective tax rate of the Company at 23/24% (2012 – 24/26%) and the tax (credit)/expense actually recognised in the income statement can be reconciled as follows:

	2013 £000	2012 £000
Loss for the year before tax	(478)	(125)
Tax rate	23/24%	24/26%
Expected tax credit	(111)	(30)
Differences between capital allowances and depreciation	-	-
Expenses not deductible for tax purposes	50	12
Deferred tax asset not recognised	61	18
Actual tax expense	-	-

Deferred Tax

The amount of unused tax losses for which no deferred tax asset is recognised in the statement of financial position is £510,000 (2012 - £249,000).

Under IAS 12, deferred tax provisions are made for the tax that would potentially be payable on the realisation of assets at book value. Other temporary differences represent deferred tax assets arising from future tax relief available to the Company from capital allowances.

8. Loss per Share

2013	£000	Weighted average No. of shares	Basic per share amount (pence)
Loss after tax	(478)		
Earnings attributable to ordinary shareholders	(478)		
Weighted average number of shares		180,602,716	(0.26)
Total basic and diluted loss per share			(0.26)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

8. Loss per Share (continued)

2012	**£000**	**Weighted average No. of shares**	**Basic per share amount (pence)**
Loss after tax	(125)		
Earnings attributable to ordinary shareholders	(125)		
Weighted average number of shares		85,127,160	(0.15)
Total basic and diluted loss per share			(0.15)

9. Investment in associate

	2013 £000	**2012 £000**
Investment in associate	440	527

	2013 £'000	**2012 £'000**
Carrying amount at 1 January	527	630
Share of loss	(87)	(103)
Carrying amount at 31 December	440	527

The Group's share of results of its associate, which is unlisted, and its aggregated assets and liabilities, is as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% interest held
		As at 5 April 2013			Year to 5 April 2013	
Gold Mines of Wales Limited	Jersey	£103,000	£28,000	Nil	(£230,000)	49

Gold Mines of Wales Limited's year end is 5 April.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

10. Trade and Other Receivables

Current trade and other receivables	**2013 £000**	**2012 £000**
Trade receivables	4	-
Other receivables	548	29
Due on sale of Hambric Sports Management LLC (see below)	54	110
Due from associate undertaking	250	125
Prepayments and accrued income	204	-
	1,060	264

All trade receivable amounts are short term. The carrying value of trade receivables is considered as a reasonable approximation of the fair value of the receivables. All of the Company's trade and other receivables have been reviewed for indicators of impairment. No trade receivables were found to be impaired and no provision has been recorded accordingly (2012 - Nil)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The previous investment in Hambric Sports Management LLC ("HSM") represented a 30% share of the issue share capital of that company. The minority shareholding and absence of Board representation meant that the Company was unable to influence control over HSM. HSM was involved in the management and representation of golfing professionals. In 2010, the Board took the decision to seek to dispose of this investment and began to negotiate with a number of interested parties. These negotiations concluded on 15 October 2012 and the investment was disposed of for US $350,000 which was to be paid as follows:

$175,000 – Received on 15 October 2012.
$87,500 – Received on 4 March 2013.
$87,500 – February 2014 (Received on 26 February 2014)

11. Cash at Bank and Cash Equivalents

	2013 £000	**2012 £000**
Cash at Bank	1,585	51

12. Trade and Other Payables

Current trade other payables	**2013 £000**	**2012 £000**
Trade payables	44	27
Taxation and social security	2	-
Accruals and deferred income	46	68
	92	95

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

13. Risk Management Objectives and Policies

Financial assets by category

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

Current assets	2013 £000	2012 £000
Loans and receivables	1,060	264
Cash	1,585	51
	2,645	315

Financial Liabilities by Category

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

Current liabilities		
Financial liabilities measured at amortised cost	92	95

The Company is exposed to market risk through its use of financial instruments and specifically to credit risk, and liquidity risk which result from both its operating and investing activities. The Company's risk management is coordinated at its headquarters, in close co-operation with the board of Directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

Interest rate sensitivity

The Company is not substantially exposed to interest rate sensitivity, other than in relation to interest bearing bank accounts.

