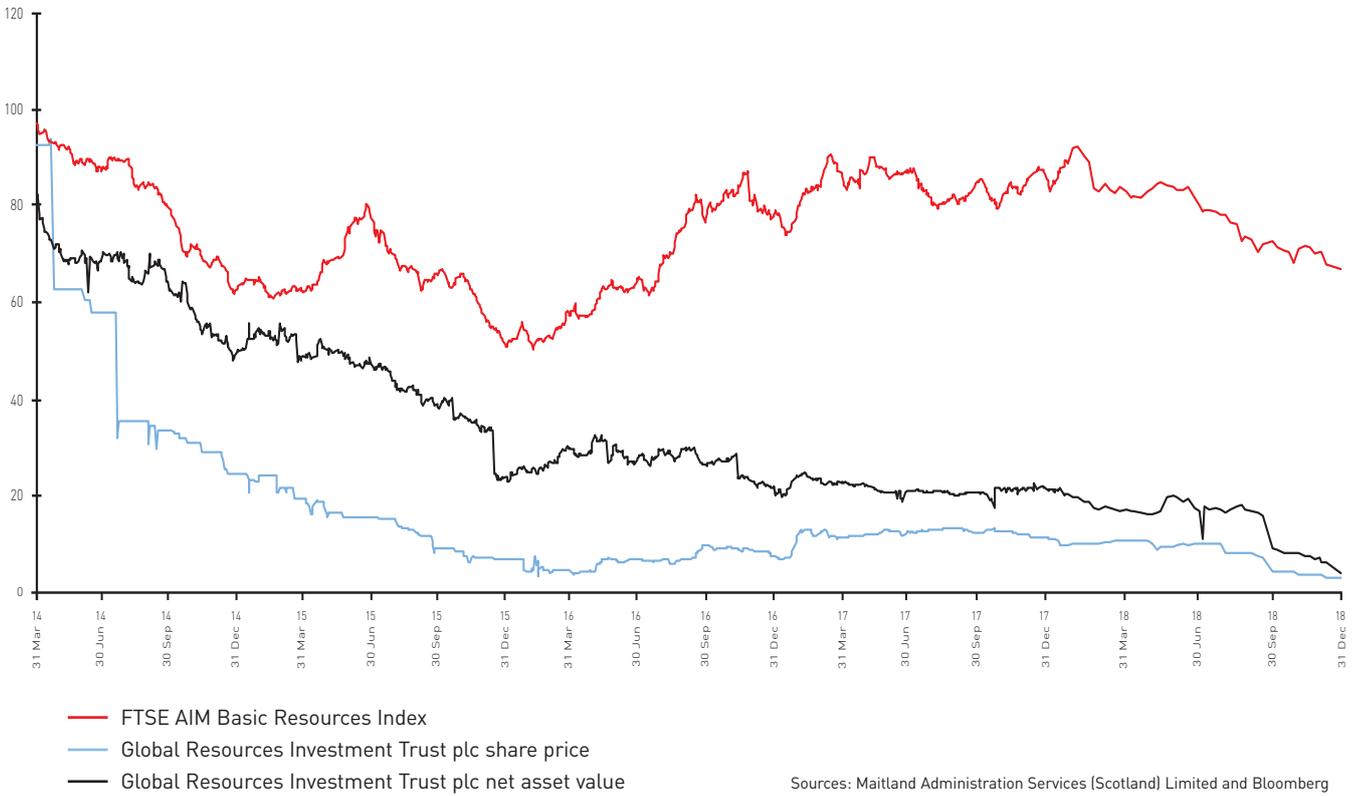


# **Global Resources Investment Trust plc**

**Annual Report &  
Financial Statements**

31 December 2018

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



Note: Graph rebased to 100

## 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.

## Contents

### Strategic Report

- 2 Financial Highlights
- 3 Chairman's Statement
- 4 Executive Director's Review
- 5 Portfolio Review
- 6 Classification of Investments
- 7 Investment Portfolio
- 8 Strategic Review

### Directors' Reports and Governance Reports

- 11 Board of Directors
- 12 Directors' Report
- 14 Statement of Directors' Responsibilities
- 15 Statement of Corporate Governance
- 17 Report of the Audit Committee
- 19 Directors' Remuneration Report

### Auditor's Report

- 21 Independent Auditor's Report

### Financial Statements

- 26 Income Statement
- 27 Statement of Changes in Equity
- 28 Balance Sheet
- 29 Cash Flow Statement
- 30 Notes to the Financial Statements

### General Information

- 42 Glossary of Terms and Definitions
- 43 Corporate Information

## Important information

Past performance is not necessarily a guide to future performance. The value of investments and income from them may go down as well as up and are not guaranteed. Changes in rates of exchange may cause the value of investments to fluctuate. Net asset value performance is not linked to share price performance, and shareholders may realise returns that are lower or higher in performance.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the action you should take or about the contents of this document, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 (or in the case of recipients outside the United Kingdom, a stockbroker, bank manager, solicitor, accountant or other independent financial adviser).

If you have sold or otherwise transferred all of your holdings in Global Resources Investment Trust plc, please forward this document as soon as possible to the purchaser or transferee, or to the stockholder, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

## Financial Highlights

Total Return*	Year to 31 December 2018	Year to 31 December 2017
Net asset value <sup>†</sup>	(82.6)%	(12.1)%
Ordinary share price <sup>†</sup>	(64.4)%	14.1%

Capital Values	31 December 2018	31 December 2017	% change period
Net asset value per share	3.4p	19.7p	(82.6)%
Ordinary share price (mid market)	3.25p	9.125p	(64.4)%
Discount** <sup>†</sup>	4.4%	53.7%	

Revenue and Dividends	31 December 2018	31 December 2017
Loss per ordinary share	(1.38)p	(1.04)p
Ongoing charges** <sup>†</sup>	11.4%	5.6%

Period Highs/Lows	2018 High	2018 Low
Net asset value	19.7p	3.4p
Ordinary share price (mid market)	10.0p	3.25p
Discount <sup>†</sup>	53.7%	4.4%

\* A glossary of the terms used can be found on page 42.

<sup>†</sup> These are considered Alternative Performance Measures (APM's) and are further defined in the glossary.

# Chairman's Statement 3

## Introduction

When I wrote to you in September 2018 I said that the five months since I became Chairman had been extremely difficult ones for your Company. I regret to report that the nine months since then have been no easier.

## Investment and Share Price Performance

At 31 December 2017 the Company had three core investments, Anglo-African Minerals plc ("AAM": £2.1m), Siberian Goldfields ("Siberian": £1.8m) and Kalia Holdings ("Kalia": £2.4m), together with four smaller investments (£1.3m).

I reported in September that insufficient progress had been made towards refinancing AAM to give the Board confidence that the necessary funding would be forthcoming. Progress continues to be made, as I report below, but given the progress to date the Board has taken the decision to write down the value of the investment in AAM to US\$600,000 (£471,000) as at the year end.

Siberian had also been seeking funding but, against a backdrop of increasing international tension with and sanctions against Russia, this has so far proved impossible to complete. The Board has therefore made the decision to value the investment using an industry benchmark approach which has resulted in the valuation being written down to £151,000 at year end.

Kalia became a listed position during the year under review and is valued at the price at which the company trades on the Australian Securities Exchange. At 31 December 2018 the Kalia price was AUS\$0.003, giving the position a value of £796,000. Since the year end the Kalia share price has fluctuated between AUS\$0.001 and AUS\$0.005 and is currently trading at the AUS\$0.001 level.

The Executive Director writes more fully concerning all the Company's investments in his Review on page 4.

Your Company's net asset value at 31 December 2018 was 3.42 pence per share, a decrease of 82.6% from the 19.66 pence at which it stood on 31 December 2017. As I write, it is 1.28 pence per share.

The Company's ordinary share price was 3.25 pence at 31 December 2018. The Company's shares are currently suspended pending the publication of these results as the UKLA requirement to publish results within four months was missed.

## General Meeting

The Company's largest shareholder, Mardasa Nominees Pty Ltd (owning 29.7% of the Company) requisitioned a General Meeting of the Company which was held on 22 August 2018. At that meeting shareholders resolved to appoint Mr David Johnston and Mr Jonathan Reynolds to the Board as non-executive Directors. Mr Johnston resigned on 14 June 2019. The majority of the Directors does not consider Mr Reynolds to be independent.

## Outlook

Whilst the Board continues to believe in the merits of the investment case attaching to each of the Company's three core investments, the fact is that the catalysts to realise value remain elusive and uncertain. That said, AAM is currently in negotiations regarding a potential refinancing with a private international trading group, which has already completed due diligence on the company and its projects. There can be no assurance that these negotiations will be successful; however, if they are, it could lead to a significant uplift in the value of the Company's investment in AAM.

The Board has been urgently considering the future direction of the Company, and on 17 May 2019 appointed Peterhouse Capital Limited to assist in advising the Company as to its future development. The Board has since concluded that it is unrealistic to expect the Company to continue trading as a going concern. A Circular to shareholders is being prepared which will convene a General Meeting at which shareholders will be asked to approve the placing of the Company into Members' Voluntary Liquidation. More detail is given in the sections of the Strategic Review on pages 8 and 9 which deal with Going Concern and Viability.

