Company Registration Number 3740688

# PRIMORUS INVESTMENTS PLC

## REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 31 DECEMBER 2018

# PRIMORUS INVESTMENTS PLC

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# PRIMOROUS INVESTMENTS PLC

## CHAIRMAN'S STATEMENT INCORPORATING THE STRATEGIC REPORT

I am pleased to present the Chairman's Statement and Strategic report for the year ended 31 December 2018.

**Overview**

Primorus Investments plc ("Primorus") has a strong balance sheet with total assets (including cash of £408,000) as at 31 December 2018 amounting to £5.276 million (2017: £5.047 million), and net assets of £5.158 million (2017: £4.950 million).

It has been a successful year for the Company with the addition of several new investments as detailed below. 2018 was dominated by portfolio acquisition, consolidation and rationalisation through the participation in further funding rounds; acquisition of an initial stake in Greatland Gold PLC ("Greatland"); funding of loan notes in Zuuse Pty Ltd ("Zuuse"); the sale of our 10% stake in Horse Hill Developments Limited ("HHDL") and the strong growth seen at Engage Technology Partners Limited ("Engage") and Fresho.

**Highlights for the period were as follows:**

- Disposal of our 10% stake HHDL stake for net gain of approximately £1.1m
- Investment in Greatland of approximately £630,000 to date
- A further investment during 2018 in Engage of £1,000,000
- Funding of loan notes in Zuuse during 2018 of approximately £275,000

Significant progress has also been made elsewhere in our portfolio and we look forward to providing updates as key news develops at TruSpine, Sport80, Fresho, Zuuse, WeShop, Nomad Energy, SOA, and StreamTV.

We regularly meet the CEOs and management of companies which are seeking funds to further their businesses. It is notable the comments we receive on the perceived difficulty in securing funding outside the VC/VCT and private equity universe. Several companies pointed out to us that there is simply a dearth of investors able to participate directly in pre-IPO and private funding rounds and that VC/VCT funding terms are onerous to the point of being unattractive.

It is important for shareholders to understand that whilst we do everything possible to support our existing investments because it is in our interest to do so, we do not have a direct effect on the exact timing of any given IPO and or trade sale. We do however maintain regular dialogue with the companies in question and use the Board's extensive experience in public markets to make a value judgement on when and if a transaction may occur.

**Summary**

As the Chairman of Primorus I would like to begin by thanking shareholders for their continued support. We have achieved a lot in the year including the first of our significant exits, the construction of a better-balanced and growing portfolio of listed and private investments. We have also gone through the year without any need to raise further capital and therefore have issued no new shares. All of this in the face of several difficult macro-economic events and unprecedented political uncertainty in the UK. That being said, and despite significant efforts, I believe none of this has not been reflected in the price of our shares at the time of writing.

The Board and I are well aware of the challenges that face investment companies in terms of gaining recognition for the value of their portfolios. Discounts to net asset values are the norm for UK listed investment companies, however it is my firm belief that the discount to value equation for Primorus is unduly wide. I can reassure shareholders that through a combination of improving market awareness and concluding successful exits we will endeavour to make significant progress towards our goal of growing the balance sheet to £25m in the short to medium term.

## CHAIRMAN'S REPORT INCORPORATING THE STRATEGIC REPORT – CONTINUED

What we have achieved in the past year however should not be understated as it puts us in a much stronger position going forward.

As reflected in the accounts accompanying this report, we managed to achieve a net gain of approximately £1.1m on disposal of our 10% interest in HHDL. This involved several structured deals involving cash and shares in other listed entities that we in turn sold to realise the return. Not only was this complex and multi-stage but the share sales were with hindsight well timed and priced.

As well as being an excellent return on overall investment, the HHDL exit should help demonstrate the ability of the company to realise tangible cash returns on its private investment portfolio. So whilst many of our investments are geared towards an IPO/Post-IPO exit mechanism, as demonstrated by HHDL, there are other ways to realise value from our portfolio.

It is my firm belief that if we can demonstrate a few more successful exits in the coming year then, gains aside, there is a strong case for the overall discount to net asset value of the company to improve and thus by definition the shareprice. This is what we are working towards.

Where we are materially different compared to previous years is that we now have a significant weighting in publicly listed stock and some interest-bearing corporate debt.

We own 37 million shares in Greatland Gold PLC ("Greatland") which has recently announced it is soon to kick off exploration across their projects and this includes the much-anticipated Havieron which now forms part of a Farm-in Agreement with Newcrest Mining (NCZ.AX) ('Newcrest"). We believe Greatland to be an opportunity of the highest order and the flow-through effect of success and newsflow has the potential to be a catalyst for our share price.

We also now hold in Zuuse A$500,000 in loan notes due December 2019 at an attractive rolled up coupon of 12% as well as some options. Zuuse is an international construction payments and lifecycle software vendor with significant operations in the UK, United States and Australia.

Elsewhere as reported recently in our Q1 2019 Report to shareholders our oil and gas portfolio has begun to clear some key hurdles and with respect to SOA Energy we expect there to be news of a drilling campaign on the Ofek Licence in Israel soon.

In our core pre-IPO investment portfolio most of our investee companies continue to make significant progress despite a difficult funding environment for unlisted companies. Our largest overall investment, Engage, has begun sales of its pure SaaS, fully-self serve product range and whilst early days, the spike in sales and billable transactions is very impressive. Fresho has grown its platform substantially and is busy expanding into new markets. They have attracted significant funding and are well financed to execute their business plan over the next 12 months. We have been made an offer to sell our stock but we declined for now.

