

Annual Financial Report

Elaine Securities Plc announces its annual financial report.

This is included in the attachment below.

The Directors take responsibility for this announcement.

FOR FURTHER INFORMATION PLEASE CONTACT:

Simon Sacerdoti - Director

Elaine Securities Plc

Telephone: +44 203 637 6616

CSE Nominated Advisor

Nick Michaels and Jon Isaacs

Alfred Henry Corporate Finance Limited

www.alfredhenry.com

Tel: +44 207 251 3762

Attachment:

1. **2017 Annual Financial Report**

Non Regulated

Publication Date: 04/07/2017

Company Registration No. 09417831 (England and Wales)

ELAINE SECURITIES PLC

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017**

ELAINE SECURITIES PLC

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Joss Alcraft Simon Sacerdoti |
| Secretary | International Registrars Limited |
| Company number | 09417831 |
| Registered office | Finsgate 5-7 Cranwood Street London EC1V 9EE |
| Auditors | Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE |
| Bankers | Metro Bank PLC One Southampton Row London WC1B 5HA |

ELAINE SECURITIES PLC

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ELAINE SECURITIES PLC

EXECUTIVE DIRECTOR'S STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017

I am pleased to present the results of Elaine Securities Plc ("Company") for the year ended 28 February 2017.

During the year, the Company has successfully issued £3,577,722 of fixed term bonds on the Cyprus Stock Exchange.

As we continue in the initial stages of the Company's development, we made several investments in line with the target strategy of making medium-term asset-backed loans. We expect to find further suitable investments in the next twelve months as the cash position of the Company increases from the expected further bond issuances, so that the business can be opportunistic and continue to move quickly when the right opportunities arise.

We continue to work towards our business plan and expect the returns in this area to remain strong in the future to support the coupon rate payable on the bonds. Key updates on the business will be made available on our website at <http://elainesecurities.com>.



Simon Sacerdoti

Executive Director

3 July 2017

ELAINE SECURITIES PLC

STRATEGIC REPORT FOR THE YEAR ENDED 28 FEBRUARY 2017

Principal activities and fair review of the business

The Company was incorporated on 2 February 2015 as HJ Securities Plc to initially to identify opportunities within Investment Management. The company changed its name to Elaine Securities Plc on 20 October 2015. In early 2016, the Directors resolved to amend the company's strategy to focus predominantly on medium-term, asset-backed loans to bodies corporate that meet the certain eligibility criteria. Although the average investment length may vary from 3 to 5 years, it is the Directors' intention to target investments of a 3-year duration that will be funded by way of the issuance of a 10-year 5.0% bond.

The Company has made a loss of £47,924 for the period. The small loss for the period relates to the ramp-up of the initial deployment into investments of funds raised and the Company is now moving toward a profitable operating position. There were some exceptional expenses that were incurred during the period related to the listing of the bonds on the Cyprus Stock Exchange. The Company has made several investments during the period and post period end.

Principal risks and uncertainties

The business is at an early stage of income generation and as a result, aspects of its business strategy are not proven. At this stage the Company cannot with certainty say that it will generate the returns to the extent it has projected. The investment is intended to be long term in nature, which reflects the fixed term of the bonds.

Further discussion on risk and sensitivity analysis is discussed within note 4.

Key performance indicators

The performance indicators relate to revenue, cash and investments/loans made. Salient points are:

| | 2017 | 2016 |
|---------------------------|-----------|----------|
| Loss for the period | (47,924) | (50,092) |
| Cash and cash equivalents | 649,210 | 42,843 |
| Investments | 2,685,000 | 132,500 |

The reasons behind the loss for the period have been explained above and as this still represents the development of the business in its initial phase, this loss does not reflect the expected performance of the Company. Cash and funds held with Metro Bank are above target and we are looking to deploy further funds as new investment opportunities arise..

Dependence on key personnel

Whilst the Company's has entered into contractual arrangements with the aim of securing the services of its Directors, the retention of their services cannot be guaranteed.

Future developments

The Company continues to investigate opportunities in its core market of medium-term, asset-backed loans. The majority of the Company's funds were raised during 2016 and the business has been able to deploy the funds raised to date with appropriate businesses. We shall continue to keep the bondholders aware of the developments of the business on the Company website and through regular market announcements.

On behalf of the board



Simon Sacerdoti
Executive Director
3 July 2017

ELAINE SECURITIES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 28 FEBRUARY 2017

The Directors present their report and financial statements for the year ended 28 February 2017.