## Haruko Fukuda

Director

28 June 2019

## Executive Director's Review

As foreshadowed in the Interim Report in September 2018, it has been a difficult and disappointing year for the investment portfolio. The remaining small holdings, including Wishbone Gold plc and Zenith Energy plc were sold on market, and since the year end, the IMC Exploration plc holding has also been sold. This has left the investment portfolio focused on three core holdings as outlined in the Interim Report - Anglo-African Minerals plc ("AAM"), Siberian Goldfields plc ("Siberian") and Kalia Limited ("Kalia").

In the Interim Report, we had written the carrying value of AAM down to nil, as the company had been unable to complete a much needed refinancing. Currently the company has still not been able to complete a major refinancing, however it has been able to raise additional short term funding of over \$650,000 in 2019. This has allowed the company to maintain its licences in Guinea on a care and maintenance basis while also maintaining its relationships with the Government. The company is currently proposing to raise further funds via a listing on the Canadian Securities Exchange, and it has recently appointed a Canadian broker to manage this process, which will still take some 3 months to complete.

Given the contingent nature of the fund raising and the time that it will take for AAM to come to market, it is premature to revalue the total investment. For the year end, our equity investment continues to be valued at nil, along with the outstanding loans, although the 9% convertible loan will be valued at par, giving an attributed value of US\$600,000 to our investment in the Company.

Unfortunately, Siberian has not been able to raise the pre-IPO funding that was mentioned in the Interim Report and, without such funding, the company's operations remain on a care and maintenance basis. The geopolitical climate for Russian related investments remains particularly challenging and given that Siberian has been unable to raise the required funding to move the project forward, the Board has taken the difficult decision to reduce the carrying value of the investment from £1.1m at the time of the Interim Report, to £0.1m at the year end. The valuation basis changing to a model based industry valuation benchmark approach. This does not mean that we have lost faith in the company or the project, but from a pragmatic point of view, with Siberian unable to raise the required capital to move the project into production our valuation could be seen as overly optimistic. The adjustment in the valuation of Siberian represents approximately 2.5p per share.

Having listed on the Australian Securities Exchange ("ASX") last year, GRIT exchanged its shares in the private company, Kalia Holdings Pty Ltd for new shares in the ASX listed Kalia Limited. At year end, GRIT held 480,000,000 shares in Kalia Limited which represented 19.09% of the company's issued capital. Since listing the share price performance has been

unspectacular although the company has managed to complete the first major geophysical survey of its exploration licences and this initial survey has already identified 64 major targets for porphyry and epithermal style mineralisation. This includes 12 priority targets, which the company hopes to drill later this year.

While I had hoped that this year end Review would have made for more positive reading, that has not been the case. Unfortunately, as noted opposite, both AAM and Siberian were unable to complete capital raisings necessary to move their respective projects forward and transform them from development companies to production companies.

The experiences of AAM and Siberian are not unique in the world of small cap mining companies, and it only serves to highlight how difficult and unforgiving this sector can be.

**David Hutchins**

Investment Director

28 June 2019

## Kalia Limited

Kalia Limited (KLH) is an ASX listed copper/gold exploration company, active on the Pacific island of Bougainville. In conjunction with its local partner, Toremana Resources Limited, Kalia Ltd was recently granted Exploration Licences EL03 and EL04 by the Autonomous Bougainville Government in the Tore region in the north of Bougainville Island.

Bougainville Island is one of the last undeveloped mineralised provinces of the world. The island straddles the Pacific "Ring of Fire" tectonic plate boundary, and is an ideal setting for porphyry copper/gold and associated epithermal gold mineralisation. Rio Tinto developed the Panguna Mine in the 1960s until it was shut down in 1989. While in operation, the Panguna Mine was considered among the richest mines in the world and during its 17 years of operation it produced over 3 million tonnes of copper and over 9 million ounces of gold.

There has been no exploration activity on Bougainville Island since 1987 although last year, Kalia Ltd completed the first extensive geophysical survey since then. This survey has already identified 64 targets of porphyry copper/gold epithermal style mineralisations, including 12 priority targets. Following further desk top studies and additional technical interpretation, drill targets will be established.

Further information on Kalia's exploration projects and program is available on the company's website - <http://www.kaliagroup.com>.

## Anglo-African Minerals plc

Anglo-African Minerals plc (AAM) is a private advanced mineral exploration company focused on the progression of its bauxite mining projects located in the Republic of Guinea, which hosts two-thirds of the world's bauxite. Bauxite is the composite material that contains alumina, which is the feedstock for aluminium. AAM, via its subsidiary Forward Africa Resources (FAR), has entered into the first stage of a joint venture with a major Chinese State Owned Enterprise, which will provide full project funding, mining services and an "off take" agreement, subject to AAM completing a number of conditions precedent. Initial production at FAR is anticipated at 3 million tonnes per annum, rising to 5 million tonnes per annum.

AAM recently completed major drilling programmes, overseen by independent consultants SRK Consulting, on their two other exploration assets, Somalu and Toubal. Following the drill programs, SRK have updated the Mineral Resource Estimates and have confirmed a combined resource in the vicinity of 2 billion tonnes of export grade bauxite. While the company has also begun early stage high level infrastructure reviews for both projects, further development has been severely restricted by the lack of available funding to the company. While the company has been pursuing a number of potential funding solutions, at this stage the company remains unfunded and therefore its ability to continue to do the work required to move the projects forward is severely limited.

## Siberian Goldfields plc

Siberian Goldfields plc (SGL) is a private gold development company, incorporated in the UK which is looking to develop and bring into production its wholly-owned Zhelezny Kryazh Project ("ZK"), a gold/iron ore project located in the prospective mineral region of Eastern Siberia.

The ZK Project currently has a mineable resource of almost 800,000 ozs of gold grading 2.42 g/t and 36 million tonnes of iron ore grading 42% and it is anticipated that the project will initially produce 50,000 ounces of gold and over 1 million tonnes of iron ore per year, at a cash cost of around US\$326/oz, allowing for by-product credits. While construction of the project has already commenced, unfortunately, it is not progressing any further, as the current investment climate for Russian based projects is extremely difficult, meaning the company has been unable to raise the required funding to complete the construction phase and move into production.

Until the investment climate improves for Russian based projects, the ZK Project will remain on a care and maintenance basis.

## IMC Exploration Group plc

IMC is an Irish exploration company, listed on the NEX Exchange, although it is trying to seek a standard listing on the London Stock Exchange. The company holds a number of mineral prospecting licences in Ireland, but is specifically focused on three main projects - the Avoca Tailings Project, the North Wexford Gold Project and a zinc project adjacent to the Kilbricken zinc deposit of Hannon Metals.

Subsequent to the year end, this holding was sold and realised £47,000 compared to the 31 December 2018 valuation of £130,000.

The portfolio retains holdings in Maxim Resources Inc, Portex Minerals Inc, Sniper Resources Ltd and Waterberg Coal Company Limited. However, these holdings remain valued at nil as the prospects of recoverability or realising value in the short to medium term is unlikely.

## Classification of Investment Portfolio by Sector

	31 December 2018 Total Investments (%)	31 December 2017 Total Investments (%)
Gold / Copper	61.2	63.5
Bauxite	30.4	27.8
Lead / Nickel / Zinc	8.4	5.1
Oil	–	3.6
Copper	–	–
Uranium	–	–
<b>Total Investments</b>	<b>100.0</b>	<b>100.0</b>

## Classification of Investments by Stockmarket Quotation

	31 December 2018 Total Investments (%)	31 December 2017 Total Investments (%)
Canada	–	7.3
Europe	–	5.1
UK	8.4	4.0
Australia	51.4	–
Unquoted	40.2	83.6
<b>Total Investments</b>	<b>100.0</b>	<b>100.0</b>

## Classification of Investments by Principal Area of Operation

	31 December 2018 Total Investments (%)	31 December 2017 Total Investments (%)
Bougainville Island	51.4	31.8
Africa	30.4	31.4
Russia	9.8	24.0
North America	–	5.4
Europe	8.4	5.1
Australia	–	2.3
<b>Total Investments</b>	<b>100.0</b>	<b>100.0</b>

# Investment Portfolio

as at 31 December 2018

7

Company	Sector	Valuation £'000	Total Investments %
Kalia Limited	Gold/Copper	796	51.4
Anglo African Minerals 9% CLN *	Bauxite	471	30.4
Siberian Goldfields *	Gold	151	9.8
IMC Exploration Group	Lead/Nickel/Zinc	130	8.4
Anglo African Minerals *	Bauxite	-	-
Sniper Resources Ltd *	Gold	-	-
Portex Minerals Inc *	Lead/Nickel/Zinc	-	-
Waterberg Coal Company Limited *	Coal	-	-
Maxim Resources Inc *	Oil and Gas	-	-
<b>Total investments</b>		<b>1,548</b>	<b>100</b>

\* - 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 twelve months to 31 December 2018. It should be read in conjunction with the Chairman's Statement on page 3 and the Executive Director's Review on page 4, which provide a detailed review of the investment activities for the period and outlook for the future.

As outlined in those sections, the Board has determined to prepare the accounts on a non-going concern basis and seek shareholder approval for a Members Voluntary Liquidation.