Other companies such as WeShop, TruSpine and Sport:80 have made excellent progress however there is no doubt the timing to exits have been affected by weak UK equity markets for IPOs and scarce funding for smaller private companies.

We are committed to building up distributable returns such that when appropriate we can either buy our own shares back in the market or pay dividends to shareholders.

So reflecting on the last year and looking forward I am confident that the overall balance of our investments should enhance the potential for profitable returns and with no debt and no foreseeable need to raise capital, we are in a good position to maximise any potential uplifts and exits in our portfolio for existing shareholders.

**Financial Results**

The operating loss for the year was £4,000 (2017: £703,000 loss). The net loss after tax was £4,000 (2017: £947,000 loss). The decrease in the net loss is mainly due to net gains on AFS investments of £913,000 (2017: £41,000).

Total assets including cash at 31 December 2018 amounted to £5.276 million (2017: £5.047 million).

**Outlook**

The Board remains confident that the private and pre-IPO markets remain significantly under-served and as such significant opportunities exist for the Company going forward. We look forward to 2019 being one in which we can further demonstrate our business model by exiting some more of our investment positions, thereby realising tangible value for all shareholders.

We will continue to seek out further investments in line with the Company's investing strategy.

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

Jeremy Taylor-Firth
Chairman
16 May 2019

# PRIMORUS INVESTMENTS PLC

# COMPANY INFORMATION

| | |
|---|---|
| **Directors** | J Taylor-Firth (Non-executive Chairman)<br>A Clayton (Executive director)<br>D Strang (Non-executive director) |
| **Secretary** | D Strang |
| **Registered Office**: | Suite 3B,<br>38 Jermyn Street,<br>London,<br>SW1Y 6DN |
| **Company Registration Number**: | 03740688 |
| **Country of Incorporation**: | United Kingdom |
| **Nominated Adviser** | Cairn Financial Advisers LLP<br>Cheyne House, Crown Court<br>62-63 Cheapside<br>London<br>EC2V 6AX |
| **Broker** | Turner Pope Investments (TPI) Ltd<br>6th Floor, Becket House<br>36 Old Jewry<br>London<br>EC2R 8DD |
| **Auditor** | Chapman Davis LLP<br>2 Chapel Court<br>London<br>SE1 1HH |
| **Bankers** | Barclays Bank plc<br>Corporate Banking<br>One Churchill Place<br>London<br>E14 5HP |
| **Solicitors** | Hill Dickinson LLP<br>The Broadgate Tower<br>20 Primrose Street<br>London<br>EC2A 2EW |
| **Registrars** | Share Registrars Limited<br>Suite E, First Floor<br>9 Lion and Lamb Yard<br>Farnham, Surrey<br>GU9 7LL |

# PRIMORUS INVESTMENTS PLC

# REPORT OF THE DIRECTORS

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2018.

**Principal Activities**
Primorus Investments plc is an investing company with a focus to acquire a diverse portfolio of direct and indirect interests in exploration and producing projects and assets in the natural resources sector in addition to acquisitions in the leisure, corporate services, consultancy and brand licensing sectors. The Company will consider possible opportunities anywhere in the world.

**Results**
The results for the year are set out on page 18 and are stated in UK sterling. The Company made a loss after taxation of £4,000 (2017: loss of £947,000). The Directors do not recommend payment of a dividend (2017: Nil).

**Review of the Business & Future Developments**
A review of the business for the year, and future developments are set out in the Chairman's Statement (incorporating the Strategic Report) on pages 1 to 3.

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

**Going Concern**
The Directors note the losses that the Company has made for the year ended 31 December 2018. The Directors have prepared cash flow forecasts for the period ending 31 May 2020 which take account of the current cost and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

**Events After the Reporting Period**
Events After the Reporting Period are outlined in Note 17 to the Financial Statements.

**Directors' Remuneration and interests**
The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Directors' emoluments and payments made for professional services rendered are set out in Note 4 to the Financial Statements.

All the directors below served during throughout the period unless otherwise stated;

Jeremy Taylor-Firth
Alastair Clayton
Donald Strang

Each of the directors at the date of this report hold fully vested options over ordinary shares. Jeremy Taylor-Firth holds 87 million options, Alastair Clayton holds 162 million options and Donald Strang holds 97 million options (total options held by directors is 346 million). The option details are disclosed in Note 14 to the financial statements.

## REPORT OF THE DIRECTORS

**Substantial Shareholding**
As at 13 May 2019, the Company had been notified of the following substantial shareholdings in the ordinary share capital, over 3%;

| | Number of ordinary shares | % of issued share capital |
|---|---|---|
| JIM Nominees Limited (JARVIS) | 674,809,217 | 24.13% |
| Interactive Investor Services Nominees Limited (SMKTNOMS) | 170,227,459 | 6.09% |
| Share Nominees Limited | 152,073,798 | 5.44% |
| Wealth Nominees Limited | 150,721,619 | 5.39% |
| Hargreaves Lansdown (Nominees) Limited (15942) | 144,860,400 | 5.18% |
| HSDL Nominees Limited | 129,602,878 | 4.63% |
| Interactive Investor Services Nominees Limited (SMKTISAS) | 126,434,326 | 4.52% |
| Lawshare Nominees Limited | 116,005,705 | 4.15% |
| Hargreaves Lansdown (Nominees) Limited (VRA) | 109,308,238 | 3.91% |
| JIM Nominees Limited (ISA) | 105,371,808 | 3.77% |
| Hargreaves Lansdown (Nominees) Limited (HLNOM) | 86,810,547 | 3.10% |

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

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days purchases represented by year end payables is therefore not meaningful.