Credit risk analysis

The Company's exposure to credit risk is limited to the carrying amount of trade receivables. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Company's policy is to deal only with creditworthy counterparties. Company management considers that trade receivables that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

13. Risk Management Objectives and Policies (continued)

Liquidity risk analysis

The Company's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

Capital Management Policies

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide a return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents.

14. Share Capital

	2013	2012
	£000	£000
Allotted, issued and fully paid		
736,549,167 ordinary shares of 0.01p each (2012 – 92,230,985 of 1p each)	73	922
28,976,581 deferred shares of 45p each (2012 – 28,976,581)	13,040	13,040
28,976,581 A deferred shares of 4p each (2012- 28,976,581)	1,159	1,159
92,230,985 B deferred shares of 0.99p each (2012- nil)	913	-
	15,185	15,121

The deferred shares and the A and B deferred shares do not carry voting rights.

On 26 April 2012, 22,222,222 ordinary shares of 1p each were issued fully paid for cash consideration at 2.25 pence per share raising gross proceeds of £500,000.

On 27 June 2013, a Special Resolution was passed to sub-divide the 92,230,985 existing ordinary shares of 1p each into one new ordinary share of 0.01p and one new deferred share of 0.99p B Deferred Share as part of a Capital Reorganisation. The deferred shares and B deferred shares do not carry voting rights.

On 29 October 2013, 200,000,000 ordinary shares of 0.01p each were issued fully paid for cash consideration at 0.40 pence per share raising gross proceeds of £800,000.

On 14 November 2013, 362,500,000 ordinary shares of 0.01p each were issued fully paid for cash consideration at 0.40 pence per share raising gross proceeds of £1,450,000.

On 29 November 2013, 81,818,182 new ordinary shares of 0.01 pence each were issued fully paid for cash consideration at 0.55 pence per share raising gross proceeds of £450,000.

During the year ended 31 December 2013, the Company issued a total of 644,318,182 ordinary shares (2012: 22,222,222 ordinary shares).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

15. Share-based payments

Details of share options and warrants granted to Directors over the ordinary shares are as follows:

	At 1 January 2013 No.	Issued during the year No.	Cancelled during the year No.	At 31 December 2013 No.	Exercise price £	Date from which exercisable	Expiry date
Share options							
D Lenigas	2,000,000	-	(2,000,000)	-	0.030	10/04/2012	10/04/2017
D Lenigas	-	10,000,000	-	10,000,000	0.004	14/11/2013	14/11/2023
D. Strang	-	10,000,000	-	10,000,000	0.004	14/11/2013	14/11/2023
E McDermott	1,500,000	-	(1,500,000)	-	0.030	10/04/2012	10/04/2017
E McDermott	-	6,000,000	-	6,000,000	0.004	14/11/2013	14/11/2023
	3,500,000	26,000,000	(3,500,000)	26,000,000			
Warrants							
Various	-	24,075,000	-	24,075,000	0.004	29/10/2013	14/11/2018
Various	-	81,818,182	-	81,818,182	0.006	29/11/2013	30/11/2014
	-	105,893,182	-	105,893,182			

The share price range during the year was £0.0045 to £0.0212 (2012 - £0.007 to £0.032).

The share based payment charge in the year was £130,000 (2012 - £46,000).

The weighted average values of options are as follows:	**2013**	**2012**
Weighted average exercise price of options granted	0.40p	3.00p
Weighted average exercise price of options exercisable at the end of the year	0.40p	3.00p
Weighted average option life remaining	9.87 years	4.27 years

For those options granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
10 April 2012	2.00%	72.3%	5 years	£0.0238
14 November 2013	2.00%	183.9%	10 years	£0.0050

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised total expenses of £130,000 (2012: £46,000) relating to equity-settled share-based payment transactions during the year, and £46,000 was transferred via equity to retained earnings on the cancellation of 3,500,000 options during the year (2012: nil).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

16. Capital Commitments

There are no non-cancellable capital commitments as at the balance sheet date.