Global Resources Investment Trust plc ('GRIT' or the 'Company') is an 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) and were admitted to trading on the London Stock Exchange's main market.

At launch, GRIT raised £4,850,000 through the issue of 9% Convertible Unsecured Loan Stocks ('CULS'). The Company repaid the final tranche of the CULS on 28 February 2017.

### Business Model

Global Resources Investment Trust is a self-managed investment trust run by its Board, which takes all major decisions collectively. While David ('Sam') Hutchins has executive duties, all of the Directors regard themselves and one another as equal in duties and responsibilities they owe to shareholders and accordingly work together as a unitary Board.

### 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's investment policy was 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 into which GRIT may invest, however, GRIT will invest and manage its assets in a way which is consistent with its objective of spreading risk. GRIT will adhere to the following investment restrictions:

- GRIT may only invest up to 60 per cent. of its Gross Asset Value (at the time of investment) in non-quoted, seed capital or pre-IPO companies provided that at any one time such new investments above a 15 per cent. limit will not be in more than two companies, with an emphasis in such instances on potentially large scale assets that also have the ability to bring them to production in the coming years;
- GRIT will not invest more than 40 per cent. of its Gross Asset Value in any one company (measured at the time of investment) provided that at any one time such new

investments above a 15 per cent. limit will not be in more than two companies, with an emphasis in such instances on potentially large scale assets that also have the ability to bring them to production in the coming years;

- GRIT will not take legal or management control over investments in its Portfolio;
- GRIT will not invest more than 10 per cent., 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;
- GRIT will not incur any debt beyond such amount that is covered four times by the gross value of its investments at the time of incurring such debt (ie a "4 to 1 cover ratio");
- GRIT will manage the overall portfolio to ensure that there is a spread of investments to provide diversification, with a target of having between 4 and 8 different investments at any one time.
- 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.

As a result of the non-going concern basis of preparation the investment policy will not apply going forward.

### Going Concern

As a result of the Company's operations being cash flow negative since its inception, the Company has been required to dispose of non-core investment portfolio assets to generate the cash needed to finance its operational costs.

In 2018, £594,000 was realised from investment proceeds compared with operating expenses and interest costs of £579,000.

As at 28 June 2019, the Company currently has cash of £5,000 and net current liabilities (excluding investments) of £290,000. The creditors are in respect of director fees, administration and adviser costs. The Board estimate the operating expenses over the next twelve months (the minimum going concern period) to be £400,000.

Taking into account the existing net creditor position and the operating costs to June 2020, the Company requires at least £700,000 of cash to remain a going concern.

The Company now has investments in only three companies with value attached to them. Two of these companies, Anglo African Minerals plc ("AAM") and Siberian Goldfields plc ("Siberian"), are unlisted and illiquid. The third company is Kalia Limited ("Kalia"), an ASX listed exploration company.

Siberian and AAM require further funding to achieve commercialisation. Whilst Siberian continues to find attracting finance difficult, there has been positive developments in respect of AAM recently with a significant fundraising being discussed. Should this fundraising complete, the Company would receive repayment of the debt instruments in this entity amounting to £1.3m. However, the discussion currently remains at negotiation stage and the

Directors are therefore of the view that the likelihood of the funding completing in order to mitigate the current liquidity issues within GRIT is remote.

In respect of Kalia, the Company owns 480,000,000 shares. The listed price of Kalia ordinary shares is currently AUD 0.1c having fallen from AUD 0.3c since 31 December 2018. The Company had expected to be able to use the Kalia proceeds at 0.3c to cover existing creditors and ongoing operating expenditure. However, at the current share price, disposal receipts would equate to £260,000 at the prevailing AUD to GBP exchange rate. As this is significantly less than the £700,000 required as outlined above, the disposal proceeds are not on their own enough to permit the Company to trade as a going concern for the next twelve months.

The Company appointed Peterhouse Capital Limited ('PCL') as Corporate Broker to liaise with shareholders and advise the Board on the future direction of the Company, the aim of which being to seek a solution to the liquidity issues outlined above. However, PCL has not been able to provide the Board with a resolution that could adequately address the liquidity issues.

Based on the prevailing net creditor position, liquidity issues and absence of a realistic alternative to ceasing trade, the Board intends to seek shareholder approval to wind up the Company in an orderly manner via a Members Voluntary Liquidation (MVL). In the period up until the general meeting where the MVL will be voted on, the Board is open to proposals (either alternative proposals from PCL or new proposals from other sources) which would mitigate the current liquidity issues within GRIT and create a medium term capital base which permits continuation as an investment trust a viable option. As noted above, however, no such proposals have been identified at the date the accounts were approved.

A Circular will be sent to shareholders setting out further details and timescales however at this stage the Board expect the meeting to take place during August 2019.

As a result of the lack of a realistic alternative, and the intention to wind up the Company, the Board has therefore prepared the financial statements on a non-going concern basis. Other than investments now being classified as current assets, these financial statements are indifferent to results that would have been reported had the Company been a going concern.

## Viability Statement

Normally the Board would have considered a longer term viability of 2 years. However, this is considered irrelevant given the prevailing net creditor position, liquidity issues and an absence of a realistic alternative to ceasing trade, as outlined in the Going Concern statement. The Directors intend to seek shareholder approval for an orderly winding up of the Company through a Members Voluntary Liquidation process. Should shareholders vote to pass the resolution on the MVL, the Company would cancel its listing status at that point.

The directors have carried out a robust assessment of the principal risks facing the entity, including those that would threaten the business model, future performance, solvency or liquidity, and as described above and in note 1 to the financial statements, have concluded that the Company is not a going concern. Based on their assessment of the prospects and viability, the Directors confirm that they do not have a reasonable expectation that the Company will be able to continue in operation and meet liabilities as they fall due.

## Principal Risks and Uncertainties and Risk Mitigation

As a result of the current issues faced by the Company, the principal risk and uncertainty relates to liquidity. The Board has assessed this risk and elected to take the action outlined in the Going Concern and Viability Statement sections.

Prior to this outcome, the Board established a risk framework of key risks that the business, as an investment trust company, was exposed to which included policies and processes to mitigate and manage those risks. The principal risks which previously applied and the reasons for the Board actions not mitigating the intention to wind up and therefore preparation of the financial statements on a non-going concern basis are also outlined. The main uncertainty and risk that contributed to the intention to wind up being Sector risk.

**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 Executive Director.

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 Executive Director 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. As a result of the concentrated portfolio which the Company has been managing over recent years, the ability to manage the risks associated with investing in certain sectors and principally the exposure to unquoted investments, resulted in this contributing to the Board's decision to seek shareholder approval for a Members' Voluntary Liquidation.

**Market Risk** – 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 Executive Director.

The Board is cognisant of the uncertainty over the process of the UK leaving the European Union, however does not assess this is a risk that will have an impact on GRIT given the specific nature of the investment portfolio.

**Sector Risk** – The largest part of the Company's assets consist of equity-related investments in natural resource and mining companies, often unquoted, with a 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. However, as the portfolio became more concentrated and the weighting of listed securities compared to unlisted securities changed, the Board was unable to obtain the liquidity required to avoid the preparing the financial statements on a non-going concern basis.

## Strategic Review

**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 15 to the financial statements.

**Operational Risk** – The Company relies upon the services provided by third parties and is reliant on the control systems of the Company’s 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. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by the Executive Director and the Company Secretary and reviewed by the Audit Committee at least 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 Audit Committee after seeking input from the Company’s tax adviser.

### 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 and are considered Alternative Performance Measures. Definitions of these terms are outlined in the glossary and current and prior year results are provided on page 2.

- **Total Return**  
The Board reviews the Company’s Net Asset Value (“NAV”) total return and share price total return (see graph on inside front cover). The fact that the Company has not paid a dividend means that the total return numbers are the same as the capital return numbers. It compares these to the returns from the FTSE AIM Basic Resources Index, although the latter is not a benchmark;
- **Discount/premium to 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 through the official newswire of the London Stock Exchange (see inside front cover). The discount for the current and prior year are provided on page 2.
- **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 period. The Board regularly reviews the ongoing charges and monitors Company expenses. The ongoing charges figure for the current and prior year are provided on page 2.

### Social, Community, Employee Responsibilities and Environmental Policy

The Company has only one employee. As an Investment Trust with its current structure, the Company has no direct social, community, or environmental responsibilities.

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 Executive Director to deliver against these objectives, they have also requested that the Executive Director 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.

The Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company does not fall within the scope of the Modern Slavery Act 2015 and it is not therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers.

In line with the requirements of the Criminal Finances Act 2017, the Directors confirm that the Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

In order to ensure compliance with the UK Bribery Act 2010, the Directors confirm that the Company has zero tolerance towards bribery and a commitment to carry out business openly, honestly, and fairly.

The Company has no greenhouse gas emissions to report from its operations for the twelve months ended 31 December 2018, 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).

### Gender Representation

At 31 December 2018 the Board comprised four male Directors (including one executive Director) and one female Director. The Board believes in the benefits of having a diverse range of skills and backgrounds, and the need to have a balance of experience, independence, diversity, including gender, and knowledge on its Board of Directors. The Board believes that the current Directors have the appropriate range of skills and experience required by the Company. All appointments will continue to be based on merit and therefore the Board is unwilling to commit to numerical diversity targets. Diversity will continue to be considered as an important factor in any future appointments.