**Charitable Contributions**
During the year the Company made charitable donations amounting to Nil (2017- Nil).

**Directors' Indemnities**
The Company has put in place qualifying third party indemnity provisions for all of the directors of the Company which was in force at the date of approval of this report..

**Principal risks and uncertainties**
The principal risks and uncertainties facing the are detailed within the Corporate Governance section of this report.

**Auditors**
Chapman Davis LLP as auditor have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the AGM.

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

By Order of the Board

Donald Strang
Director
16 May 2019

# PRIMORUS INVESTMENTS PLC

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements under IFRS as adopted by the EU and applicable law. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors are aware:

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

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

# PRIMORUS INVESTMENTS PLC

# CORPORATE GOVERNANCE STATEMENT

**Changes to corporate governance regime**

The board of Primorus Investments Plc are committed to the principles of good corporate governance and believe in the importance and value of robust corporate governance and in our accountability to our shareholders and stakeholders.

The AIM Rules for companies, updated in early 2018, required AIM companies to apply a recognised corporate governance code from 28 September 2018. Primorus has chosen to adhere to the Quoted Company Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code") and listed below are the 10 broad principles of the QCA Code and the Company's disclosure with respect to each point.

**THE PRINCIPLES OF THE QCA CODE**

1. **Principle One**

*Business Model and Strategy*

The Board has concluded that the highest medium and long term value can be delivered to its shareholders by the adoption of an investing strategy for the Company. Primorus Investments plc is an investing company with a focus to acquire a diverse portfolio of direct and indirect interests in exploration and producing projects and assets in the natural resources sector in addition to acquisitions in the leisure, corporate services, consultancy and brand licensing sectors. The Company will consider possible opportunities anywhere in the world.

2. **Principle Two**

*Understanding Shareholder Needs and Expectations*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, www.primorusinvestments.com, and via Alastair Clayton, Executive Director, who is available to answer investor relations enquiries.

3. **Principle Three**

*Considering wider stakeholder and social responsibilities*

The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and it's investee companies and stakeholders. The Board is therefore charged with the responsibility to ensure that there is as close as practicable oversight and contact with its key investee companies and shareholder relationships. Furthermore the Board considers the wider impacts of any investee company in terms of their social and environmental impacts.

4. **Principle Four**

*Risk Management*

In addition to its other roles and responsibilities, the Audit is responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out those risks, and identifies their ownership and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit and Compliance Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The following principal risks and controls to mitigate them, have been identified:

# Corporate Governance Statement

| Activity | Risk | Impact | Control(s) |
|---|---|---|---|
| **Financial** | Liquidity, market and credit risk.<br>Inappropriate controls and accounting policies. | Inability to continue as going concern.<br>Reduction in asset values.<br>Incorrect reporting of assets. | Robust capital management policies and procedures.<br>The board agrees and signs off all annual reports which detail accounting policies.<br>Due to size of the company – the board discusses and agrees all payments over £25,000.<br>Audit Committee. |
| **Regulatory adherence** | Breach of rules. | Censure. | Strong compliance regime instilled at all levels of the Company. |
| **Strategic** | Damage to reputation.<br>Inadequate disaster recovery procedures. | Inability to secure new capital or investments.<br>Loss of key operational and financial data. | Effective communications with shareholders coupled with consistent messaging to potential investees.<br>Robust compliance.<br>Off-site storage of data. |
| **Management** | Recruitment and retention of key people. | Reduction in operating capability. | Stimulating and safe working environment.<br>Balancing salary with longer term incentive plans. |

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the Executive Director, Alastair Clayton. However, the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the Company financial controller and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

5. **Principle Five**

*A Well Functioning Board of Directors*

As at the date hereof the Board comprised: the Executive Director Alastair Clayton, a Non-Executive Chairman, Jeremy Taylor-Firth and a Non-executive Director, Donald Strang. Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals of no more than 3 years. The Executive Director is considered to be a full time employee whilst the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required. The Board elects a Chairman to chair every meeting.

The Board meets formally at least 3 times per annum but regular contact is maintained so that all directors are informed of relevant developments and are able to have discussions whenever required. It has established an Audit Committee and a Remuneration Committee, particulars of which appear hereafter. The Board has agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee. Both Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required. The Board considers that this is appropriate given the Company's current stage of operations. It shall continue to monitor the need to match resources to its operational performance and costs and the matter will be kept under review going forward.

Jeremy Taylor-Firth is considered by the Board to be an Independent Director. The Board notes that the QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. As it has only one independent non-executive director, the Board does not currently fully comply with this requirement and will consider making further appointments as the scale and complexity of the Company grows, which is expected to be when the Company achieves a market capitalisation of over £10 million.

*Attendance at Board and Committee Meetings*

The Company shall report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. To date in the current financial year the Directors have a 100% record of attendance at such meetings. In order to be efficient, the Directors meet formally and informally both in person and by telephone. To date there have been at least quarterly formal meetings of the Board, and the volume and frequency of such meetings is expected to continue at this rate.

6. **Principle Six**

*Appropriate Skills and Experience of the Directors*

The Board currently consists of three Directors. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets.

The Board recognises that it currently has a limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal. Currently each of the board are involved in financial markets and increase their awareness and skills via reading and participation in commercial transactions from time to time.

