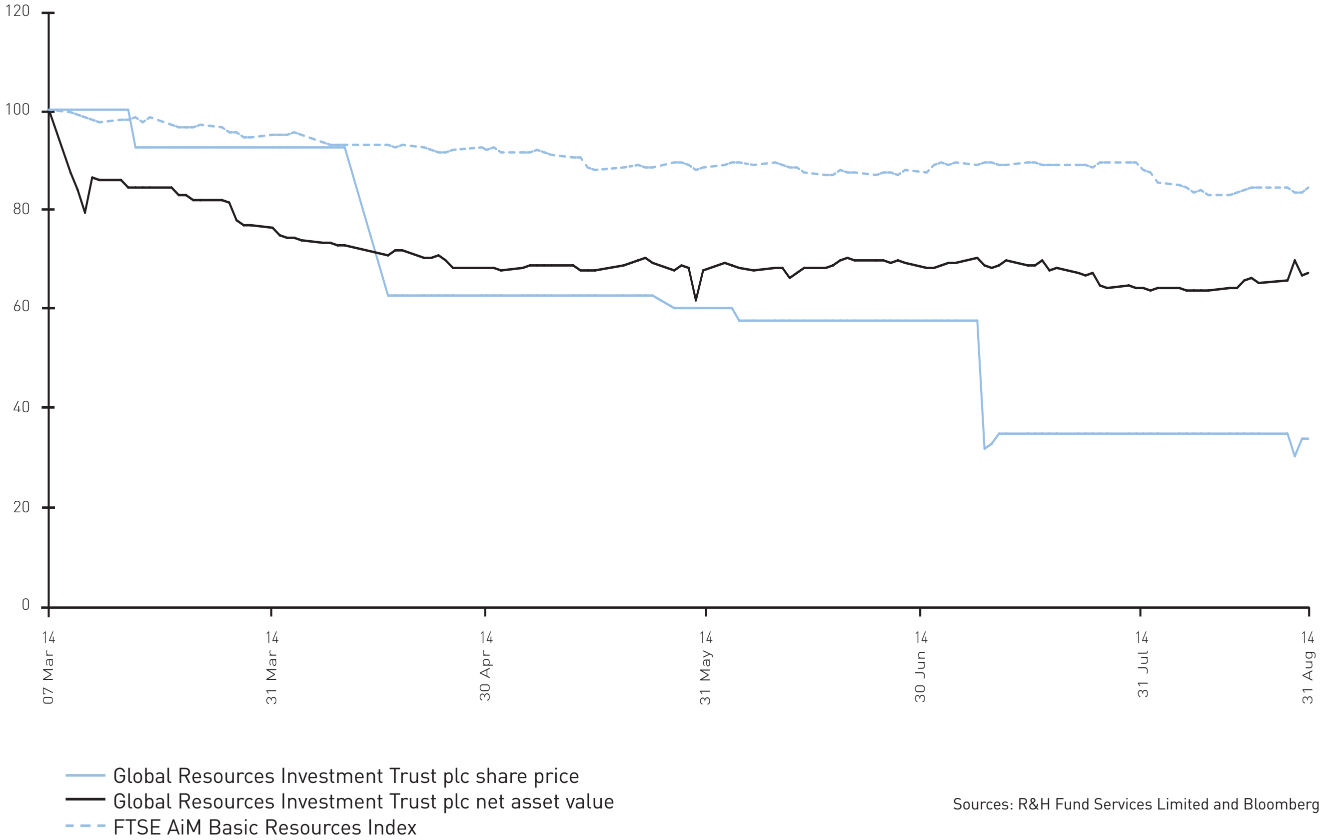
# Global Resources Investment Trust plc

## Annual Report & Financial Statements

31 August 2014

## Net Asset Value, Share Price and FTSE AiM Basic Resources Index




Sources: R&H Fund Services Limited and Bloomberg

Graph restated to 100

# Investment Manager's Review

Global Resources Investment Trust plc ('GRIT') was formally listed on the Premium Main Market of the London Stock Exchange on 7 March 2014 with an asset base of £39.6 million comprising of forty-one investments. For most of the prior two years the resource sector had experienced a steady decline leading us to believe that the sector was close to a bottom. However, during the period under review most resource stocks continued to decline, with the result that the Net Asset Value ('NAV') per share fell from 94p to 67.2p, a fall of 28.5%, while the share price declined on little volume to 34p, a discount of 49.4% to the NAV. The Company does not have a directly comparable benchmark but the closest is the AIM Basic Resource Index, which declined 25% during this period. Being limited to AIM quoted companies it does not encapsulate as wide a range of companies as that to which GRIT is exposed, but is an illustrative yardstick nevertheless. The NAV is calculated and announced on a daily basis using 'bid' prices.

It has been without doubt one of the most difficult periods in resource equity markets for several decades. In the wake of the financial crisis and a slowdown in the major economies, commodity prices fell sharply, putting operating and financial pressure on virtually all producers. Even worse affected have been the pre-production, development companies, which largely comprise the Company's portfolio. These small cap companies, which are in the process of developing resource projects, are continually in need of capital, and have suffered due to a lack of equity capital in an unreceptive environment. This has caused undue and, in many cases, unjustified, falls in share prices.

In the bulk commodity markets iron ore and coal have been the major casualties. The majors have expanded iron ore production aggressively, which has driven down prices to the extent that higher cost producers and projects under development are at severe risk of failure and the Investment Manager took a conscious decision not to invest in the sector. Although the coal price has suffered due to slack demand, it is a much more fragmented market and projects are more dependent on local infrastructure, location and proximity to end users such as power stations. Both the Company's holdings, Arakan and Waterberg Coal, are strategically located in this respect, and have Memoranda of Understandings to supply thermal coal for domestic power consumption.

Perhaps the surprise in the commodity markets over the past year has been the extent of the weakness in precious metal prices, namely gold and silver. In an environment of benign inflation, strong equity markets and a firm US Dollar, Exchange Traded Funds experienced large outflows and investment demand suffered accordingly. The decline from a high of over $1900 in 2011 to below $1200 has taken its toll on gold companies putting operating margins under severe pressure. However, Asian demand remains strong with a resurgence in India, overtaking China as the largest country consumer. Russia has noticeably increased its reserves to a record level in an effort to counter the weakness in the Rouble.

The low valuations of smaller gold producers and developers has attracted the attention of predators and resulted in an increase in M&A activity, as mid and larger companies move to acquire low cost ounces in the ground. This activity has been a feature in West Africa and parts of Latin America. With high capital costs for mine development further consolidation in the industry can be expected. We have commented in our monthly reports on our better performers such as Merrex and IncaOne and further details are reported in the separate comments on the top ten holdings.

The outlook for the global economy remains muted but all is not doom and gloom. The one bright spot is the US but there is evidence of a slowdown there as well. Although Chinese growth has slowed, the overall outlook for greater Asia remains positive as a growing middle class population steadily increases its living standards. India has overtaken China by population and a more pro-business government bodes well for the future. Emerging market economies remain patchy, but again consumption is rising as consumers' living standards improve. Over the past year oil prices have fallen almost thirty per cent, reducing inflationary pressures but, more importantly, providing a much needed boost to consumer disposable income.

In the absence of an improvement in commodity prices the environment for resource companies will remain challenging. Many of the companies in the portfolio have quality projects which have the potential to be developed into successful operating companies in a better economic climate. We will continue to co-operate with management in offering financial, technical and corporate assistance where possible.

**David Hutchins and Kjeld Thygesen**

RDP Fund Management LLP

4 December 2014

# Top Ten Review



### Arakan Resources (19.0%)

Through its subsidiary, Posit Coal, the company is developing and expanding the Kara-Keche thermal coal deposit in the Kyrgyz Republic. Arakan is forming a 50/50 joint venture with the government. The plan is a staged expansion of the Kara-Keche resource holding approximately 120 million tonnes, from the current small scale production to 500,000 tonnes per annum, followed by a further upgrade to 1,500,000 tonnes per annum. This is a large scale project with strong economics and attractive payback. Arakan also has four signed copper/gold exploration leases in Myanmar.

### Alhambra Resources (10.3%)

Canadian listed gold exploration/development company operating in Kazakhstan, where it has a 100% working interest in the 2.4 million acre Uzboy Project, located in the prolific gold belt in north central Kazakhstan, which hosts numerous world class gold deposits. In the short term, the company is looking to re-start a small scale heap leach project, while also continuing its exploration program. The deposit was previously explored during the Soviet period and is reported to have a potential resource of over 12 million ounces based on the Soviet C1 and C2 resource categories.

### Merrex Gold (9.4%)

The company is in joint venture with IAMGOLD Corporation on the Siribaya Gold Project in Mali, West Africa, which is an advanced stage exploration project with an indicated NI43-101 resource of just over 300,000 ounces at 2.34 g/t. There is significant expansion potential through infill and extension drilling which is currently ongoing. The Siribaya Project is on the same geological trend and only 20 kilometres from the Papillion Resources project which has recently agreed a takeover by Canadian gold producer B2 Gold.

### Siberian Goldfields (7.2%)

Private company developing the Zhelezny Kryazh gold and iron ore deposit in the Chita region of Russia. A significant high grade resource has already been outlined and a feasibility study commenced with the aim of commencing production in the third quarter of 2015.

### Tirex Resources (6.9%)

Having been formed to conduct mineral exploration and development activities in Albania, the company is now making the transition into production with the approval of six separate 25 year mining licenses within the Mirdita VMS District. The company is also targeting new discoveries through district scale exploration. The company has received support and financial backing from the European Bank for Reconstruction and Development ('EBRD').

### Anglo African Minerals (6.1%)

Anglo African Mineras ('AAM') is an Irish company that is currently listed on the GXG market. AAM is looking to be amongst the world's leaders in the bauxite industry, by increasing its current resources portfolio to upwards of 3 billion tonnes of bauxite by 2015. This will be achieved through the development of the current core assets owned by its subsidiaries in Guinea. AAM intends to focus on near term production whilst developing other assets in the medium and long term.

### NuLegacy Gold (5.1%)

A Canadian listed company that was formed with the objective of discovering Carlin-type gold deposits in Nevada, proving them up and selling to a major to bring into production. The Company has a strong management team that is now working on delineating the Iceberg Deposit and recently commenced their 2014/2015 exploration season. This drill program, which will encompass 30-35 holes over the coming seven months is designed to expand the three gold bearing horizons and explore for higher grade oxide cores and deeper sulphide gold mineralisation.

### Saturn Minerals (3.6%)

An oil and gas, exploration and development company focused on Saskatchewan, Canada. The Williston Basin, located in North Dakota, Montana and Saskatchewan hosts some of the largest reserves of oil and potash as well as significant reserves of coal and natural gas. Since the mid-2000s, exploration and development of the central parts of the basin has resulted in it becoming the second largest oil producing basin in North America. Saturn Minerals has a 95% interest in over 370,000 acres of oil and gas rights in the Northern Williston Basin, which are some of the largest oil and gas permits in Saskatchewan. The Company has completed initial seismic programs on the permits and is currently planning the next stage of exploration, which will include drilling.

## Waterberg Coal (3.0%)

The company is the lead and managing partner in the Waterberg Coal Project joint venture, located in the Limpopo Province of South Africa. The project currently has confirmed resources of 3.883 billion tonnes of coal contained in the granted mining and prospecting rights. SRK Consulting have completed a Definitive Feasibility Study on the proposed development of an opencast mining operation to produce 10 million tonnes of coal per annum delivered to Eskom for an initial term of 30 years.