By order of the Board  
**Maitland Administration Services (Scotland) Limited**  
Secretaries  
28 June 2019

# Board of Directors

11

All of the Directors, except Mr Hutchins, are non-executive and all except Mr Reynolds are considered by the majority of the Directors to be independent. The independent non-executive Directors fulfil the function of the Nomination Committee and the independent non-executive Directors fulfil the function of the Audit Committee. The Board maintains overall control over the formulation of Company's investment policy and has overall responsibility for the Company's activities. The Board has delegated responsibility for day-to-day investment management to David Hutchins, the Company's executive director.

## Simon James Farrell

Independent Non-Executive Chairman

**Date of appointment:** 31 January 2014

### Experience:

Mr Farrell is non-executive co-chairman of Pathfinder Minerals PLC. He 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:** £30,000 per annum

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

**Shareholding in Company:** None

## Haruko Fukuda

Independent Non-Executive Director and Chair of the Audit Committee

**Date of appointment:** 17 September 2013

### Experience:

Miss Fukuda is a non-executive director of Investec Bank PLC and Aberdeen Standard Asia Focus 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:** £25,000 per annum

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

**Shareholding in Company:** None

## David ('Sam') Hutchins

Independent Executive Director

**Date of appointment:** 16 January 2017

### Experience:

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. 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. Sam is also one of two partners of RDP. RDP was the Company's Investment Manager from launch until 16 January 2017.

**Remuneration:** £30,000 per annum

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

**Shareholding in Company:** 1,994,500 shares

## Jonathan Reynolds

Non-Independent Non-Executive Director

**Date of appointment:** 22 August 2018

### Experience:

Mr. Reynolds is a chartered accountant with more than 25 years' experience across many sectors. He has held the position of finance director, chief financial officer and company secretary with numerous UK and Australian listed companies.

**Remuneration:** £nil per annum

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

**Shareholding in Company:** None

## Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2018.

### 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').

### Capital Structure

As at 31 December 2018 there were 41,964,512 ordinary shares of 1 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.

### Tygola Pty Ltd

On 10 August 2018 the Board was notified that Tygola Pty Ltd had appointed receivers over certain assets of the Company in connection with expenses of US\$251,000 that Tygola claimed were due to it from the Company in connection with the guarantee by the Company of a US\$500,000 loan by Tygola to AAM.

On 27 September 2018 the receivers were discharged, the parties having reached agreement. The costs expended in responding to and resolving this matter were £0.3m.

### Substantial Interests in Share Capital

At 28 June 2019, 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
Mardasa Nominees Pty Ltd	12,461,896	29.7
Philip J Milton	9,661,602	23.0
Armstrong Investments Ltd	3,000,000	7.1
D Hutchins	1,994,500	4.8

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

### Financial Statements

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 14.

### Annual General Meeting

The Notice of the Annual General Meeting was posted to shareholders on 7 June 2019. The Annual General Meeting will have been held on 1 July 2019 by the time these Financial Statements are in the hands of Shareholders. A subsequent general meeting where the financial statements will be laid will be set in due course.

### Directors' Remuneration Policy and Report

Among the resolutions put to the Annual General Meeting as ordinary business, is one approving 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.

### Induction and Training

New Directors appointed to the Board are required to have an understanding of the Company predating their appointment, which is deepened and expanded through individual discussion and contact with the Executive Director and Company Secretary and, in particular, participation at Board meetings. Relevant training is available to Directors as necessary.

### 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 auditor of the Company for the ensuing year, and to authorise the Directors to determine their remuneration.

### Continuation Vote

In accordance with the Articles of Association an ordinary resolution, Resolution 6, will be proposed at the Annual General Meeting for the Company to continue as an investment trust.

As the Board intend to seek shareholder approval for a Members Voluntary Liquidation, the Board will seek a discontinuance result in this resolution.

### Directors' Authority to Allot Shares

The Directors are seeking authority to allot shares. Resolution 7 will, if passed, authorise the Directors to allot (and grant subscription and conversion rights over) new shares up to an aggregate nominal amount of £41,923, being 9.99 per cent of the total issued shares as at 27 June 2019.

Resolution 9, which is a special resolution, will, if passed, renew the Directors' existing power 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. This power applies to the allotment of (and grant of subscription and conversion rights over) shares up to a maximum nominal amount of £20,940 (being 4.99 per cent of the total of issued shares as at 27 June 2019), and otherwise in connection with an offer to holders of ordinary shares in proportion to their existing shareholdings, but subject to exclusions and other arrangements the Directors may consider necessary.

Resolution 8 also allows the sale of treasury shares for cash, on the same basis, without offering such shares first to all existing shareholders. These authorities will continue in effect until the earlier of 15 months from the date the resolutions are passed and the conclusion of the Annual General Meeting in 2020. 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 or to hold in treasury during the year.

Resolution 10, 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. 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 of the highest current independent bid for any number of the Company's ordinary shares on the trading

venue where the purchase is carried out. 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 earlier of 15 months from the date the resolutions were passed and the conclusion of the Annual General Meeting of the Company

### 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

**Maitland Administration Services (Scotland) Limited**  
Secretaries

28 June 2019

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the financial statements on the same basis.

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 its profit or loss for that period. In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so (as explained in note 1, the directors do not believe it is appropriate to prepare these financial statements on a going concern basis).

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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.

### Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; 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 they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

**Haruko Fukuda**  
Director

28 June 2019

# 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 2016 (the 'UK Governance Code'), which is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk). The UK 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 Board has not adopted early the revised UK Corporate Governance Code published in July 2018 (the '2018 UK Governance Code'), which first applies to the Company for its financial year commencing 1 January 2019.

The Association of Investment Companies also published a Code of Corporate Governance in 2016 ('2016 AIC Code') and a Corporate Governance Guide for Investment Companies ('AIC Guide') which are available on the AIC's website: [www.theaic.co.uk](http://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 AIC published its 2019 AIC Code of Corporate Governance ('2019 AIC Code') in February 2019 in response to the 2018 UK Governance Code. As a result there is no longer a need for the AIC Guide since the 2019 AIC Code closely reflects the 2018 UK Governance Code. The Company will adopt the 2019 AIC Code for its financial year commencing 1 January 2019.

The Board considers that for the year ended 31 December 2018, reporting against the principles and recommendations of the 2016 AIC Code, and by reference to the AIC Guide (which incorporates the UK Governance Code), will provide better information to shareholders.

## Application of the Principles of the Codes

The Company has complied with the provisions of the 2016 AIC Code and the UK Governance Code, except for the UK 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 2016 AIC Code the above exceptions are not believed to be applicable to a self-managed investment company.

## The Board

The Board consists of three non-executive Directors, one of whom the majority of the Directors consider is non-independent, and one executive Director. Mr Farrell 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. The Directors are independent in character and judgement and Mr

Hutchins' role as the Company's Investment Manager until 16 January 2017 notwithstanding, there are no relationships, or circumstances which the Board considers likely to affect the judgement of the independent Directors.

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 December 2018 the Board met •• times. In addition, there were •• Audit Committee meetings.

Directors have attended Board and Committee meetings during the year ended 31 December 2018 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board meetings	Audit Committee meetings
S Farrell (Chairman)	5 (5)	2 (2)
H Fukuda	5 (5)	2 (2)
D Hutchins	5 (5)	2 (2)
D Johnston (appointed 22 Aug 2018), (resigned 14 June 2019)	1 (2)	– (1)
J Reynolds (appointed 22 Aug 2018)	2 (2)	1 (1)
Lord St John (resigned 27 April 2018)	1 (1)	1 (1)

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 Executive Director. 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.

During the year a Litigation Committee, consisting of the Company's independent Directors, was formed to deal with all matters in connection with the appointment by Tygola Pty Ltd of receivers over certain assets of the Company.

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 the completion of evaluation questionnaires.

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.

Lord St John resigned from the Board as of 27 April 2018 and Mr Farrell succeeded him as Chairman. Mr Johnston and Mr Reynolds were appointed to the Board on 22 August 2018. Mr Johnston resigned on 14 June 2019. The annual evaluation of the Board and the Directors has been completed and the Directors have concluded that the Board continues to function effectively.

## Statement of Corporate Governance

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. The administration of the Company has been delegated to Maitland Administration Services (Scotland) Limited ("Maitland"). Maitland is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

### Nomination Committee

Appointments to the Board of Directors are considered by the Nomination Committee which is chaired by Mr Farrell and comprises the independent non-executives. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. 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 Executive Director. The Executive Director 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 Executive Director'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 its website, at [www.grit.london](http://www.grit.london).

The Board will also receive from the Executive Director regular reports on the exercise by him of the Company's voting rights.

### Exercise of Voting Powers

The Executive Director, 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 each 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 Company'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 12.