Principal activities

The principal activity of the Company is to invest in medium-term, asset-backed loans, please refer to the Strategic Report for further details.

Results and dividends

The results for the period are set out on page 8.
The directors do not recommend a dividend.

Future developments

These are detailed in the Strategic Report above.

Directors

The following Directors have held office during the period:

James King (resigned 10 May 2016)
Joss Alcraft (appointed 10 May 2016)
Simon Sacerdoti (appointed 30 June 2016)
Mark Stephen (resigned 5 September 2016)

Directors' interest

At the date of this report the Directors held the following beneficial interest in the ordinary share capital of the Company:

| | 2017 |
|-----------------|------|
| Joss Alcraft | - |
| Simon Sacerdoti | - |

Substantial interests

As at 28 February 2017 the following investors had an interest of 3% or more in the ordinary share capital of the Company:

| | Ordinary shares No. | Percentage |
|--------------|---------------------------|------------|
| Mark Stephen | 50,000 | 100% |

Creditor payment policy

The Company's policy is to pay creditors within the agreed terms which are generally no more than 30 days.

Subsequent events

See note 24 for further details.

Financial risk and management of capital

The major balances and financial risks to which the Company is exposed to and the controls in place to minimise those risks are disclosed in Note 4. The principal current asset of the business is cash. Therefore the principal financial instruments employed by the Company are cash or cash equivalents and the Directors ensure that the business maintains surplus cash reserves to minimise liquidity risk.

A description of how the Company manages its capital is also disclosed in Note 4.

The Board considers and reviews these risks on a strategic basis in order to minimise any potential exposure.

ELAINE SECURITIES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

Financial instruments

During the year, the Company issued £3,577,722 fixed term bonds with a maturity date of 31 December 2025. The bonds have a coupon rate of 5% per annum, with coupons payable annually at 31 December.

Auditors

Jeffreys Henry LLP were appointed auditors to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to a General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the Company's financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Company's financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. 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 they have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

Each person who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



Simon Sacerdoti
Executive Director

3 July 2017

ELAINE SECURITIES PLC

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017

The board has sought to comply with a number of the provisions of the 2014 UK Corporate Governance Code ("the Code") for small and mid-sized companies in so far as it considers them to be appropriate to a Company of their size and nature. They make no statement of compliance with the Code overall and do not 'explain' in detail any aspect of the Code with which they do not comply.

Internal controls

The board is responsible for maintaining a sound system of internal controls to safeguard shareholders and bondholders' investment and the Company's assets. The Directors monitor the operation of internal controls. The objective of the system is to safeguard the Company's assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable, but not absolute assurance against material misstatement or loss.

Internal financial control procedures undertaken by the board include:

- Review of biannual financial reports and monitoring performance; and
- Prior approval of all significant expenditure/loans including all major investment decisions.

The board has reviewed the operation and effectiveness of the Company's system of internal control for the financial period and the period up to the date of approval of the financial statements.

ELAINE SECURITIES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELAINE SECURITIES PLC

We have audited the financial statements of Elaine Securities Plc for the year ended 28 February 2017, which comprises the statement of comprehensive income, statement of financial position, statement of cash flows, **statement** of changes of equity, and the related notes. The financial reporting framework that has been **applied** in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as **adopted** by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the Company's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit **involves** obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the **reasonableness** of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Strategic Report and Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially **incorrect** based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Company's financial statements:

- give a true **and** fair view of the state of the Company's affairs as at 28 February 2017 and of the Company's **loss** and the Company's cash flows for the year then ended;
- The Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the **European Union**; and
- the financial **statements** have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, **based** on the work undertaken in the course of our audit, the information given in the Strategic Report **and** the Report of the Directors for the financial period for which the Company's financial statements are prepared is consistent with the financial statements, and the Strategic Report and Report of the Directors has been prepared in accordance with applicable legal requirements.

ELAINE SECURITIES PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ELAINE SECURITIES PLC

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 any material misstatements in the Strategic Report and the Report of the Directors.