## Corporate Governance Statement

**Mr Jeremy Taylor-Firth**
*Chairman and Independent Non-Executive Director*
Jeremy has 20 years of experience in investment management. In June 2006 he joined Singer & Friedlander Investment Management as an Investment Director. This business was then acquired by Williams de Broe where he worked until October 2010. Jeremy is currently an Investment Manager with Hanson Asset Management, where he has worked for the last 4 years.

In the above capacities Jeremy has gained extensive knowledge of portfolio management, investment management, investment assessment, risk assessment and suitability as well as developed a deep understanding of private and public markets for investments in equities and debt. Furthermore Jeremy has developed an extensive network of investment professionals and market participants.

**Mr Alastair Clayton**
*Executive Director*
Alastair has over 20 years' experience in identifying, financing mineral, energy and technology businesses in Australia, the USA, Europe, Africa and Asia. A qualified geologist, Alastair also has a Graduate Diploma in Finance and Economics and maintains a broad network of Equity Provider and Private Equity relationships in Europe, Asia and the US.

**Mr Donald Strang**
*Non-Executive Director*
Donald is a member of the Australian Institute of Chartered Accountants and has been in business for over 20 years, holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. He has considerable corporate and international expertise and over the past decade has focussed on mining and exploration activities. He is currently a director of various AIM companies.

7. **Principle Seven**
*Evaluation of Board Performance*
Internal evaluation of the Board, the Committee and individual Directors is undertaken on an annual basis in the form of informal discussions.

The annual report details the progress which the board and company has made for the year.

No succession planning is deemed necessary at this point due to the small size of the company.

Each director is also assessed by shareholders on a three year rotation basis at AGM when their re-appointment is due.

8. **Principle Eight**
*Corporate Culture*
The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities are centred upon what needs to be an open and respectful dialogue with investee companies and investors and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

9. **Principle Nine**

*Maintenance of Governance Structures and Processes*

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Executive Director arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Executive Director.

*Audit Committee*

The Audit Committee comprises Jeremy Taylor-Firth (Chairman) and Donald Strang. This committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee will endeavour to meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

*Remuneration Committee*

The Remuneration Committee comprises Donald Strang (Chairman) and Alastair Clayton. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

*Nominations Committee*

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

*Non-Executive Directors*

The Board has appointed 2 Non-Executive Directors.

Due to the small size of the Company, it is deemed not necessary to appoint further non-executive directors until the Company's market capitalisation is over £10m.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement. There are no plans at this stage to increase the governance framework until the company achieves minimum £10m market capitalisation.

# Corporate Governance Statement

10. **Principle Ten**

*Shareholder Communication*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company though its website, www.primorusinvestments.com, and via Alastair Clayton, Executive Director, who is available to answer investor relations enquiries. The Company will endeavour, subject to the necessary formalities, to move to electronic communications with shareholders in order to maximise efficiency. The company's website details various information: annual reports, AGM notice of meetings and RNS announcements detailing results of meetings and other relevant information.

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees. There are no specific items to be noted for the current year.

# PRIMORUS INVESTMENTS PLC

# REPORT OF THE AUDITOR

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMORUS INVESTMENTS PLC**

**OPINION**

We have audited the financial statements of Primorus Investments Plc (the 'Company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 the Company's loss for the year then ended;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMORUS INVESTMENTS PLC - CONTINUED**

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit. Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

We have determined the matters described below to be the key audit matters to be communicated in our report.

*CARRYING VALUE OF AVAILABLE FOR SALE INVESTMENTS*

The Company's Available for Sale Investment assets ('AFS assets') represent the most significant asset on its statement of financial position totalling £4.8m as at 31 December 2018, of which unlisted investments represented £3.9m of the total AFS assets.

The carrying value of AFS assets represents significant assets of the Company and assessing whether facts or circumstances exist to suggest that impairment indicators were present, and if present, whether the carrying amount of these asset may exceed its recoverable amount was considered key to the audit. This assessment involves significant judgement applied by management to the Company's unlisted investments.

We considered it necessary to assess whether facts and circumstances existed to suggest that impairment indicators were present, and if present, whether the carrying amount of these assets may exceed its recoverable amount.

*How the Matter was addressed in the Audit*

The procedures included, but were not limited to, assessing and evaluating management's assessment of whether any impairment indicators have been identified across the Company's AFS assets, the indicators being:

- Expiring, or imminently expiring, rights to licences or assets held by the investee Companies
- A lack of flow of information in regards to the investee companies exploration activities and/or production, trading or strategic advancement.
- Discontinuation of, or a plan to discontinue, exploration activities in the areas, or cessation or delays in trading of interest by the Investee Companies.
- Sufficient data exists to suggest carrying value of exploration and evaluation assets is unlikely be recovered in full through successful development or sale by the Investee Companies.
- Updates on trading activities by Investee Companies.

We also reviewed Stock Exchange RNS announcements and Board meeting minutes for the year and subsequent to year end for activity to identify any indicators of impairment.We also assessed the disclosures included in the financial statements.

**Materiality**

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified. Based on professional judgement, we determined overall materiality for the financial statements as a whole to be £79,000, based on a 1.5% percentage consideration of the Company's total assets.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMORUS INVESTMENTS PLC - CONTINUED**

**OTHER INFORMATION**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

**RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) or ISA IAASB will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**USE OF OUR REPORT**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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.