All shareholders have the opportunity to put questions to the Board at the Company's Annual General Meeting. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

By Order of the Board

**Maitland Administration Services (Scotland) Limited**  
Secretaries

28 June 2019

# 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 independent non-executive 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 Executive Director and Administrators;
- to meet with the external Auditor, KPMG LLP ('KPMG') to review their proposed audit programme of work and their findings. The Committee 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 Administrator detailing the arrangements in place whereby the staff 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 is 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.

## Review of 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 to 31 December 2018. KPMG issued an unqualified audit report which is included on pages 21 to 25.

No non-audit services have been provided by KPMG LLP in the year.

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 Administrator, remains satisfied that KPMG continues to provide effective independent challenge in carrying out its responsibilities.

## Significant Accounting Issues

The Audit Committee considers the main audit risks in the current period to be the valuation and ownership of quoted and unquoted investments by the Company.

In order to address this, the Company has appointed an Executive Director 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 Board receives regular updates from the Investment Manager on the valuation of unquoted investments and assess the information provided in establishing the valuations used within the net asset value. The Company also receives regular reporting on internal controls (as set out on page 18).

The Executive Director 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 Committee met three times to assess the estimates and judgments used by the Investment Manager for appropriateness and the year end valuations were reviewed by the Audit Committee.

The basis of preparation of the financial statements was also a focus area of the Audit Committee.

## Audit Tenure

Following professional guidelines, the audit partner rotates after five years. The current Audit Director is in the second year of his appointment. KPMG were appointed as auditors in 2013 and 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.

## Report of 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 Audit Committee and accords with the FRC Guidance.

The Audit Committee 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:

- investment and strategy;
- market;
- liquidity;
- sector;
- earnings;
- financial sustainability;
- operational; and
- regulatory.

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

- Maitland Administration Services (Scotland) Limited ('Maitland') as Company Secretary and Administrator prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board has 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;
- written agreements are in place which specifically define the roles and responsibilities of the Executive Director, 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 Administrator, has decided to place reliance on the Administrator's systems and internal audit procedures.

At its April meeting, the Audit Committee carried out an annual assessment of internal controls for the twelve months to 31 December 2018 by considering documentation from the Administrator, including the internal audit and compliance functions and taking account of events since 31 December 2018. 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 to 10.

**Haruko Fukuda**

Chairman of Audit Committee

28 June 2019

# Directors' Remuneration Report

## Remuneration Committee

The remuneration committee consists of the independent non-executive Directors. Simon Farrell is Chairman of the committee. The committee meets on an annual basis and at such times as may be required.

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. 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 and be 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. Mr Johnston and Mr Reynolds were appointed as Directors following a General Meeting called by the Company's largest shareholder on 22 August 2018. The Board does not consider them to be independent Directors and the Board has determined that they should not receive fees. It is intended that this policy will apply for the year to 31 December 2018 and subsequent years.

The fees for the 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 December 2018 was £85,000. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Mr Hutchins has been employed as an executive director to manage the investments and assets of the Company in return for a salary which is subject to annual review. His contract for services with the Company commenced on 16 January 2017. There are no performance conditions relating to Mr Hutchins' salary and he is not eligible for bonuses, pension benefits, share options, long-term incentive scheme or other benefits. No compensation is payable on loss of office.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The terms of Directors' appointments provide that Directors are obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that.

New independent Directors are provided with a letter of appointment. 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 Re-election
S Farrell	31 January 2014	AGM 2019
H Fukuda	17 September 2013	AGM 2021
D Hutchins	16 January 2017	AGM 2021
D Johnston	22 August 2018	AGM 2021
J Reynolds	22 August 2018	AGM 2021

## Annual Report on Directors' Remuneration

### Directors' Emoluments (audited)

The Directors who served in the twelve months to 31 December 2018 received the following fees:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
S Farrell*†	27	32
H Fukuda**	23	20
D Hutchins***	27	19
D Johnston <sup>∞</sup>	–	–
J Reynolds <sup>^</sup>	–	–
A St John <sup>‡</sup>	8	25
<b>Totals</b>	<b>85</b>	<b>96</b>

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

	2019 £'000
S Farrell*†	30
H Fukuda**	25
D Hutchins***	30
J Reynolds	nil
<b>Totals</b>	<b>85</b>

\* Chairman.

\*\* Chairman of the Audit Committee.

\*\*\* David Hutchins was appointed Executive Director on 16 January 2017

† Fees paid to Newcove International Inc.

<sup>^</sup> appointed 22 August 2018.

<sup>‡</sup> Resigned on 27 April 2018.

<sup>∞</sup> Resigned on 14 June 2019.

# Directors' Remuneration Report

## Relative Importance of Spend on Pay

The remuneration paid to Directors is shown above. There were no distributions made to shareholders.

## Directors' Interests

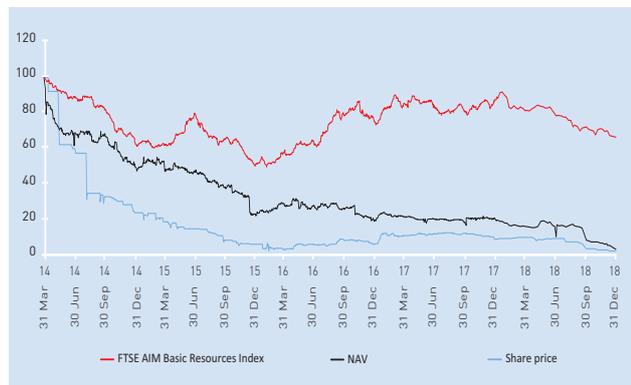
Biographies of the Directors are shown on page 11.

No Directors who held office during the year held ordinary shares or CULS in the Company as at 31 December 2018 or 31 December 2017, with the exception of Mr Hutchins who held 1,994,500 shares at 31 December 2018.

There has been no change in the ordinary share holdings of the Directors for the year end 31 December 2018 and up to the signing date.

## Company Performance

The Board is responsible for the Company's investment strategy and performance. 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 19 and 20 was approved by the Board of Directors and signed on its behalf on 28 June 2019.

**Haruko Fukuda**  
Director



# Independent auditor's report

## to the members of Global Resources Investment Trust plc

### 1. Our opinion is unmodified

We have audited the Financial Statements of Global Resources Investment Trust plc ("the Company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its return for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as Auditor by the directors on 2 June 2014. The period of total uninterrupted engagement is for the five financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
<b>Materiality:</b>	£8,000 (2017: £41,400)	
Financial Statements as a whole	0.5% (2017: 0.5%) of total Assets	
Key audit matters		vs 2017
<b>Recurring risks</b>	Carrying amount of unquoted investments	◀▶

### 2. Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.



### 3. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
<p><b>Unquoted investments</b> (€0.6; 2017: €6.3m)</p> <p><i>Refer to page 17 (Audit Committee Report), page 31 (accounting policy) and pages 35 and 36 (financial disclosures).</i></p>	<p><b>Valuation of unquoted investments:</b></p> <p>40% (2017: 84%) of the Company's total current asset investments (by value) is held in investments where no quoted market or recent transaction prices are available. The investments incorporate principally equity and debt instruments and relate to two main investment holdings. Unquoted investments are measured at fair value, which is established in accordance with International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, industry valuation benchmarks, net assets. Given the subjective nature of the valuations, an error in the valuation of one such investment could result in a material misstatement. As a result, this is one of the key judgemental areas that our audit focuses on.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Methodology choice:</b> In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation bases selected.</li> <li>— <b>Our valuations experience:</b> Challenging the investment manager on key judgements affecting investee company valuations. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We obtained an understanding of investee company cashflows to assess whether further financing was required. We involved valuation specialists in assessing valuations using industry benchmark valuation models. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;</li> <li>— <b>Comparing valuations:</b> Where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation.</li> <li>— <b>Assessing transparency:</b> Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>— We found the valuation of unquoted investments to be acceptable. (2017: acceptable)</li> </ul>

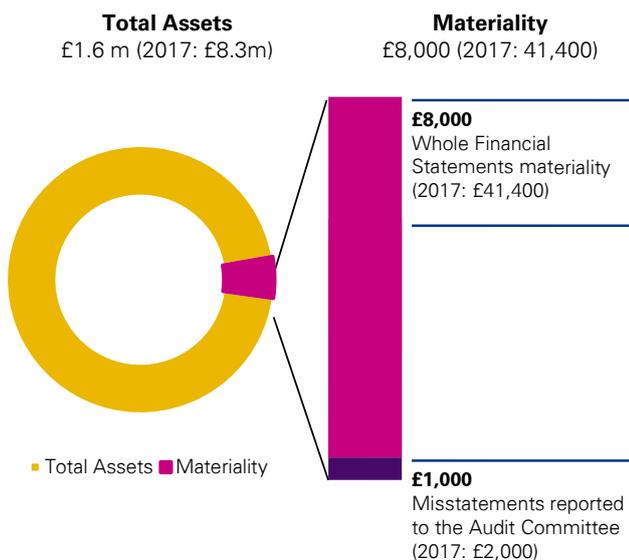
The valuation of share based payments was determined at initial recognition of the share based payment award and is not required to be re-valued at each reporting date. We have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the Financial Statements as a whole was set at £8,000 (2017: £41,400), determined with reference to a benchmark of total assets, of which it represents 0.5% (2017: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1,000 (2017: £2,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at KPMG's office in Edinburgh.