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



Sanjay Parmar
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate
5-7 Cranwood Street
London
EC1V 9EE

Date: 3 July 2017

ELAINE SECURITIES PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2017

| | | Year Ended 28 February 2017 | Period of Incorporation from 2 February 2015 to 29 February 2016 |
|---|-----------|-----------------------------------|---|
| | Notes | £ | £ |
| Continuing operations | | | |
| Revenue | | 170,468 | 87 |
| Administrative expenses | | (92,534) | (50,076) |
| Operating profit | 6 | <u>77,934</u> | <u>(49,989)</u> |
| Finance costs | 9 | (125,858) | (103) |
| Loss on ordinary activities before taxation | | <u>(47,924)</u> | <u>(50,092)</u> |
| Income tax expense | 10 | - | - |
| Loss for the period | | <u><u>(47,924)</u></u> | <u><u>(50,092)</u></u> |
| Loss per share (expressed in pence per share) | 11 | (95.85)p | (100.18)p |

The notes on pages 12 to 23 form part of these financial statements.

ELAINE SECURITIES PLC

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2017

| | | As at 28 February 2017 | As at to 29 February 2016 |
|---|-------|---------------------------|------------------------------|
| | Notes | £ | £ |
| Assets | | | |
| Non-current assets | | | |
| Investments | 15 | 1,980,976 | - |
| Current assets | | | |
| Investments | 15 | 704,024 | 132,500 |
| Other receivables | 13 | 100,470 | 80,087 |
| Cash and cash equivalents | 14 | 649,210 | 42,843 |
| Total assets | | 3,434,680 | 255,430 |
| Equity and liabilities | | | |
| Equity attributable to owners of the Company | | | |
| Ordinary shares | 16 | 50,000 | 50,000 |
| Accumulated losses | 17 | (98,016) | (50,092) |
| Total equity | | (48,016) | (92) |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 19 | 3,410,630 | 237,708 |
| Current liabilities | | | |
| Trade and other payables | 18 | 72,066 | 17,814 |
| Total liabilities | | 3,482,696 | 255,522 |
| Total equity and liabilities | | 3,434,680 | 255,430 |

The notes on pages 12 to 23 form part of these financial statements.

Approved by the Board and authorised for issue on 3 July 2017.


Simon Sacerdoti
 Executive Director

Company Registration No. 09417831

ELAINE SECURITIES PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2017

| | | Year Ended 28 February 2017 | Period of Incorporation from 2 February 2015 to 29 February 2016 |
|--|-------|-----------------------------------|---|
| | Notes | £ | £ |
| Cash flows from operating activities | | | |
| Cash generated from operations | 20 | 97,038 | (87,157) |
| Net cash utilised in operating activities | | <u>97,038</u> | <u>(87,157)</u> |
| Cash flows from investing activities | | | |
| Purchase of investments | | (2,552,500) | (132,500) |
| Net cash utilised in investing activities | | <u>(2,552,500)</u> | <u>(132,500)</u> |
| Cash flows from financing activities | | | |
| Issue of ordinary share capital | | - | 12,500 |
| Proceeds from issue of debenture loans | | 3,172,922 | 250,000 |
| Net cash generated from financing activities | | <u>3,172,922</u> | <u>262,500</u> |
| Net increase in cash and cash equivalents | | <u>606,367</u> | <u>42,843</u> |
| Cash and cash equivalents at the beginning of the period | | <u>42,843</u> | <u>0</u> |
| Cash and cash equivalents at the end of period | | <u><u>649,210</u></u> | <u><u>42,843</u></u> |

The notes on pages 12 to 23 form part of these financial statements.

ELAINE SECURITIES PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2017

| Notes | Share capital £ | Accumulated losses £ | Total £ |
|-------------------------------|-----------------------|----------------------------|-----------------|
| As at 29 February 2016 | 50,000 | (50,092) | (92) |
| Loss for the year | - | (47,924) | (47,924) |
| As at 28 February 2017 | 50,000 | (98,016) | (48,016) |

Share capital is the amount subscribed for shares at nominal value.
Accumulated losses represent the cumulative loss of the Company attributable to equity shareholders.

The notes on pages 12 to 23 form part of these financial statements.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2017

1 General information

Elaine Securities Plc was founded in February 2015 initially to identify opportunities within Investment Management. In early 2016, the Directors resolved to amend the Company's strategy to focus predominantly on medium-term, asset-backed loans to bodies corporates that meet certain eligibility criteria. Although the average investment length may vary from 3 to 5 years, it is the Directors' intention to target investments of a 3-year duration that will be funded by way of the issuance of a 10-year 5.0% bond. The Company is both based in, and has been incorporated in the United Kingdom. The address of the registered office is disclosed on the Company information page at the front of the Annual Report.