17. Information on Subsidiary Undertakings

Trading Subsidiaries	Nature of Business	Ownership	Incorporated in
CSS International Limited	Corporate	100*	England and Wales
CSS International Holdings Limited	Holding Company	100	England and Wales
CSS Stellar Sports Limited	Non-trading	100*	England and Wales

On 14 September 2012, all subsidiary undertakings had been applied for dissolution, and all subsidiaries were officially dissolved at Companies House on 15 January 2013. The Company has no subsidiary undertakings as at 31 December 2013.

Entities marked with an asterisk (*) were directly owned by the Company.

18. Related Party Transactions

There were no related party transactions during the year.

19. Events after the reporting period

09 January 2014 - Stellar announced that it had signed a Binding Term Sheet ("BTS") to acquire an initial 20% shareholding in Boletus Resources Limited ("Boletus"), which had signed commercial terms to immediately develop the high quality coal at the Bengkulu Coal Project on the Indonesian Island of Sumatra. Stellar has the right to incrementally increase its shareholding in Boletus up to 29%, but has no obligation to do so. Stellar will acquire an initial 20% shareholding in Boletus, a special purpose company for developing the Bengkulu Coal Project, by paying $400,000 towards the start-up costs of the Indonesian operations. Stellar has the right, but not the obligation, to acquire a further 5% of Boletus by funding another $500,000 and a further 4% of Boletus by funding another $400,000.

24 January 2014 - Stellar announced that the Crown Mineral Agent has formally approved a 12 month extension of the exclusive Option Agreement between the Crown Estates and Gold Mines of Wales (Operations) Ltd ("GMOW"). Stellar owns 49.9% of GMOW.

6 February 2014 - Stellar announced that it has entered into a Binding Heads of Agreement ("HOA") to buy a 7.5% equity interest in Horse Hill Development Ltd ("HHDL"), a special purpose company, which hold the rights to a 65% participating interest and operatorship, in licence PEDL137 onshore at Horse Hill Wood, in the UK Weald Basin in Surrey ("Horse Hill Prospect"). The consideration for the initial 7.5% interest in HHDL shall be paid as follows:

1. Stellar will immediate pay HHDL £10,000 towards the cost of the Horse Hill-1 Well.
2. On completion of all necessary legal documentation within 30 days, Stellar will make a further payment of £50,000 to HHDL towards the cost of the Well.
3. Stellar shall bear a further total sum of £390,000 of cash calls for the drilling of the Well to be drilled on the Horse Hill Licence to own a 7.5% interest in HHDL.

19 June 2014 – Stellar announced it had entered into a Binding Heads of Agreement ("HOA") to increase its equity interest in HHDL to 10% for £150,000.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

20. Explanation of transition to IFRSs

For all periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with UK GAAP. These financial statements for the year ended 31 December 2013, are the first the Company has opted to prepare in accordance with IFRSs as adopted by the European Union (EU).

Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for all periods since 31 December 2011 and the significant accounting policies meeting those requirements are described in note 1. In preparing these financial statements, the Company has started from 1 January 2012, the Company's date of transition to IFRSs, and made those changes in accounting policies and other restatements required by IFRS 1 for the first time adoption of IFRSs. This note explains the principal adjustments made by the Company in restating its previously published UK GAAP financial statements for the year ended 31 December 2012.

Exemptions applied

IFRS 1 allows first time adopters certain exemptions from the general requirement to apply IFRSs as effective for 31 December 2012 years there ending retrospectively. The Company has taken the following exemptions:

- IFRS 3 'Business Combinations' has not been applied to acquisitions of subsidiaries or interests in associates or joint ventures that occurred before 1 January 2012.