#### 5. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

##### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

##### Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, other than the emphasis of matter on non-going concern basis of preparation referred to above, we have nothing further material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 9 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

#### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

#### 6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

## 7. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 14, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below) or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### *Irregularities – ability to detect*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, through discussion with the Directors, the manager and the administrator (as required by auditing standards) and discussed with the Directors and the manager the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), and its qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

*Irregularities – ability to detect (continued)*

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**8. The purpose of our audit work and to whom we owe our responsibilities**

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

**Grant Archer (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

28 June 2019



# Income Statement

	Year ended 31 December 2018			Year ended 31 December 2017			
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	8	–	(5,426)	(5,426)	–	(158)	(158)
Exchange losses		–	(4)	(4)	–	(17)	(17)
Foreign exchange forward contract loss		–	–	–	–	(83)	(83)
Income	2	–	–	–	76	–	76
Investment management fee	3,17	–	–	–	(37)	(629)	(666)
Other expenses	4	(549)	(810)	(1,359)	(453)	–	(453)
<b>Net return before finance costs and taxation</b>		<b>(549)</b>	<b>(6,240)</b>	<b>(6,789)</b>	<b>(414)</b>	<b>(887)</b>	<b>(1,301)</b>
Interest payable and similar charges	5	(30)	–	(30)	(24)	–	(24)
<b>Net return on ordinary activities before taxation</b>		<b>(579)</b>	<b>(6,240)</b>	<b>(6,819)</b>	<b>(438)</b>	<b>(887)</b>	<b>(1,325)</b>
Taxation on ordinary activities	6	–	–	–	–	–	–
<b>Net return attributable to equity shareholders</b>		<b>(579)</b>	<b>(6,240)</b>	<b>(6,819)</b>	<b>(438)</b>	<b>(887)</b>	<b>(1,325)</b>
<b>Loss per ordinary share</b>	7	<b>(1.38)p</b>	<b>(14.87)p</b>	<b>(16.25)p</b>	<b>(1.04)p</b>	<b>(2.12)p</b>	<b>(3.16)p</b>

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 gains and losses for the year are 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.

## Statement of Changes in Equity 27

For the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2017	420	36,880	(25,669)	(3,381)	8,250
Return on ordinary activities after taxation	-	-	(6,240)	(579)	(6,819)
Value of shares issued in lieu of management fee	-	-	-	-	-
Value of unissued share tranches	-	-	-	-	-
Issue of shares	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>420</b>	<b>36,880</b>	<b>(31,909)</b>	<b>(3,960)</b>	<b>1,431</b>

For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2016	400	36,800	(25,311)	(2,943)	8,946
Return on ordinary activities after taxation	-	-	(887)	(438)	(1,325)
Value of shares issued in lieu of management fee	-	-	229	-	229
Value of unissued share tranches	-	-	400	-	400
Issue of shares	20	80	(100)	-	-
<b>Balance at 31 December 2017</b>	<b>420</b>	<b>36,880</b>	<b>(25,669)</b>	<b>(3,381)</b>	<b>8,250</b>

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

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

## Balance Sheet

	Notes	As at 31 December 2018 £'000	As at 31 December 2017 £'000
<b>Fixed assets</b>			
Investments	8	-	7,568
<b>Current assets</b>			
Investments	8	1,548	-
Debtors	9	23	440
Cash at bank and on deposit		32	325
		<b>1,603</b>	<b>765</b>
<b>Creditors: amounts falling due within one year</b>			
Other creditors	10	(172)	(83)
9% Convertible Unsecured Loan Stock 2017	11	-	-
<b>Net current assets/(liabilities)</b>		<b>1,431</b>	<b>(83)</b>
<b>Net assets</b>		<b>1,431</b>	<b>8,250</b>
<b>Capital and reserves</b>			
Called up share capital	12	420	420
Share premium		36,880	36,880
Capital reserve		(31,909)	(25,669)
Revenue reserve		(3,960)	(3,381)
<b>Equity shareholders' funds</b>		<b>1,431</b>	<b>8,250</b>
<b>Net asset value per share</b>	13	<b>3.41p</b>	<b>19.66p</b>

The financial statements on pages 26 to 41 were approved by the Board of Directors and authorised for issue on 28 June 2019 and were signed on its behalf by:

**Haruko Fukuda**

Director

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

## Cash Flow Statement 29

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
<b>Operating activities</b>			
Loss before taxation		(6,819)	(1,301)
Loss on investments	8	5,426	158
Decrease in foreign exchange creditor		-	(2,412)
(Decrease)/increase in other receivables		(13)	613
Increase in other payables		89	11
Realised exchange loss on currency balances		4	100
Value of share tranches in lieu of management fee		-	629
Capital expenses		810	-
<b>Net cash outflow from operating activities before taxation</b>		<b>(503)</b>	<b>(2,202)</b>
Taxation paid		-	-
<b>Net cash outflow from operating activities</b>		<b>(503)</b>	<b>(2,226)</b>
<b>Investing activities</b>			
Purchases of investments		-	(2,125)
Sales of investments		594	4,724
Tygola guarantee		(380)	-
Advanced loan to Anglo African Minerals		-	(390)
<b>Net cash inflow from investing activities</b>		<b>214</b>	<b>2,209</b>
<b>Financing</b>			
Redemption of CULS		-	(2,700)
<b>Net cash outflow from financing</b>		<b>-</b>	<b>(2,700)</b>
<b>Decrease in cash and cash equivalents</b>	14	<b>(289)</b>	<b>(2,717)</b>
Exchange movements including forward contracts		(4)	(100)
Net cash at the start of the year		325	3,142
<b>Net cash at the end of the year</b>		<b>32</b>	<b>325</b>

# Notes to the Financial Statements

for the year to 31 December 2018

## 1 Accounting Policies

### (a) Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB) and to the extent that they have been adopted by the European Union.

The financial statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in February 2018 with consequential amendments, to the extent that it is consistent with IFRS.

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.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing its compliance with certain requirements set out in Sections 1158 – 1159 of the Corporation Tax Act 2010.

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and impact is described below:

– IFRS 9 'Financial Instruments'

The Company adopted IFRS 9 'Financial Instruments' on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 has had no significant impact on the financial statements of the Company.

– IFRS 15 'Revenue from contracts with customers'

The Company adopted IFRS 15 'Revenue from contracts with customers' on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 'Revenue' and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no significant impact of adopting IFRS 15 for the Company.

At the date of authorisation of these financial statements, the following Standards and Interpretations were effective for annual periods beginning on or after 1 January 2019:

– IFRS 16 – Leases (early adoption permitted)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company. The Company concludes however that certain additional disclosures may be necessary on their application.

### Going Concern

As a result of the Company's operations being cash flow negative since its inception, the Company has required to redeem non-core investment portfolio assets to generate the cash needed to finance operational costs.

In 2018, £594,000 was realised from investment proceeds compared with operating expenses and interest costs of £579,000.

As at 28 June 2019, the Company currently has cash of £5,000 and net creditors of £290,000 (excluding investments). The creditors are in respect of director fees, administration and adviser costs. The Board estimate the operating expenses over the next twelve months (the minimum going concern period) to be £400,000.

Taking into account the existing net creditor position and the operating costs to June 2020, the Company requires at least £700,000 of cash to remain a going concern.

The Company appointed Peterhouse Capital Limited ('PCL') as Corporate Broker to liaise with shareholders and advise the Board on the future direction of the Company, the aim of which being to seek a solution to the liquidity issues outlined above.

Based on the prevailing net creditor position and the absence of a meaningful solution available to the Board at the current time to mitigate these liquidity issues, the Board intends to seek shareholder approval to wind up the Company in an orderly manner via a Members Voluntary Liquidation (MVL).

A Circular will be sent to shareholders setting out further details and timescales however at this stage the Board expects the meeting to take place during August 2019. Should this vote be passed, the Directors assess the holdings in Kalia, Siberian and AAM would be disposed of over the course of 6-12 months to permit scope for these entities to secure financing based on current discussions.

As a result of the lack of a realistic alternative, and the intention to wind up the Company, the Board has therefore prepared the financial statements on a non-going concern basis. Other than investments now being classified as current assets, these financial statements are indifferent to results that would have been reported had the Company been a going concern.

### 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) with further analysis provided in note 8.

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

#### (b) 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. Unlisted investments are valued at fair value by the Directors on the basis of all information available to them at the time of valuation and in accordance with the methodologies consistent with the International Private Equity and Venture Capital Valuation guideline ('IPEV'). This includes a review of: the financial and trading information of trustee the company, covenant compliance and ability to repay the interest and cash balances. 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 as per note (i).

As a result of the Directors' intention to wind up the Company, investments as at 31 December 2018 have been reflected as current assets and recognised at realisable value.

#### (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.

Interest has not been recognised on debt instruments held in AAM in 2018. Income from deposit interest is recognised on an accruals basis.

#### (d) Taxation

The charge for taxation is based on net revenue for the period. 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 basis 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.

Based on the smaller portfolio of the Company, after taking advice, it remains the position of the Board that the Company continues to qualify under these rules.

#### (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 where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

**(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 5.

**(h) Share based payments**

The amount recognised is based on the fair value of the shares as measured at the date of the award. The shares are valued using a Black Scholes type model. The value of issued and unissued share tranches are charged to the capital reserve.