The Company is a public limited company and its bonds are listed on the Emerging Companies Market of the Cyprus Stock Exchange.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the period presented unless otherwise stated.

2.1 Basis of preparation

The statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Going Concern

The financial statements have been prepared on a going concern basis, the validity of which is dependent upon the issuance of further long-term bonds. These bonds are not due for repayment until 2025 so the Directors believe the going concern basis is appropriate despite the small negative net asset position at period end.

Preparation of financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New and amended standards adopted by the Company

The Company has adopted the following new and amended IFRSs as of 28 February 2017.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 March 2016 and have not been early adopted:

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

2.1 Basis of preparation (Continued)

| Reference | Title | Summary | Application date of standard (Periods commencing on or after) |
|--------------------|---|---|---|
| IFRS 9 | Financial instruments | Requirements on the classification and measurement of financial assets and liabilities and includes an expected credit losses model which replaces the current incurred loss impairment model. Also includes the hedging amendment that was issued in 2013 | 1 January 2018 |
| IFRS 15 | Revenue from contracts with customers | Specifies how and when to recognise revenue from contracts as well as requiring more information and relevant disclosures. | 1 January 2018 |
| IFRS 16 | Leases | Provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. | 1 January 2019 |
| IFRS 2 | Classification and Measurement of Share-based Payment Transactions | Amendments clarify the fair value of cash-settled share-based payments and equity-settled share-based payments; withholding tax implications on share-based payments; and clarification on the accounting for share-based payments that change from cash-settled to equity-settled. | 1 January 2018 |
| IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. | Applicable date still to be determined |
| IAS 7 | Disclosure Initiative | The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. | 1 January 2017 |
| IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses | The amendments clarify the impact of decreases in the carrying amount of fixed-rate debt instruments; utilization of temporary losses against income of a specific type; estimate of probable future taxable profit to include recovery of assets at more than their carrying value; and evaluation of future taxable profits excluding reversal of deductible temporary differences. | 1 January 2017 |

The Directors anticipate that the adoption of these standards and the interpretations in future period will have no material impact on the financial statements of the Company.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

2.2 Financial assets and liabilities

The Company classifies its financial assets at fair value through profit and loss or as loans and receivables and classifies its financial liabilities as other financial liabilities. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction costs that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when the funds are advanced to customers. Loans and receivables are carried at amortised cost using the effective interest method (see below).

(b) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments. Other financial liabilities are recognised when cash is received from the depositors. Other financial liabilities are carried at amortised cost using the effective interest method. The fair value of other liabilities repayable on demand is assumed to be the amount payable on demand at the Statement of Financial Position date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership. In transactions in which the Company's neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company's continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the Company establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

2.3 Revenue

Revenue will comprise interest income using the effective interest method. The effective interest method calculates the amortised cost of a financial asset and allocated the interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument but does not consider future credit losses.

2.4 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.5 Investments

Investments represent loans made in accordance with the investment mandate of the Company. They are valued at the relevant cost and are held as current assets.

2.6 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.7 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

2.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.10 Income tax expense

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 Critical accounting estimates and judgments

The Company makes certain judgements and estimates that affect the reported amount of assets and liabilities. Critical judgements and the assumptions used in calculating estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company assets include loans made to related and third party companies. The Directors do not believe the loans require any provisions against recovery of the principal or interest at the period end.

4 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

4.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a) Credit risk

The Company's take on exposure to credit risk, which is this risk that the counterparty will be unable to pay amounts in full when due. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also maintained by obtaining collateral, the loans to customers include debentures and personal guarantees and the Directors therefore believe there is a low risk of customer default.

The maximum exposure to credit risk for the Company's was as follows:

| Credit risk exposure relating to on-balance sheet assets are as follows: | 2017 £ |
|---|------------------|
| Other receivables | 98,690 |
| Investments | 2,685,000 |
| At 28 February 2017 | 2,783,690 |

b) Cash flow and Interest rate risk

The Company's borrowings are at a fixed rate of interest exposing the Company to fair value interest rate risk. The Company does not manage any cash flow interest rate risk.

c) Liquidity risk

The Company is careful to ensure that its loans and investments can be realised prior to the due date for the repayment of the debentures. This applies equally to the underlying investments of the companies or projects in which the Company invests.

d) Capital risk

The Company takes great care to protect its capital investments. Significant due diligence is undertaken prior to making any investment. The investments are closely monitored.

e) Market risk

A general economic downturn at a global level, or in one of the world's leading economies, could impact on the Company. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets, could have a negative effect on the Company. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could also limit the Company's operations. These risks are also applicable to most companies and the risk that the Company will be more affected than the majority of companies is assessed as small.

f) Price risk

The Company's principal activity is short-term business loans. The Company does not have a diversified portfolio of assets and is therefore at risk.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

4.2 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure appropriate for its growth plans.