## Inca One Resources (2.9%)

A Canadian mineral resource and ore processing company with a gold milling facility in Peru, servicing government permitted small scale miners. The company's objective is to become the 'processor of choice' for the local miners, by offering long lasting and reliable relationships and superior service. The company already operates a small 25 tonnes per day ('TPD') plant and has just completed a financing to expand this to 50 TPD.

# Classification of Investment Portfolio by Sector



| As at 31 August 2014 | 2014 % of total investments |
|---|---|
| Gold | 42.3 |
| Coal | 22.2 |
| Copper | 8.3 |
| Oil | 7.8 |
| Bauxite | 6.1 |
| Lead / Nickel / Zinc | 4.2 |
| Graphite | 3.1 |
| Silver | 3.1 |
| Uranium | 2.9 |
| Total Investments | 100.0 |

# Classification of Investments by Stockmarket Quotation

| As at 31 August 2014 | 2014 % of total investments |
|---|---|
| Canada | 55.5 |
| Europe | 9.3 |
| UK | 3.2 |
| Australia | 3.1 |
| Unquoted | 28.9 |
| Total Investments | 100.0 |

# Classification of Investments by Principal Area of Operation

| As at 31 August 2014 | 2014 % of total investments |
|---|---|
| Africa | 22.4 |
| North America | 21.1 |
| Krygystan | 19.0 |
| Kazakhstan | 10.3 |
| Europe | 9.0 |
| Russia | 7.3 |
| South America | 5.5 |
| Asia | 2.1 |
| Mexico | 1.7 |
| Australia | 1.6 |
| Total Investments | 100.0 |

# Investment Portfolio



as at 31 August 2014

| Company | Sector | Valuation £'000 | Total Investments % |
|---|---|---|---|
| Arakan Resources (note 1) | Coal | 5,774 | 19.0 |
| Alhambra Resources (note 2) | Gold | 3,129 | 10.3 |
| Merrex Gold | Gold | 2,859 | 9.4 |
| Siberian Goldfields 15% CLN 26/02/2017 * | Gold | 2,190 | 7.2 |
| Tirex Resources | Copper | 2,102 | 6.9 |
| Anglo African Minerals | Bauxite | 1,852 | 6.1 |
| NuLegacy Gold | Gold | 1,551 | 5.1 |
| Saturn Minerals (note 3) | Oil | 1,080 | 3.6 |
| Waterberg Coal | Coal | 900 | 3.0 |
| Inca One Resources | Gold | 897 | 2.9 |
| **Top ten investments** | | **22,334** | **73.5** |
| **Other investments** | | **8,076** | **26.5** |
| **Total investments** | | **30,410** | **100** |

### Notes to the Investment Portfolio

Note 1 - Includes unquoted convertible loan notes valued at £3,364,261, and equity shares valued at £2,409,929.
Note 2 - Includes unquoted convertible loan notes valued at £3,128,897 and warrants valued at £nil.
Note 3 - Includes unquoted warrants valued at nil.

* - Denotes an unquoted security

# Strategic Review



## Introduction

This review is part of the Strategic Report being presented by the Company under updated guidelines for UK-listed companies' Annual Reports in accordance with the Companies Act 2006, and is designed to provide information primarily about the Company's business and results for the year ended 31 August 2014. It should be read in conjunction with the Chairman's Statement on page 3 and the Investment Manager's Review on page 4, which provide a detailed review of the investment activities for the year and look to the future.

Global Resources Investment Trust Plc ('GRIT' or the 'Company') is a new investment trust established to seek to exploit investment opportunities in the junior mining and natural resource sectors. On 7 March 2014, GRIT conducted a share exchange issue through which it acquired an initial portfolio in return for the issue of ordinary shares. The initial portfolio comprised 41 companies and had an aggregate value of £39,520,012 based on the share exchange valuation and, pursuant to the share exchange issue, 39,520,012 ordinary shares were issued (credited as fully paid up).

On 7 March 2014, 39,570,012 ordinary shares were admitted to trading on the London Stock Exchange's main market. This included the original 50,000 ordinary shares in the Company. The Company's ordinary shares also trade on the Frankfurt Stock Exchange. At launch, GRIT also raised £4,850,000 through the issue of 9% Convertible Unsecured Loan Stocks ('CULS'). The CULS were listed on the Channel Islands Securities Exchange Authority Limited on 30 October 2014. On 28 November 2014, the Company issued a further £150,000 nominal of CULS.

## Business Model

The business model of the Company is described below.

### Investment objective

GRIT's investment objective is to generate medium and long-term capital growth through investing in a diverse portfolio of primarily small and mid-capitalisation natural resources and mining companies, which are listed/quoted on a relevant exchange.

### Investment Policy

GRIT will invest in companies globally which have a significant focus on natural resources and mining. GRIT will invest in companies that are in the field of the exploration and production of oil, gas, precious and industrial metals, and industrial and commercial minerals which, in the Investment Manager's opinion, have the potential to increase their value considerably. These companies may be producing companies with an historic track record of production or they may be development companies or companies with exploration potential. GRIT will seek to ensure, through active shareholder involvement, that investee companies act to maximise medium and long-term shareholder value. GRIT will invest primarily in companies with shares and securities which are listed, quoted or are admitted to dealing, on a relevant exchange (including debt securities which are convertible into quoted equity securities). However, GRIT may also hold some investments in non-quoted, seed capital or pre-IPO companies. GRIT will seek to diversify its investments across a number of companies, with a range of natural resource assets, in jurisdictions globally. There are no restrictions as to the commodity classes and geographical regions in which GRIT may invest, however GRIT will invest and manage its assets in a way which is consistent with the objective of spreading risk. GRIT will adhere to the following restrictions:

- GRIT may only invest up to 10% of its gross asset value (measured at the time of investment) in non-quoted, seed capital or pre-IPO companies;
- GRIT will not invest more than 15% of its gross asset value in any one company, (measured at the time of investment);
- GRIT will not take legal or management control over investments in its portfolio;
- GRIT will not invest more than 10% in aggregate, of its gross asset value in other listed closed-ended investment funds;
- distributable income (if any) will be principally derived from investments. GRIT will not conduct a trading activity which is significant in the context of the activities of GRIT as a whole;
- GRIT will not enter into derivative transactions for speculative purposes. GRIT does not expect to enter into any hedging transactions, although it may do so for the purposes of efficient portfolio management and to hedge against exposure to changes in currency rates to the full extent of any such exposure.

Any material changes to GRIT's investment policy will only be made with the approval of shareholders by ordinary resolution. GRIT will hold any uninvested funds in cash, cash equivalents or other liquid instruments with a view to maximising the returns on any such funds.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 10.

## Principal Risks and Uncertainties and Risk Mitigation

Risks are inherent in the investment process, but it is important that their nature and magnitude are understood so that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. The Board has established a detailed framework of the key risks that the business is exposed to, with associated policies and processes devised to mitigate or manage those risks. The principal risks faced by the Company are set out below.

**Investment and Strategy Risk** – The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of the Investment Manager.

Inappropriate strategy, including country and sector allocation, stock selection and the use of gearing, could lead to poor returns for shareholders. To manage this risk the Board requires the Investment Manager to provide an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio at each Board meeting, when gearing levels are also reviewed. The Board monitors the spread of investments to ensure that it is adequate to minimise the risk associated with particular countries or factors specific to particular sectors. The Investment Manager also provides the Board and shareholders with monthly factsheets which include an investment commentary.

**Market Risk** – The Company's assets consist principally of listed equities and its greatest risks are in consequence market-related. In addition to ordinary movements in the prices of the Company's investments and the loss that the Company might suffer through holding investments in the face of negative market movements, the Company's investment strategy necessarily amplifies this risk (see Sector Risk below). The Board seeks to mitigate this risk through the processes described in the paragraph above, monitoring the implementation and results of the investment process with the Investment Manager.

**Sector Risk** – The largest part of the Company's assets consist of equity-related investments in natural resources and mining companies, usually mid and small-cap companies, with a wide range of commodity exposures. The prices of the underlying commodities are often volatile and the companies can be located in countries at risk of political instability and vulnerable to natural disasters. The liquidity in the shares of the companies is often restricted, meaning that it can be difficult to buy or sell volumes of shares at the quoted price. The Board seeks to mitigate this risk through the processes described in the paragraph above on Investment and Strategy Risk. In addition, the closed-ended structure of the Company is an essential part of the Board's management of this risk, ensuring that parts of the portfolio do not have to be sold to raise liquidity to fund redemptions at short notice.

**Financial Risk** – The Company's investment activities expose it to a variety of financial risks that include market price risk, foreign currency risk, interest rate risk and liquidity and credit risk. Further details of these risks and the ways in which they are managed are disclosed in note 17 of the financial statements.

**Earnings Risk** – Fluctuations in earnings resulting from changes to the underlying portfolio, currency movements, or changes in the tax treatment of the dividends or interest received by the Company could reduce the level of income earned by the Company. The Board monitors and manages this risk by considering detailed income and cash flow forecasts prepared by the Company Secretary at each Board meeting.

**Operational Risk** – The Company relies upon the services provided by third parties and is reliant on the control systems of the Investment Manager and the Company's other service providers. The security and/or maintenance of, inter alia, the Company's assets, dealing and settlement procedures, and accounting records depend on the effective operation of these systems. These are regularly tested and monitored and are reported on at each Board meeting. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by the Investment Manager and the Company Secretary and reviewed by the Audit Committee once a year. The Custodian, BNP Paribas Securities Services, produces an internal control report each year which is reviewed by its auditors and gives assurance regarding the effective operation of controls. This is reviewed by the Audit Committee.

**Regulatory Risk** – A breach of regulatory rules could lead to the suspension of the Company's stock exchange listing or financial penalties. Breach of Sections 1158 to 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on chargeable gains. The Company Secretary monitors the Company's compliance with the Listing Rules of the UK Listing Authority and the relevant regulations regarding maintenance of Investment Trust status. Compliance with the principal rules is reviewed by the Directors at each Board meeting.

## Going Concern

After making enquiries, and having considered the Company's investment objective, nature of the investment portfolio and expenditure projections, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the accounts.

## Performance Measurement and Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- **Performance measured against relevant indices and peers**
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company, relevant indices and peers (see inside front cover);
- **Discount/premium to net asset value ('NAV')**
  At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange (see inside front cover;
- **Ongoing charges**
  The ongoing charges are a measure of the total expenses incurred by the Company expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses.

## Social, Community, Employee Responsibilities and Environmental Policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Company's Investment Manager to deliver against these objectives, they have also requested that the Investment Manager take into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long term risk to the sustainability of their businesses.

More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

As an investment trust with its current structure the Company has no direct social, community, employee or environmental responsibilities of its own.

The Company has no greenhouse gas emissions to report from its operations for the year ended 31 August 2014, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (including those within the underlying investment portfolio).

At 31 August 2014 there were one female and three male Directors. The Company has no employees so does not require to report further on gender diversity.

By order of the Board
**R&H Fund Services Limited**
Secretaries

4 December 2014

# Board of Directors and Investment Manager

All of the Directors are non-executive and all are considered by the Board to be independent of the Investment Manager. The Board fulfils the function of the Audit, Nomination and Management Engagement Committees.