**(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.

This reserve is non-distributable

(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.

**(k) Investments in Associates**

As an Investment Trust, the Company considers they are an Investment Entity under IFRS and therefore investments, which would ordinarily be considered associates and require to be equity accounted, are accounted on a fair value through profit and loss basis.

**2 Income**

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
<b>Income from investments*</b>		
Overseas interest	–	76
<b>Total income</b>	–	<b>76</b>
<b>Total income comprises:</b>		
Fixed interest securities	–	76
	–	<b>76</b>

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

Income for the twelve months ended 31 December 2017 relates to accrued income from Anglo African Minerals 9% Convertible Loan Stock and Siberian Goldfields 15% Convertible Loan Stock.

### 3 Investment Management Fee

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Investment management fee	-	-	-	37	629	666

Since 17 January 2017, RDP is no longer the Company's Investment Manager.

From 1 January 2017 to 16 January 2017, the Company's Investment Manager was RDP. RDP received 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 annum on the amount by which the preceding monthly average net assets exceeds £100 million. On 16 January 2017, at a General Meeting, the shareholders approved a change in the arrangement with RDP for managing the Company and, as a result, the Company and its Portfolio became self-managed. RDP received £37,000 in relation to the twelve months ended 31 December 2017 and this has been charged to revenue. On 16 January 2017, at the Company's General Meeting, 1,994,500 shares were issued to RDP at a value of 11.5p, the value of this share issuance was allocated to capital. GRIT has recognised the remaining tranches of share based payment at fair value and the expense has been charged to Capital – as approved by the Board.

There is no performance fee.

Investment management fees have been allocated to revenue and capital.

### 4 Other Expenses (including irrecoverable VAT)

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Secretarial and administration fees	122	-	122	84	-	84
Directors' fees	85	-	85	96	-	96
Auditor (KPMG) remuneration for:						
– statutory audit	40	-	40	42	-	42
Tax services – Chiene & Tait	16	-	16	4	-	4
Legal fees	83	-	83	88	-	88
Broker fees	36	-	36	24	-	24
Public relations	17	-	17	13	-	13
Regulatory fees	22	-	22	23	-	23
Tygola guarantee	-	380	380	-	-	-
Safe custody fee	30	-	30	30	-	30
Travel expenses	31	-	31	22	-	22
Registrar fees	17	-	17	17	-	17
Printing fees	8	-	8	10	-	10
Write-off of Advanced loan to Anglo African Minerals	-	430	430	-	-	-
Professional fees	8	-	8	-	-	-
Other	34	-	34	-	-	-
	<b>549</b>	<b>810</b>	<b>1,359</b>	<b>453</b>	<b>-</b>	<b>453</b>

The Company has an agreement with Maitland Administration Services (Scotland) Limited for the provision of secretarial and administration services. During the year the total fees paid and payable were £122,281. The balance due to Maitland for secretarial services at the year end was £81,543. Maitland receive a fee comprising 0.08% per annum of the total assets subject to a minimum fee of £87,378. The administration agreement has a six month notice period.

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

The Tygola guarantee cost relates to monies paid in respect of a guarantee provided by GRIT in respect of Anglo African Minerals.

The write-off of the AAM loan amount relates to an assessed unrecoverable amount in respect of a debtor owed by AAM.

## 5 Interest Payable and Similar Charges

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Interest on 9% Convertible Unsecured Loan Stock 2017 ('CULS')	-	-	-	24	-	24
Interest paid on guarantee to Tygola	30	-	30	-	-	-
	30	-	30	24	-	24

Interest payable on the CULS is allocated 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. There were no CULS remaining outstanding at the start of the year as they were fully paid in February 2017.

## 6 Tax on Ordinary Activities

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Corporation tax	-	-	-	-	-	-
Overseas taxation	-	-	-	-	-	-
Total tax charge	-	-	-	-	-	-

## Reconciliation of Tax Charge

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

	2018 Total £'000	2017 Total £'000
Loss on ordinary activities before taxation	(6,819)	(1,325)
Corporation tax at standard rate 19% (prior year: 19%)	(1,296)	(252)
Effects of:		
Non taxable losses	1,031	30
Excess management expenses	264	203
Exchange losses	1	19
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 December 2018 the Company had surplus management expenses of £1,221,000 (2017: £957,000) which have not been recognised as a deferred tax asset.

## 7 Return per ordinary share

Return per ordinary share attributable to shareholders reflects the overall performance of the Company in the year.

	Year ended 31 December 2018	Year ended 31 December 2017
Revenue return	(1.38)p	(1.04)p
Capital return	(14.87)p	(2.12)p
Total return	<b>(16.25)p</b>	<b>(3.16)p</b>
	Number	Number
Weighted average ordinary shares in issue	<b>41,964,512</b>	41,877,082

## 8 Investments

	2018 Total £'000	2017 Total £'000
Investments listed/quoted on a recognised investment exchange	926	1,242
Unquoted investments	622	6,326
	<b>1,548</b>	<b>7,568</b>
Equity shares	1,077	7,125
Convertible securities	471	443
	<b>1,548</b>	<b>7,568</b>

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. As a result of the Directors' intention to wind up the Company, investments at 31 December 2018 have been reflected in current assets in the Balance Sheet at realisable value.

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 2 Listed in UK £'000	Level 3 £'000	2018 Total £'000	2017 Total £'000
Opening book cost	1,475	5,114	–	5,623	12,212	21,361
Opening fair value adjustment	(785)	(4,563)	–	704	(4,644)	(11,036)
Opening valuation	690	551	–	6,327	7,568	10,325
Transfers	(524)	768	524	(768)	–	–
Purchases at cost	–	–	–	–	–	2,125
Sales – proceeds	(100)	(443)	(51)	–	(594)	(4,724)
– realised losses	(851)	(281)	(211)	–	(1,343)	(6,550)
Increase/(decrease) in fair value adjustment	785	201	(132)	(4,937)	(4,083)	6,392
Closing valuation	–	796	130	622	1,548	7,568
Closing book cost	–	5,158	262	4,855	10,275	12,212
Closing fair value adjustment	–	(4,362)	(132)	(4,233)	(8,727)	(4,644)
Closing valuation	–	796	130	622	1,548	7,568

The gains and losses included in the above table have all been recognised within losses 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.

During the year IMC shares were reclassified from level 1 to level 2 due to the decrease in trading activity. Kalia shares were reclassified from level 3 to level 1 due to the transfer to listed shares on the Australian Securities Exchange.

The Board considered the matters which were most relevant in establishing the fair value of level 3 investments were:

- Siberian Goldfields – the investment in Siberian Goldfields has been valued based on the assessed value of the proven and estimated reserves, taking into account the market value of similar projects, discounted to reflect the geopolitical risks associated with the location of those reserves and the resulting difficulties in securing finance to move the project into production.
- AAM – the valuation reflects recent debt finance being raised in the entity and operational developments in respect of larger scale funding being secured.

For both AAM and Siberian, the Board consider the valuations will increase significantly at the point the desired level of finance is achieved in each entity. Conversely, the valuations will reduce to, or close to, nil should such finance not be secured in the next 6-12 months.

	2018 £'000	2017 £'000
<b>Losses on investments</b>		
Realised losses on sale	(1,343)	(6,550)
Movement in fair value	(4,083)	6,392
<b>Losses on investments</b>	<b>(5,426)</b>	<b>(158)</b>

During the year the Company did not incur any transaction costs on purchases or sales.

## 9 Debtors

	2018 £'000	2017 £'000
Advanced loan to Anglo African Minerals	–	390
Prepayments and accrued income	8	42
VAT recoverable	15	8
	<b>23</b>	<b>440</b>

## 10 Other creditors

	2018 £'000	2017 £'000
Other creditors	172	83
	<b>172</b>	<b>83</b>

**11 9% Convertible Unsecured Loan Stock 2017**

	2018 Nominal value of CULS £'000	2017 Nominal value of CULS £'000
Balance at the beginning of the period	–	2,700
Redemption of CULS	–	(2,700)
<b>Balance at the end of the period</b>	<b>–</b>	<b>–</b>

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). A further £150,000 CULS and 150,000 warrants were issued on 28 November 2014. During the 16 months to 31 December 2015, the Company converted £300,000 of CULS into equity. On 23 August 2016 and 1 November 2016, the Company made two repayments each of £1,000,000 nominal of CULS. On 19 January 2017, a further £1,500,000 nominal of CULS was repaid and on 28 February 2017 the Company repaid the outstanding £1,200,000 of 9% Convertible Unsecured Loan Stock. At 31 December 2017, there was no CULS outstanding.

**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. Given the current share price, no liability is recognised for the warrants. No warrants were exercised in 2018.

**12 Share Capital**

	2018 Shares	2018 £'000
<b>Authorised at 31 December</b>		
Ordinary shares of 1p each	100,000,000	1,000
<b>Allotted, called up and fully-paid</b>		
Total issued ordinary shares of 1p each as at 31 December 2018	41,964,512	420

**Capital management policies and procedures**

The Company's capital management objectives are:

- to ensure, as far as reasonably possible, 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 8. As noted in that section and in note 1, the Board is seeking shareholder approval to wind up the Company via a Members Voluntary Liquidation process.