In order to maintain or adjust the capital structure the Company may issue new shares or alter debt levels.

5 Segment information

The Company's single line of business is investment in secured loans.

6 Operating loss

| | |
|--|--------------|
| | 2017 |
| | £ |
| Operating loss is stated after charging: | |
| Audit fees | <u>7,000</u> |

7 Staff costs

There were no staff costs during the year as the management of the business is outsourced to an external service provider.

The average monthly number of employees (including directors) during the period was:

| | 2017 | 2016 |
|-----------|---------------|---------------|
| | Number | Number |
| Directors | 3 | 3 |
| Staff | <u>-</u> | <u>-</u> |
| | <u>3</u> | <u>3</u> |

8 Directors' remuneration

| | 2017 | 2016 |
|--------------------------------------|-------------|-------------|
| | £ | £ |
| Remuneration for qualifying services | 23,348 | <u>-</u> |

The non-executive director, Joss Alcraft, was paid £7,500 (excluding NI and PAYE) for his non-executive directors fees during the year ended 28 February 2017.

9 Finance costs

| | 2017 | 2016 |
|-----------------------------------|----------------|-------------|
| | £ | £ |
| Finance cost in relation to bonds | <u>125,858</u> | <u>103</u> |

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

10 Taxation

| | 2017 | 2016 |
|--|-----------------|-----------------|
| | £ | £ |
| Total current tax | <u>-</u> | <u>-</u> |
| Factors affecting the tax charge for the period | | |
| Loss on ordinary activities before taxation | <u>(47,924)</u> | <u>(50,092)</u> |
| Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax 19% (2016-20%) | (9,106) | (10,018) |
| Effects of: | | |
| Non-deductible expenses | | |
| Tax losses carried forward | <u>9,106</u> | <u>10,018</u> |
| Current tax charge for the period | <u>-</u> | <u>-</u> |

The Company incurred estimated tax losses of £98,016 available for carry forward against future trading profits.

The deferred tax asset at the year-end of £18,623 has not been recognised in the financial statements due to the uncertainty of the recoverability of the amount.

11 Earnings per share

| | 2017 | 2016 |
|---|-----------------|------------------|
| Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period: | | |
| Loss after tax attributable to equity holders of the Company | (47,924) | (50,092) |
| Weighted average number of ordinary shares | 50,000 | 50,000 |
| Basic and diluted loss per share | <u>(95.85)p</u> | <u>(100.18)p</u> |

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

12 Dividends

No dividends were paid or proposed for the year ended 28 February 2017.

13 Other receivables

| | 2017 | 2016 |
|----------------------|----------------|---------------|
| | £ | £ |
| Other receivables | 62,970 | 42,587 |
| Unpaid share capital | <u>37,500</u> | <u>37,500</u> |
| | <u>100,470</u> | <u>80,087</u> |

Other receivables includes non-interest bearing amounts due from related parties, which are repayable on demand.

14 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at banks and on hand and deposits with banks. Cash and cash equivalents at the end of the reporting period as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows:

| | 2017 | 2016 |
|---------------------------|----------------|---------------|
| | £ | £ |
| Cash and cash equivalents | <u>649,210</u> | <u>42,843</u> |

The carrying amount of cash and cash equivalents approximates to its fair value.

15 Investments

| | 2017 | 2016 |
|-------|------------------|----------------|
| | £ | £ |
| Loans | <u>2,685,000</u> | <u>132,500</u> |

The loans are secured against residential and development properties, motor vehicles and aircraft with some due for repayment within 12 months.

This loan balance is comprised of several loans advanced to the following bearing the annual interest as shown due within 12 months, EMC Finance 8%, Castle Property Group 8% and Reditum SPV 7 Ltd (Strand Plaza) 15.1% with a cumulative value of £704,024.

This loan balance is comprised of several loans advanced to the following bearing the annual interest as shown due over 12 months, Castle Property Group Limited 8%, Access Motor Stocking Limited 4.7% and Monkey Holdings Limited 16.8% with a cumulative value of £1,980,976.