## Lord St John
## 22nd Baron St John of Bletso

Independent Non-Executive Chairman

**Age:** 57

**Date of appointment:** 17 September 2013

**Experience:**
Lord St. John is a independent Crossbench member of the House of Lords specialising in African affairs. He was educated at the University of Cape Town, where he graduated with a Bachelor of Arts and Bachelor of Science, and at the University of South Africa, where he graduated with a Bachelor of Law. He was further educated at the London University and received a Master of Law.

Having previously worked with Shell in South Africa Lord St. John joined County NetWest Securities as an oil analyst in 1986. He then worked for Smith New Court Plc and WMRC Plc until 2002 and thereafter served as a consultant to Merrill Lynch until 2008. He built up the Internet Datacentre business of Globix Corporation in the UK and served as a non-executive director for the International Group. Between 2004 and 2010, he was non-executive chairman of Spiritel Plc, a telecommunications service provider and served as a non-executive director at Regal Petroleum, Sharp Interpak, and Pecaso. He is currently vice chairman of Strand Hanson, independent investment bankers as well as being a non-executive director of Albion Enterprise VCT Plc and chairman of the Governing Board of Certification International. Lord St. John is a member of the Advisory Board of Silicon Valley Board and a strategic advisor on Africa to Milio International.

**Remuneration:** £25,000 per annum

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** None

## Haruko Fukuda

Independent Non-Executive Director

**Age:** 68

**Date of appointment:** 17 September 2013

**Experience:**
Miss Fukuda is a non-executive director of Investec PLC and Investec Ltd of South Africa and Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Braj Binani Group of India. She was the CEO and board director of the World Gold Council, having previously been vice chairman and board member of Nikko Europe PLC, a partner of James Capel & Co, and senior adviser at Lazard. She has held many non-executive directorships of major public companies including AB Volvo of Sweden and the Foreign & Colonial Investment Trust PLC. She has published books on international trade policy, and has been a member of the Council of the Institute for Fiscal Studies.

**Remuneration:** £20,000 per annum

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** None

## Simon James Farrell

Independent Non-Executive Director and Chairman of the Audit Committee

**Age:** 63

**Date of appointment:** 31 January 2014

**Experience:**
Mr Farrell has a Bachelor of Commerce degree from the University of Western Australia and an MBA from the Wharton School of the University of Pennsylvania. He has held a number of senior management and board positions, principally in the natural resource sector over the past 30 years to include Bougainville Copper, Kalgoorlie Super Pit, Hamersley Iron, Woodie Woodie Manganese and Valiant Consolidated. He was chairman of AIM and ASX listed Vmoto Limited and a non-executive director of Kenmare Resources plc, listed on the main market of the London Stock Exchange until 2013, and was also the founding director and chief executive officer of Coal of Africa Ltd.

**Remuneration:** £22,000 per annum

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** None

## Nicholas Paris

Independent Non-Executive Director

**Age:** 54

**Date of appointment:** 21 October 2014

**Experience:**

Mr Paris is a portfolio manager for LIM Advisors ('LIM'), an Asian focused investment management firm which is headquartered in Hong Kong and he specialises in investing in closed ended investment funds. He is based in London and he graduated from Newcastle University with a Bachelor of Science degree with Honours in Agricultural Economics. He is also a Chartered Accountant and a Chartered Alternative Investment Analyst.

He worked with Rothschild Asset Management from 1986 until 1994, launching specialist investment products before becoming a corporate adviser and broker in closed ended investment funds with a particular focus on those investing in emerging markets. In this role he worked between 1994 and 2001 at Baring Securities, Peregrine Securities and then Credit Lyonnais Asia Securities. He then joined the hedge fund industry in a series of sales roles before founding Purbeck Advisers in 2006, which is his own advisory and sales business. He has been advising LIM on closed end funds for 5 years and is a director of their London based investment management subsidiary.

He has been a non-executive director of The India IT Fund Limited (a fund investing in Indian software companies which was listed on the Channel Islands Stock Exchange) and TAU Capital plc (a fund investing in public and private equity in Kazakhstan which is listed on AIM).

**Remuneration:** £20,000 per annum

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** None

David Hutchins held office at the beginning of the period and on 6 March 2014 he retired as a Director. On 17 September 2013, John Hodson was appointed as a Director and he retired on 25 November 2013. These Directors were involved with the start-up of the Company and retired prior to it being launched.

James Williams was appointed as a Director on 31 January 2014 and he resigned on 21 October 2014.

## Investment Manager

The Company appointed RDP Fund Management LLP ('RDP') as its Investment Manager on 27 February 2014. RDP is a limited liability partnership incorporated and registered in England and Wales which is authorised and regulated by the FCA. The designated members of the Investment Manager, David Hutchins and Kjeld Thygesen, have worked together for over 10 years and both have extensive fund management experience in the natural resource sector.

**David ('Sam') Hutchins -** Mr Hutchins has 30 years' experience as a resources analyst and fund manager. His career began with the Melbourne Stock Exchange in 1979 and he subsequently became an executive director of M&G Investment Management in London. He headed the International Desk at M&G Investment Management from 1995, where he was concurrently responsible for M&G's investments in the precious metals and commodities sector globally. He later became involved in fund management with Yorkton and AWI Administration Services. He was a founding director of Resources Investment Trust plc ('RIT') at its launch in January 2002, and chief executive of Ocean Resource Capital Holdings plc which was admitted to the AIM Market of the London Stock Exchange from 2003 to 2007. In 2008, he became a director and fund manager of Grafton Resource Investments Limited, a Cayman Island exempt company investing in the resource sector. Sam was also a founding partner of www.minesite.com, a resource industry specific news related website and conference business, and is a member of the FTSE gold mines index committee.

**Kjeld Thygesen -** Mr Thygesen is a graduate of the University of Natal in South Africa and has 30 years' experience as a natural resource analyst and fund manager. He joined African Selection Trust in 1970, researching and managing a portfolio of South African mining companies. In 1972 he joined James Capel and Co. in London as part of their highly rated gold and mining research team, and subsequently became manager of N M Rothschild & Sons' Commodities and Natural Resources Department in 1979. In 1987 he became an executive director of N M Rothschild International Asset Management Limited, before co-founding Lion Resource Management Limited, a specialist investment manager in the mining and natural resource sector, in 1989. Kjeld was director of Ivanhoe Mines Ltd a Canadian mining company with investments in Asia from 2001 to 2011 and served as investment director for RIT from 2002 to 2006. From 2005 he has been a resource advisor to a European based family office.

# Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 August 2014.

## Results

Details of the Company's results are shown on page 2 of this Report.

## Principal Activity and Status

The Company is registered as a public limited company in terms of the Companies Act 2006 (number: 8256031). It is an investment company as defined by Section 833 of the Companies Act 2006. It carries on the business of an investment trust and has been approved as such by HM Revenue & Customs.

The Company's shares are eligible for inclusion in a New Individual Savings Account ('NISA').

The Company is a member of the Association of Investment Companies ('AIC').

## Capital Structure

As at 31 August 2014 there were 39,570,012 ordinary shares of 25 pence each in issue. The ordinary shares give shareholders the entitlement to all of the capital growth in the Company's net assets and to all the Company's income that is resolved to be distributed after providing for payment of interest to holders of the 9% Convertible Unsecured Loan Stock 2017.

## Convertible Unsecured Loan Stock 2017

On 7 March 2014, the Company issued £4,850,000 nominal of 9% Convertible Unsecured Loan Stock 2017 ('CULS') and 4,850,000 warrants (for nil consideration on the basis of one warrant for every £1 of Loan Notes subscribed). Each warrant entitles its holder to subscribe for one ordinary share at a subscription price of £1.00 (subject to adjustment) from admission until the fifth anniversary of admission.

On 28 November 2014, the Company issued a further £150,000 CULS and 150,000 warrants and as at 28 November 2014 there were £5,000,000 CULS and 5,000,000 warrants in issue.

The CULS are unsecured and interest is payable on the CULS at the rate of 9% per annum. The CULS will be repayable on the third anniversary of admission, but shall become immediately repayable upon the occurrence of certain events.

The CULS are convertible in multiples of 750,000 nominal at any time into ordinary shares at the conversion price (see note 12).

The largest holder of the CULS at the year end was LIM Asia Multi-Strategy Fund Inc with a holding of £3,500,000 CULS. LIM are authorised to appoint a director to the Board to represent their interest and has exercised this authority with the appointment of Mr N Paris. RDP Development Partners Limited held £1,150,000 CULS at the year end and subsequently invested a further £150,000 on 28 November 2014.

## Substantial Interests in Share Capital

At 4 December 2014, the only persons known to the Company who, directly or indirectly, were interested in 3 per cent or more of the Company's issued share capital were as follows:

| Ordinary shares | Number held | % held |
|---|---|---|
| Philip J Milton & Company | 3,053,173 | 7.7 |
| Armstrong Investments Ltd | 1,200,000 | 3.0 |

Some of the shareholdings listed above refer to funds managed on behalf of clients of the groups named.

## Management and Management Fees

Investment management services to the Company have been delegated to RDP Fund Management LLP with David (Sam) Hutchins as the lead fund manager.

The Board keeps under review the appropriateness of the Investment Manager's appointment. In doing so the Management Engagement Committee considers the investment performance of the Company and the capability and resources of the Investment Manager to deliver satisfactory investment performance. It also considers the length of the notice period of the investment management contract and the fees payable to the Investment Manager, together with the standard of the other services provided. The Directors are satisfied with the Investment Manager's ability to deliver satisfactory investment performance, and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Investment Manager on the terms agreed is in the best interest of shareholders.

The management fee payable is 1.5 per cent per annum on the preceding monthly average net assets up to £100 million and 0.75 per cent per annum of the amount by which the preceding monthly average net assets exceeds £100 million. The Investment Management Agreement ('IMA') will continue for an initial term of 2 years from Admission, and thereafter such appointment is terminable by either party giving the other no less than 12 months' prior written notice which may be given no earlier than the second anniversary of the Admission or at any time thereafter.

The administration of the Company has been delegated to R&H Fund Services Limited ('R&H'). A summary of the contract between the Company and R&H is given in note 4 to the financial statements.

## Performance Fee

In addition, the Investment Manager is entitled to receive a performance fee equal to 15 per cent of the amount by which the adjusted NAV exceeds the Target NAV. The calculation date will be the date to which financial statements for the Company are prepared, so that typically performance fees will be calculated and paid annually. The Target NAV is calculated by reference to the opening NAV, or such higher NAV on which a performance fee has been paid, increased at an annualised rate of 7 per cent.

At the request of the Investment Manager, GRIT may at its absolute discretion pay up to 75 per cent of the performance fee by the allotment of new ordinary shares to the Investment Manager.

## Financial Statements

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 17.

## Annual General Meeting

The Notice of the Annual General Meeting is contained on pages 44 to 46.

## Directors' Remuneration Policy and Report

Among the resolutions being put to the Annual General Meeting as ordinary business, Resolution 2 is to approve the Directors' Remuneration Policy. This vote is binding. It is also mandatory for listed companies to put their Directors' Remuneration Report to an advisory shareholder vote, Resolution 3 seeks to approve the Directors' Remuneration Report.

## Induction and Training

New Directors appointed to the Board are provided with an induction programme which is tailored to the particular circumstances of the appointee. Directors receive other relevant training as necessary.

## Directors' Authority to Allot Shares

The Directors are seeking authority to allot shares. Resolution 9 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £39,530, being 9.99 per cent of the total issued shares as at 4 December 2014.