Rowan Palmer
(Senior Statutory Auditor)
For and on behalf of Chapman Davis LLP, Statutory Auditor
London
Chapman Davis LLP is a limited liability partnership registered in England and Wales (with registered number OC306037).

16 May 2019

# STATEMENT OF COMPREHENSIVE INCOME
# YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Revenue** | | | |
| Investment income | 2 | 7 | - |
| Realised gain on disposal of AFS investments | 2 | 985 | 12 |
| Unrealised gain on market value movement of AFS investments | 2 | (79) | 29 |
| **Total gains on AFS investments** | | 913 | 41 |
| Impairment provision on AFS investments | 8 | (100) | - |
| Share based payments | | (212) | (311) |
| Administrative costs | | (605) | (433) |
| **Operating (loss)** | 3 | (4) | (703) |
| Share of (loss) of associate | 7 | - | (45) |
| Net (loss) on disposal of associate | 7 | - | (199) |
| **(Loss) before tax** | | (4) | (947) |
| Taxation | 5 | - | - |
| **(Loss) for the year attributable to equity holders of the company** | | (4) | (947) |
| **(Loss) per Share** | | | |
| Basic and diluted (loss) per share (pence) | 6 | (0.0001) | (0.0543) |

There are no other recognised gains or losses for the year.

The Accounting Policies and Notes form an integral part of these Financial Statements.

# PRIMORUS INVESTMENTS PLC

# STATEMENT OF FINANCIAL POSITION
# AT 31 DECEMBER 2018

| ASSETS | Notes | 2018 £000 | 2018 £000 | 2017 £000 | 2017 £000 |
|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | |
| Investment in Associate | 7 | - | | - | |
| Available for Sale Investments | 8 | 4,779 | | 3,761 | |
| | | | 4,779 | | 3,761 |
| **Current Assets** | | | | | |
| Trade and other receivables | 9 | 89 | | 725 | |
| Cash and cash equivalents | 10 | 408 | | 561 | |
| | | | 497 | | 1,286 |
| **Total Assets** | | | 5,276 | | 5,047 |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 11 | (118) | | (97) | |
| **Total Liabilities** | | | (118) | | (97) |
| **Net Assets** | | | 5,158 | | 4,950 |
| **EQUITY** | | | | | |
| **Equity Attributable to Equity Holders of the Company** | | | | | |
| Share capital | 13 | 15,391 | | 15,391 | |
| Share premium account | | 35,296 | | 35,296 | |
| Share based payment reserve | | 683 | | 471 | |
| Retained earnings | | (46,212) | | (46,208) | |
| **Total Equity** | | | 5,158 | | 4,950 |

These Financial Statements were approved by the Board of Directors and authorised for issue on 16 May 2019.

Donald Strang
Director

Alastair Clayton
Director

The Accounting Policies and Notes form an integral part of these Financial Statements.

# PRIMOROUS INVESTMENTS PLC

# STATEMENT OF CHANGES IN EQUITY
# AT 31 DECEMBER 2018

| | Share capital | Share premium | Share based payment reserve | Retained earnings | Total attributable to owners of the Company |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance at 31 December 2016** | 15,223 | 32,205 | 160 | (45,261) | 2,327 |
| Loss for the year | - | - | - | (947) | (947) |
| Total comprehensive income for the year | - | - | - | (947) | (947) |
| Shares issued | 168 | 3,219 | - | - | 3,387 |
| Share Issue costs | - | (128) | - | - | (128) |
| Share options issued | - | - | 311 | - | 311 |
| Transactions with owners of the company | 168 | 3,091 | 311 | - | 3,570 |
| **Balance at 31 December 2017** | 15,391 | 35,296 | 471 | (46,208) | 4,950 |
| Loss for the year | - | - | - | (4) | (4) |
| Total comprehensive income for the year | - | - | - | (4) | (4) |
| Share options issued | - | - | 212 | - | 212 |
| Transactions with owners of the company | - | - | 212 | - | 212 |
| **Balance at 31 December 2018** | 15,391 | 35,296 | 683 | (46,212) | 5,158 |

## PRIMORUS INVESTMENTS PLC

## STATEMENT OF CASH FLOWS
## YEAR ENDED 31 DECEMBER 2018

| | 2018<br>£000 | 2018<br>£000 | 2017<br>£000 | 2017<br>£000 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| | | | | |
| Operating Loss | | (4) | | (703) |
| Adjustments for: | | | | |
| Share based payment charge | 212 | | 311 | |
| Impairment provision | 100 | | - | |
| Change in trade and other receivables | (47) | | (26) | |
| Change in trade and other payables | 21 | | 59 | |
| Change in AFS Investments | (175) | | (2,530) | |
| Taxation (paid) | - | | - | |
| | | 107 | | (2,186) |
| **Net Cash used in Operating Activities** | | 107 | | (2,889) |
| | | | | |
| **Cash Flows from Investing Activities** | | | | |
| Loan advanced to associate | - | | (5) | |
| Loan advanced to related party | (260) | | (25) | |
| **Net Cash used in Investing Activities** | | (260) | | (30) |
| | | | | |
| **Cash Flows from Financing Activities** | | | | |
| Proceeds from share issues | - | | 3,387 | |
| Share issue costs | - | | (128) | |
| **Net Cash in generated from Financing Activities** | | - | | 3,259 |
| | | | | |
| **Net Change in Cash and Cash Equivalents** | | (153) | | 340 |
| | | | | |
| **Cash and Cash Equivalents at beginning of period** | | 561 | | 221 |
| | | | | |
| **Cash and Cash Equivalents at end of period** | | 408 | | 561 |

# NOTES TO THE FINANCIAL STATEMENTS
# YEAR ENDED 31 DECEMBER 2018

1. **Accounting Policies**

**Basis of Preparation**

Primorus Investments Plc is a company incorporated in the United Kingdom. The Company's shares are listed on the AIM market of the London Stock Exchange, and on the NEX Exchange Growth Market as operated by NEX Exchange Limited (“NEX”).