16 Share capital

| | 2017 | 2016 |
|-----------------------------------|---------------|---------------|
| | £ | £ |
| Allotted and partly paid | | |
| 50,000 Ordinary shares of £1 each | <u>50,000</u> | <u>50,000</u> |

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

16 Share capital (cont'd)

The Company issued 1 fully paid ordinary share on 2 February 2015 at £1 each to its shareholder. On 5 March 2015 a further 49,999 ordinary shares at £1 were issued, partly paid to 25 pence each.

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

17 Accumulated losses

| | 2017 £ |
|----------------------------|------------------------|
| Loss brought forward | (50,092) |
| Loss for the year | (47,924) |
| At 28 February 2017 | <u><u>(98,016)</u></u> |

18 Trade and other payables

| | 2017 £ | 2016 £ |
|----------------|----------------------|----------------------|
| Trade payables | 1,800 | 11,279 |
| Other payables | <u>70,266</u> | <u>6,535</u> |
| | <u><u>72,066</u></u> | <u><u>17,814</u></u> |

Other payables principally comprises amounts accrued for on-going expenses of the company and interest on issued debentures. The carrying amount of other payables approximates to its fair value.

19 Borrowings

| | 2017 £ | 2016 £ |
|---------------------------|-------------------------|-----------------------|
| Non-current | | |
| Bonds | 3,577,722 | 250,000 |
| Unamortised finance costs | <u>(167,092)</u> | <u>(12,292)</u> |
| | <u><u>3,410,630</u></u> | <u><u>237,708</u></u> |

All non-current borrowings are wholly repayable after five years. The bonds are secured by a first floating charge over all of the assets of the Company and bear interest of 5% per annum paid in yearly instalments. The bonds expire on 31 December 2025 and are due for repayment on this date.

The introduction to finance costs were incurred upon the placing of the bonds and were paid to a related party. These amounts are being amortised on a straight line basis over the 10 year life of the bonds, the above balance represents the remaining unamortised amount.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

20 Cash generated from operations

| | 2017 | 2016 |
|---|---------------|-----------------|
| | £ | £ |
| Reconciliation to cash generated from operations | | |
| Loss before tax | (47,924) | (50,092) |
| Adjustments for: | | |
| Interest expense | 111,093 | 103 |
| Changes in working capital: | | |
| -(Increase) / decrease in receivables | (20,383) | (30,087) |
| -Increase / (decrease) in payables | 54,252 | (7,081) |
| | <u>97,038</u> | <u>(87,157)</u> |

21 Control

The ultimate controlling party at the date of this report is Mark Stephen, the 100% owner of the share capital.

22 Related party transactions

During the period, there were related party transactions with Reditum Capital Limited and Vernon Property Plc.

Reditum Capital Limited

This is a shareholder related party - Mark Stephen was a shareholder of this company during the period. During the period, £108,522 was charged for introduction of finance and recharges for establishment costs (2016-£39,096) and an amount of £42,500 is payable to Elaine as at period end. (2016- £12,500)

Vernon Property Plc

This was a director related party as both Mark Stephen and James King were Directors during the period however both were no longer Directors of this company at the year end. The brought forward £30,000 interest free loan to Vernon Property Plc was settled on the 4th March 2016.

Access Motor Stocking Limited

This is a shareholder related party as Mark Stephen is a Director of the Company. During the period, £604,000 was loaned to the Company and there is £30,228.95 of accrued interest outstanding at year-end.

23 Contingent liabilities

The Company has no contingent liabilities.

ELAINE SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

24 Capital commitments

There was no capital expenditure contracted for at the end of the reporting period but not yet incurred.

25 Events after the reporting period

Further loan facilities have been entered into by the company since the year end including:

- Reditum SPV 2 Limited at 12.2% per annum, initially drawn to £500,000, with a current loan principal balance of £231,147. This SPV funded a loan to a high net worth individual for a deposit on a limited edition Aston Martin;
- Reditum SPV 4 Limited at 15.6% and 12.2% for the senior and junior tranches, currently drawn to £316,979. This SPV funded the refinancing of a first charge on a property held in Spain; and
- Reditum SPV 11 Ltd at 13.7%, currently drawn to £100,000. This SPV funded a company which provided VAT finance against a large commercial property acquisition.

In addition, two loans have now been fully repaid being the EMC Finance Ltd loan on 2nd June 2017, and the Reditum SPV 7 Ltd loan on repaid in March 2017, with the final balance paid on 9th June 2017.