Resolution 10, which is a special resolution, will, if passed, renew the Directors' existing authority to make limited allotments of shares for cash other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders up to a maximum nominal amount of £19,745 (being 4.99 per cent of the total of issued shares as at 4 December 2014). Resolution 10 also authorises the sale of treasury shares for cash without offering such shares first to all existing shareholders. These authorities will continue in effect until the conclusion of the Annual General Meeting in 2016. The Directors do not have any immediate plans to issue further ordinary shares in the Company.

## Directors' Authority to Buy Back Shares

The Company did not purchase any shares for cancellation during the year.

Resolution 11, as set out in the notice of the Annual General Meeting, seeks renewal of the Company's buy-back authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of the issued ordinary shares of the Company on the date of the passing of the resolution (approximately 5.9 million ordinary shares). The price paid for the shares will not be less than the nominal value of 1p per share nor more than the higher of (i) 5 per cent above the average middle market value of those shares for the five business days before the shares are purchased and (ii) the higher of the last independent trade and the highest current bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase would result in an increase in net asset value per share and be in the interests of the shareholders as a whole. Any shares purchased under this authority will be cancelled or held in treasury. The Directors have no current intention of utilising this authority. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2016.

## Statement Regarding Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular.

## Disclosure of Information to the Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Independent Auditor

KPMG LLP were appointed as the Company's auditors shortly after its launch and have indicated their willingness to continue in office. The Directors will place a Resolution before the Annual General Meeting for the reappointment of KPMG LLP as independent auditors of the Company for the ensuing year, and to authorise the Directors to determine their remuneration.

## Recommendation

The Directors consider the passing of the resolutions to be proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and likely to promote the success of the Company for the benefit of its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders should vote in favour of the resolutions.

By Order of the Board

**R&H Fund Services Limited**
Secretary

4 December 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 they have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the EU.

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 judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures 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 that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations. The financial statements are published on www.grit.london which is a website maintained by the Company's Investment Manager. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- that in the opinion of the Directors, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

On behalf of the Board

**Lord St. John**
Chairman

4 December 2014

# Statement of Corporate Governance

## Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in September 2012 (the 'Governance Code'), which is available on the Financial Reporting Council's website: www.frc.org.uk. The Governance Code covers in particular the annual re-appointment of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

The Association of Investment Companies has also published a Code of Corporate Governance ('AIC Code') and a Corporate Governance Guide for Investment Companies ('AIC Guide') which are available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Governance Code), will provide better information to shareholders.

## Application of the Principles of the Codes

The Company has complied with the provisions of the AIC Code and the Governance Code, except for the Governance Code provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

As indicated by the AIC Code the above exceptions are not believed to be applicable to an externally managed investment company.

## The Board

The Board consists solely of non-executive Directors. Lord St John is Chairman and is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. Given the size and composition of the Board it is not felt necessary to appoint a Senior Independent Director. All Directors are considered by the Board to be independent of the Investment Manager. Each of these Directors is independent in character and judgement and there are no relationships, or circumstances which the Board considers likely to affect the judgement of the independent Directors. Mr N Paris is an employee of LIM Advisors which is a subsidiary of LIM Asia Multi-Strategy Fund ('LIM'). LIM are the largest holder of the Company's CULS and are authorised to appoint a director to the Board to represent their interest. Mr N Paris is the representative appointed on behalf of LIM.

New Directors receive an induction from the Company Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The Board takes the view that independence is not compromised by length of tenure and that experience and continuity can add significantly to the Board's strength.

During the year ended 31 August 2014 the Board met twice. In addition, there was one Audit Committee meeting, and five other ad hoc Committee meetings principally to approve the launch of the Company. Between meetings the Board maintains regular contact with the Investment Manager.

Directors have attended Board and Committee meetings during the year ended 31 August 2014 as follows (with their eligibility to attend the relevant meeting in brackets):

| | Board meetings | Audit Committee meetings |
|---|---|---|
| Lord St John (Chairman) | 2 (2) | 1 (1) |
| H Fukuda | 2 (2) | 1 (1) |
| S Farrell | 2 (2) | 1 (1) |
| J Williams† | 2 (2) | 1 (1) |
| J Hodson* | n/a | n/a |
| D Hutchins** | n/a | n/a |

* Retired on 25 November 2014
** Retired 6 March 2014
† Retired on 21 October 2014

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Investment Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole, the individual Directors and the Board Committees. This was conducted through a forum based assessment process. The Chairman regularly reviews and agrees with each Director their training and development needs.

The Board has reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

The Directors have reviewed the proposed re-election of each of the Directors and are of the opinion that each of the Directors brings a significant range of business, financial and management skills and experience to the Company and the Board supports their re-election. The annual evaluation of the Board and the Directors has been completed and the Directors have concluded that the Board continues to function effectively and individually.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, R & H Fund Services Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

## Management Engagement Committee

A separate Management Engagement Committee, which is chaired by Lord St John and comprises the full Board has been established. The Management Engagement Committee annually reviews matters concerning the management contract which exists between the Company and the Investment Manager. Details of the Management Agreement are shown in note 3 to the financial statements.

## Nomination Committee

Appointments to the Board of Directors are considered by the Nominations Committee which is chaired by Lord St John and comprises the full Board. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. In addition, LIM Asia Multi-Strategy Fund Inc currently has the right to appoint and maintain in office a Director of the Company in consequence of its holding of £3,500,000 9% Convertible Unsecured Loan Stock 2017 and has exercised this authority with the appointment of Mr J Williams to the Board who was subsequently replaced by Mr N Paris. The Terms of Reference of the Nomination Committee are available on request. External search consultants may be used to assist in the appointment of new Directors should it be considered expedient. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting.

## Stewardship Code

The Financial Reporting Council ('FRC') published 'The UK Stewardship Code' ('Code') for institutional shareholders on 2 July 2010. The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has delegated responsibility for actively monitoring the activities of investee companies to the Investment Manager. The Investment Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings.

The Investment Manager's policy is to assess each voting opportunity individually and to vote only in cases where it is believed that the Company's best interests need to be protected. The Board has reviewed, and endorses, the Company's Statement of Compliance with the Code, which appears on the Investment Manager's website, at www.grit.london.

The Board will also receive from the Investment Manager regular reports on the exercise by the Investment Manager of the Company's voting rights.

## Exercise of Voting Powers

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights in respect of investee companies. The underlying aim of exercising such voting rights is to protect the return from an investment.

## Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's website. The Company responds to letters from shareholders on a wide range of issues.

A regular dialogue is maintained with the Company's institutional shareholders and with private client asset managers. Reference to significant holdings in the Company's ordinary shares can be found under 'Substantial Interests' on page 14.

The Notice of the Annual General Meeting included within the Annual Report and Accounts is sent out 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Investment Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for shareholders. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

By Order of the Board

**R&H Fund Services Limited**
Secretaries

4 December 2014

# Report of the Audit Committee

## Composition of the Audit Committee

An Audit Committee has been established with written terms of reference and comprises all the Directors. The Audit Committee members have recent and relevant financial experience. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis and are disclosed on the Company's website. Further copies are available on request.

## Role of the Audit Committee

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager and Administrators;
- to meet with the external Auditor, KPMG LLP ('KPMG') to review their proposed audit programme of work and their findings. The Board shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services;
- to review an annual statement from the Investment Manager and Administrator detailing the arrangements in place whereby the staff of the Investment Manager and of the Administrator may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and,
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

## Annual Report and Financial Statements

The Board of Directors are responsible for preparing the Annual Report and financial statements. The Audit Committee advises the Board on the form and content of the Annual Report and financial statements, any issues which may arise and any specific areas which require judgement.

## Auditor

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved KPMG's plan for the audit of the financial statements for the year ended 31 August 2014. At the conclusion of the audit KPMG did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. KPMG issued an unqualified audit report which is included on pages 24 and 25.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. KPMG provided services in relation to the listing of GRIT on the main market of the London Stock Exchange during the year and taxation services. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, KPMG has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating KPMG, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Investment Manager and Administrator, remains satisfied that KPMG continues to provide effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit partner rotates after five years. The current audit partner is in the first year of her appointment. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of KPMG to the Board. KPMG's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Following a discussion with the Auditor and the Investment Manager, the Audit Committee considers the main risk to arise from the audit to be the valuation and ownership of quoted and unquoted investments held by the Company.

In order to address this the Company has appointed an Investment Manager and Custodian with clearly defined contracts and any breaches of these, or any law or regulation that the Company is required to comply with, are reported to the Board. The Company also receives regular reporting on internal controls (as set out below).

As part of the annual audit, the Auditor has agreed the valuation of all of the quoted investments in the portfolio to independent pricing providers and reviewed the appropriateness of the valuation of the unquoted securities - both in terms of valuation basis and quantum. In addition, the Auditor has validated the existence of all securities held by the Company to the records of the Custodian. The Auditor also highlighted the accounting treatment of the CULS and income recognition as other areas of focus considered within the audit. The Auditor has reviewed these and has not reported any exceptions.

The Investment Manager prepared the investment valuations for unquoted investments and confirmed that these were prepared in accordance with published industry guidelines and taking into account the latest available information about investee companies and current market data. The Directors met quarterly to assess the estimates and judgments used by the Investment Manager for appropriateness and the year end valuations were reviewed by the Audit Committee.

## Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code' (the 'FRC guidance') the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

The key components designed to provide effective internal control are outlined below:

- R&H Fund Services Limited ('R&H') as Company Secretary and Administrator and R&H together with the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Investment Manager as appropriate;
- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations and reports to the Board semi-annually;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager, Administrator and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager and the Administrator, has decided to place reliance on the Investment Manager's and the Administrator's systems and internal audit procedures.

At its November meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 August 2014 by considering documentation from the Investment Manager and the Administrator, including the internal audit and compliance functions and taking account of events since 31 August 2014. The results of the assessment were then reported to the Board at the next Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

The principal risks and uncertainties affecting the Company are disclosed on pages 9 and 10.

Simon Farrell

Chairman of Audit Committee

4 December 2014

# Directors' Remuneration Report

## Remuneration Committee

Under the UK Listing Rules, where an investment company has only non-executive directors, the Governance Code principles relating to directors' remuneration do not apply. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is shown below.

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board. This Report has been divided into separate sections for unaudited and audited information.

## Policy on Directors' Remuneration

The Board's policy is that the remuneration of Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 31 August 2015 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £200,000 per annum in aggregate and the approval of shareholders in a general meeting would be required to change this limit. At the prevailing level of Directors' fees the aggregate amount paid to the Company's Directors during the year to 31 August 2014 was £43,000. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. All Directors of the Company were appointed this year, therefore will all be elected at the Company's first AGM. Directors are obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. Any Director who has served on the Board for more than nine years will offer himself for re-election annually. The requirements for the retirement of Directors are also contained in the Company's Articles of Association. There is no notice period and no provision for compensation upon early termination of appointment.

| Director | Date of Appointment | Due date for Election |
|---|---|---|
| A St John | 17 September 2013 | AGM 2015 |
| S Farrell | 31 January 2014 | AGM 2015 |
| H Fukuda | 17 September 2013 | AGM 2015 |
| N Paris≠ | 21 October 2014 | AGM 2015 |
| J Williams‡ | 31 January 2014 | n/a |
| J Hodson• | 17 September 2013 | n/a |
| D Hutchins∅ | 16 October 2012 | n/a |

## Annual Report on Directors' Remuneration

### Directors' Emoluments (audited)

The Directors who served in the year received the following fees:

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| A St John* | 12 | – |
| S Farrell**† | 11 | – |
| H Fukuda | 10 | – |
| J Williams‡ | 10 | – |
| J Hodson• | – | – |
| D Hutchins∅ | – | – |
| Totals | 43 | – |

The amounts paid by the Company to the Directors were for services as non-executive Directors.