The Financial Statements are for the year ended 31 December 2018 and have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 16 May 2019 and signed on their behalf by Donald Strang and Alastair Clayton.

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

**Investing Policy**
The Company’s investing policy is to acquire a diverse portfolio of direct and indirect interests in exploration and producing projects and assets in the natural resources sector in addition to acquisition(s) in the leisure, corporate services, consultancy and brand licensing sectors. The Company will consider possible opportunities anywhere in the world.

The Directors have considerable experience investing, both in structuring and executing deals and in raising funds. The Directors will use this experience to identify and investigate investment opportunities, and to negotiate acquisitions. Wherever necessary the Company will engage suitably qualified technical personnel to carry out specialist due diligence prior to making an acquisition or an investment.

The Company may invest by way of outright acquisition or by the acquisition of assets, including the intellectual property, of a relevant business, or by entering into partnerships or joint venture arrangements. Such investments may result in the Company acquiring the whole or part of a company or project (which in the case of an investment in a company may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the company or project in question.

The Company may be both an active and a passive investor depending on the nature of the individual investments in its portfolio. Although the Company intends to be a long-term investor, the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

The Directors may offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company’s cash for working capital and as a reserve against unforeseen contingencies including by way of example, and without limitation, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may in appropriate circumstances issue debt securities or otherwise borrow money to complete an investment. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the Ordinary Shares.

There are no restrictions in the type of investment that the Company might make nor on the type of opportunity that may be considered other than set out in this Investing policy.

In addition, the Directors may consider from time to time other means of facilitating returns to Shareholders including dividends, share repurchases, demergers, and schemes of arrangements or liquidation.

# NOTES TO THE FINANCIAL STATEMENTS
# YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

**1. Accounting Policies (continued)**

**Going Concern**
The Directors noted the losses that the Company has made for the Year Ended 31 December 2018. The Directors have prepared cash flow forecasts for the period ending 31 May 2020 which take account of the current cost and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Company remains a going concern. At 31 December 2018 the Company had cash and cash equivalents of £408,000 and no borrowings. The Company has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

**New standards, amendments and interpretations adopted by the Company**

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2018 are not material to the Company.

**New standards, amendments and interpretations not yet adopted**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

- IFRS 17 Insurance Contracts (effective date 1 January 2021).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**1. Accounting Policies (continued)**

**Sources of Estimation and Key Judgements**

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

**Revenue**

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

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at, available-for-sale securities, held-to-maturity investments and loans and receivables is calculated using the effective interest method is recognised in the statement of profit or loss as part of investment or other income.

**Finance Income and Costs**

Finance income and costs are reported on an accruals basis.

**Taxation**

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

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

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

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

**1. Accounting Policies (continued)**

**Foreign Currencies**

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

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

**Equity**

Equity comprises the following:

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

**1. Accounting Policies (continued)**

**Financial Assets**

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

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

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

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

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include listed and unlisted securities. These available-for-sale financial assets are measured at fair value. Gains and losses are recognised in the income statment and reported within revenue, except for impairment losses and foreign exchange differences, which are recognised separately within the income statement. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss is recognised in the income statement.

**Financial Liabilities**

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

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

**1. Accounting Policies (continued)**

**Cash and Cash Equivalents**

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

**Share-Based Payments**

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

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

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

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

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

## 2. Segment Reporting & Revenue

The Company is now operating as a single UK based segment with a single primary activity to invest in businesses so as to generate a return for the shareholders. The revenue from this segment, generated from sale of investments, was £985,000 (2017 - £12,000). The non-current assets of the segment is £4,779,000 (2017 - £3,761,000).

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Revenue** | | |
| Investment income – interest received on loan notes | 7 | - |
| Realised gain on disposal of AFS investments | 985 | 12 |
| Unrealised gain on market value movement of AFS investments | (79) | 29 |
| | 913 | 41 |

## 3. Operating Activities and Auditor's Remuneration

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Included within results from operating activities are the following: | | |
| Operating lease rentals - land and buildings | 35 | 10 |
| Auditor's remuneration: | | |
| Audit services: | | |
| - Company statutory audit | 10 | 10 |
| Non-audit services: | | |
| - Taxation compliance | - | - |

## 4. Information Regarding Directors and Employees

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Employment costs, including Directors, during the year:** | | |
| Wages and salaries | 336 | 190 |
| Share based payments | - | 311 |
| | 336 | 501 |
| **Average number of persons, including Directors employed** | **No.** | **No.** |
| Administration | 4 | 4 |
| | 4 | 4 |
| **Directors' remuneration** | **£000** | **£000** |
| Emoluments | 320 | 489 |

The Company operates only the basic pension plan required under UK legislation, contributions thereto during the year amounted to £nil (2017: £15).