**13 Net Asset Value per Ordinary Share**

	2018	2017
Net asset value per share	3.41p	19.66p
Net assets attributable at end of period	£1.4m	£8.3m
Ordinary shares of 1p each in issue at end of period	41,964,512	41,964,512

**14 Analysis of Changes in Net Cash**

	At 1 January 2018 £'000	Cash flow £'000	Currency movements £'000	At 31 December 2018 £'000
Cash at bank and in hand	325	(289)	(4)	32
<b>Total</b>	<b>325</b>	<b>(289)</b>	<b>(4)</b>	<b>32</b>

## 15 Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a small portfolio of financial assets in pursuit of its investment objective.

Listed fixed asset investments held (see note 8) are measured 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 28.

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 Company may not be able to liquidate its investments to satisfy ongoing operational requirements. The Company's operations have been cash flow negative since its inception, with the Company relying on the sale of investments to generate the cash needed to continue to operate. £0.6m was realised from the sale of investments during the period under review.

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

	2018 £'000	2017 £'000
<b>Financial instruments</b>		
Investment portfolio	1,548	7,568
Cash at bank and on deposit	32	325
Debtors	23	440
<b>Financial liabilities</b>		
Other creditors	172	83

### 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. The very focussed investment portfolio amplifies the risk arising from factors specific to a country or sector. The Executive Director 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 Executive Director's Review and further information on the investment portfolio is set out on page 7.

If the investment portfolio valuation fell by 10 per cent at 31 December 2018, the impact on the profit or loss and the net asset value would have been negative £0.2 million (2017: £0.8 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 period 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 Executive Director 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 in the prior year had fixed interest liabilities.

	2018 £'000	2018 Weighted average interest rate (%)*	2018 Weighted average period for which the rate is fixed (years)	2017 £'000	2017 Weighted average interest rate (%)*	2017 Weighted average period for which the rate is fixed (years)
<b>Assets:</b>						
Convertible securities	471	-	-	443	-	-

\* 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. Although the Executive Director 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 December was as follows:

	2018 Investments £'000	2018 Cash £'000	2018 Net current assets £'000	2018 Total £'000	2017 Investments £'000	2017 Cash £'000	2017 Net current assets £'000	2017 Total £'000
Canadian Dollar	-	-	-	-	551	-	-	551
US Dollar	471	-	471	-	2,111	5	-	2,116
Australian Dollar	796	-	796	-	2,403	-	-	2,403
Euro	-	-	-	-	-	-	-	-
	<b>1,267</b>	<b>-</b>	<b>1,267</b>	<b>-</b>	<b>5,065</b>	<b>5</b>	<b>-</b>	<b>5,070</b>

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 £0.06 million (2017: £0.25 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 Executive Director 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 Executive Director 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:

	2018 £'000	2017 £'000
Cash and cash equivalents	32	325
Interest, dividends and other receivables	-	440
	<b>32</b>	<b>765</b>

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 Executive Director will move the cash holdings to another bank.

As at 31 December 2018, the Company held 3 per cent or more of issued share capital of the following companies:

	2018 Number of ordinary shares issued	2018 Percentage held	2017 Number of ordinary shares issued	2017 Percentage held
Kalia Holdings	2,514,347,391	19.1%	-	-
Kalia Holdings Ltd Pty	-	-	240,000,000	27.7%
Anglo African Minerals	444,648,075	25.4%	444,648,075	25.4%
IMC Exploration Group	147,291,719	17.6%	147,291,719	17.6%
Siberian Goldfields	250,010,000	6.1%	250,010,000	6.1%

These companies are not treated as associates as the policy choice under IFRS is taken whereby they are not equity accounted as GRIT considers itself as an investment entity and therefore accounts for these investments on a fair value through profit and loss basis.

## Liquidity risk

The Company's financial instruments include investments in unlisted investments which are not traded on 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:

	2018 £'000	2017 £'000
Unquoted investments:		
Unquoted convertible securities that are convertible into unlisted securities	471	443
Unquoted equities	151	5,883
	<b>622</b>	<b>6,326</b>

The Company's liquidity risk is managed on an ongoing basis by the Executive Director in accordance with policies and procedures in place as described in the Directors' Report. The Company's overall liquidity risks are monitored by the Board whenever it meets. Consideration of such matters has resulted in the Board recommending the Company is wound up via a Members Voluntary Liquidation process.

## 16 Related Party Transactions

The Board of Directors are considered related parties.

Details of the fee arrangement with the Executive Director are included within the Directors' Report under the heading Management Arrangements and are disclosed in note 3.

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 19 and 20, and as set out in note 4 to the accounts. The beneficial interests of the Directors in the ordinary shares of the Company are disclosed on page 20.

There were fees of £24,000 (2017: £7,000) due to Directors at the year end.

As a result of the Company holding more than 20% of the shares in AAM, it is considered a related party. Details of transactions with AAM are outlined in notes 4, 8 and 9.

## 17 Share Based Payments

On 16 January 2017, the Company entered into a termination agreement with RDP and agreed a share incentive plan which allows RDP to benefit from an award of share based payments. David Hutchins, Executive Director, is one of two partners of RDP. The Company's incentive plan has conditions attached before RDP becomes entitled to the award. The conditions require the share price of the Company to be above the trigger points for 30 consecutive days. On achievement of this condition each tranche of shares will be issued. As an equity settled share based payment, the fair value is assessed at the date of award with no revision. The Company obtained a valuation of the share based payment award to determine an appropriate fair value to reflect in the financial statements. The value was based on a forward looking expectation reflecting the likelihood of portfolio investments growing in value to a sufficient extent that the NAV (after adjusting for the discount) would permit the triggers to be achieved.

The first tranche was reflected at the share price and number of shares issued. The model was used to estimate the fair value of the remaining three tranches which was assessed as £400,000. Based on the model output a range of values that could have been reflected was £240,000 to £475,000.

	Trigger point	Date of payment	Cost per share (p)	Share price (p)	Number of shares
First trigger	On admission	16/1/17	5	11.5	1,994,500
Second trigger	14p	n/a	5	n/a	2,000,000
Third trigger	16p	n/a	5	n/a	2,000,000
Fourth trigger	18p	n/a	5	n/a	2,000,000

The first tranche was valued at £229,638 using the share price on the day the agreement was signed. The remaining three tranches have a value of £400,000 and are also recognised at fair value.

No trigger points have been achieved since the share based payments were awarded.

## 18 Post Balance Sheet Events

On 11th March 2019, the Company disposed of its investment in IMC Exploration Group Plc for £47,000. The investment was valued at £130,000 as at 31 December 2018.

## Glossary of Terms and Definitions

<b>Actual Gearing</b>	Total assets (as below) less all cash divided by shareholders' funds.
<b>Asset Cover</b>	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.
<b>Discount/Premium*</b>	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.
<b>Dividend Cover</b>	Earnings per share divided by dividends per share expressed as a ratio.
<b>Dividend Yield</b>	The annual dividend expressed as a percentage of the share price.
<b>Net Asset Value or NAV*</b>	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.
<b>Ongoing Charges Figure*</b>	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.
<b>Potential Gearing</b>	Total assets (as below) divided by shareholders' funds.
<b>Price/Earnings Ratio</b>	The ratio is calculated by dividing the middle-market price per share by the earnings per share.  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.
<b>Prior Charges</b>	The name given to all borrowings including debentures, loans 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.
<b>Redemption Yield</b>	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.
<b>Total Assets</b>	Total assets less current liabilities (excluding prior charges as defined above).
<b>Total Return*</b>	Total return involves reinvesting the net dividend in the month that the share price goes up. 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.
<b>Volume weighted average price ('VWAP')</b>	The measure of the average price within a time period.

\*These items are considered Alternative Performance Measures (APM's).

# Corporate Information

## Registered Number

8256031

## Registered Office

Hamilton Centre  
Rodney Way  
Chelmsford  
CM1 3BY

## Directors

Simon Farrell (Chairman)  
Haruko Fukuda\*  
David Hutchins  
Jonathan Reynolds ‡

## Secretary and Administrator

Maitland Administration Services (Scotland) Limited  
20 Forth Street  
Edinburgh EH1 3LH  
Tel: 0131 550 3760

## Solicitors

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

## Sponsor and Financial Adviser

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

## Corporate Broker

Peterhouse Capital Limited  
New Liverpool House  
15 Eldon Street  
London  
EC2M 7LD

## 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: **0370 707 1556\*\***  
Shareholder helpline overseas: **+44 0370 707 1556**

## Tax Advisor

Chiene & Tait  
61 Dublin Street  
Edinburgh  
EH3 6NL

## 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](mailto:info@rdplimited.co.uk) or alternatively by visiting the Company's website at [www.grit.london](http://www.grit.london).

## Website

[www.grit.london](http://www.grit.london)

\* Chairman of the Audit Committee.

‡ Appointed on 22 August 2018.

\*\* Calls to this number cost 8p per minute (excluding VAT) plus network extras. Calls from outside the UK will be charged at international rates. Other telephone provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.

## Notes

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**Global Resources  
Investment Trust plc**