Directors' remuneration for the following year will be as follows:

| | 2015 £'000 |
|---|---|
| A St John* | 25 |
| S Farrell**† | 22 |
| H Fukuda | 20 |
| N Paris≠ | 17 |
| J Williams‡ | 3 |
| Totals | 87 |

* Chairman.
** Chairman of the Audit Committee.
† Fees paid to Newcove International Inc.
‡ Resigned on 21 October 2014.
≠ Appointed on 21 October 2014.
• Retired on 25 November 2013.
∅ Retired on 6 March 2014.

## Relative Importance of Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

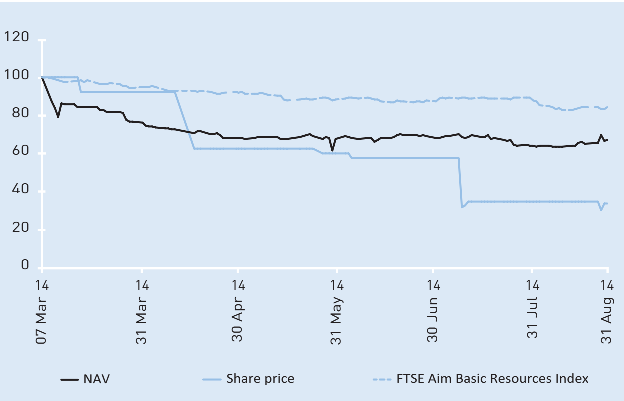
## Directors' Interests

Biographies of the Directors are shown on pages 12 and 13.

No Directors held any ordinary shares or CULS at any point during the period.

## Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report on page 14. The graph below compares the NAV and Share Price to the FTSE AiM Basic Resources Index.




## Voting at Annual General Meeting

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming Annual General Meeting.

An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to a binding shareholder vote at the forthcoming Annual General Meeting.

## Approval

The Directors' Remuneration Report on pages 22 and 23 was approved by the Board of Directors and signed on its behalf on 4 December 2014.

**Lord St. John**
Chairman

# Independent Auditor's Report to the Members of Global Resources Investment Trust plc

## Opinions and Conclusions Arising From Our Audit

### 1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Global Resources Investment Trust plc for the year ended 31 August 2014 set out on pages 26 to 42.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

**Carrying amount of quoted investments**

Refer to pages 20 and 21 (Report of the Audit Committee), pages 29 to 31 (accounting policy) and pages 34 to 35 (financial disclosures).

**The risk:** The Company's quoted equity investment portfolio makes up 71.1% of the Company's portfolio and is considered to be the key driver of the Company's capital performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

**Our response:** Our procedures over the completeness, valuation and existence of the Company's quoted equity investment portfolio included, but were not limited to: documenting the processes in place to record investment transactions and to value the portfolio; agreeing the valuation of 100% of portfolio investments to externally quoted prices; and agreeing 100% of portfolio investment holdings to independently received third party confirmations.

**Valuation of Unquoted Investments (£8.8m)**

Refer to page 20 (Report of the Audit Committee), page 29 (accounting policy) and pages 34 to 35 (financial disclosures).

The risk – 28.9% of the Company's portfolio is held in investments where no quoted market price is available. The investments are fixed interest in nature, paying interest on a set nominal amount which are due to redeem in approximately 3 years. The risk in terms of valuation is the assessment of the recoverability of the nominal amount and whether there are any indicators that the investments may be impaired. There is a significant risk over the valuation of these investments and this is one of the key judgemental areas that our audit focused on.

- Our response - Our procedures included, among others:
  - consideration of the appropriateness of the valuation basis selected and consideration of alternative approaches based on our understanding of the industry in which each investee company operates;
  - assessing the financial position of the loan note issuer and the recoverability of the investments by performing a financial analysis of the issuing companies;
  - considering events that occurred subsequent to the year end up until the date of this audit report which affected the assumptions underpinning the valuations as assessed at the year end date; and
  - attending the year end audit committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unquoted investment valuations.

### 3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £0.32m. This has been determined with reference to a benchmark of total assets (of which it represents 1%). Total assets, which is primarily composed of the Company's investment portfolio, is considered the key driver of the Company's capital and revenue performance and, as such, we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £16,000 in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the offices of the administrator R&H Fund Services Limited and the Edinburgh KPMG office.

### 4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Statement of Corporate Governance Statement set out on pages 18 and 19 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

### 5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Report of the Audit Committee on pages 20 and 21 does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required 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 financial statements and the part of the Directors' Remuneration Report to be audited 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 10, in relation to going concern; and
- the part of the Statement of Corporate Governance on pages 18 and 19 relating to the Company's compliance with the nine provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

## Scope of the Audit of the Financial Statements

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco2013a**, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

**Catherine Burnet**
Senior Statutory Auditor

**for and on behalf of KPMG LLP,** Statutory Auditor

Chartered Accountants
Edinburgh

4 December 2014

# Income Statement

| | Notes | Year ended 31 August 2014 Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|
| Losses on investments | 8 | – | (10,117) | (10,117) |
| Income | 2 | 590 | – | 590 |
| Investment management fee | 3 | (204) | – | (204) |
| Other expenses | 4 | (357) | – | (357) |
| **Net return before finance costs and taxation** | | **29** | **(10,117)** | **(10,088)** |
| Interest payable and similar charges | 5 | (213) | – | (213) |
| **Net return on ordinary activities before taxation** | | **(184)** | **(10,117)** | **(10,301)** |
| Tax on ordinary activities | 6 | – | – | – |
| **Net return attributable to equity shareholders** | | (184) | (10,117) | (10,301) |
| **Loss per ordinary share** | 7 | **(0.47)p** | **(25.86)p** | **(26.33)p** |

Comparative figures for the year to 31 August 2013 are not included as the Company did not trade and received no income and incurred no expenditure and therefore did not make a profit or loss.
The 'total' column of this statement represents the Company's profit and loss account, prepared in accordance with IFRS.
All revenue and capital items in this statement derive from continuing operations. All of the loss for the year is attributable to the owners of the Company.
No operations were acquired or discontinued in the year.
A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above Income Statement.
The accompanying notes are an integral part of the financial statements.

# Reconciliation of Movement in Shareholders' Funds

| | Year ended 31 August 2014 £'000 | Period ended 31 August 2013 £'000 |
|---|---|---|
| Opening equity shareholders' funds | 50 | – |
| Losses on investments | (10,117) | – |
| Net return attributable to ordinary shareholders | (184) | – |
| Issue of ordinary shares | 39,520 | 50 |
| Expenses of issue | (2,670) | – |
| **Closing equity shareholders' funds** | **26,599** | **50** |

# Balance Sheet



| | Notes | As at 31 August 2014 £'000 | As at 31 August 2013 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 8 | 30,410 | – |
| Investments in subsidiary | 9 | – | 50 |
| **Current assets** | | | |
| Debtors | 10 | 845 | 50 |
| Cash at bank and on deposit | | 450 | – |
| | | 1,295 | 100 |
| **Creditors: amounts falling due within one year** | 11 | **(256)** | **(50)** |
| **Net current assets** | | **1,039** | **50** |
| **9% Convertible Unsecured Loan Stock 2017** | 12 | **(4,850)** | **–** |
| **Net assets** | | **26,599** | **50** |
| **Capital and reserves** | | | |
| Called up share capital | 13 | 396 | 1 |
| Share premium | 14 | 36,504 | 49 |
| Capital reserve | 14 | (10,117) | – |
| Revenue reserve | 14 | (184) | – |
| **Equity shareholders' funds** | | **26,599** | **50** |
| **Net asset value per share** | 15 | **67.22p** | **100.00p** |

The financial statements on pages 26 to 42 were approved by the Board of Directors and authorised for issue on 4 December 2014 and were signed on its behalf by:

**Lord St John**
Chairman

The accompanying notes are an integral part of the financial statements.

# Cash Flow Statement

| | Notes | Year ended 31 August 2014 £'000 |
|---|---|---|
| **Operating activities** | | |
| Loss before finance costs and taxation | | (10,088) |
| Loss on investments | | 10,117 |
| Increase in other receivables | | (791) |
| Increase in other payables | | 157 |
| **Net cash outflow from operating activities before interest and taxation** | | (605) |
| Interest paid | | (114) |
| **Net cash outflow from operating activities** | | **(719)** |
| **Investing activities** | | |
| Purchases of investments | | (40,651) |
| Sales of investments | | 70 |
| **Net cash outflow from investing activities** | | **(40,581)** |
| **Financing** | | |
| Issue of ordinary shares | | 39,570 |
| Expenses of issue | | (2,670) |
| Issue of CULS | | 4,850 |
| **Net cash inflow from financing** | | **41,750** |
| **Increase in cash and cash equivalents** | 16 | **450** |
| Net cash at the start of the year | | – |
| **Net cash at the end of the year** | | **450** |

No comparatives are shown for the prior year as the Company was dormant throughout that period.

# Notes to the Financial Statements

for the year to 31 August 2014



## 1 Accounting Policies

### (a) Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the International Accounting Standards Board ('IASB') and in accordance with the guidance set out in the Statement of Recommended Practice ('SORP') for investment trust companies and venture capital trusts issued by the Association of Investment Companies ('AIC') in January 2009.

The functional and reporting currency of the Company is pounds sterling because that is the primary economic environment in which the Company operates. The notes and financial statements are presented in pounds sterling and are rounded to the nearest thousand except where otherwise indicated.

The financial statements has been prepared on the historical cost basis, except that investments are stated at fair value and categorised as financial assets at fair value through profit or loss.

The following new standard has been adopted in the current year:

- In May 2011, the IASB issued IFRS 13 *'Fair Value Measurement*'. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements, IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. In particular, it unifies the definition of fair value as the price at which an ordinary transaction to sell an asset or to transfer a liability would take place between investor participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *'Financial Instruments: Disclosures'*. This standard became effective for accounting periods beginning on or after 1 January 2013 and requires specific disclosures on fair value but has not materially affected the fair value measurements made by the Company.

The following new standards have been issued but are not effective for this accounting period and have not been adopted early:

- In October 2010, the IASB issued IFRS 9 *'Financial Instruments'* which, following an amendment in December 2011, becomes effective for accounting periods commencing on or after 1 January 2018. This represents part of a project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'*. The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.
- In May 2011, the IASB issued IFRS 10 *'Consolidated Financial Statements'*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective in the EU for accounting periods beginning on or after 1 January 2014.
- In May 2011, the IASB issued IFRS 12 *'Disclosure of Involvement with Other Entities'*. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective in the EU for accounting periods beginning on or after 1 January 2014.
- As a consequence of the new IFRS 10 and IFRS 12 above, what remains of IAS 27 *'Separate Financial Statements (2011)*' is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective in the EU for accounting periods beginning on or after 1 January 2014.
- On 31 October 2012, the IASB issued amendments to IFRS 10 *'Consolidated Financial Statements'*, IFRS 12, *'Disclosure of Interests in Other Entities'* and IAS 27, 'Separate Financial Statements'. These amendments are expected to exempt the Company from consolidating controlled investments and allow the Company to fair value controlled investments, rather than having to consolidate them. The amendments to IFRS 12 introduce additional disclosures. The amendments become effective in the EU for accounting periods beginning on or after 1 January 2014; earlier application is permitted.