## 4. Information Regarding Directors and Employees (continued)

**Emoluments of the Individual Directors**

| | Fees and salaries | Share based payments (non-cash) | Total |
|---|---|---|---|
| **2018** | **£000** | **£000** | **£000** |
| A Clayton | 200 | 106 | 306 |
| J Taylor Firth | 60 | 106 | 166 |
| D Strang | 60 | - | 60 |
| | **320** | **212** | **532** |
| | | | |
| **2017** | **£000** | **£000** | **£000** |
| A Clayton | 112 | 156 | 268 |
| J Taylor Firth | 42 | - | 42 |
| D Strang | 24 | 155 | 179 |
| | **178** | **311** | **489** |

Directors' interest in share options is set out in Note 14.

**Key Management Personnel**

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

## 5. Income Tax (Credit)/Expense

The relationship between the expected tax (credit)/expense based on the effective tax rate of the Company at 19% (2017 – 19/20%) and the tax (credit)/expense actually recognised in the income statement can be reconciled as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Loss for the year before tax | (4) | (947) |
| Tax rate | 19% | 19/20% |
| Expected tax credit | (1) | (182) |
| | | |
| Expenses not deductible for tax purposes | 41 | 68 |
| Deferred tax asset not recognised | - | 114 |
| Set off against tax losses | (40) | - |
| | | |
| Actual tax expense | - | - |

**Deferred Tax**

The amount of approximate unused tax losses for which no deferred tax asset is recognised in the statement of financial position is £1,759,000 (2017 - £1,973,000).

# NOTES TO THE FINANCIAL STATEMENTS
# YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 6. Loss per Share

| | | Weighted average No. of shares | Basic per share amount |
|---|---|---|---|
| **2018** | **£000** | | **(pence)** |
| Loss after tax | (4) | | |
| Earnings attributable to ordinary shareholders | (4) | | |
| Weighted average number of shares | | 2,796,619,344 | |
| **Total basic and diluted loss per share** | | | (0.0001) |
| **2017** | **£000** | | **(pence)** |
| Loss after tax | (947) | | |
| Earnings attributable to ordinary shareholders | (947) | | |
| Weighted average number of shares | | 1,743,253,998 | |
| **Total basic and diluted loss per share** | | | (0.0543) |

## 7. Investment in associate

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Investment in associate | - | - |

| | 2018<br>£’000 | 2017<br>£’000 |
|---|---|---|
| Carrying amount at 1 January | - | 155 |
| Share of associate loss | - | (45) |
| Value at disposal of associate | - | (110) |
| Carrying amount at 31 December | - | - |

On 1 December 2017, the Company completed the sale of its entire 49% interest in Gold Mines of Wales Limited to Alba Mineral Resources PLC ("Alba") for a total consideration of 83,333,333 shares in Alba. Alba's closing share price on December 1 2017 was 0.38p, these shares had a market value of approximately £316,667 and represented 3.6% of the enlarged issued capital in Alba at that date.. These shares were subject to a six month orderly market agreement and were issued immediately upon completion of the sale.

| **Disposal of Associate** | **£’000** |
|---|---|
| Sale Proceeds | 316 |
| Value of loan to associate satisfied on disposal | (405) |
| Value of associate at disposal | (110) |
| (Loss) on disposal of associate | (199) |

## 8. Available for Sale Investments

| | 2018 | 2017 |
|---|---|---|
| **Investment in listed and unlisted securities** | **£000** | **£000** |
| Valuation at beginning of the period | 3,761 | 915 |
| Additions at cost | 3,621 | 3,052 |
| Disposal proceeds | (4,332) | (247) |
| Investee loan "sold" included within equity sale | 943 | - |
| Gains on disposals | 985 | 12 |
| (Loss) / gain on Market value revaluation | (79) | 29 |
| Impairment in value of unlisted investment | (100) | - |
| Foreign exchange loss | (20) | - |
| Valuation at the end of the period | **4,779** | **3,761** |
| **The available for sale investments splits are as below:** | | |
| Non-current assets – listed | 902 | 466 |
| Non-current assets – unlisted | 3,872 | 3,295 |
| | **4,779** | **3,761** |

The Directors have reviewed the carrying value of the unlisted investments, and have considered an impairment of £100,000 against the Company's investment in Farina Investments (UK) Limited is appropriate on the basis of Farina Investments (UK) Limited's current difficult trading position.

For the year ended 31 December 2017, an impairment of £nil against the Company's investment.

Available-for-sale investments comprise both listed and unlisted investments. The listed investments are traded on stock markets throughout the world, and are held by the Company as a mix of strategic and short term investments.

## 9. Trade and Other Receivables

| **Current trade and other receivables** | **2018** | **2017** |
|---|---|---|
| | **£000** | **£000** |
| Trade receivables | - | - |
| Other receivables | 30 | 24 |
| Due from related party (see Note 16) | - | 683 |
| Prepayments and accrued income | 59 | 18 |
| | 89 | 725 |

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

**10. Cash at Bank and Cash Equivalents**

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Cash at Bank | 408 | 561 |

**11. Trade and Other Payables**

| Current trade other payables | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Trade payables | 19 | 44 |
| Taxation and social security | 15 | 13 |
| Accruals and deferred income | 84 | 40 |
| | 118 | 97 |

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

**12. Risk Management Objectives and Policies**

**Financial assets by category**

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

| Current assets | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Loans and receivables | 30 | 725 |
| Cash | 408 | 561 |
| | 438 | 1,268 |

**Financial Liabilities by Category**

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

**Current liabilities**

| | | |
|---|---|---|
| Financial liabilities measured at amortised cost | 118 | 97 |

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

**12. Risk Management Objectives and Policies (continued)**

**Interest rate sensitivity**

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

**Credit risk analysis**

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

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

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

**Liquidity risk analysis**

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

**Capital Management Policies**

The Company's capital management objectives are:

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

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

**13. Share Capital**

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Allotted, issued and fully paid** | | |
| 2,796,619,344 ordinary shares of 0.01p each (2017 – 2,796,619,344 of 0.01p each) | 279 | 279 |
| 28,976,581 deferred shares of 45p each (2017 – 28,976,581) | 13,040 | 13,040 |
| 28,976,581 A deferred shares of 4p each (2017- 28,976,581) | 1,159 | 1,159 |
| 92,230,985 B deferred shares of 0.99p each (2017- 92,230,985) | 913 | 913 |
| | 15,391 | 15,391 |

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

| | Ordinary Shares Number | Nominal Value £'000 |
|---|---|---|
| **Ordinary shares of 0.01p each** | | |
| **As at 31 December 2016** | 1,110,549,167 | 111 |
| 2 March 2017 – Placing for cash at 0.15p per share | 158,000,000 | 16 |
| 7 July 2017 – Placing for cash at 0.15p per share | 333,333,334 | 33 |
| 2 August 2017 – Placing for cash at 0.15p per share | 694,736,843 | 69 |
| 23 November 2017 – Placing for cash at 0.20p per share | 500,000,000 | 50 |
| **As at 31 December 2017** | 2,796,619,344 | 279 |
| No issue of shares during the period | - | - |
| **As at 31 December 2018** | 2,796,619,344 | 279 |

Details of the share options and warrants the Company has in issue are disclosed in Note 14.

**14. Share-based payments**

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

| | At 1 January 2018 No. | Issued during the year No. | Exercised or expired during the year No. | At 31 December 2018 No. | Exercise price £ | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|
| **Share options** | | | | | | | |
| D. Strang | 10,000,000 | - | - | 10,000,000 | 0.004 | 14/11/2013 | 14/11/2023 |
| D. Strang | 12,000,000 | - | - | 12,000,000 | 0.003 | 30/11/2015 | 31/12/2020 |
| A Clayton | 12,000,000 | - | - | 12,000,000 | 0.003 | 30/11/2015 | 31/12/2020 |
| J Taylor-Firth | 12,000,000 | - | - | 12,000,000 | 0.003 | 30/11/2015 | 31/12/2020 |
| Consultants | 10,000,000 | - | - | 10,000,000 | 0.004 | 14/11/2013 | 14/11/2023 |
| D Strang | 75,000,000 | | - | 75,000,000 | 0.003 | 03/08/2017 | 03/08/2022 |
| A Clayton | 75,000,000 | | - | 75,000,000 | 0.003 | 03/08/2017 | 03/08/2022 |
| A Clayton | - | 75,000,000 | - | 75,000,000 | 0.003 | 09/01/2018 | 09/01/2025 |
| J Taylor-Firth | - | 75,000,000 | - | 75,000,000 | 0.003 | 09/01/2018 | 09/01/2025 |
| | 206,000,000 | 150,000,000 | - | 356,000,000 | | | |
| **Warrants** | | | | | | | |
| Various | 4,075,000 | - | 4,075,000 | - | 0.004 | 29/10/2013 | 14/11/2018 |
| | 4,075,000 | - | 4,075,000 | - | | | |

The share price range during the year was £0.0020 to £0.00095 (2017 - £0.00075 to £0.0036).

| The weighted average values of options are as follows: | **2018** | **2017** |
|---|---|---|
| Weighted average exercise price of options granted | 0.30p | 0.30p |
| Weighted average exercise price of options exercisable at the end of the year | 0.30p | 0.31p |
| Weighted average option life remaining | 4.53 years | 4.43 years |

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

| | Risk free rate | Share price volatility | Expected life | Share price at date of grant |
|---|---|---|---|---|
| 9 January 2018 | 1.10% | 102.63% | 7.00 years | £0.0018 |

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

# NOTES TO THE FINANCIAL STATEMENTS
# YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

**14. Share-based payments (continued)**

The Company recognised total expenses of £212,000 (2017: £311,000) relating to equity-settled share-based payment transactions during the year, and £nil was transferred via equity to retained earnings on the exercise of nil options (2017: nil options) during the year (2017: £nil).

During the year, 4.075m warrants expired (2017: nil).

**15. Capital Commitments**

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2018. No provision has been made in the financial statements for any amounts in relation to any capital expenditure requirements of the Company's associate or investments, and such costs are expected to be fulfilled in the normal course of the operations of the Company.

**16. Related Party Transactions**

The Company had the following amounts outstanding from its investee companies (Note 9) at 31 December:

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Horse Hill Development Ltd ("Horse Hill") | - | 683 |

The above loan outstanding was included within trade and other receivables, Note 9. The loan to Horse Hill has been made in accordance with the terms of the investment agreement whereby it accrues interest daily at the Bank of England base rate and is repayable out of future cashflows.

During the year, the Company sold its full investment in Horse Hill, and included therin was the novation of the loan to the purchaser. The Company received £150,001 in cash compensation for the loan balance of £943,000 at the date of novation. The effective loss on the transfer of the loan has been included within the net calculation of the realised gain on sale of the equity investment.

**Key Management Personnel**

The key management personnel are considered to be the Directors. There remuneration is included in Note 4 to the accounts. There is no other management compensation to be disclosed.

**17. Events after the end of the reporting period**

There are no events after the end of the reporting period to disclose.

**18. Ultimate Controlling Party**

There is not considered to be an ultimate controlling party of the company.