Investments

Under UK GAAP the Company recognised investments at the lower of cost and net realisable value, with adjustments to reflect any impairment arising from an investment held being stated at higher than recoverable amount. Such impairment charges were reflected in the income statement. The Company applied the equity method to associate undertakings, and disclosed the market value of those investments held at each period end.

Specifically, from this date, all investments held, and new investments acquired are classified into one of five categories which determine the accounting treatment adopted for each type of investment.

The new standards have had limited impact on investments in consolidated interests in subsidiaries or equity accounted associates, other than to conform the accounting policies of those entities to the Group's new accounting policies under IFRS.

At 1 January 2012, the Company's investment in associates was classified under the requirements of the new standards, and where a fair value measurement was required to be performed, this was generally carried out with reference to the availability of financial results of the associate to the date of transition. At 31 December 2012, equity decreased by £82,000 as a result of the adjustment of the Company's share of the associates losses.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

20. Explanation of transition to IFRSs (continued)

Deferred taxes

Under UK GAAP deferred tax was recognised in respect of timing differences, and a net deferred tax asset was assessed as recoverable when it was more likely than not that suitable taxable profits against which carried forward tax losses applied or timing differences can be deducted.

In accordance with the requirements of IAS 12 'Income Taxes' deferred tax arises from temporary differences between accounting carrying values and tax bases of assets and liabilities. Deferred tax assets continue to be recognised when considered probable of recovery.

At 31 December 2012 there was a £82,000 decrease to equity as a result of the application of the new standards.

The only change to the losses of the Company in the transition to IFRS is the inclusion of further losses of the Company's associate.

Detailed reconciliations between UK GAAP and IFRS are shown below:

Reconciliation of equity at 31 December 2011	**Under UK GAAP**	***Restated associate***	**Under IFRS**
	£000	**£000**	**£000**
NON CURRENT ASSETS			
Investment in associate	633	*(3)*	630
TOTAL FIXED ASSETS	633	*(3)*	630
CURRENT ASSETS			
Trade and other receivables	80		80
Cash at bank and in hand	113		113
TOTAL CURRENT ASSETS	193		193
TOTAL ASSETS	826	*(3)*	823
CURRENT LIABLILITES			
Trade and other payables	(478)		(478)
TOTAL CURRENT LIABLITIES	(478)		(478)
TOTAL LIABILITIES	(478)		(478)
NET ASSETS	348	*(3)*	345
EQUITY			
Called up share capital	14,899		14,899
Share premium	28,578		28,578
Retained earnings	(43,129)	*(3)*	(43,132)
TOTAL EQUITY	348	*(3)*	345

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

20. Explanation of transition to IFRSs (continued)

Reconciliation of equity at 31 December 2012	**Under UK GAAP**	***Fair Value adjustment***	**Under IFRS**
	£000	***£000***	**£000**
NON CURRENT ASSETS			
Investment in associate	609	*(82)*	527
TOTAL FIXED ASSETS	609	*(82)*	527
CURRENT ASSETS			
Trade and other receivables	264		264
Cash at bank and in hand	51		51
TOTAL CURRENT ASSETS	315		315
TOTAL ASSETS	924	*(82)*	842
CURRENT LIABLILITES			
Trade and other payables	(95)		(95)
TOTAL CURRENT LIABLITIES	(95)		(95)
TOTAL LIABILITIES	(95)		(95)
NET ASSETS	829	*(82)*	747
EQUITY			
Called up share capital	15,121		15,121
Share premium	28,837		28,837
Share based payment reserve	46		46
Retained earnings	(43,175)	*(82)*	(43,257)
TOTAL EQUITY	829	*(82)*	747

Cashflow statment

As a result of the transition to IFRS, there were no material differences between the cashflow statement presented under IFRS and that presented under UK GAAP.