The Company does not consider that the future adoption of any new standards, in the form currently available, will have any material impact on the financial statements as presented except for changes to disclosures.

### Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates. The most significant judgements are the valuation of unlisted investments which is described in note 1(b) below and the adoption of the going concern basis of preparation which is discussed on page 10 of the Strategic Review.

A summary of the principal accounting policies which have been applied to all periods presented in these financial statements is set out below.

### (b) Fixed asset investments

Purchases or sales of investments are recognised/derecognised on the date the Company commits to purchase/sell the investments. Investments are classified at fair value through profit and loss on initial recognition with any resultant gain or loss recognised in the Income Statement. Listed securities are valued at bid price or last traded price, depending on the convention of the exchange on which the investment is listed, adjusted for accrued income where it is reflected in the market price. Investments which are not listed or where trading in the securities of an investee company is suspended are valued at the Board's best estimate of fair value. Unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. This includes a review of: the financial and trading information of the Company, covenant compliance and ability to repay the interest and cash balances. For convertible bonds this includes consideration of the discounted cash flows of the interest and principal and underlying equity value, based on the information provided by the Investment Manager. Where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment.

Realised gains or losses on the disposal of investments and permanent impairments in the value of investments are taken to the capital reserve. Gains and losses arising from changes in the fair value of investments are included in the Income Statement as a capital item.

### (c) Income

Dividends receivable on equity shares are recognised as income on the date that the related investments are marked ex-dividend. Dividends receivable on equity shares where no ex-dividend date is quoted are recognised as income when the Company's right to receive payment is established.

Fixed returns on non-equity shares are recognised on a time apportioned basis so as, if material, to reflect the effective interest rate on those instruments. Other returns on non-equity shares are recognised when the right to the return is established. The fixed return on a debt security is recognised on a time apportioned basis so as to reflect the effective interest rate on each such security.

Income from deposit interest and underwriting commission is recognised on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserves.

### (d) Taxation

The charge for taxation is based on net revenue for the year. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of underlying timing differences can be deducted.

Because the Company intends each year to qualify as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 (previously S842 of the Income and Corporation Taxes Act 1988), no provision is made for deferred taxation in respect of the capital gains that have been realised, or are expected in the future to be realised, on the sale of fixed asset investments.

### (e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement as a revenue item except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses connected with the maintenance or enhancement of the value of the investments.

### (f) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction. Overseas assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in capital reserves. The financial currency of the Company, being its statutory reporting currency, is sterling.

### (g) Finance costs

Finance costs are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, are allocated between revenue and capital in accordance with the Board's expected long-term split of returns, in the form of income and capital gains respectively, from the Company's investment portfolio. For further details refer to note 8.

### (h) 9% Convertible Unsecured Loan Stock 2017 ('CULS')

The CULS were unquoted and at the year end are valued at fair value by the Directors based upon all information available to them at the time of valuation. This includes consideration of the discounted cash flows of the interest and principal and underlying equity value.

Direct expenses associated with the CULS issue are allocated to the share premium account.

The interest expense on the CULS is recognised on an accruals basis.

### (i) Reserves

(a) Share premium – the surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. This reserve is non-distributable.

(b) Capital reserve – the following are accounted for in this reserve:
- gains and losses on the realisation of investments;
- realised and unrealised exchange differences on transactions of a capital nature;
- capitalised expenses and finance costs, together with the related taxation effect; and
- increases and decreases in the valuation of investments held.

(c) Revenue reserve – the net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. This reserve is available for paying dividends.

### (j) Segmental information

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

## 2 Income

| | 2014 £'000 |
|---|---|
| **Income from investments*** | |
| Overseas interest | 590 |
| **Total income** | **590** |
| **Total income comprises:** | |
| Fixed interest securities | 590 |
| | **590** |

*All investment income arises on investments valued at fair value through profit or loss on initial recognition.

## 3 Investment Management Fee

| | 2014 Revenue £'000 | 2014 Capital £'000 | 2014 Total £'000 |
|---|---|---|---|
| Investment management fee | 204 | – | 204 |

The Company's Investment Manager is RDP. RDP receive a monthly fee at the rate of 1.5% per annum on the preceding monthly average net assets up to £100 million and 0.75 per cent on the amount by which the preceding monthly average net assets exceeds £100 million.

In addition, the Investment Manager is entitled to receive a performance fee equal to 15% of the amount by which the adjusted NAV exceeds the Target NAV. The calculation date will be the date to which financial statements for GRIT are made up, so that typically performance fees will be calculated and paid annually. The Target NAV is calculated by reference to the opening NAV or such higher NAV on which a performance fee has been paid, increased at an annualised rate of 7%.

At the request of the Investment Manager, GRIT may at its absolute discretion pay up to 75% of the performance fee by the allotment of new ordinary shares to the Investment Manager.

No performance fee was payable for the period to 31 August 2014.

The balance due to RDP for management fees at the year end was £50,000.

Investment management fees have been fully allocated to revenue.

## 4 Other Expenses (including irrecoverable VAT)

| | 2014 Revenue £'000 | 2014 Capital £'000 | 2014 Total £'000 |
|---|---|---|---|
| Secretarial and administration fees | 39 | – | 39 |
| Directors' fees | 43 | – | 43 |
| Auditor remuneration for: | | | |
| – statutory audit | 25 | – | 25 |
| – other services relating to taxation | 7 | – | 7 |
| Public relations | 44 | – | 44 |
| Broker fees | 32 | – | 32 |
| Withholding tax | 27 | – | 27 |
| Other | 140 | – | 140 |
| | 357 | – | 357 |

The Company has an agreement with R&H Fund Services Limited ('R&H') for the provision of secretarial and administration services. During the year the total fees paid and payable were £39,000. The balance due to R&H for secretarial services at the year end was £Nil. R&H receive a fee comprising 0.08% per annum of the total assets subject to a minimum fee of £80,000. The adminstration agreement has a six month notice period with effect not earlier than the first anniversary of admission.

No pension contributions were payable in respect of any of the Directors.

The Company does not have any employees.

The Company is due to pay £27,000 to HMRC in relation to withholding tax on the Company's CULS.

## 5 Interest Payable and Similar Charges

| | 2014 Revenue £'000 | 2014 Capital £'000 | 2014 Total £'000 |
|---|---|---|---|
| Interest on 9% Convertible Unsecured Loan Stock 2017 ('CULS') | 213 | – | 213 |
| | 213 | – | 213 |

Interest payable on the CULS has been charged 100 per cent to revenue.

The interest has been paid gross to all CULS shareholders. The CULS contract contained an undertaking to pay the note-holders the full amount and not to deduct withholding tax from these payments.

After the year end the CULS listed on the Channel Islands Securities Exchange Authority Limited and there will be no further withholding tax due.

## 6 Tax on Ordinary Activities

| | 2014 Revenue £'000 | 2014 Capital £'000 | 2014 Total £'000 |
|---|---|---|---|
| Corporation tax | – | – | – |
| Overseas taxation | – | – | – |
| Total tax charge | – | – | – |

## Reconciliation of Tax Charge

A reconciliation of the current tax charge is set out below:

| | 2014 Total £'000 |
|---|---|
| Return on ordinary activities before taxation | (10,301) |
| Corporation tax at standard rate (21.34%) | (2,198) |
| Effects of: | |
| Non taxable losses | 2,159 |
| Excess management expenses | 39 |
| Current year tax charge | – |

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

At 31 August 2014 the Company had surplus management expenses of £184,000 (2013: £Nil) which have not been recognised as a deferred tax asset.

## 7 Return per Ordinary Share

| | 2014 Revenue pence | 2014 Capital pence | 2014 Total pence |
|---|---|---|---|
| Ordinary share | (0.47)p | (25.86)p | (26.33)p |

The revenue loss per ordinary share is based on a net loss after taxation of £184,000 and on a weighted average of 39,122,895 ordinary shares in issue during the year.

The capital return per ordinary share is based on a net capital loss of £10,117,000 and on a weighted average of 39,122,895 ordinary shares in issue during the year.

## 8 Investments

| | 2014 £'000 |
|---|---|
| Investments listed/quoted on a recognised investment exchange | 21,626 |
| Unquoted investments | 8,784 |
| | 30,410 |
| Equity shares | 21,626 |
| Convertible securities | 8,784 |
| | 30,410 |

The Company does not intend to acquire securities that are unquoted or unlisted at the time of investment with the exception of securities which, at the time of acquisition, are intending to list on a stock exchange or securities which are convertible into quoted securities. However, the Company may continue to hold securities that cease to be quoted or listed or hold a convertible in which the underlying equity is not listed if the Investment Manager considers this to be appropriate.

All investments are designated fair value through profit or loss at initial recognition, therefore all gains and losses arise on investments designated at fair value through profit or loss.

International Financial Reporting Standard ('IFRS') 'Financial Instruments: Disclosures' requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value. The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

- Level 1 – investments quoted in an active market;
- Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices;
- Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

| | Level 1 Listed in UK £'000 | Level 1 Listed overseas £'000 | Level 3 £'000 | 2014 Total £'000 |
|---|---|---|---|---|
| Opening book cost | – | – | – | – |
| Opening fair value adjustment | – | – | – | – |
| Opening valuation | – | – | – | – |
| Initial placing | 1,711 | 30,027 | 7,782 | 39,520 |
| Purchases at cost | 49 | – | 1,082 | 1,131 |
| Sales – proceeds | – | (55) | (69) | (124) |
| – realised gains/(losses) | – | 41 | (1) | 40 |
| Decrease in fair value adjustment | (794) | (9,353) | (10) | (10,157) |
| Closing valuation | **966** | **20,660** | **8,784** | **30,410** |
| Closing book cost | 1,760 | 30,013 | 8,794 | 40,567 |
| Closing fair value adjustment | (794) | (9,353) | (10) | (10,157) |
| Closing valuation | **966** | **20,660** | **8,784** | **30,410** |

The gains and losses included in the above table have all been recognised within (losses)/gains on investments in the Income Statement on page 26. The Directors believe that the use of reasonable possible alternative assumptions for its Level 3 holdings would not result in a valuation significantly different from the valuation included in these financial statements.

| **(Losses)/gains on investments** | 2014 £'000 |
|---|---|
| Realised gains on sale | **40** |
| Movement in fair value | **(10,157)** |
| Losses on investments | **(10,117)** |

During the year the Company incurred transaction costs on purchases of £Nil and transaction costs on sales of £466.

## 9 Investment in subsidiary

GRIT ZDP Limited was a wholly owned subsidiary of Global Resources Investment Ltd and was incorporated in England and Wales on the 15 August 2013. GRIT ZDP Limited was dormant during the period to 31 August 2013 and on 11 September 2014 was struck-off.

On incorporation, 50,000 ordinary shares in GRIT ZDP Limited were allotted to Global Resources Investment Ltd. The shares were not paid-up and were subsequently cancelled.

## 10 Debtors

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Amounts due from brokers | **54** | – |
| Prepayments and accrued income | **614** | – |
| VAT recoverable | **177** | – |
| Amounts due from RDP Limited | **–** | 50 |
| | **845** | 50 |

In the year ended 31 August 2013, the debtor of £49,999 represented an irrevocable undertaking to pay, by the Investment Manager RDP Limited, £0.01 per share and £0.99 per share in cash for 49,900 ordinary shares and 50,000 deferred shares respectively. These shares were allotted to the Investment Manager, on 19 August 2013, against its irrevocable undertaking to pay upon listing of the Company's shares to the London Stock Exchange. This was paid during the year ended 31 August 2014.

## 11 Creditors: Amounts Falling Due Within One Year

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Withholding tax due | 27 | – |
| Other creditors | 130 | – |
| Interest on 9% Convertible Unsecured Loan Stock 2017 | 99 | – |
| Amount due to GRIT ZDP Limited | – | 50 |
| | 256 | 50 |

Included within other creditors is £50,000 due to RDP in respect of management fees.

In the year ended 31 August 2013, the creditor of £50,000 represented the amount that was due GRIT ZDP Limited. The shares were not paid-up and were subsequently cancelled and this creditor was extinguished.

## 12 9% Convertible Unsecured Loan Stock 2017

| | Nominal number of CULS £'000 |
|---|---|
| Balance at the beginning of the year | – |
| Issue of CULS | 4,850 |
| **Balance at the end of the year** | **4,850** |

On 7 March 2014, the Company issued £4,850,000 9% Convertible Unsecured Loan Stock 2017 ('CULS') and 4,850,000 warrants (for nil consideration on the basis of one warrant for every £1 of CULS subscribed). Each warrant will entitle its holder to subscribe for one ordinary share at a subscription price of £1.00 (subject to adjustment) from admission until the fifth anniversary of admission.

As at 31 August 2014, the Company had issued £4,850,000 CULS and 4,850,000 warrants. A further £150,000 CULS and 150,000 warrants were issued on 28 November 2014.

The CULS are unsecured and interest is payable on the CULS at the rate of 9 per cent per annum. The CULS will be repayable on the third anniversary of admission, but shall become immediately repayable upon the occurrence of certain events, including, inter alia, non-payment of interest or capital, or if an order is made or an effective resolution passed for winding up GRIT (except for the purpose of a reconstruction or amalgamation previously approved by holders of the CULS).

The CULS are convertible at any time into ordinary shares at the rate of 1 ordinary share for each £1 of CULS.

GRIT has provided a number of undertakings to the holders of the CULS until the CULS have been repaid or converted (unless there is a written resolution to the contrary) which include, inter alia, that GRIT shall:

(a) not incur any additional indebtedness;

(b) not create or allow to subsist any security or encumbrance (or any arrangement having a similar effect) over its tangible or intangible assets, save such security or encumbrance as is usual in the operation of brokerage accounts for investment entities in such jurisdictions as are required to enable the investment function to be performed and save such security or encumbrance as is usual in the operation of custodian and bank accounts for investment entities;

(c) not sell, assign, transfer, or dispose of all or any of its assets except disposals in the ordinary course of business;

(d) not make any substantial change to the general nature of its business;

(e) keep an amount equal to 12 months' interest on the CULS in escrow, save for the period of six months' expiring on the redemption date in which case the amount shall equal six months' interest on the CULS; and

(f) ensure that the ratio ('Coverage Ratio') of the value of GRIT's investment portfolio to the principal amount of outstanding CULS is at all times no less than 4:1 at the end of each calendar month from the date of issue of the CULS.

The CULS are convertible in amounts of multiples of £50,000 nominal of CULS into ordinary shares at the option of the holder of the CULS at the conversion price per ordinary share, which is (a) £1 per ordinary share from the date of the CULS until the business day preceding the first anniversary of the CULS, (b) the higher of (i) the 15-day Volume Weighted Average Price ('V WAP') for the ordinary shares calculated on the first anniversary of the CULS capped at £1.00 per ordinary share and (ii) the sum of £0.75, from the first anniversary of the CULS until the business day preceding the second anniversary of CULS, and (c) the higher of (i) the 15-day VWAP for the ordinary shares calculated on the second anniversary of CULS capped at £1.00 per ordinary share and (ii) the sum of £0.50, from the second anniversary of CULS until the redemption date of the CULS.

**Warrant Instrument**

The Warrants are unlisted and are exercisable up to the fifth anniversary of admission in amounts or multiples of 50,000 warrants at £1.00 per ordinary share.

## 13 Share Capital

| | 2014 Shares | 2014 £'000 |
|---|---|---|
| **Authorised at 31 August** | | |
| Ordinary shares of 1p each | **100,000,000** | **1,000** |
| **Allotted, called up and fully-paid** | | |
| Total issued ordinary shares of 1p each as at 1 September 2013 | 50,000 | 1 |
| Issue of 39,520,012 ordinary shares | 39,520,012 | 395 |
| **Total issued ordinary shares of 1p each as at 31 August 2014** | **39,570,012** | **396** |

On 7 March 2014, the Company issued 39,520,012 shares upon listing.

### Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern; and

– to maximise the capital return to its equity shareholders through an appropriate balance of equity capital and loan notes.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. The Company has no externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy detailed in the Strategic Review on page 9.

The Company does not have any externally imposed capital requirements.

## 14 Reserves

| | Share premium £'000 | Capital reserve £'000 | Revenue reserve £'000 |
|---|---|---|---|
| At 1 September 2013 | 49 | – | – |
| Losses on investments | – | (10,117) | – |
| Retained net revenue expense for the year | – | – | (184) |
| Issue of ordinary shares | 39,125 | – | – |
| Expenses of issue | (2,670) | – | – |
| At 31 August 2014 | 36,504 | (10,117) | (184) |

## 15 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £26.6 million (2013: £50,000) and on 39,570,012 (2013: 50,000) ordinary shares, being the number of ordinary shares in issue at the year end.

## 16 Analysis of Changes in Net Cash

| | At 1 September 2013 £'000 | Cash flow £'000 | Currency movements £'000 | At 31 August 2014 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | – | 450 | – | 450 |
| Total | – | 450 | – | 450 |

## 17 Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank facilities and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company can make use of flexible borrowings for short term purposes to achieve improved performance in rising markets and to seek to enhance the returns to shareholders, when considered appropriate by the Investment Manager. The downside risk of borrowings may be reduced by raising the level of cash balances held.

Listed fixed asset investments held (see note 8) are valued at fair value. For listed securities this is either bid price or the last traded price depending on the convention of the exchange on which the investment is listed. Unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 27. The fair value of the 9% Convertible Unsecured Loan Stock 2017 is not materially different from its carrying value in the Balance Sheet.

The main risks that the Company faces arising from its financial instruments are:

(i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;

(ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;

(iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency rates;

(iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(v) liquidity risk, being the risk that the bank may demand re-payment of any loan or that the Company may not be able to liquidate quickly its investments.

The Company held the following categories of financial instruments as at 31 August 2014:

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Financial instruments** | | |
| Investment portfolio | **30,410** | – |
| Cash at bank and on deposit | **450** | – |
| Amounts due from brokers | **54** | – |
| Accrued income | **590** | – |
| Other debtors | **201** | 50 |
| **Financial liabilities** | | |
| 9% Convertible Unsecured Loan Stock 2017 | **4,850** | – |
| CULS interest due | **99** | – |
| Other creditors | **157** | 50 |

## Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

Investment and portfolio performance are discussed in more detail in the Investment Manager's Review and further information on the investment portfolio is set out on page 8.

If the investment portfolio valuation fell by 10 per cent at 31 August 2014, the impact on the profit or loss and the net asset value would have been negative £3.0 million. If the investment portfolio valuation rose by 10 per cent the impact would have been equal and opposite. The calculations are based on the portfolio valuation as at the balance sheet date and are not representative of the year as a whole, and may not be reflective of future market conditions.

## Interest rate risk

### Financial assets

Bond and preference share yields, and their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequentially, if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

Interest rate risk on fixed rate interest instruments is considered to be part of market price risk as disclosed above.

### Floating rate

When the Company retains cash balances they are held in floating rate deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

### Fixed rate

The Company holds fixed interest investments and has fixed interest liabilities.

| | 2014 £'000 | 2014 Weighted average interest rate (%)* | 2014 Weighted average period for which the rate is fixed (years) |
|---|---|---|---|
| **Assets:** | | | |
| Convertible securities | 8,784 | 2.4 | 13.9 |

* The 'weighted average interest rate' is based on the current yield of each asset, weighted by their market value.

## Foreign currency risk

The Company invests in overseas securities and may hold foreign currency cash balances which give rise to currency risks. The Company does not hedge its currency exposure and as a result the movement of exchange rates between pounds sterling and the other currencies in which the Company's investments are denominated may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company. Although the Investment Manager may seek to manage all or part of the Company's foreign exchange exposure, there is no assurance that this can be performed effectively.
Foreign currency exposure at 31 August was as follows:

| | 2014 Investments £'000 | 2014 Cash £'000 | 2014 Net current assets £'000 | 2014 Total £'000 |
|---|---|---|---|---|
| Canadian Dollar | 17,717 | - | 183 | 17,900 |
| US Dollar | 7,964 | – | 407 | 8,371 |
| Australian Dollar | 943 | – | – | 943 |
| Euro | 647 | – | – | 647 |
| | **27,271** | **–** | **590** | **27,861** |

If the value of sterling had weakened against each of the currencies in the portfolio by 5 per cent, the impact on the profit or loss and the net asset value would have been positive £1.4 million. If the value of sterling had strengthened by the same amount the effect would have been equal and opposite. The calculations are based on the portfolio valuation, cash balances and net current assets/(liabilities) as at the respective balance sheet dates and are not representative of the year as a whole, and may not be reflective of future market conditions.

The Investment Manager does not intend to hedge the Company's foreign currency exposure at the present time.

## Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Cash and cash equivalents | 450 | – |
| Balances due from brokers | 54 | – |
| Interest, dividends and other receivables | 791 | 50 |
| | 1,295 | 50 |

Credit risk on fixed interest investments is considered to be part of market price risk.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk.

The cash held by the Company and all the assets of the Company which are traded on a recognised exchange are held by BNP Paribas Security Services ('BNP'), the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports. Should the credit quality or the financial position of BNP deteriorate significantly the Investment Manager will move the cash holdings to another bank.

There were no significant concentrations of credit risk to counterparties as at 31 August 2014. No individual investment exceeded 21.7 per cent of net assets as at 31 August 2014.

As at 31 August 2014, the Company held 3 per cent or more of issued share capital of the following companies:

| | Number of ordinary shares held | Percentage held |
|---|---|---|
| Arakan Resources | 20,000,000 | 26.0% |
| IMC Exploration Group | 16,000,000 | 23.0% |
| True Zone Resources | 3,000,000 | 21.5% |
| Mineral Mountain Resources | 28,600,000 | 19.6% |
| Portex Minerals | 40,000,000 | 19.5% |
| Apogee Silver | 73,000,000 | 19.3% |
| Secova Metals | 3,000,000 | 19.1% |
| European Uranium Resources | 12,500,000 | 18.9% |
| Inca One Resources | 12,000,000 | 18.7% |
| Merrex Gold | 29,000,000 | 18.6% |
| Wishbone Gold | 49,042,171 | 18.6% |
| Minecorp Energy | 15,000,000 | 18.5% |
| Nitinat Minerals | 900,000 | 17.9% |
| Westminster Resources | 20,000,000 | 17.6% |
| Anglo African Minerals | 23,153,846 | 17.4% |
| Jaxon Minerals | 2,500,000 | 17.1% |
| Phoenix Gold Resources | 5,950,000 | 16.7% |
| Oracle Energy | 9,000,000 | 16.5% |
| Blue River Resources | 10,000,000 | 16.4% |
| Zadar Ventures | 4,160,000 | 15.7% |
| Cyprium Mining | 6,000,000 | 15.4% |
| Sniper Resources | 10,000,000 | 15.2% |
| Maxim Resources | 5,500,000 | 15.1% |
| Tirex Resources | 13,800,000 | 14.5% |
| Nulegacy Gold | 20,000,000 | 14.1% |
| Santa Fe Metals | 5,400,000 | 11.7% |
| Incor Holdings | 750,000 | 10.1% |
| Elcora Resources | 4,200,000 | 10.0% |
| Forte Energy | 170,000,000 | 9.3% |
| Nouveau Monde Mining Enterprises | 3,000,000 | 9.2% |
| Saturn Minerals | 10,000,000 | 8.6% |
| Parlane Resource | 3,000,000 | 8.3% |
| Bowmore Exploration | 6,000,000 | 8.2% |
| Zenith Energy | 1,600,000 | 8.1% |
| Waterberg Coal | 20,000,000 | 6.3% |
| Discovery-Corp Enterprises | 3,000,000 | 5.6% |
| Sage Gold | 400,000 | 4.5% |
| Archer Petroleum | 6,000,000 | 4.0% |
| Black Star Petroleum | 15,000,000 | 3.1% |

## Liquidity risk

The Company's financial instruments include investments in unlisted investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate these investments at an amount close to their fair value.

At the reporting date, the Company's financial assets exposed to liquidity risk amounted to the following:

| | 2014 £'000 |
|---|---|
| Unquoted investments: | |
| Unquoted convertible securities that are convertible into listed securities | 6,594 |
| Unquoted convertible securities that are convertible into unlisted securities | 2,190 |
| | 8,784 |

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place as described in the Directors' Report. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient cash, has a short term bank facility and readily realisable securities to pay accounts payable and accrued expenses. The Company also maintains sufficient cash and readily realisable securities to meet any demand repayments on its overdraft facility.

## 18 Related Party Transactions

The following are considered related parties: the Board of Directors ('the Board') and RDP Fund Management LLP ('Investment Manager').

Details of the fee arrangement with the Investment Manager are included within the Directors' Report under the heading Management and Management Fees and are disclosed in note 3.

Mr N Paris is an employee of LIM Advisors which is a subsidiary of LIM Asia Multi-Strategy Fund ('LIM'). LIM are the largest holder of the Company's CULS and are authorised to appoint a director to the Board to represent their interest. Mr N Paris is the representative appointed on behalf of LIM.

There are no other transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 22 and 23, and as set out in note 4 to the accounts. The beneficial interests of the Directors in the ordinary shares of the Company and in the 9% Convertible Unsecured Loan Stock 2017 are disclosed on page 36.

The balance due to Directors for fees at the year end was £22,000.

## 19 Post Balance Sheet Events

On 30 October 2014, the Company's CULS were admitted to listing on the Channel Islands Securities Exchange Authority Limited.

On 28 November 2014, the Company issued a further £150,000 of CULS and a further 150,000 warrants.

# Glossary of Terms and Definitions



| | |
|---|---|
| **Actual Gearing** | Total assets (as below) less all cash divided by shareholders' funds. |
| **Admission** | Admission of the existing 50,000 ordinary shares and the 39,520,012 new ordinary shares which were issued pursuant to the Share Exchange Subscription Agreements to the premium listing segment of the London Stock Exchange's main market for listing securities. |
| **Asset Cover** | The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security. |
| **Discount/Premium** | The amount by which the market price per share of an investment trust is lower or higher than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share. |
| **Dividend Cover** | Earnings per share divided by dividends per share expressed as a ratio. |
| **Dividend Yield** | The annual dividend expressed as a percentage of the share price. |
| **Net Asset Value or NAV** | The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. To calculate the net asset value per Ordinary share the net asset value divided by the number of shares in issue produces the net asset value per share. |
| **Ongoing Charges Ratio** | A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments, interest costs, taxation and the costs of buying back or issuing ordinary shares. |
| **Potential Gearing** | Total assets (as below) divided by shareholders' funds. |
| **Price/Earnings Ratio** | The ratio is calculated by dividing the middle-market price per share by the earnings per share.<br><br>The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential. |
| **Prior Charges** | The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment. |
| **Redemption Yield** | The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation. |
| **Total Assets** | Total assets less current liabilities (excluding prior charges as defined above). |
| **Total Return** | Total return involves reinvesting the net dividend in the month that the share price goes xd. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date. |
| **Volume weighted average price ('VWAP')** | The measure of the average price within a time period. |

# Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of Global Resources Investment Trust plc will be held at The In & Out, Naval & Military Club, 4 St. James's Square, London, SW1Y 4JU on 22 January 2015 at 12.30 pm to consider the following resolutions:

## Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Directors' report and financial statements for the year ended 31 August 2014, together with the auditor's report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31 August 2014.
4. To elect Lord St John as a Director.
5. To elect Ms Fukuda as a Director.
6. To elect Mr S Farrell as a Director.
7. To elect Mr N Paris as a Director.
8. To appoint KPMG LLP as Independent Auditor of the Company and to authorise the Directors to determine the remuneration of KPMG LLP.

## Special Business

As special business, to consider and if thought fit, pass the following resolutions, which will be proposed as Ordinary Resolutions:

9. That, in substitution for any existing authority, but without prejudice to the exercise of any such authorisation prior to the date of this resolution, the Directors of the Company be and they are hereby generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006 ('the Act'), to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (together being 'relevant securities'), up to an aggregate nominal amount of £39,530, such authorisation to expire at the conclusion of the next annual general meeting of the Company to be held in 2016, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authorisation, make an offer or enter into an agreement which would or might require relevant securities to be allotted or granted after the expiry of such authority and the Directors of the Company may allot or grant relevant securities in pursuance of such an offer or agreement as if such authorisation had not expired.

As special business, to consider and if thought fit, pass the following resolutions which will be proposed as Special Resolutions:

10. That, subject to the passing of resolution 9 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date of this resolution, the Directors of the Company be and they are hereby empowered, in accordance with Sections 570 and 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) either pursuant to the authorisation under Section 551 of the Act conferred on the Directors of the Company by such resolution numbered 9, or by way of a sale of treasury shares, in each case for cash, as if Section 561(1) of the Act did not apply to any such allotment:

    (i) other than pursuant to sub-paragraph (ii) below, up to an aggregate nominal amount of £19,745 (representing approximately 4.99 per cent of the present issued share capital of the Company); or

    (ii) in connection with an offer of equity securities open for acceptance for a period fixed by the Directors of the Company to the holders of ordinary shares in the share capital of the Company on a fixed record date in proportion (or as nearly as practicable) to their respective holdings of ordinary shares (but subject to such exclusions or other arrangements as the Directors of the Company may consider necessary or expedient to deal with any legal problems under or resulting from the application or apparent application of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise howsoever);

    such power to expire at the conclusion of the next annual general meeting of the Company to be held in 2016 unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors of the Company may allot equity securities in pursuance of such an offer or agreement as if such power had not expired.

11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of this resolution, the Company be and is hereby authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 1p each in the capital of the Company and to cancel or hold in treasury such shares provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99 per cent of the issued share capital of the Company as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for an ordinary share is 1p;

(iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of (i) 5 per cent above the average of the middle market quotations for an ordinary share on the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which any such purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, as stipulated by Article 5(1) of Commission Regulation (EC) (No. 2273/2003) of December 22, 2003 implementing the Market Abuse Directive (EC) (No. 6/2003) as regards exemptions for buy-back programmes and stabilisation of financial instruments;

(iv) the authority hereby conferred shall expire on 29 February 2016 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2016 unless such authority is renewed, varied or revoked by the Company in general meeting prior to such time; and

(v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

**R&H Fund Services Limited**
Secretary
15-19 York Place
Edinburgh EH1 3EB

4 December 2014

**The In & Out, Naval & Military Club had asked the Company to bring to the attention of shareholders attending the Annual General Meeting that the use of mobile telephones is strictly forbidden in any part of the Club, and that gentlemen should wear a tailored jacket and tie and ladies should wear smart dress.**

Notes

1. Information about this meeting is available from the Company's website; www.grit.london.

2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.

3. A form of proxy is enclosed for use at the above meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. To be effective, the form of proxy, duly executed, must be lodged at the address shown on the form of proxy not later than 48 hours before the time of the meeting.

4. The right to vote at the meeting is determined by reference to the Company's register of Members as at 6.00 pm on 20 January 2015. Changes to entries on the register after that time should be disregarded in determining the rights of any member to attend and vote at the meeting.

5. As at 9.00 am on 4 December 2014, the Company's issued share capital comprised 39,570,012 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company, and therefore, the total number of voting rights in the Company as at 9.00 am on 3 December 2014 is 39,570,012.

6. As a member, you have the right to put questions at the meeting relating to the business being dealt with at the meeting.

7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

8. The statement of the rights of members in relation to the appointment of proxies in notes 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent ID-3RA50 by the latest time for the receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

13. No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.

14. Under section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this notice of meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting. Under Section 338A of that Act, members may request the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business.

15. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

16. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.grit.london.

17. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

# Corporate Information



## Registered Number

8256031

## Registered Office

**R&H Fund Services Limited**
6 New Street Square
New Fetter Lane
London EC4A 3AQ

## Directors

**Lord Anthony Tudor St John** (Chairman)
**Haruko Fukuda**
**Simon J Farrell** *
**Nicholas Paris** ‡

**James W Williams** †
**J Hodson** •
**D Hutchins** ∅

## Investment Manager

**RDP Fund Management LLP**
3rd Floor, 49 Albemarle Street
London
W1S 4JR

## Secretary and Administrator

**R&H Fund Services Limited**
15-19 York Place
Edinburgh EH1 3EB
Tel: 0131 524 6140

## Solicitors

**DMH Stallard LLP**
6 New Street Square
New Fetter Lane
London EC4A 3BF

## Financial Adviser

**Beaumont Cornish Limited**
2nd Floor, Bowman house,
29 Wilson Street
London EC3V 3LT

aic
The Association of Investment Companies

## Corporate Broker

**Keith Bayley Rogers & Co. Limited**
No.1 Royal Exchange Avenue
London
EC3V 3LT

## Bankers and Custodian

**BNP Paribas Securities Services, London**
55 Moorgate
London EC2R 6PA

## Auditor

**KPMG LLP**
20 Castle Terrace
Edinburgh EH1 2EG

## Registrars

**Computershare Investor Services PLC**
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Shareholder helpline UK: **0870 707 1556****
Shareholder helpline overseas: **+44 0870 707 1556**

## Shareholder Information

**Net Asset Value/Share Price**

The net asset value of the Company's ordinary shares may be obtained by contacting RDP on 0207 290 8540 or by email at info@rdplimited.co.uk or alternatively by visiting the Company's website at www.grit.london.

## Website

**www.grit.london**

* Chairman of the Audit Committee.
† Resigned on 21 October 2014.
‡ Appointed on 21 October 2014.
• Retired on 25 November 2013.
∅ Retired on 6 March 2014.

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Global Resources
Investment Trust plc